Stora Enso
Interim Report

January–March 2021

Q1

THE RENEWABLE MATERIALS COMPANY

storaenso

Back on track

Improving performance and market conditions

Q1/2021 (compared with Q1/2020)

- Sales increased by 3.1% to EUR 2 276 (2 207) million, due to higher deliveries and prices. Sales excluding Paper increased by 14.3%.
- Operational EBIT increased to EUR 328 (180) million, due to lower costs. Operational EBIT excluding Paper increased to EUR 362 (158) million driven mainly by higher sales prices. Forest asset sales gain increased operational EBIT by EUR 74 million.
- Operational EBIT margin increased to 14.4% (8.1%). Excluding Paper, the operational EBIT margin was 19.4% (9.7%).
- Items affecting comparability (IAC) amounted to EUR -126 (-12) million, mainly related to asset impairments in the Paper division.
- Operating profit (IFRS) decreased to EUR 161 (262) million.
- EPS was EUR 0.18 (0.19) and EPS excl. fair valuations (FV) was EUR 0.22 (0.11).
- Cash flow from operations amounted to EUR 185 (146) million. Cash flow after investing activities was EUR -9 (-32) million.
- The net debt to operational EBITDA ratio at 2.3 (2.3) was above the target level of less than 2.0.
- Operational ROCE excluding Forest division increased to 12.0% (7.8%), and was slightly below the long-term target of more than 13%.

Strategy implementation update

- Stora Enso is planning to permanently close down pulp and paper production at Kvarnsveden and Veitsiluoto mills, as announced on 20 April.
- TreeToTextile, a joint venture where Stora Enso holds a 25% share, invests EUR 35 million in a demonstration plant for sustainable textile fiber.
- Dissolving pulp production at Enocell Mill will be discontinued during 2021, and the mill will be producing other pulp grades.
- The conversion project at Oulu Mill was completed and production of kraftliner is in a ramp-up phase.
- The US-based Virdia operations were shut down in Q1/2021.
- A feasibility study is ongoing regarding a possible expansion of the pulp and board production at Skoghall Mill in Sweden.

Preventive Covid-19 actions

Protecting employees and contractors health and safety during the pandemic has been Stora Enso's key priority. By being proactive and having extensive measures in place, the Group has also been able to continue operations and serve customers with minimal disruptions.

Outlook

The global economy is recovering from the impacts of the pandemic and the demand for Stora Enso's products, except for graphic paper, is healthy. Operational EBIT in 2021 is expected to be higher than the 2020 operational EBIT as guided earlier.

Stora Enso will conclude its EUR 400 million profit protection programme by the end of Q2/2021, two quarters ahead of the plan. The accumulated continuous and total savings from the beginning of the programme until Q1/2021 amount to EUR 360 million and EUR 460 million, respectively. Continuous savings of EUR 50 million were achieved in Q1/2021. Remaining targeted savings are expected to be reached by the end of Q2/2021.

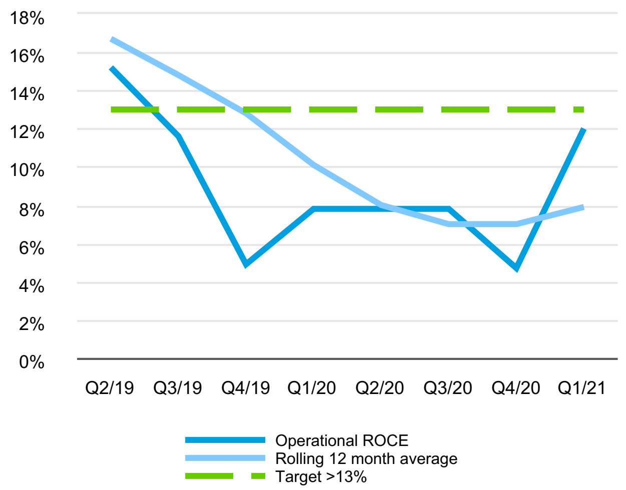
The Oulu Mill conversion is estimated to have approximately EUR 10–15 million negative impact on the Packaging Materials Q2/2021 operational EBIT. For 2021, the total negative impact on operational EBIT is forecasted to be approximately EUR 40–50 million. The previous estimate was EUR 45–55 million. The mill is planned to reach designed capacity by the end of Q2/2021 and the commercialisation of product portfolio by the end of 2021. The forecast to reach operational EBITDA break-even is now in Q3/2021, thanks to successful ramp-up and good market conditions. Previously it was estimated to be in Q1/2022.

Total maintenance impact

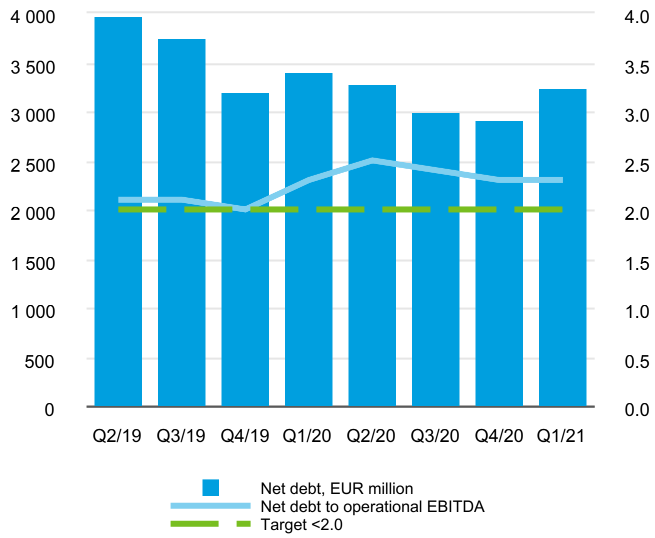
EUR million	Q2/2021[1]	Q1/2021	Q4/2020	Q3/2020	Q2/2020	Q1/2020
Total maintenance impact	**112**	**105**	**161**	**159**	**110**	**98**

[1] Estimated

Operational ROCE excl. Forest division



Net debt to operational EBITDA



Key figures

EUR million	Q1/21	Q1/20	Change % Q1/21-Q1/20	Q4/20	Change % Q1/21-Q4/20	2020
Sales	2 276	2 207	3.1%	2 154	5.7%	8 553
Operational EBITDA	488	335	45.8%	274	78.3%	1 270
Operational EBITDA margin	21.4%	15.2%		12.7%		14.9%
Operational EBIT	328	180	82.4%	118	178.7%	650
Operational EBIT margin	14.4%	8.1%		5.5%		7.6%
Operating profit (IFRS)	161	262	-38.5%	289	-44.3%	922
Profit before tax excl. IAC and FV	292	126	131.3%	88	232.5%	501
Profit before tax (IFRS)	125	209	-39.8%	260	-51.7%	773
Net profit for the period (IFRS)	145	149	-2.5%	237	-38.8%	617
Cash flow from operations	185	146	27.0%	436	-57.5%	1 344
Cash flow after investing activities	-9	-32	72.4%	223	-103.9%	680
Capital expenditure	124	84	47.3%	303	-58.9%	687
Capital expenditure excluding investments in biological assets	111	72	55.2%	287	-61.2%	628
Depreciation and impairment charges excl. IAC	139	138	0.4%	136	1.8%	544
Net interest-bearing liabilities	3 236	3 399	-4.8%	2 921	10.8%	2 921
Forest assets[5]	7 179	5 111	40.5%	7 314	-1.8%	7 314
Operational return on capital employed (ROCE), %	11.1%	6.8%		4.3%		5.8%
Operational ROCE excl. Forest division[4]	12.0%	7.8%		4.7%		7.0%
Earnings per share (EPS) excl. FV[3], EUR	0.22	0.11	106.5%	0.09	145.1%	0.45
EPS (basic), EUR	0.18	0.19	-5.7%	0.30	-40.1%	0.79
Return on equity (ROE)	6.7%	8.3%		11.9%		7.6%
Net debt/equity ratio	0.37	0.48		0.33		0.33
Net debt to last 12 months' operational EBITDA ratio	2.3	2.3		2.3		2.3
Fixed costs to sales, %	24.6%	24.9%		29.0%		26.7%
Equity per share, EUR	11.04	8.90	24.1%	11.17	-1.1%	11.17
Average number of employees (FTE)	23 068	25 037	-7.9%	23 406	-1.4%	24 455
TRI rate[12]	5.8	6.7	-13.4%	6.7	-13.4%	6.1

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 section *Non-IFRS measures* at the beginning of the Financials section.

IAC = Items affecting comparability, **FV** = Fair valuations and non-operational items

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

[1] For own employees, including employees of the joint operations Veracel and Montes del Plata

[2] Historical figures for TRI rate recalculated due to additional data received after the previous Interim Reports.

[3] Earnings per share (EPS) excl. FV was added to the list of non-IFRS measures during Q4/2020 replacing the key figure of EPS excl. IAC and FV. Comparatives are recalculated.

[4] The segment comparative figures have been restated in accordance to the change in presentation of certain consolidation adjustments, as described in the section Basis of preparation.

[5] Total forest assets value, including leased land and Stora Enso's share of Tornator.

Production and external deliveries

	Q1/21	Q1/20	Change % Q1/21-Q1/20	Q4/20	Change % Q1/21-Q4/20	2020
Board deliveries[1], 1 000 tonnes	1 007	911	10.6%	906	11.1%	3 712
Board production[1], 1 000 tonnes	1 139	1 006	13.2%	987	15.3%	4 063
Corrugated packaging European deliveries, million m^2	237	223	6.1%	243	-2.6%	902
Corrugated packaging European production, million m^2	263	248	6.1%	270	-2.5%	1 004
Market pulp deliveries, 1 000 tonnes	630	526	19.8%	689	-8.6%	2 443
Wood products deliveries, 1 000 m^3	1 192	1 125	5.9%	1 244	-4.2%	4 692
Wood deliveries, 1 000 m^3	3 045	3 041	0.1%	3 196	-4.7%	11 469
Paper deliveries, 1 000 tonnes	742	918	-19.2%	792	-6.3%	3 106
Paper production, 1 000 tonnes	743	930	-20.1%	731	1.6%	3 034

[1] Includes consumer board and containerboard volumes

CEO comment

Global trade has rebounded faster than expected this year and the economic recovery in China and USA are naturally important factors. The quick response from governments with fiscal stimuli has also helped to improve global economic performance and evade deep recessions. Furthermore, the fact that vaccines have been developed much faster than we've ever seen has given a boost of hope. Global supply chains have largely proven resilient. With all this, it is encouraging that we are starting to see signs of light at the end of the tunnel.

For the year's first quarter I am pleased to deliver yet another solid result, and we are getting back on track with many of our financial targets. Our operational EBIT was up considerably year on year, excluding Paper it nearly doubled to reach over EUR 360 million. We also increased our sales by 14% year on year excluding Paper, to close to EUR 2 280 million. For the full year, the demand outlook continues to be healthy for all businesses except for paper. The operational EBIT in 2021 is expected to be higher than in 2020. We are ahead of plan with our EUR 400 million profit protection programme and it will be concluded already by the end of the second quarter 2021.

