

Solid performance – accelerated transformation

CEO Karl-Henrik Sundström



storaenso

THE RENEWABLE MATERIALS COMPANY


Do you know?



Implemented product management, S&OP, innovation structure and sales academy

Improved EBITDA margin

2013	10.3%
Q316	13.6%




Improved EBIT margin

2013	5.5%
Q316	9.2%



Strengthen the balance sheet from peaked 3.5 x to 2.1 x



Improved ROCE

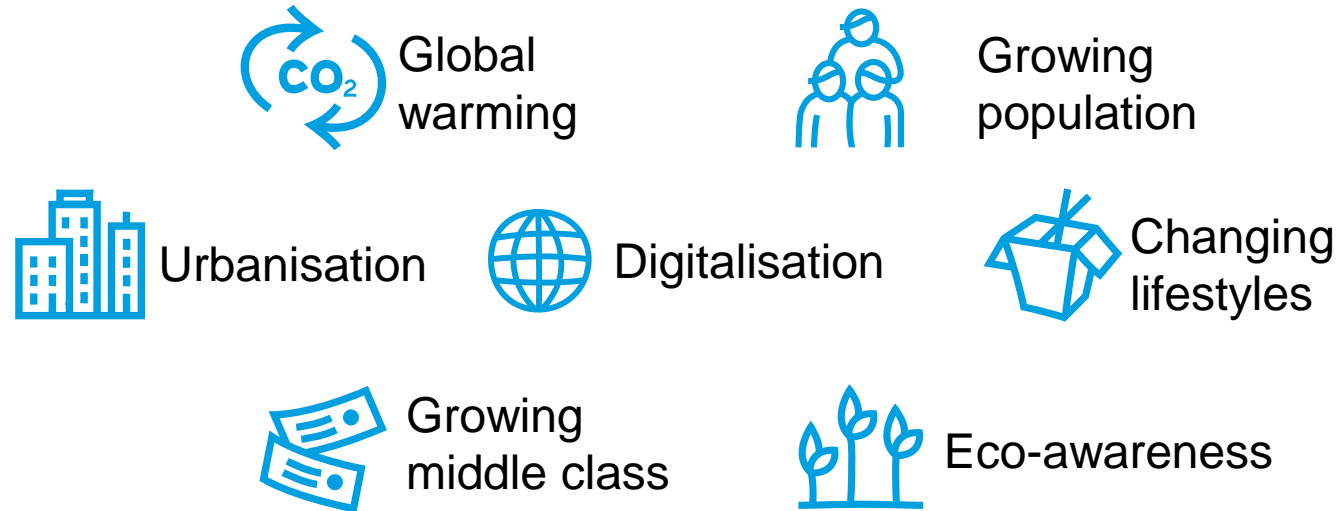
2013	6.5%
Q316	10.1%
excl. Beihai	
Q316	13.5%



Stora Enso responds to global megatrends



Major global trends drive the world's demand for renewable materials



Bio-based products are not only reusable, but also renewable



Majority of the portfolio is aimed at growth



Stora Enso Q316: Sales 2 393 MEUR / Operational EBIT 219 MEUR /
Operational ROCE 10.1% / Operational ROCE excluding Beihai 13.5%

+




Consumer Board
Expansion of relative market share in profitable niches

+



Packaging Solutions
Selective profitable growth

-



+



Biomaterials
Strengthening current business and creating new profitable growth

+



Wood Products
Accelerating growth

Paper
Strategy for maximum cash generation

Transformation steps since 2013

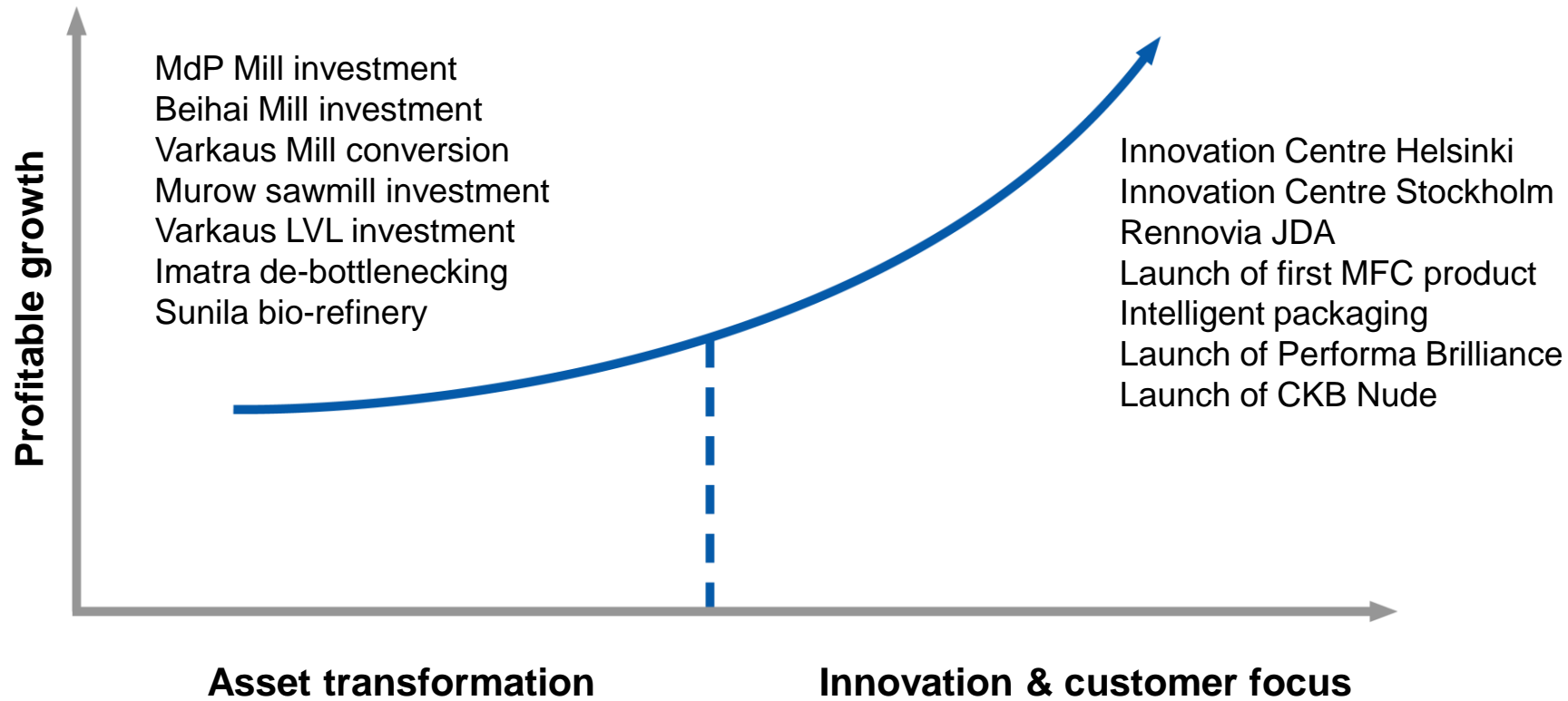


Investments		Divestment and closure announcements	
Bulleh Shah Packaging	✓	Thiele Kaolin, United States	✓
Murow sawmill	✓	Veitsiluoto PM1, Finland	✓
Sunila Bio-refinery	✓	Corbehem, France	✓
Enocell power plants and renewable energy	✓	Corenso, Europe, Asia and North America	✓
Imatra de-bottlenecking	✓	Uetersen Mill, Germany	✓
Sickla & Helsinki innovation centres	✓	Packaging unit in Chennai, India	✓