There is a positive market sentiment for all our key business areas, except for our Paper division, which continues to suffer from an accelerated structural decline. The rebound of our growth businesses is a proof point of our strategic direction and ambitions. It is especially rewarding to see our ability to adapt, to take advantage of our opportunities and innovate despite the unique market conditions.

Our packaging divisions are both performing well. In Packaging Materials, we see strong demand for consumer and container board. In Packaging Solutions, higher European volumes in combination with a recovering China business increased our sales. Our Wood Products business continues to thrive both for traditional sawn products and building solutions, where we are expanding outside our European home market.

Our Forest division has experienced advantageous harvesting conditions this winter, ensuring efficient wood supply to our Nordic and pan-European production units. This in turn ensures pulp availability to support the uptick in demand across our business. Recovering pulp prices, combined with strong production and deliveries, improved the profitability of our Biomaterials division.

The paper market continues to suffer from demand decline and the resulting overcapacity, which unfortunately has caused us to initiate a plan to permanently close down two of our paper mills: Kvarnsveden in Sweden and Veitsiluoto in Finland. Closing operations that impact our staff is always a last resort, and one based on thorough evaluations. However, in order to remain competitive in a rapidly declining paper market, the closing of unprofitable assets is needed. The closure plan, which is subject to codetermination negotiations, would have our highest priority.

Our transformation investment in Oulu, from paper to kraftliner, is progressing well. Since the January launch, the ramp up is proceeding ahead of plan. We have customer deliveries and there is strong market demand. I'm also very pleased that we will be able to reach EBITDA breakeven already in the third quarter this year. When fully ramped up, premium kraftliner grades from Oulu will strengthen our position in a growing packaging market. This conversion is a prime example of where we are heading as a company. Our focus is increasingly on high-margin markets where we already have a strong foothold. One such important market is packaging, in addition to wooden building solutions and new biomaterials innovations. These three areas are core for our future growth with our renewable materials.

Another aspect of our updated strategy has been to identify the product segments with the best opportunities for leading market positions, growth and profitability. Consequently, we have decided to exit the market for dissolving pulp for viscose production globally. Our current global market share is very small, and we do not see that we will be able to grow that position. The price differentiation between dissolving pulp and market pulp is small and does not motivate the increase in complexity for our pulp product portfolio and our production costs. We will continue innovating for a better and more sustainable technology for biobased textiles. TreeToTextile is such a venture where we, together with other leading companies, have invested in what we believe will become a ground-breaking production technology for sustainable textiles.

Moving forward, our focus remains on keeping our employees safe from the ongoing pandemic and executing on our updated strategy in order to reach the financial targets as disclosed last year. Moreover, we want to show leadership in innovation and be a constructive partner to governments around the world and the EU Commission in the pursuit of the Green Deal's vision. Nearly five years have passed since the Paris Agreement was adopted. As a significant forest owner and leader in renewable materials, we are fully committed in helping to combat climate change. We help our customers make their businesses circular by replacing fossil-based materials with renewable biomaterials. At the foundation is the forest. We practice sustainable forestry because we want prosperous forests today and for the next generation.

The renewable future grows in the forest.

Annica Bresky, President and CEO

Operational EBIT

14.4%

Operational ROCE excluding Forest division

12.0%

(Target >13%)

Reconciliation of operational profitability

EUR million	Q1/21	Q1/20	Change % Q1/21-Q1/20	Q4/20	Change % Q1/21-Q4/20	2020
Operational EBITDA	**488**	**335**	**45.8%**	**274**	**78.3%**	**1 270**
Depreciation and silviculture costs of EAI	-2	-2	-24.3%	-3	30.5%	-15
Silviculture costs[1]	-19	-15	-26.3%	-17	-15.3%	-61
Depreciation and impairment excl. IAC	-139	-138	-0.4%	-136	-1.8%	-544
Operational EBIT	**328**	**180**	**82.4%**	**118**	**178.7%**	**650**
Fair valuations and non-operational items[2]	-40	94	-142.8%	217	-118.6%	362
Items affecting comparability (IAC)[2]	-126	-12	n/m	-45	-178.2%	-90
Operating profit (IFRS)	**161**	**262**	**-38.5%**	**289**	**-44.3%**	**922**

[1] Including damages to forests
[2] See section Non-IFRS measures for IAC and fair valuations and non-operational items definitions.

First quarter 2021 results (compared with Q1/2020)

Breakdown of change in sales Q1/2020 to Q1/2021

Sales Q1/2020, EUR million	**2 207**
Price and mix	2%
Currency	-1%
Volume	6%
Other sales[1]	1%
Total before structural changes	8%
Structural changes[2]	-5%
Total	3%
Sales Q1/2021, EUR million	**2 276**

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

Group sales increased by 3%, or EUR 69 million to EUR 2 276 (2 207) million. Group sales excluding Paper division increased by 14%. Sales were positively affected by deliveries and prices, especially in Biomaterials, Packaging Materials and Wood Products divisions. The high demand was driven by improving global economy and Covid-19 related recovery in Asia. Deliveries were clearly lower in Paper, as the global overcapacity and Covid-19 pandemic have reduced demand. The closures of a sack paper machine at Ostrołęka Mill and a paper machine at Hylte Mill as well as the Oulu Mill conversion during Q4/2020 reduced sales.

Operational EBIT increased by 82%, or EUR 148 million, to EUR 328 (180) million. The operational EBIT margin increased to 14.4% (8.1%), mainly due to lower costs and forestland sales. Total volume impact decreased operational EBIT by EUR 15 million, mainly due to accelerated structural decline in paper demand.

Variable costs decreased, mainly due to lower fiber, transportation, and chemicals costs, supported by the profit protection programme actions. Net foreign exchange rates had a negative impact of EUR 17 million on operational EBIT.

The average number of employees in the first quarter of 2021 was approximately 23 100 (25 000).

Fair valuations and non-operational items had a negative net impact on the operating profit of EUR 40 (positive 94) million. The negative impact came mainly from the capital gain difference in operational EBIT and IFRS operating profit, related to Swedish forest asset sales. A gain of EUR 74 million, based on the assets' historical acquisition cost, is included in the Forest division's operational EBIT in Q1/2021. The IFRS operating profit impact was EUR 28 million, based on the IFRS book value at the disposal date. See section Non-IFRS measures for fair valuations and non-operational items definition.

The Group recorded items affecting comparability (IAC) with a negative impact of EUR 126 (negative 12) million on its operating profit. The related tax impact was positive EUR 26 (positive 2) million. The IAC relates mainly to asset impairments in the Paper division in connection with the planned closure of Kvarnsveden and Veitsiluoto mills.

Net financial expenses of EUR 36 million were EUR 17 million lower than a year ago. Net interest expenses of EUR 32 million decreased by EUR 2 million, mainly as a result of the lower average interest expense rate on borrowings. Other net financial expenses were EUR 5 (0) million. The net foreign exchange rate impact in respect of cash equivalents, interest-bearing assets and liabilities and related foreign-currency hedges amounted to a gain of EUR 1 (loss of EUR 19) million.

On 22 March 2021, the Supreme Administrative Court in Sweden delivered its judgment in favour of the taxpayer in the Lexel case (external party) related to interest deductibility dispute. Taking into account the similarity of Lexel case to Stora Enso's tax dispute in Sweden, Stora Enso has released its tax liability of EUR 37 million related to its interest disputes in Sweden which contributed to the positive tax expense for the quarter.

Earnings per share decreased by 5.7% to EUR 0.18 (0.19), and earnings per share excluding fair valuations increased by 106.5% to EUR 0.22 (0.11).

Breakdown of change in capital employed 31 March 2020 to 31 March 2021

EUR million	Capital employed
31 March 2020	**10 406**
Capital expenditure excluding investments in biological assets less depreciation	100
Investments in biological assets less depletion of capitalised silviculture costs	15
Impairments and reversal of impairments	-167
Fair valuation of forest assets	1 858
Unlisted securities (mainly PVO)	132
Equity accounted investments	5
Net liabilities in defined benefit plans	35
Operative working capital and other interest-free items, net	-187
Net tax liabilities	-361
Translation difference	119
Other changes	-25
31 March 2021	**11 931**

The operational return on capital employed (ROCE) in the first quarter of 2021 was 11.1% (6.8%). Operational ROCE excluding the Forest division was 12.0% (7.8%).

First quarter 2021 results (compared with Q4/2020)

Group sales increased by 6%, or EUR 122 million, to EUR 2 276 (2 154) million, mainly due to higher Forest, Biomaterials, Packaging Material and Wood Products sales. Excluding Paper division, sales increased by 10%.

Operational EBIT increased by 179%, or EUR 210 million to EUR 328 (118) million. Operational EBIT excluding Paper division was EUR 362 (122) million. The impact of higher sales prices and improved mix in all divisions except Paper had a positive impact of EUR 101 million. Higher variable costs decreased operational EBIT by EUR 15 million. Fixed costs decreased by EUR 77 million, mainly due to high Oulu Mill conversion costs and annual maintenance activities in Q4/2020. The impact of net foreign exchange rates decreased operational EBIT by EUR 16 million. Depreciations, the operational result from equity accounted investments and the impact from divested and closed units decreased operational EBIT by EUR 11 million.

Segments in the first quarter 2021 (compared with Q1/2020)

Packaging Materials division

Strong performance continues, Oulu Mill ramp-up is proceeding ahead of the plan

The Packaging Materials division is a global leader in the circular economy with our premium renewable and recyclable packaging materials based on both virgin and recycled fiber. Addressing the needs of today's eco-conscious consumers, we help customers replace fossil-based materials with low-carbon, renewable and recyclable alternatives for their food and drink, pharmaceutical or transport packaging. A wide selection of barrier coatings enables design optimisation for various demanding packaging end-uses.

EUR million	Q1/21	Q1/20	Change % Q1/21-Q1/20	Q4/20	Change % Q1/21-Q4/20	2020
Sales	862	764	12.8%	759	13.6%	3 115
Operational EBITDA	196	155	26.7%	130	50.6%	642
Operational EBITDA margin	22.7%	20.2%		17.1%		20.6%
Operational EBIT	127	96	32.7%	66	90.9%	403
Operational EBIT margin	14.7%	12.5%		8.8%		12.9%
Operational ROOC	16.7%	13.5%		9.2%		13.9%
Cash flow from operations	126	117	7.4%	183	-31.1%	692
Cash flow after investing activities	20	23	-13.2%	45	-55.3%	299
Deliveries, 1 000 tonnes	1 097	994	10.4%	997	10.0%	4 043
Production, 1 000 tonnes	1 139	1 006	13.2%	987	15.3%	4 063

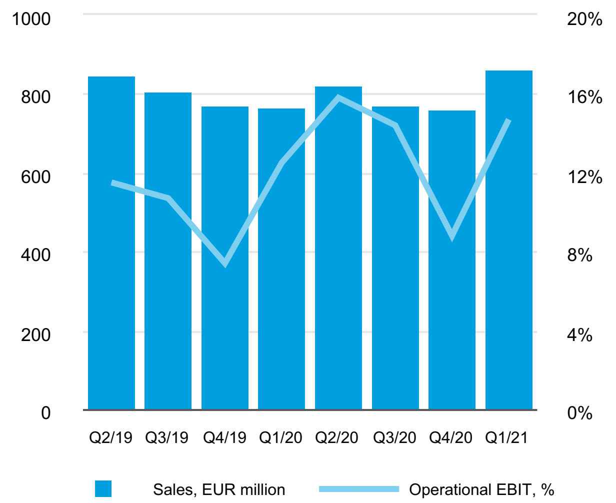
The comparative figures have been restated in accordance to the change in presentation of certain consolidation adjustments, as described in the section Basis of preparation.

- Sales increased by 13% or EUR 98 million, to EUR 862 million. Sales was driven by higher deliveries and prices.
- Operational EBIT increased by EUR 31 million to EUR 127 million, despite significant ramp-up costs of EUR 23 million for the Oulu kraftliner mill. The costs were slightly higher than earlier estimated, as a result of the delayed start-up due to Covid-19 infections at the mill site. Lower variable costs and fixed costs, together with the profit protection programme, improved results. The negative impact of the Finnish union strikes on operational EBIT in Q1/2020 was EUR 20 million.
- Operational ROOC improved to 16.7% (13.5%), mainly due to better profitability.
- The Oulu Mill is planned to reach designed kraftliner capacity, after the conversion from paper, by the end of Q2/2021 and the commercialisation of product portfolio by the end of 2021. The forecast to reach operational EBITDA break-even is now in Q3/2021 thanks to successful ramp-up and good market conditions. Previously it was estimated to be in Q1/2022.

Markets

Product	Market	Demand Q1/21 compared with Q1/20	Demand Q1/21 compared with Q4/20	Price Q1/21 compared with Q1/20	Price Q1/21 compared with Q4/20
Consumer board (FBB)	Europe	Stable	Slightly stronger	Stable	Stable
Virgin fiber-based containerboard	Global	Stable	Stable	Higher	Higher
Recycled fiber based (RCP) containerboard	Europe	Significantly stronger	Slightly stronger	Significantly higher	Significantly higher

Sales and operational EBIT



Operational ROOC

16.7%

(Target: >20%)

Scheduled annual maintenance shutdowns

	2021	2020
Q1	–	–
Q2	Beihai and Ostrołęka mills	Heinola Mill
Q3	Imatra and Varkaus mills	Beihai, Imatra, and Varkaus mills
Q4	Skoghall, Fors, Ingerois, Heinola and Oulu mills	Fors, Ingerois, Skoghall and Ostrołęka mills

Packaging Solutions division

Solid growth, operational EBIT challenged by higher raw material costs

The Packaging Solutions division develops and sells premium fiber-based packaging products and services. Our high-end eco-friendly packaging products are used by leading brands across multiple market sectors, including store retail, e-commerce and industrials. The portfolio includes corrugated and other converting, design services, automation solutions, and scalable innovations such as formed fiber and biocomposites.

EUR million	Q1/21	Q1/20	Change % Q1/21-Q1/20	Q4/20	Change % Q1/21-Q4/20	2020
Sales	159	149	7.1%	160	-0.4%	594
Operational EBITDA	12	15	-22.2%	16	-29.5%	61
Operational EBITDA margin	7.3%	10.0%		10.3%		10.2%
Operational EBIT	4	8	-44.4%	10	-53.5%	33
Operational EBIT margin	2.8%	5.4%		6.0%		5.6%
Operational ROOC	7.5%	13.8%		16.0%		13.9%
Cash flow from operations	19	17	15.2%	18	9.5%	51
Cash flow after investing activities	13	12	4.0%	7	78.3%	28
Corrugated packaging European deliveries, million m^2	263	248	5.9%	268	-1.9%	999
Corrugated packaging European production, million m^2	263	248	6.1%	270	-2.5%	1 004

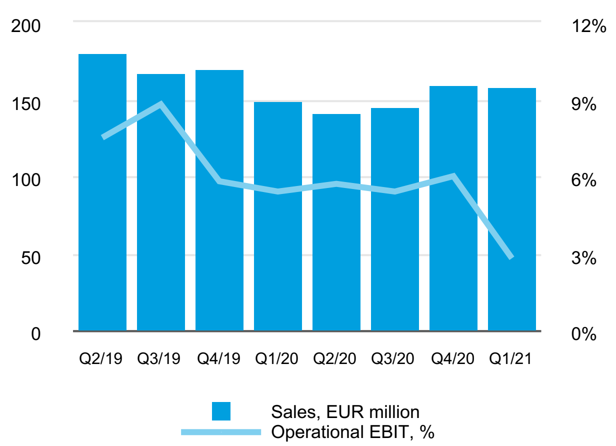
The comparative figures have been restated in accordance to the change in presentation of certain consolidation adjustments, as described in the section Basis of preparation. The biocomposites business was transferred from Wood Products to Packaging Solutions on 1 July 2020, and the historical figures have not been restated, as the change was not material for the Group.

- Sales increased by 7%, or EUR 10 million to EUR 159 million. Higher sales were driven by recovery of the Chinese market and increased volumes in Europe.
- Operational EBIT decreased by EUR 4 million to EUR 4 million. Higher raw material prices and negative currency rate impact were not yet fully compensated by higher selling prices. Increased spending in the acceleration of new businesses were partly mitigated by higher volumes.
- Operational ROOC decreased to 7.5% (13.8%).
- Stora Enso's design for eco-friendly pellet packaging was awarded with a prestigious Worldstar award. The renewable and recyclable packaging is designed for heavy use in transporting and warehousing of wood pellets for heating. The awarded packaging is a sustainable alternative to the standard plastic bag used in the pellet industry.

Markets

Product	Market	Demand Q1/21 compared with Q1/20	Demand Q1/21 compared with Q4/20	Price Q1/21 compared with Q1/20	Price Q1/21 compared with Q4/20
Corrugated packaging	Europe	Stronger	Stable	Stable	Slightly higher

Sales and operational EBIT



Operational ROOC

7.5%

(Target: >25%)

Biomaterials division

Excellent market conditions and solid performance improved profitability

The Biomaterials division meets the growing demand for the replacement of products made from fossil-based and hazardous materials with bio-based solutions. We use all fractions of biomass, like lignin and sugars, to develop new solutions. We work to replace fossil-based materials with new applications such as carbon for energy storage, bio-based binders, and bio-based carbon fiber. The division's offering includes a wide variety of pulp grades to meet the demands of paper, board, tissue, textile and hygiene product producers as well as materials from side streams of our processes, such as tall oil and turpentine from biomass.

EUR million	Q1/21	Q1/20	Change % Q1/21-Q1/20	Q4/20	Change % Q1/21-Q4/20	2020
Sales	355	286	24.4%	314	13.1%	1 193
Operational EBITDA	93	29	216.8%	15	n/m	127
Operational EBITDA margin	26.2%	10.3%		4.9%		10.7%
Operational EBIT	65	-3	n/m	-14	n/m	8
Operational EBIT margin	18.2%	-1.0%		-4.3%		0.7%
Operational ROOC	11.2%	-0.4%		-2.4%		0.4%
Cash flow from operations	40	-20	n/m	43	-7.5%	96
Cash flow after investing activities	14	-46	131.3%	13	14.2%	-1
Pulp deliveries, 1 000 tonnes	641	572	11.9%	649	-1.3%	2 427

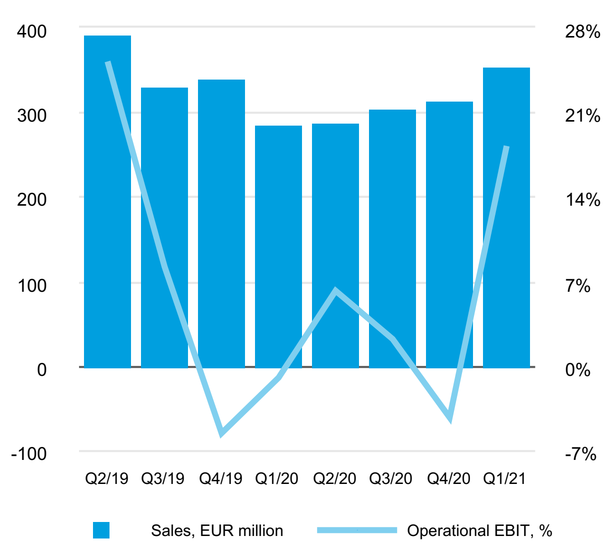
The comparative figures have been restated in accordance to the change in presentation of certain consolidation adjustments, as described in the section Basis of preparation

- Sales increased by 24%, or EUR 69 million, to EUR 355 million, mainly driven by higher pulp prices and deliveries, but also Finnish union strike impact in Q1 2020.
- Operational EBIT increased by EUR 68 million to EUR 65 million. The positive impact came from higher prices, increased deliveries and lower variable costs, supported by profit protection programme actions.
- Operational ROOC increased to 11.2% (-0.4%).
- Based on the selected strategic direction, Stora Enso will exit the dissolving pulp segment for viscose fiber. Enocell Mill will continue to serve the market in this segment until the end of 2021, after which the mill will be producing other pulp grades.
- TreeToTextile, a joint venture where Stora Enso holds a 25% share, invests EUR 35 million in a demonstration plant for sustainable textile fiber. The construction of the plant at Stora Enso's Nymölla Mill in Sweden has started.
- In January, Stora Enso announced that it will permanently close its Virdia operations in the United States. The operations consisted of two facilities: a research centre in Danville, Virginia, and a demo plant in Raceland, Louisiana. The closure of the operations was completed in Q1/2021.

Markets

Product	Market	Demand Q1/21 compared with Q1/20	Demand Q1/21 compared with Q4/20	Price Q1/21 compared with Q1/20	Price Q1/21 compared with Q4/20
Softwood pulp	Europe	Stronger	Slightly stronger	Significantly higher	Significantly higher
Hardwood pulp	Europe	Stronger	Slightly stronger	Significantly higher	Significantly higher
Hardwood pulp	China	Stronger	Stable	Significantly higher	Significantly higher

Sales and operational EBIT



Operational ROOC

11.2%

(Target: >15%)

Scheduled annual maintenance shutdowns

	2021	2020
Q1	–	–
Q2	–	–
Q3	Enocell, Skutskär and Sunila mills	Sunila and Veracel mills
Q4	Veracel Mill	Montes del Plata and Skutskär mills

Wood Products division

Record high quarterly operational EBIT margin

The Wood Products division is the largest sawn wood producer in Europe and a leading provider of sustainable wood-based solutions for the construction industry. Our growing Building Solutions business offers building concepts to support low-carbon construction and eco-friendly designs. We develop digital tools to simplify the designing of building projects with wood. We also offer applications for windows, doors and for packaging industries, and our pellets provide a sustainable heating solution.