Varkaus conversion	✓	Barcelona Mill, Spain	✓
Beihai Mill	✓	Packaging plant in Komárom, Hungary	✓
Varkaus wooden building elements	✓	Arapoti Mill, Brazil	✓
Virdia acquisition and demo plant	Ongoing	IL Recycling AB, Sweden	✓
Beihai PE coating line	Ongoing	Hartola production unit, Finland	✓
Ala sawmill, boiler and pellets	Ongoing	Kabel Mill, Germany	✓
Imatra PE coating line and ARW	Ongoing	Suzhou Mill, China	✓
Skutskär pulp mill, fluff	Ongoing	Planned Heinola corrugated closure	✓
Skoghall Mill, chemical plant	Ongoing		
Rennovia, FDCA technology JDA	Ongoing		
Scandinavian corrugating restructuring plans	Ongoing		

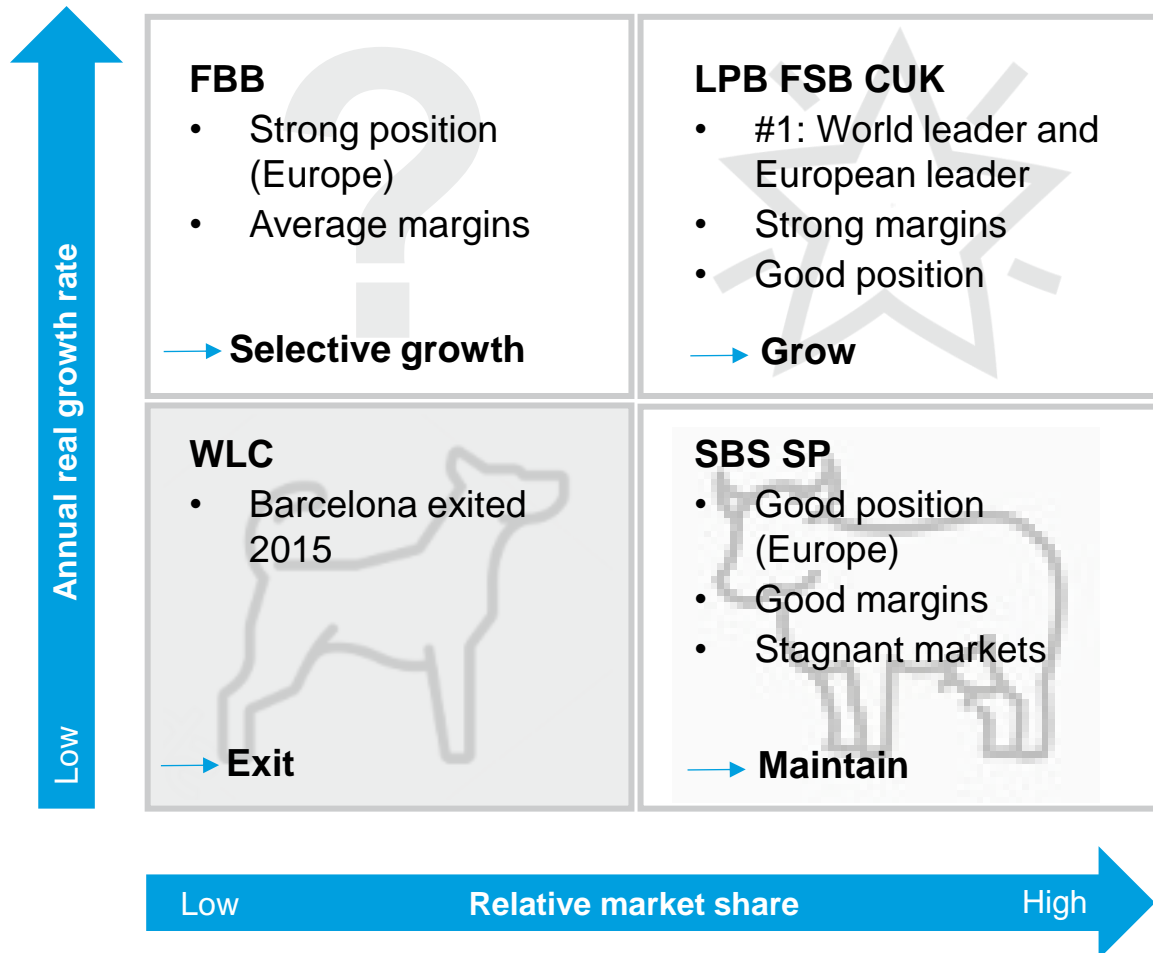
4.8 million tonnes paper, pulp and board capacity closed since 2006