EUR million	Q1/21	Q1/20	Change % Q1/21-Q1/20	Q4/20	Change % Q1/21-Q4/20	2020
Sales	382	338	12.7%	360	6.1%	1 386
Operational EBITDA	64	30	114.7%	44	44.0%	160
Operational EBITDA margin	16.7%	8.8%		12.3%		11.6%
Operational EBIT	52	18	191.3%	33	59.2%	114
Operational EBIT margin	13.7%	5.3%		9.2%		8.3%
Operational ROOC	36.9%	11.3%		23.5%		19.1%
Cash flow from operations	34	20	69.4%	79	-56.7%	211
Cash flow after investing activities	14	8	72.4%	74	-81.2%	181
Wood products deliveries, 1 000 m^3	1 113	1 082	2.9%	1 155	-3.6%	4 407

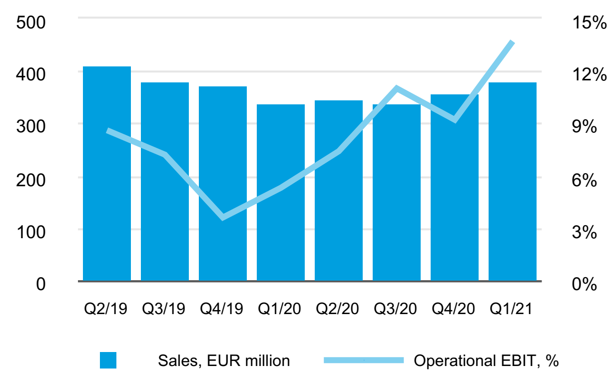
The comparative figures have been restated in accordance to the change in presentation of certain consolidation adjustments, as described in the section Basis of preparation

- Sales increased by 13%, or EUR 43 million to EUR 382 million. Growth was driven by a strong global demand especially for classic sawn products.
- Operational EBIT increased by EUR 34 million to EUR 52 million. This was the second highest Q1, and highest quarterly EBIT-% ever. Higher prices and volumes impact partly offset by higher raw material costs.
- Operational ROOC increased above the long-term target to 36.9% (11.3%).
- The investment in CLT production at Ždírec Mill is proceeding as planned. Production is scheduled to begin during the third quarter of 2022.
- Stora Enso's focus on the mass timber construction business continues. 556 projects were delivered which is 14% higher than in Q1 2020. We have delivered our first ever project to China and continue to develop markets outside our main markets such as Canada. We delivered 28 office projects which is almost double to Q1 2020 and the amount of educational building projects increased by 30% from Q1 2020.

Markets

Product	Market	Demand Q1/21 compared with Q1/20	Demand Q1/21 compared with Q4/20	Price Q1/21 compared with Q1/20	Price Q1/21 compared with Q4/20
Wood products	Europe	Significantly stronger	Significantly stronger	Significantly higher	Higher

Sales and operational EBIT



Operational ROOC

36.9%

(Target: >20%)

Forest division

Solid operational performance on top of gain from land divestment

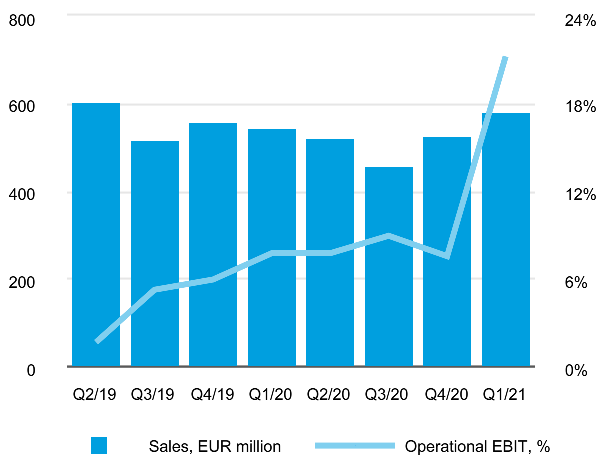
The Forest division creates value with sustainable forest management, competitive wood supply and innovation, which are the foundation for Stora Enso's renewable offerings. The division manages Stora Enso's forest assets in Sweden and the 41% share of Tornator, the majority of whose forest assets are located in Finland. The division is also responsible for wood sourcing for Stora Enso's Nordic, Baltic and Russian operations and B2B customers. Stora Enso is one of the biggest private forest owners in the world.

EUR million	Q1/21	Q1/20	Change % Q1/21-Q1/20	Q4/20	Change % Q1/21-Q4/20	2020
Sales	582	542	7.3%	527	10.3%	2 046
Operational EBITDA	134	52	156.0%	53	154.9%	215
Operational EBITDA margin	23.1%	9.7%		10.0%		10.5%
Operational EBIT	123	42	195.2%	39	213.9%	162
Operational EBIT margin	21.2%	7.7%		7.5%		7.9%
Operational ROCE	9.9%	4.9%		3.7%		3.8%
Cash flow from operations	11	8	43.9%	39	-71.1%	202
Cash flow after investing activities	-5	-3	-60.7%	30	-116.4%	165
Wood deliveries, 1 000 m^3	10 151	9 506	6.8%	9 956	2.0%	37 369
Operational fair value change of biological assets	19	16	15.0%	14	34.5%	70

The comparative figures have been restated in accordance to the change in presentation of certain consolidation adjustments, as described in the section Basis of preparation

- Sales increased by 7%, or EUR 40 million to EUR 582 million. Improved sales was driven by higher deliveries in Finland and the Baltics, where the impact of the Finnish union strike in Q1/2020 was clearly visible.
- Operational EBIT increased by EUR 82 million to EUR 123 million, mainly due to a forest asset sales gain of EUR 74 million in Sweden, and a solid wood supply performance.
- Operational ROCE remained above the long-term target at 9.9% (4.9%), despite a clear capital base increase after the adoption of the market transaction based valuation for the Nordic forest assets.
- OX2 has signed an agreement to lease land from Stora Enso in Sweden in order to build a wind power park of 170 MW after all permits are given. OX2 is the largest onshore wind power company in Europe.

Sales and operational EBIT



Operational ROCE

9.9%

(Target: >3.5%)

Paper division

Planned closures would improve profitability and long-term competitiveness

Stora Enso is the second largest paper producer in Europe, with an established customer base and a wide product portfolio for print and office use. Customers benefit from Stora Enso's broad selection of paper products made from recycled and virgin fiber, our technical expertise and our sustainability know-how as well as our mill and customer service centre network.

EUR million	Q1/21	Q1/20	Change % Q1/21-Q1/20	Q4/20	Change % Q1/21-Q4/20	2020
Sales	428	591	-27.6%	476	-10.1%	1 979
Operational EBITDA	-10	48	-120.5%	19	-151.9%	66
Operational EBITDA margin	-2.3%	8.1%		4.0%		3.3%
Operational EBIT	-34	21	-260.5%	-5	n/m	-38
Operational EBIT margin	-8.0%	3.6%		-1.0%		-1.9%
Operational ROOC	-32.0%	12.5%		-3.4%		-6.6%
Cash flow from operations	-4	26	-116.5%	70	-106.2%	110
Cash flow after investing activities	-20	-1	n/m	53	-137.2%	36
Cash flow after investing activities to sales, %	-4.6%	-0.2%		11.1%		1.8%
Paper deliveries, 1 000 tonnes	742	918	-19.2%	792	-6.3%	3 106
Paper production, 1 000 tonnes	743	930	-20.1%	731	1.6%	3 034

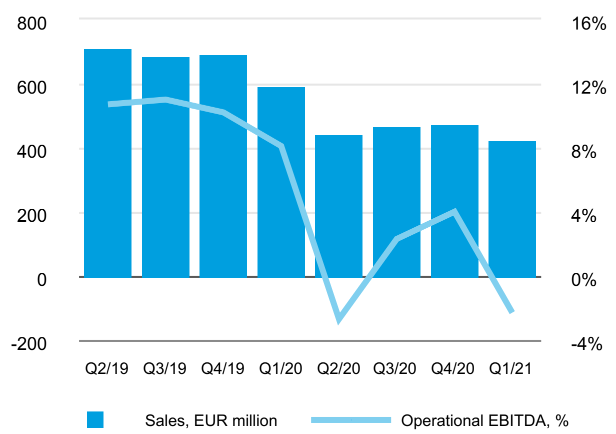
The comparative figures have been restated in accordance to the change in presentation of certain consolidation adjustments, as described in the section Basis of preparation

- Sales decreased by 28%, or EUR 163 million, to EUR 428 million mainly due to significantly lower volumes following the Oulu Mill conversion to kraftliner . Deliveries were lower in all segments due to Covid-19 impact on European paper demand as well as restrictions in overseas container capacity.
- Operational EBIT decreased by EUR 55 million to EUR -34 million. Lower EBIT was driven by global paper market challenges and higher variable costs which were partly offset by lower fixed costs. The negative impact of the Finnish union strike on operational EBIT in Q1/2020 was EUR 8 million.
- Cash flow after investing activities to sales ratio at -4.6% (-0.2%) was clearly below the long-term target of 7%.
- On 20 April, Stora Enso announced that it would start co-determination negotiations with the employee representatives at the Kvarnsveden and Veitsiluoto mills regarding a plan to close pulp and paper production at both sites. The planned closures would take place during the third quarter of 2021, and affect directly 670 people in Finland and 440 people in Sweden.
- These planned closures would reduce Stora Enso’s annual paper sales by almost EUR 600 million and paper production capacity by 35% to 2.6 million tonnes/a. The operational EBITDA is expected to improve by approximately EUR 35 million annually. The share of Paper division of the Group sales would be reduced to slightly above 10% after these planned closures.

Markets

Product	Market	Demand Q1/21 compared with Q1/20	Demand Q1/21 compared with Q4/20	Price Q1/21 compared with Q1/20	Price Q1/21 compared with Q4/20
Paper	Europe	Significantly weaker	Weaker	Significantly lower	Slightly lower

Sales and operational EBITDA



Cash flow after investing activities to sales[1]

-4.6%

(Target: >7%)

Scheduled annual maintenance shutdowns

	2021	2020
Q1	–	–
Q2	–	–
Q3	Veitsiluoto Mill	Veitsiluoto Mill
Q4	Nymölla Mill	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.

Segment Other

The segment Other includes Stora Enso's shareholding in the energy company Pohjolan Voima (PVO), and the Group's shared services and administration.