Capex to transformation 4 277 MEUR 2012-Q316

Asset transformation nearly completed – now the focus is on sales and innovation

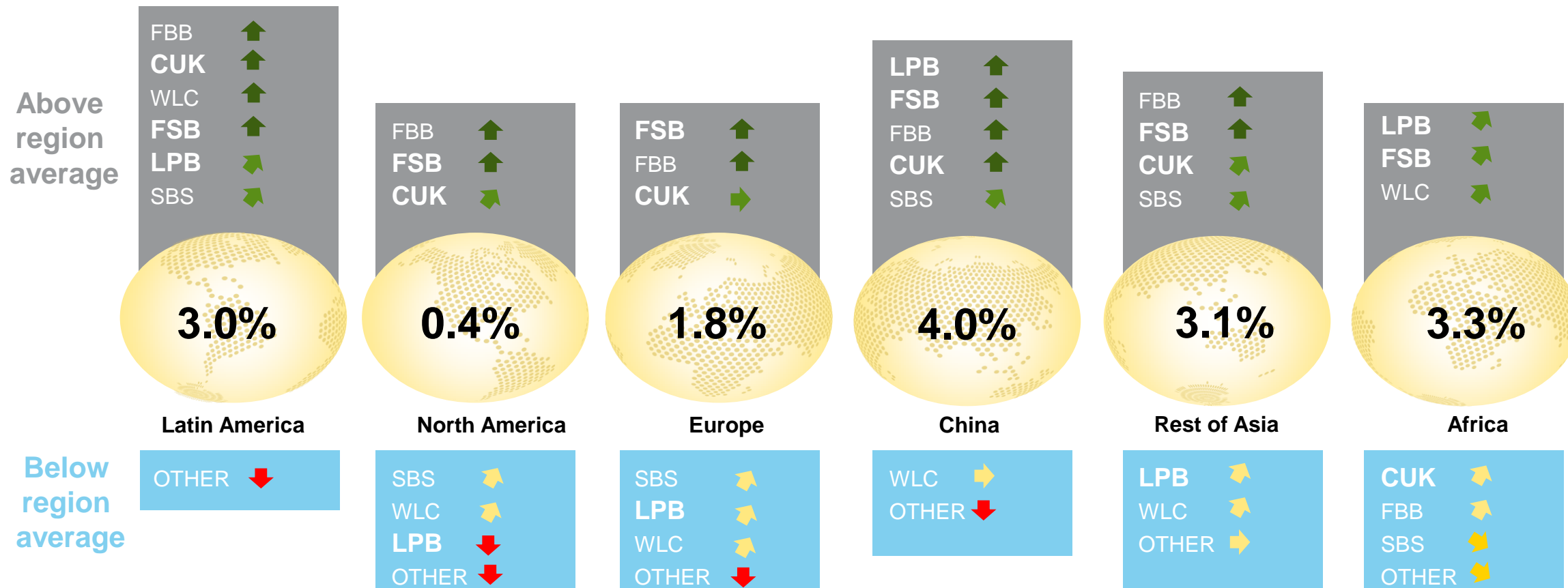


Division Consumer Board: expansion of relative market share in profitable niches



The global consumer board market is growing

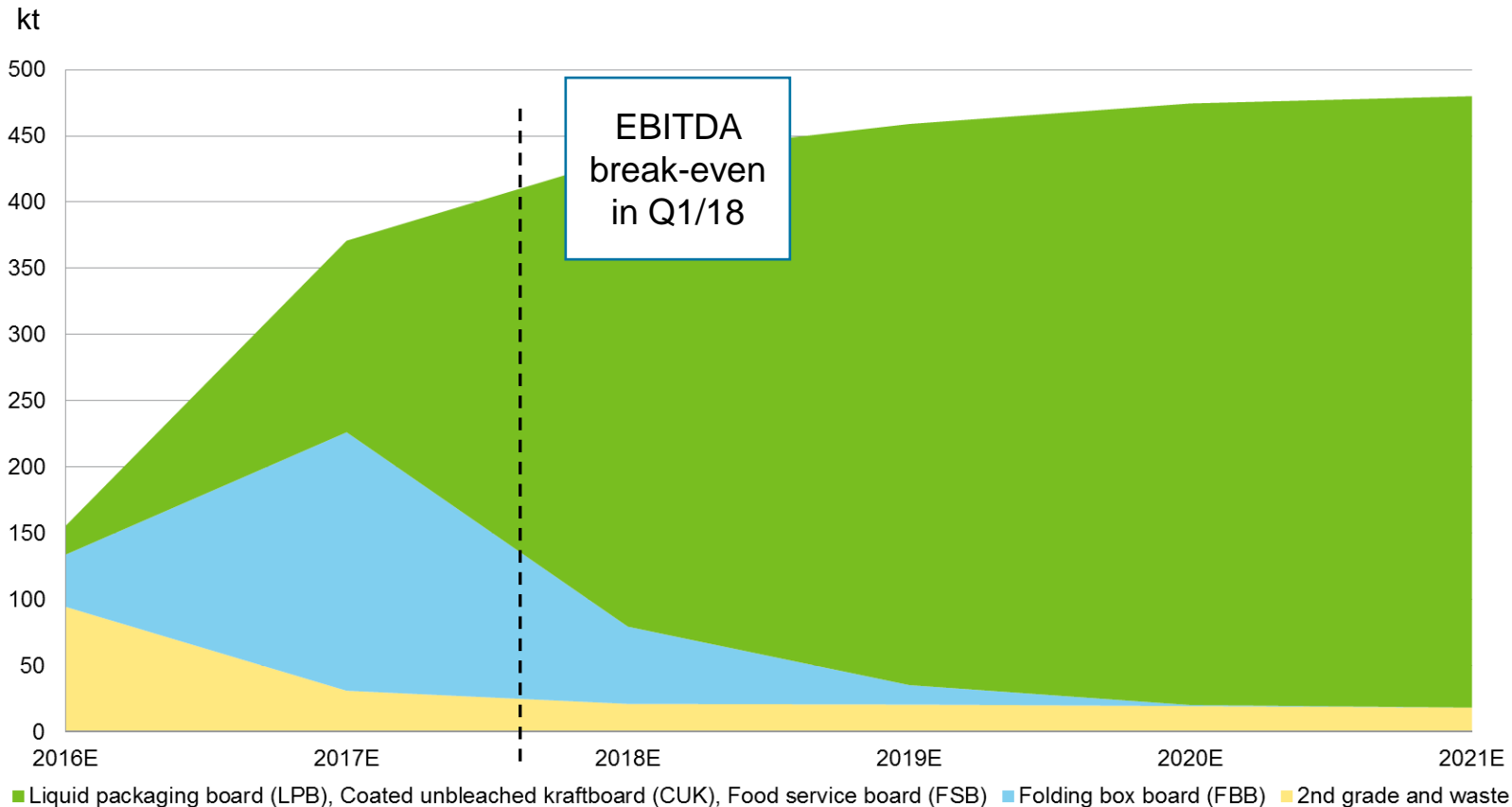
Growth of 9 million tonnes expected 2014-2021



FBB = Folding boxboard, CUK = Coated unbleached kraftboard, WLC = White lined chipboard, FSB = Food service board, LPB = Liquid packaging board, SBS = Solid bleached sulfate board, OTHER = Grey Chipboard, Mech Woodpulp Board, Wet Machine Board, Recycled Solid Board.

Source: Pöyry Management Consulting

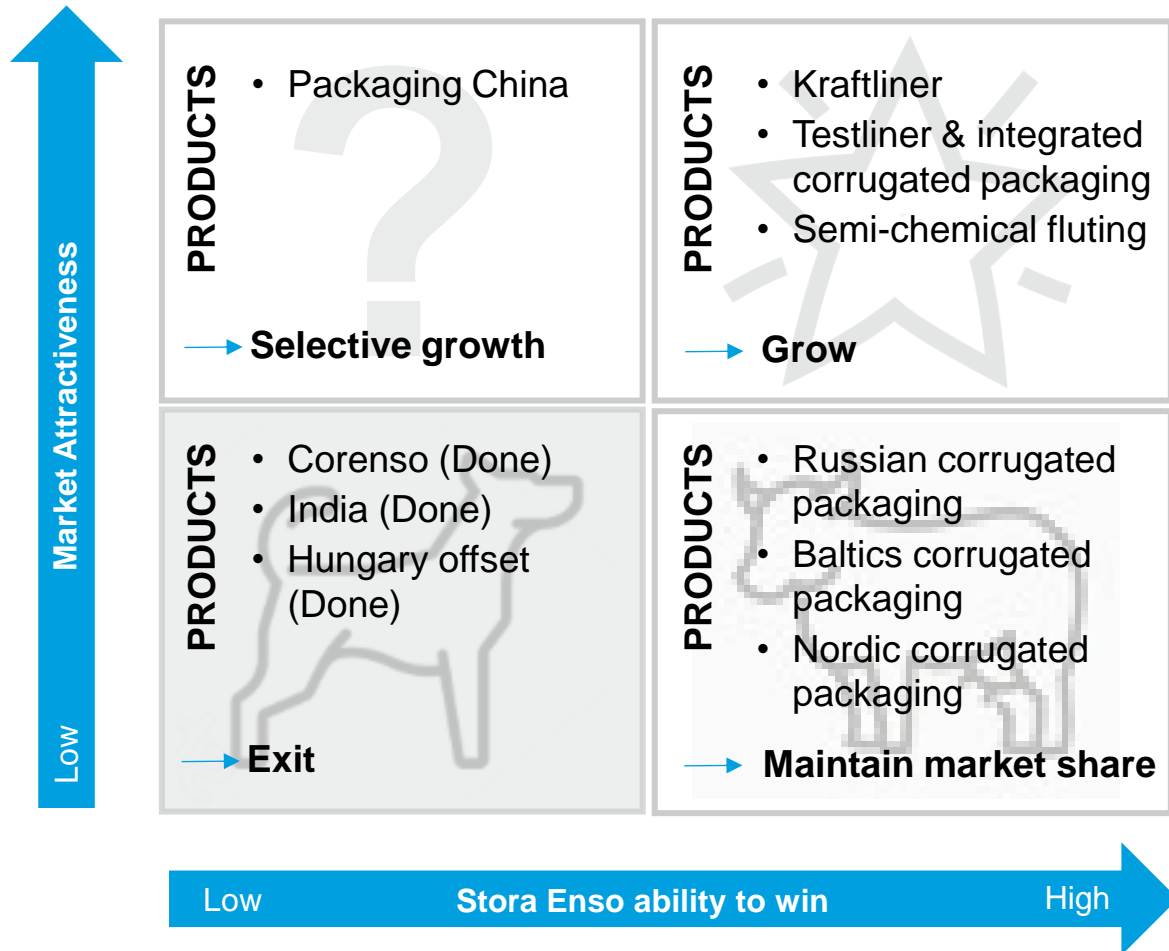
Beihai ramp-up tonnes and grades



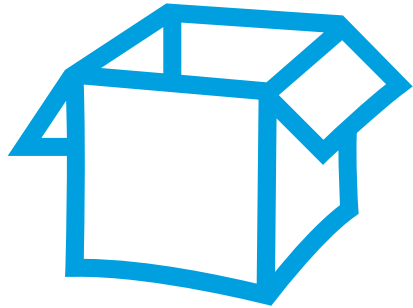
End of the year situation

- Ramp-up ahead of plan
- BCTMP plant operational before the end of Q4 2016
- PE coating investment ready by mid-2017
- LPB testing with leading customers is proceeding according to plan
- CUK customer tests with very positive feedback
- FSB noodle cup board ready for launch
- No Beihai Pulp mill decision to be made prior to Q2 2018