EUR million	Q1/21	Q1/20	Change % Q1/21-Q1/20	Q4/20	Change % Q1/21-Q4/20	2020
Sales	240	246	-2.6%	231	3.7%	928
Operational EBITDA	-2	8	-128.7%	-7	69.1%	-3
Operational EBITDA margin	-0.9%	3.2%		-3.1%		-0.3%
Operational EBIT	-11	0	n/m	-16	29.4%	-35
Operational EBIT margin	-4.6%	-0.1%		-6.7%		-3.8%
Cash flow from operations	-41	-23	-80.9%	5	n/m	-17
Cash flow after investing activities	-45	-24	-85.3%	1	n/m	-27

- Sales decreased by EUR 6 million to EUR 240 million. Sales related internal services decreased.
- Operational EBIT decreased by EUR 11 million to EUR -11 million mainly due to higher costs.

Financing in the first quarter 2021 (compared with Q4/2020)

Capital structure

EUR million	31 Mar 2021	31 Dec 2020	31 Mar 2020
Operative fixed assets[1]	12 444	12 566	10 337
Equity accounted investments	448	456	443
Operative working capital, net	712	531	914
Non-current interest-free items, net	-464	-561	-496
Operating Capital Total	**13 141**	**12 993**	**11 198**
Net tax liabilities	-1 210	-1 279	-792
Capital Employed	**11 931**	**11 714**	**10 406**
Equity attributable to owners of the Parent	8 709	8 809	7 018
Non-controlling interests	-14	-16	-11
Net interest-bearing liabilities	3 236	2 921	3 399
Financing Total	**11 931**	**11 714**	**10 406**

[1] Operative fixed assets include goodwill, other intangible assets, property, plant and equipment, right-of-use assets, forest assets, emission rights, and unlisted securities.

Cash and cash equivalents net of overdrafts decreased by EUR 397 million to EUR 1 258 million. Net debt increased by EUR 315 million to EUR 3 236 (EUR 2 921) million mainly as a result of negative cash flow after investments and dividend payment during the first quarter. The ratio of net debt to the last 12 months' operational EBITDA remained stable at 2.3. The net debt/equity ratio on 31 March 2021 increased to 0.37 (0.33). The average interest expense rate on borrowings decreased to 2.9% (3.0%).

Stora Enso has a EUR 600 million committed fully undrawn revolving credit facility and additionally EUR 400 million undrawn committed credit arrangements as per 31 March 2021.

The Cumulative translation adjustment (net of hedges and taxes) decreased the equity by EUR 41 million in Q1/2021 due to currency movements.

The value of total forest assets, including leased land and Stora Enso's share of Tornator's forest assets, decreased by EUR 135 million to EUR 7 179 (7 314) million in Q1/2021 as compared to the end of 2020. The changes in Q1/2021 in the total forest asset value are mainly related to translation differences and disposals.

The fair value of biological assets, including Stora Enso's share of Tornator, decreased by EUR 110 million in Q1/2021 to EUR 4 918 (5 028) million. The value of forest land, including leased land and Stora Enso's share of Tornator, decreased by EUR 24 million in Q1 2021 to EUR 2 261 (2 286) million.

Cash flow in the first quarter 2021 (compared with Q4/2020)

Operative cash flow

EUR million	Q1/21	Q1/20	Change % Q1/21-Q1/20	Q4/20	Change % Q1/21-Q4/20	2020
Operational EBITDA	488	335	45.8%	274	78.3%	1 270
IAC on operational EBITDA	-16	-7	-123.0%	-8	-108.7%	-25
Other adjustments	-83	-28	-201.7%	-42	-100.4%	-97
Change in working capital	-203	-154	-32.0%	212	-195.9%	195
Cash flow from operations	**185**	**146**	**27.0%**	**436**	**-57.5%**	**1 344**
Cash spent on fixed and biological assets	-192	-177	-8.2%	-213	9.9%	-661
Acquisitions of equity accounted investments	-2	0	-100.0%	-1	-234.3%	-2
Cash flow after investing activities	**-9**	**-32**	**72.4%**	**223**	**-103.9%**	**680**

The first quarter 2021 cash flow after investing activities was negative at EUR -9 million. Working capital increased by EUR 203 million due to higher inventories and trade receivables. This follows normal seasonality and also Q4 2020 working capital level was record low. Cash spent on fixed and biological assets was EUR 192 million. Payments related to the previously announced provisions amounted to EUR 17 million.

Capital expenditure

Additions to fixed and biological assets in the first quarter 2021 totalled EUR 124 (84) million, of which EUR 111 million were fixed assets and EUR 13 million biological assets. Depreciations and impairment charges excluding IACs totalled EUR 139 (138) million. Additions in fixed and biological assets had a cash outflow impact of EUR 192 (177) million.

Capital expenditure by division in Q1/2021

Division	EUR million	
Packaging Materials	74	of which Oulu conversion project EUR 38 million and Imatra wood handling upgrade EUR 9 million
Packaging Solutions	5	
Biomaterials	17	including the lignin related investments at Sunila Mill in Finland
Wood Products	12	of which the cross laminated timber (CLT) at Ždírec Mill in the Czech Republic is EUR 8 million
Forest	8	
Paper	6	

Capital expenditure and depreciation forecast 2021

EUR million	Forecast 2021
Capital expenditure	675–725
Depreciation and depletion of capitalised silviculture costs	600–640

Stora Enso’s capital expenditure forecast includes approximately EUR 70 million for the Group's biological assets. The depletion of capitalised silviculture costs is forecast to be EUR 45–60 million.

Sustainability in the first quarter 2021

Safety performance

TRI rate

	Q1/21	Q1/20	Q4/20	2020	Milestone	Milestone to be reached by
TRI rate [1,2]	5.8	6.7	6.7	6.1	4.0	end of 2021

TRI (Total recordable incident) rate = number of incidents per one million hours worked
[1] For own employees, including employees of the joint operations Veracel and Montes del Plata
[2] Historical figures for TRI rate recalculated due to additional data received after the previous Interim Reports.

Stora Enso takes active and precautionary measures to mitigate the effects of the pandemic and keep employees and contractors safe and healthy. The Covid-19 impacts on employees and contractors remained stable and under control during the quarter.

Suppliers

Implementation of the Supplier Code of Conduct

	31 Mar 2021	31 Dec 2020	31 Mar 2020	Target
% of supplier spend covered by the Supplier Code of Conduct[1]	95%	96%	96%	95%

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

Biodiversity and land use

Forest certification coverage and development of biodiversity indicators

	31 Dec 2020	31 Dec 2019	31 Dec 2018	Target
% of the lands owned or managed by Stora Enso that are in wood production and harvesting covered by forest certification schemes[1]	98%	98%	96%	Maintain the high coverage level of 96%

[1]Including 100% of lands managed by joint operations Veracel and Montes del Plata. Excluding Tornator.

We follow our progress in responsible forestry with a key performance indicator (KPI) that measures the proportion of land in wood production and harvesting owned or managed by Stora Enso that is covered by forest certification schemes. Biodiversity is an integral part of forest certifications including protection of valuable ecosystems.

In addition Stora Enso is in the process of developing specific biodiversity indicators and has a long term research programme on biodiversity with the Swedish University of Agricultural Sciences (SLU).

Agreements with social landless movements and land occupations in Bahia, Brazil

	31 Mar 2021	31 Dec 2020	31 Mar 2020
Productive area occupied by social movements not involved in the agreements, %	0.3%	0.3%	0.2%

At the end of the first quarter, 239 hectares or 0.3% of productive land owned by Veracel were occupied by social landless movements not involved in the agreements. Veracel continues to recover occupied areas through legal processes.

Since 2012, Veracel has voluntarily approved the transfer of approximately 20 000 hectares of land to benefit landless people. At the end of 2020, the total land area owned by Veracel was 213 000 hectares, of which 82 000 hectares are planted with eucalyptus for pulp production.

Climate change

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

	31 Mar 2021	31 Dec 2020	31 Mar 2020	Target	Target to be reached by
Reduction of fossil CO_2e emissions per saleable tonne of board, pulp, and paper (kg/t) [1,2]	-26%	-27%	-26%	-31%	end of 2030

[1] Direct fossil CO_2e emissions from production and indirect fossil CO_2e emissions related to purchased electricity and heat (Scope 1 and 2). Excluding joint operations. Rolling four quarters.
[2] Historical figures recalculated due to additional data after the previous Interim Reports.

The performance per tonne remained stable despite lower production levels especially in Paper division. The performance has been positively affected by less fossil-intensive electricity purchased for our mills in Finland as well as energy efficiency improvements and further reductions of fossil fuel use at several mills.

In 2017, the Science Based Target (SBT) initiative approved our 2030 target to reduce our greenhouse gas (GHG) emissions by 31% from operations per tonne of board, pulp, and paper produced compared to a 2010 base-year. Stora Enso is in process to update its science-based target to be in line with a 1.5 degree scenario.

Other events

For the fourth time running, Stora Enso has been top-ranked in both management quality and carbon performance in the Transition Pathway Initiative (TPI) assessment.

Stora Enso has been named a Supplier Engagement Leader for supplier engagement on climate change by the CDP.

Short-term risks and uncertainties

The global economic outlook has improved, but recovery still remains relatively fragile and the pace varies significantly around the world. There are still significant concerns over the emergence of new, more transmissible forms of coronavirus as well as uncertainties related to vaccine effectiveness and roll-out progress globally. Also, unconventional monetary policies and soaring money supply involve a risk for higher inflation which ultimately could trigger market turmoil and sharp and sustained rise in interest rates.

The risk of an escalation in the trade war between major economies may cause instability in the global economy. Such a development could impact also to Stora Enso, especially in the long run.

Increasing competition, and supply-demand imbalances in the paper, pulp, packaging, wood products and in roundwood markets may affect Stora Enso's market share and profitability. Changes in the cost or availability of raw materials such as roundwood and recycled paper, energy and transport costs may have material impact on Stora Enso's operational and financial performance. Moreover, unexpected changes in the regulatory 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 flow and financial position.

Stora Enso has been granted various investment subsidies and has given certain investment commitments in different countries e.g. Finland, China and Sweden. If committed planning conditions are not met, local officials may pursue administrative measures to reclaim some of the formerly granted investment subsidies or to impose penalties on Stora Enso, and the outcome of such a process could result in a negative financial impact on Stora Enso.

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

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 and fossil fuel market prices would have a negative impact of approximately EUR 14 million on operational EBIT for the next 12 months.

Wood sensitivity analysis: the direct effect of a 10% increase in wood prices would have a negative impact of approximately EUR 189 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 125 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 36 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 transaction risk 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 would be approximately positive EUR 175 million, negative EUR 19 million and positive EUR 27 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 in an exposure currency.

The Group's consolidated income statement on operational EBIT level is exposed to a foreign-currency translation risk worth approximately EUR 120 million cost exposure in Brazilian real (BRL) and approximately EUR 28 million income exposure in Chinese Renminbi (CNY). These exposures are arising from the foreign subsidiaries and joint-operations located in Brazil and China, respectively. For these exposures a 10% strengthening in the value of a foreign currency would have a negative EUR 12 million and a positive EUR 3 million impact on operational EBIT, respectively.

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. A provision has been recognised for obligations for which the related amount can be estimated reliably and for which the related future cost is considered to be at least probable.

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, at the time of the decision, BRL 20 (EUR 3) 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.

Major events

Decisions of Annual General Meeting in 2021 and dividend payment

Stora Enso's Annual General Meeting (AGM) was held on 19 March 2021 at the Company's Head Office in Helsinki, Finland. In order to prevent the spread of the Covid-19 pandemic, a shareholder or his/her proxy representative could not be present at the venue of the meeting.

The AGM approved the proposal by the Board of Directors that the Company distributes a dividend of EUR 0.30 per share for the year 2020.

The AGM approved the proposal by the Shareholders' Nomination Board, in accordance with which the current members of the Board of Directors – **Håkan Buskhe**, **Elisabeth Fleuriot**, **Hock Goh**, **Mikko Helander**, **Christiane Kuehne**, **Antti Mäkinen** and **Richard Nilsson** – were re-elected members of the Board of Directors until the end of the following AGM, and **Helena Hedblom** and **Hans Sohlström** were elected new members of the Board of Directors for the same term of office. In accordance with the proposal by the Shareholders' Nomination Board, the AGM elected Antti Mäkinen as Chair of the Board of Directors and Håkan Buskhe as Vice Chair of the Board of Directors.

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

Chair	EUR 197 000 (2020: EUR 197 000)
Vice Chair	EUR 112 000 (2020: EUR 112 000)
Members	EUR 76 000 (2020: EUR 76 000)

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.

The AGM approved the proposals that the Board of Directors be authorised to decide on the repurchase and on the issuance of Stora Enso R shares. The amount of shares shall not to exceed a total of 2 000 000 R shares, corresponding to approximately 0.25% of all shares and 0.33% of all R shares.

Decisions by the Board of Directors

At its meeting held after the AGM, Stora Enso's Board of Directors elected Richard Nilsson (chair), Elisabeth Fleuriot and Hock Goh as members of the Financial and Audit Committee.

Antti Mäkinen (chair), Håkan Buskhe and Hans Sohlström were elected members of the Remuneration Committee.

Christiane Kuehne (chair), Helena Hedblom and Mikko Helander were elected members of the Sustainability and Ethics Committee.

Share capital and shareholdings

During the first quarter of 2021, the conversions of 311 A shares into R shares were recorded in the Finnish trade register.

On 31 March 2021, Stora Enso had 176 254 415 A shares and 612 365 572 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 237 490 972.

Events after the period

On 15 April, the conversion of 2 330 A shares into R shares was recorded in the Finnish trade register.

On 20 April Stora Enso announced that it would initiate a plan to permanently close down pulp and paper production at Kvarnsveden and Veitsiluoto mills. In Q2/2021, the Group will record a cost of EUR 104 million, of which the cash impact is EUR 96 million, as an IAC relating to the potential lay-offs and restructuring expenses at the two mills.

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, 23 April 2021

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 2020 with the exception of new and amended standards applied to the annual periods beginning on 1 January 2021 and changes in accounting principles described below.

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.

Changes in accounting principles

Changes in Segments presentation

Stora Enso has changed the presentation of certain consolidation adjustments in the segment reporting from 1 January 2021 onwards. When Stora Enso companies sell materials and finished products to other companies within the Group and part of the sold items remain in the receiving company's inventory at the end of the reporting period, the related internal profit is eliminated from the consolidated figures. Under previous presentation principles this internal profit has been fully eliminated at the segment level.

From 1 January 2021 onwards this internal profit is eliminated from the segment figures only to the extent that the profit is fully internal to a single segment. Internal inventory profits from transactions between segments are not eliminated from the segment figures and instead such elimination is done only at Group level. The new presentation is considered to be more reflective of the division specific performance. The comparative figures have been restated accordingly. The new presentation does not affect the Group's total figures.

Accounting implications of the effects of Covid-19

The Group has continued to assess the potential accounting implications of decreased economic activity as a result of Covid-19 pandemic. The Group has also assessed impact on significant accounting estimates and management judgement and identified certain items, which have been evaluated in more detail. The review of significant estimates and judgements resulted in asset impairments of EUR 127 million in the Paper division in connection with the planned closure of Kvarnsveden and Veitsiluoto mills.

IAS 36 requires non-financial assets to be tested for impairment whenever there is an indicator those assets might be impaired and in addition goodwill is tested at least every year. The uncertainty in the economic environment may decrease the reliability of long-term forecasts used in the impairment testing models.

Trade receivables and related expected credit losses as well as valuation of slow moving and obsolete finished goods and spare parts are under constant review. During Q1 2021, there were no material increases of credit loss allowances for trade receivables recognised but there was a slight increase in the write-downs related to inventories.

The Group's units in some countries have received various forms of assistance from the authorities intended to support employment or temporarily improve cash flows. The savings in income statement or cash flow improvements from the obtained relief measures have not been material for Stora Enso Group during 2021.

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 IAC are capital gains and losses, impairments or impairment reversals, disposal gains and losses relating to Group companies, provisions for planned restructurings, environmental provisions, changes in depreciation due to restructuring and penalties. Items affecting comparability are normally disclosed individually if they exceed one cent per share.

Fair valuations and non-operational items include CO_2 emission rights, non-operational fair valuation changes of biological assets, adjustments for differences between fair value and acquisition cost of forest assets upon disposal and the Group's share of income tax and net financial items of EAI. The adjustments for differences between fair value and acquisition cost of forest assets upon disposal are a result of the fact that the cumulative non-operational fair valuation changes of disposed forest assets were included in previous periods in IFRS operating profit (biological assets) and other comprehensive income (forest land) and are included in operational EBIT only at the disposal date.

Cash flow from operations (non-IFRS) is a Group specific way to present operative cash flow 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.

Capital expenditure on fixed assets includes investments in and acquisitions of tangible and intangible assets as well as internally generated assets and capitalised borrowing costs, net of any related subsidies. Capital expenditure on leased assets includes new capitalised leasing contracts. Capital expenditure on biological assets consists of acquisitions of biological assets and capitalisation of costs directly linked to growing trees in plantation forests. The cash flow impact of capital expenditure is presented in cash flow from investing activities, excluding lease capex, where the cash flow impact is based on paid lease liabilities and presented in cash flow from financing and operating activities.

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

The following new and amended standards are applied to the annual periods beginning on 1 January 2021

- Amended standards and interpretations do not have material effect on the Group.

Future standard changes endorsed by the EU but not yet effective in 2021

- No future standard changes endorsed by the EU which would have material effect on the Group.

Condensed consolidated income statement

EUR million	Q1/21	Q1/20	Q4/20	2020
Sales	**2 276**	**2 207**	**2 154**	**8 553**
Other operating income	78	56	34	147
Change in inventories of finished goods and WIP	56	1	-49	-84
Materials and services	-1 368	-1 300	-1 296	-5 043
Freight and sales commissions	-215	-213	-198	-806
Personnel expenses	-338	-317	-332	-1 270
Other operating expenses	-90	-130	-96	-394
Share of results of equity accounted investments	8	-21	11	-1
Change in net value of biological assets	2	122	234	428
Depreciation, amortisation and impairment charges	-249	-143	-174	-609
Operating Profit	**161**	**262**	**289**	**922**
Net financial items	-36	-53	-30	-150
Profit before Tax	**125**	**209**	**260**	**773**
Income tax	20	-59	-22	-156
Net Profit for the Period	**145**	**149**	**237**	**617**
Attributable to				
Owners of the Parent	144	152	240	626
Non-controlling interests	2	-3	-2	-9
Net Profit for the Period	**145**	**149**	**237**	**617**
Earnings per Share				
Basic earnings per share, EUR	0.18	0.19	0.30	0.79
Diluted earnings per share, EUR	0.18	0.19	0.30	0.79

Consolidated statement of comprehensive income

EUR million	Q1/21	Q1/20	Q4/20	2020
Net profit for the period	**145**	**149**	**237**	**617**
Other Comprehensive Income (OCI)				
Items that will Not be Reclassified to Profit and Loss				
Equity instruments at fair value through OCI	15	-248	6	-136
Actuarial gains and losses on defined benefit plans	75	29	75	20
Revaluation of forest land	0	0	1 504	1 504
Share of OCI of Equity accounted investments (EAI)	0	0	12	12
Income tax relating to items that will not be reclassified	-12	-6	-325	-315
	77	**-225**	**1 273**	**1 086**
Items that may be Reclassified Subsequently to Profit and Loss				
Cumulative translation adjustment (CTA)	-43	-253	117	-143
Net investment hedges and loans	1	-6	10	16
Cash flow hedges and cost of hedging	-50	-81	52	54
Share of OCI of Non-controlling Interests (NCI)	0	-2	0	1
Income tax relating to items that may be reclassified	12	15	-13	-15
	-81	**-327**	**167**	**-87**
Total Comprehensive Income	**142**	**-403**	**1 678**	**1 616**
Attributable to				
Owners of the Parent	140	-398	1 680	1 625
Non-controlling interests	1	-5	-2	-9
Total Comprehensive Income	**142**	**-403**	**1 678**	**1 616**

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

Condensed consolidated statement of financial position

EUR million		31 Mar 2021	31 Dec 2020	31 Mar 2020
Assets				
Goodwill	O	282	281	295
Other intangible assets	O	135	134	163
Property, plant and equipment	O	4 917	5 007	4 958
Right-of-use assets	O	458	452	492
		5 792	**5 874**	**5 909**
Forest assets	O	6 119	6 256	4 066
Biological assets	O	4 148	4 250	3 577
Forest land	O	1 972	2 005	489
Emission rights	O	116	36	78
Equity accounted investments	O	448	456	443
Listed securities	I	15	16	7
Unlisted securities	O	417	401	284
Non-current interest-bearing receivables	I	94	93	91
Deferred tax assets	T	128	117	104
Other non-current assets	O	29	28	34
Non-current Assets		**13 159**	**13 276**	**11 015**
Inventories	O	1 343	1 270	1 397
Tax receivables	T	16	14	16
Operative receivables	O	1 317	1 145	1 260
Interest-bearing receivables	I	17	66	15
Cash and cash equivalents	I	1 269	1 661	756
Current Assets		**3 962**	**4 155**	**3 444**
Total Assets		**17 121**	**17 431**	**14 459**
Equity and Liabilities				
Owners of the Parent		8 709	8 809	7 018
Non-controlling Interests		-14	-16	-11
Total Equity		**8 695**	**8 793**	**7 006**
Post-employment benefit obligations	O	389	473	415
Provisions	O	91	102	103
Deferred tax liabilities	T	1 302	1 332	841
Non-current interest-bearing liabilities	I	3 621	3 822	3 144
Other non-current operative liabilities	O	13	13	12
Non-current Liabilities		**5 416**	**5 743**	**4 515**
Current portion of non-current debt	I	518	472	352
Interest-bearing liabilities	I	481	456	773
Bank overdrafts	I	11	6	0
Provisions	O	36	46	61
Other operative liabilities	O	1 911	1 837	1 681
Tax liabilities	T	53	78	71
Current Liabilities		**3 011**	**2 895**	**2 938**
Total Liabilities		**8 426**	**8 637**	**7 453**
Total Equity and Liabilities		**17 121**	**17 431**	**14 459**