Division Packaging Solutions: selective profitable growth

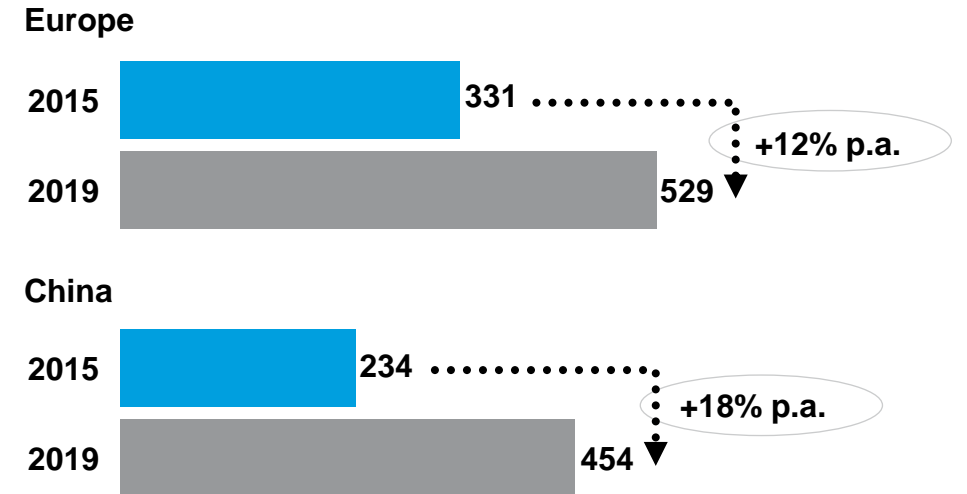


Packaging for online shopping has the strongest growth



Online retail market grows faster than other retail markets.

Different retail categories face different challenges for successful online packaging.



New reality for brand owners and retailers – packaging is clearly a strategic tool to gain from the growth in online retailing

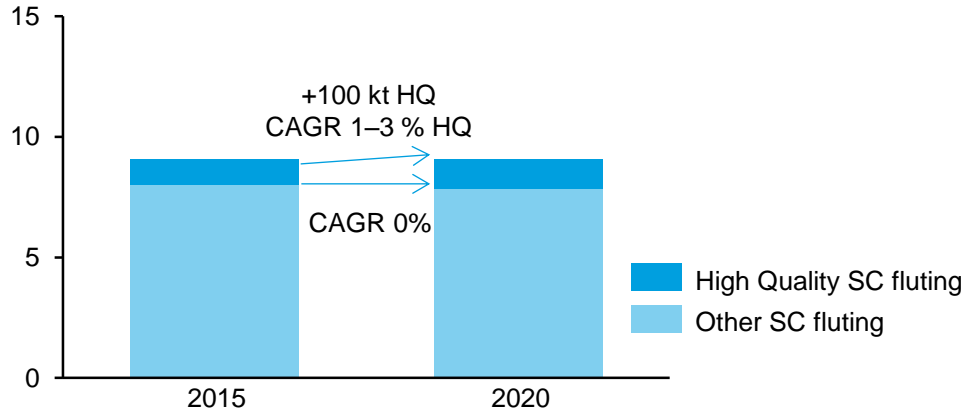
Excluding categories services and large travel