Items designated with “O” comprise Operating Capital

Items designated with “I” comprise Net Interest-bearing Liabilities

Items designated with “T” comprise Net Tax Liabilities

Condensed consolidated statement of cash flows

EUR million	Q1/21	Q1/20
Cash Flow from Operating Activities		
Operating profit	161	262
Adjustments for non-cash items	227	38
Change in net working capital	-203	-154
Cash Flow Generated by Operations	**185**	**146**
Net financial items paid	-30	-33
Income taxes paid, net	-23	-41
Net Cash Provided by Operating Activities	**132**	**71**
Cash Flow from Investing Activities		
Acquisitions of equity accounted investments	-2	0
Acquisitions of unlisted securities	0	-1
Cash flow on disposal of subsidiary shares and business operations, net of disposed cash	3	-2
Cash flow on disposal of unlisted securities	0	0
Cash flow on disposal of forest and intangible assets and property, plant and equipment	95	1
Capital expenditure	-192	-177
Proceeds from non-current receivables, net	1	-20
Net Cash Used in Investing Activities	**-96**	**-199**
Cash Flow from Financing Activities		
Proceeds from issue of new long-term debt	2	17
Repayment of long-term debt and lease liabilities	-200	-128
Change in short-term borrowings	-24	137
Dividends paid	-208	0
Purchase of own shares[1]	-3	-6
Net Cash Provided by Financing Activities	**-433**	**21**
Net Change in Cash and Cash Equivalents	**-397**	**-106**
Translation adjustment	-1	-1
Net cash and cash equivalents at the beginning of period	1 655	863
Net Cash and Cash Equivalents at Period End	**1 258**	**756**
Cash and Cash Equivalents at Period End	**1 269**	**756**
Bank Overdrafts at Period End	**-11**	**0**
Net Cash and Cash Equivalents at Period End	**1 258**	**756**

[1] Own shares purchased for the Group's share award programme. The Group did not hold any of its own shares at 31 March 2021.

Statement of changes in equity

					Fair Value Reserve									
EUR million	Share Capital	Share Premium and Reserve fund	Invested Non-Restricted Equity Fund	Treasury Shares	Step Acquisition Revaluation Surplus	Equity instruments through OCI	Cash Flow Hedges	Revaluation reserve	OCI of Equity Accounted Investments	CTA and Net Investment Hedges and loans	Retained Earnings	Attributable to Owners of the Parent	Non-controlling Interests	Total
Balance at 1 January 2020	**1 342**	**77**	**633**	**—**	**4**	**413**	**-20**	**—**	**—**	**-136**	**5 116**	**7 429**	**-7**	**7 423**
Net profit for the period	—	—	—	—	—	—	—	—	—	—	152	152	-3	149
OCI before tax	—	—	—	—	—	-248	-81	—	—	-259	29	-559	-2	-561
Income tax relating to OCI	—	—	—	—	—	1	14	—	—	1	-7	9	—	9
Total Comprehensive Income	**—**	**—**	**—**	**—**	**—**	**-247**	**-68**	**—**	**—**	**-258**	**173**	**-398**	**-5**	**-403**
Dividend	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and disposals	—	—	—	—	-4	—	—	—	—	—	4	—	—	—
Purchase of treasury shares	—	—	—	-6	—	—	—	—	—	—	—	-6	—	-6
Share-based payments	—	—	—	6	—	—	—	—	—	—	-13	-8	—	-8
Balance at 31 March 2020	**1 342**	**77**	**633**	**—**	**—**	**166**	**-88**	**—**	**—**	**-394**	**5 281**	**7 018**	**-11**	**7 006**
Net profit for the period	—	—	—	—	—	—	—	—	—	—	475	475	-7	468
OCI before tax	—	—	—	—	—	112	135	1 504	12	132	-8	1 887	2	1 890
Income tax relating to OCI	—	—	—	—	—	-2	-24	-310	—	-5	2	-339	—	-339
Total Comprehensive Income	**—**	**—**	**—**	**—**	**—**	**110**	**110**	**1 195**	**12**	**127**	**469**	**2 023**	**-4**	**2 019**
Dividend	—	—	—	—	—	—	—	—	—	—	**-237**	**-237**	—	-237
Acquisitions and disposals	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share-based payments	—	—	—	—	—	—	—	—	—	—	5	5	—	5
Balance at 31 December 2020	**1 342**	**77**	**633**	**—**	**—**	**277**	**23**	**1 195**	**12**	**-267**	**5 518**	**8 809**	**-16**	**8 793**
Net profit for the period	—	—	—	—	—	—	—	—	—	—	144	144	2	145
OCI before tax	—	—	—	—	—	15	-50	—	—	-42	75	-3	—	-3
Income tax relating to OCI	—	—	—	—	—	—	11	—	—	1	-12	—	—	—
Total Comprehensive Income	**—**	**—**	**—**	**—**	**—**	**15**	**-40**	**—**	**—**	**-41**	**206**	**140**	1	**142**
Dividend	—	—	—	—	—	—	—	—	—	—	-237	-237	—	-237
Acquisitions and disposals	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	-3	—	—	—	—	—	—	—	-3	—	-3
Share-based payments	—	—	—	3	—	—	—	—	—	—	-4	-1	—	-1
Balance at 31 March 2021	**1 342**	**77**	**633**	**—**	**—**	**291**	**-17**	**1 195**	**12**	**-308**	**5 484**	**8 709**	**-14**	**8 695**

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

Goodwill, other intangible assets, property, plant and equipment, right-of-use assets and forest assets

EUR million	Q1/21	Q1/20	2020
Carrying value at 1 January	12 130	10 216	10 216
Additions in tangible and intangible assets	102	67	589
Additions in right-of-use assets	9	5	39
Additions in biological assets	13	13	59
Depletion of capitalised silviculture costs	-15	-11	-41
Acquisition of subsidiary companies	0	0	5
Disposals	-66	0	-13
Disposals of subsidiary companies	-2	-3	-3
Depreciation and impairment	-249	-143	-609
Fair valuation of forest assets	18	133	1 973
Translation difference and other	-28	-303	-86
Statement of Financial Position Total	**11 911**	**9 974**	**12 130**

Borrowings

EUR million	31 Mar 2021	31 Mar 2020	31 Dec 2020
Bond loans	2 781	1 947	2 789
Loans from credit institutions	923	1 071	1 083
Lease liabilities	406	429	397
Long-term derivative financial liabilities	25	44	21
Other non-current liabilities	4	4	5
Non-current interest bearing liabilities including current portion	**4 139**	**3 496**	**4 294**
Short-term borrowings	422	661	413
Interest payable	35	30	35
Short-term derivative financial liabilities	24	81	9
Bank overdrafts	11	0	6
Total Interest-bearing Liabilities	**4 632**	**4 268**	**4 756**

EUR million	Q1/21	Q1/20	2020
Carrying value at 1 January	4 756	4 192	4 192
Proceeds of new long-term debt	2	17	1 081
Additions in lease liabilities	9	5	39
Repayment of long-term debt	-186	-115	-333
Repayment of lease liabilities and interest	-18	-17	-85
Change in short-term borrowings and interest payable	10	143	-101
Change in derivative financial liabilities	20	78	-17
Translation differences and other	40	-35	-20
Total Interest-bearing Liabilities	**4 632**	**4 268**	**4 756**

Commitments and contingencies

EUR million	31 Mar 2021	31 Dec 2020	31 Mar 2020
On Own Behalf			
Mortgages	0	0	2
Other commitments	14	14	3
On Behalf of Equity Accounted Investments			
Guarantees	2	2	3
On Behalf of Others			
Guarantees	6	6	5
Other commitments	36	36	13
Total	**58**	**58**	**27**
Mortgages	0	0	2
Guarantees	8	8	8
Other commitments	50	50	17
Total	**58**	**58**	**27**

Capital commitments

EUR million	31 Mar 2021	31 Dec 2020	31 Mar 2020
Total	**207**	**207**	**223**

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

Sales by segment – total

EUR million	Q1/21	2020	Q4/20	Q3/20	Q2/20	Q1/20
Packaging Materials	862	3 115	759	771	821	764
Packaging Solutions	159	594	160	145	141	149
Biomaterials	355	1 193	314	305	288	286
Wood Products	382	1 386	360	341	347	338
Forest	582	2 046	527	457	519	542
Paper	428	1 979	476	468	445	591
Other	240	928	231	230	221	246
Inter-segment sales	-732	-2 687	-673	-637	-669	-709
Total	**2 276**	**8 553**	**2 154**	**2 079**	**2 114**	**2 207**

Sales by segment – external

EUR million	Q1/21	2020	Q4/20	Q3/20	Q2/20	Q1/20
Packaging Materials	827	2 999	729	742	793	735
Packaging Solutions	155	578	156	140	137	145
Biomaterials	318	1 025	278	267	248	233
Wood Products	355	1 295	335	322	323	316
Forest	196	698	182	146	175	194
Paper	413	1 931	466	455	432	578
Other	12	27	8	6	6	7
Total	**2 276**	**8 553**	**2 154**	**2 079**	**2 114**	**2 207**

Disaggregation of revenue

EUR million	Q1/21	2020	Q4/20	Q3/20	Q2/20	Q1/20
Product sales	2 257	8 460	2 131	2 056	2 087	2 187
Service sales	18	93	23	23	27	20
Total	**2 276**	**8 553**	**2 154**	**2 079**	**2 114**	**2 207**

Operational EBIT by segment

EUR million	Q1/21	2020	Q4/20	Q3/20	Q2/20	Q1/20
Packaging Materials	127	403	66	111	130	96
Packaging Solutions	4	33	10	8	8	8
Biomaterials	65	8	-14	7	18	-3
Wood Products	52	114	33	38	26	18
Forest	123	162	39	41	40	42
Paper	-34	-38	-5	-16	-39	21
Other	-11	-35	-16	-13	-7	0
Inter-segment eliminations	1	3	3	0	1	-2
Operational EBIT	**328**	**650**	**118**	**175**	**178**	**180**
Fair valuations and non-operational items[1]	-40	362	217	-4	55	94
Items affecting comparability[1]	-126	-90	-45	-25	-7	-12
Operating Profit (IFRS)	**161**	**922**	**289**	**145**	**226**	**262**
Net financial items	-36	-150	-30	-31	-36	-53
Profit before Tax	**125**	**773**	**260**	**115**	**190**	**209**
Income tax expense	20	-156	-22	-28	-46	-59
Net Profit	**145**	**617**	**237**	**86**	**144**	**149**

[1] See section Non-IFRS measures for IAC and fair valuations and non-operational items definitions.
The segment comparative figures have been restated in accordance to the change in presentation of certain consolidation adjustments, as described in the section Basis of Preparation.

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

EUR million	Q1/21	2020	Q4/20	Q3/20	Q2/20	Q1/20
Impairments and impairment reversals	-110	-72	-45	-17	-5	-5
Restructuring costs excluding impairments	-21	-23	-7	-10	-1	-5
Acquisitions and disposals	0	6	8	0	0	-2
Other	5	0	-1	2	-1	0
Total IAC on Operating Profit	**-126**	**-90**	**-45**	**-25**	**-7**	**-12**
Fair valuations and non-operational items	-40	362	217	-4	55	94
Total	**-167**	**271**	**172**	**-29**	**48**	**82**

Items affecting comparability had a negative impact on the operating profit of EUR 126 (negative EUR 12) million. The IACs relate mainly to asset impairments in the Paper division.

Fair valuations and non-operational items had a negative net impact on the operating profit of EUR 40 (positive EUR 94) million. The impact came mainly from the Swedish forest asset sales capital gain difference in Operational EBIT and IFRS operating profit. A gain of EUR 74 million, based on the assets' historical cost, is included in operational EBIT in Q1 2021. The IFRS operating profit impact was EUR 28 million, based on the IFRS book value at the disposal date.

Items affecting comparability (IAC) by segment

EUR million	Q1/21	2020	Q4/20	Q3/20	Q2/20	Q1/20
Packaging Materials	0	0	7	-2	0	-5
Packaging Solutions	0	-6	-1	-5	0	0
Biomaterials	-5	-53	-53	0	0	0
Wood Products	0	-3	0	0	-1	-2
Forest	0	0	0	0	0	0
Paper	-126	-21	3	-14	-5	-5
Other	5	-7	-1	-5	-1	0
IAC on Operating Profit	**-126**	**-90**	**-45**	**-25**	**-7**	**-12**
IAC on tax	26	19	10	5	1	2
IAC on Net Profit	**-101**	**-71**	**-35**	**-20**	**-5**	**-10**
Attributable to:						
Owners of the Parent	-101	-71	-35	-20	-5	-10
Non-controlling interests	0	0	0	0	0	0
IAC on Net Profit	**-101**	**-71**	**-35**	**-20**	**-5**	**-10**

Fair valuations and non-operational items by segment

EUR million	Q1/21	2020	Q4/20	Q3/20	Q2/20	Q1/20
Packaging Materials	0	-12	-10	0	-1	-1
Packaging Solutions	0	0	0	0	0	0
Biomaterials	0	13	10	2	0	1
Wood Products	0	0	0	0	0	0
Forest	-48	360	226	-10	55	89
Paper	1	2	-9	4	2	5
Other	6	-1	0	0	-1	0
FV and Non-operational Items on Operating Profit	**-40**	**362**	**217**	**-4**	**55**	**94**

Operating profit/loss by segment

EUR million	Q1/21	2020	Q4/20	Q3/20	Q2/20	Q1/20
Packaging Materials	127	391	64	108	129	90
Packaging Solutions	4	28	8	3	8	8
Biomaterials	60	-32	-56	8	18	-2
Wood Products	52	111	33	38	25	16
Forest	75	522	266	31	95	131
Paper	-159	-58	-11	-26	-42	21
Other	0	-42	-17	-17	-9	0
Inter-segment eliminations	1	3	3	0	1	-2
Operating Profit (IFRS)	**161**	**922**	**289**	**145**	**226**	**262**
Net financial items	-36	-150	-30	-31	-36	-53
Profit before Tax	**125**	**773**	**260**	**115**	**190**	**209**
Income tax expense	20	-156	-22	-28	-46	-59
Net Profit	**145**	**617**	**237**	**86**	**144**	**149**

The segment comparative figures have been restated in accordance to the change in presentation of certain consolidation adjustments, as described in the section Basis of Preparation.

Key exchange rates for the euro

One Euro is	Closing Rate		Average Rate (Year-to-date)	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
SEK	10.2383	10.0343	10.1177	10.4881
USD	1.1725	1.2271	1.2056	1.1413
GBP	0.8521	0.8990	0.8747	0.8892

Transaction risk and hedges in main currencies as at 31 March 2021

EUR million	EUR	USD	SEK	GBP
Estimated annual operative transaction risk exposure from cash flows for the next 12 months[1]	950	1 753	-192	270
Cash flow hedges for the next 12 months as at 31 March 2021	-507	-721	95	-76
Hedge ratio for the next 12 months as at 31 March 2021	**53%**	**41%**	**49%**	**28%**
Effect of 10% currency strengthening on Operational EBIT[2]	95	175	-19	27

[1] Cash flows are forecasted highly probable foreign exchange net operating cash flows. The exposure presented in the EUR column relates to operative transaction risk exposure from EUR denominated cash flows in Group companies located in Sweden, Czech Republic and Poland with functional currency other than EUR.

[2] 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 assumes no other changes occur than exchange rate movement in an exposure 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. The instruments carried at fair value in the following tables are measured at fair value on a recurring basis.

Carrying amounts of financial assets and liabilities by measurement and fair value categories: 31 March 2021

EUR million	Amortised cost	Fair value through OCI	Fair value through income statement	Total carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Financial assets								
Listed securities	—	15	—	15	15	15	—	—
Unlisted securities	—	412	5	417	417	—	—	417
Non-current interest-bearing receivables	90	3	—	94	94	—	3	—
Trade and other operative receivables	982	33	—	1 015	1 015	—	33	—
Short-term interest-bearing receivables	—	16	1	17	17	—	17	—
Cash and cash equivalents	1 269	—	—	1 269	1 269	—	—	—
Total	**2 342**	**480**	**6**	**2 827**	**2 827**	**15**	**53**	**417**

EUR million	Amortised cost	Fair value through OCI	Fair value through income statement	Total carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Financial liabilities								
Non-current interest-bearing liabilities	3 596	22	3	3 621	3 982	—	25	—
Current portion of non-current debt	518	—	—	518	518	—	—	—
Short-term interest-bearing liabilities	454	24	3	481	481	—	28	—
Trade and other operative payables	1 570	—	—	1 570	1 570	—	—	—
Bank overdrafts	11	—	—	11	11	—	—	—
Total	**6 149**	**46**	**6**	**6 201**	**6 562**	**—**	**52**	**—**

Hedge accounted derivatives are presented under fair value through OCI and non-hedge accounted derivatives under fair value through income statement categories in the above tables for financial assets and liabilities.

Carrying amounts of financial assets and liabilities by measurement and fair value categories: 31 December 2020

EUR million	Amortised cost	Fair value through OCI	Fair value through income statement	Total carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Financial assets								
Listed securities	—	16	—	16	16	16	—	—
Unlisted securities	—	394	7	401	401	—	—	401
Non-current interest-bearing receivables	91	2	—	93	93	—	2	—
Trade and other operative receivables	814	44	—	858	858	—	44	—
Short-term interest-bearing receivables	1	60	6	66	66	—	65	—
Cash and cash equivalents	1 661	—	—	1 661	1 661	—	—	—
Total	**2 566**	**515**	**13**	**3 094**	**3 094**	**16**	**111**	**401**

EUR million	Amortised cost	Fair value through OCI	Fair value through income statement	Total carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Financial liabilities								
Non-current interest-bearing liabilities	3 801	19	2	3 822	4 233	—	21	—
Current portion of non-current debt	472	—	—	472	472	—	—	—
Short-term interest-bearing liabilities	444	11	1	456	456	—	12	—
Trade and other operative payables	1 547	—	—	1 547	1 547	—	—	—
Bank overdrafts	6	—	—	6	6	—	—	—
Total	**6 270**	**30**	**3**	**6 303**	**6 715**	**—**	**33**	**—**

Hedge accounted derivatives are presented under fair value through OCI and non-hedge accounted derivatives under fair value through income statement categories in the above tables for financial assets and liabilities.

Reconciliation of level 3 fair value measurement of financial assets and liabilities: 31 March 2021

EUR million	Q1/21	2020	Q1/20
Financial assets			
Opening balance at 1 January	401	526	526
Gains/losses recognised in income statement	0	1	0
Gains/losses recognised in other comprehensive income	16	-140	-242
Additions	0	15	1
Disposals	0	-1	0
Closing balance	**417**	**401**	**284**

EUR million	Q1/21	2020	Q1/20
Financial liabilities			
Opening balance at 1 January	0	-25	-25
Deductions	0	25	25
Closing balance	**0**	**0**	**0**

Level 3 Financial Assets

At period end, Level 3 financial assets included EUR 412 million of Pohjolan Voima Oy (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 3.87% used in the valuation model is determined using the weighted average cost of capital method. A +/- 5% change in the electricity price used in the DCF would change the valuation by EUR +40 million and -39 million, respectively. A +/- percentage point change in the discount rate would change the valuation by EUR -38 million and +69 million, respectively.

Stora Enso shares

Trading volume

	Helsinki		Stockholm	
	A share	R share	A share	R share
January	1 479	91 621	3 647	28 499
February	1 359	105 766	3 825	31 281
March	141 832	42 459 926	390 384	13 355 166
Total	**144 670**	**42 657 313**	**397 856**	**13 414 946**

Closing price

	Helsinki, EUR		Stockholm, SEK	
	A share	R share	A share	R share
January	15.55	15.00	158.40	151.60
February	16.55	16.33	167.00	165.95
March	17.40	15.91	177.20	162.80

Average number of shares

Million	Q1/21	Q1/20	Q4/20	2020
Periodic	788.6	788.6	788.6	788.6
Cumulative	788.6	788.6	788.6	788.6
Cumulative, diluted	789.1	789.2	788.9	789.2

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 silviculture costs and damage to forests, 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 end of reporting period
TRI		Total recordable incident rate = number of incidents per one million hours worked

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

List of non-IFRS measures

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

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Stora Enso's Q2 results will be published on

21 July 2021

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 23 000 employees, and sales in over 50 countries. Our sales in 2020 were EUR 8.6 billion. Stora Enso shares are listed on Nasdaq Helsinki Oy (STEAV, STERV) and Nasdaq Stockholm AB (STE A, STE R). **storaenso.com/investors**

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