SOURCE: Euromonitor May 2015

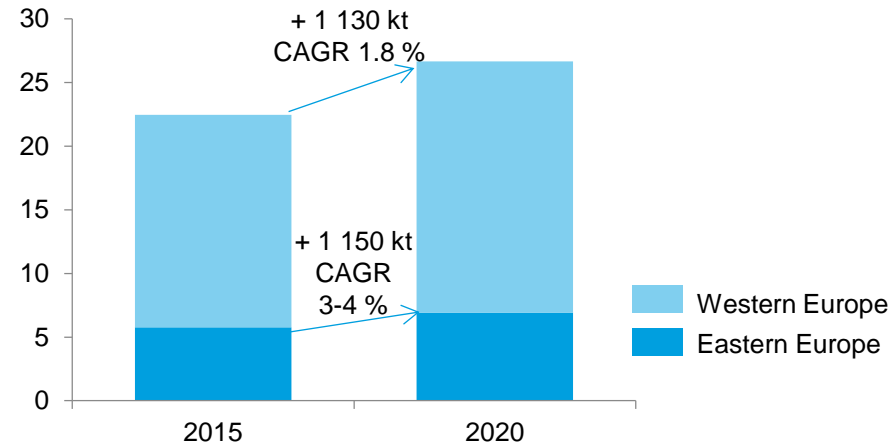
Corrugated packaging is also growing in Europe



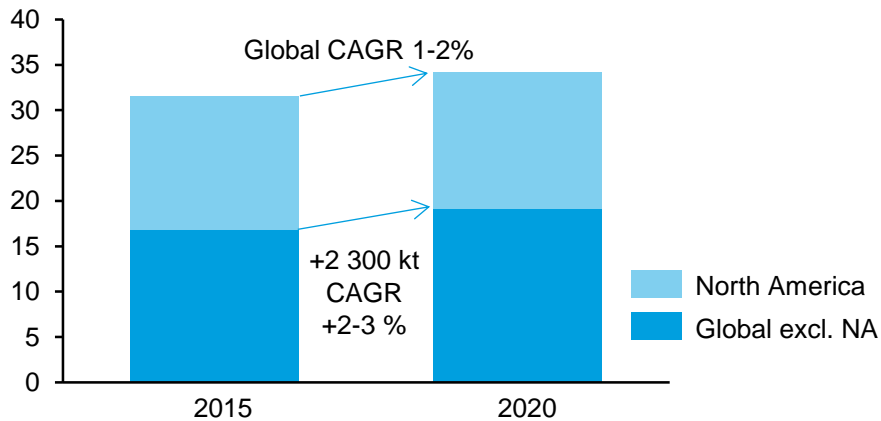
SC fluting global market size (million tonnes)



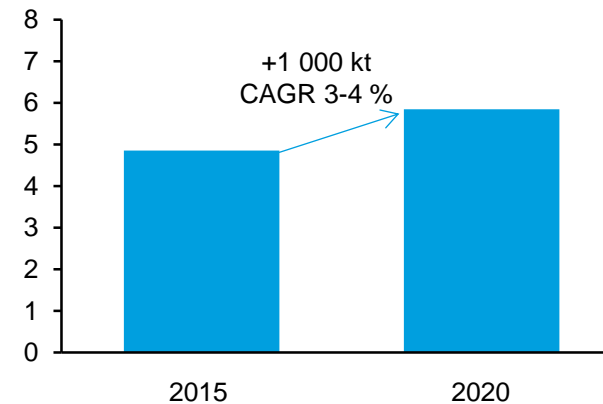
RCP-based containerboard (million tonnes)



Kraftliner global (million tonnes)



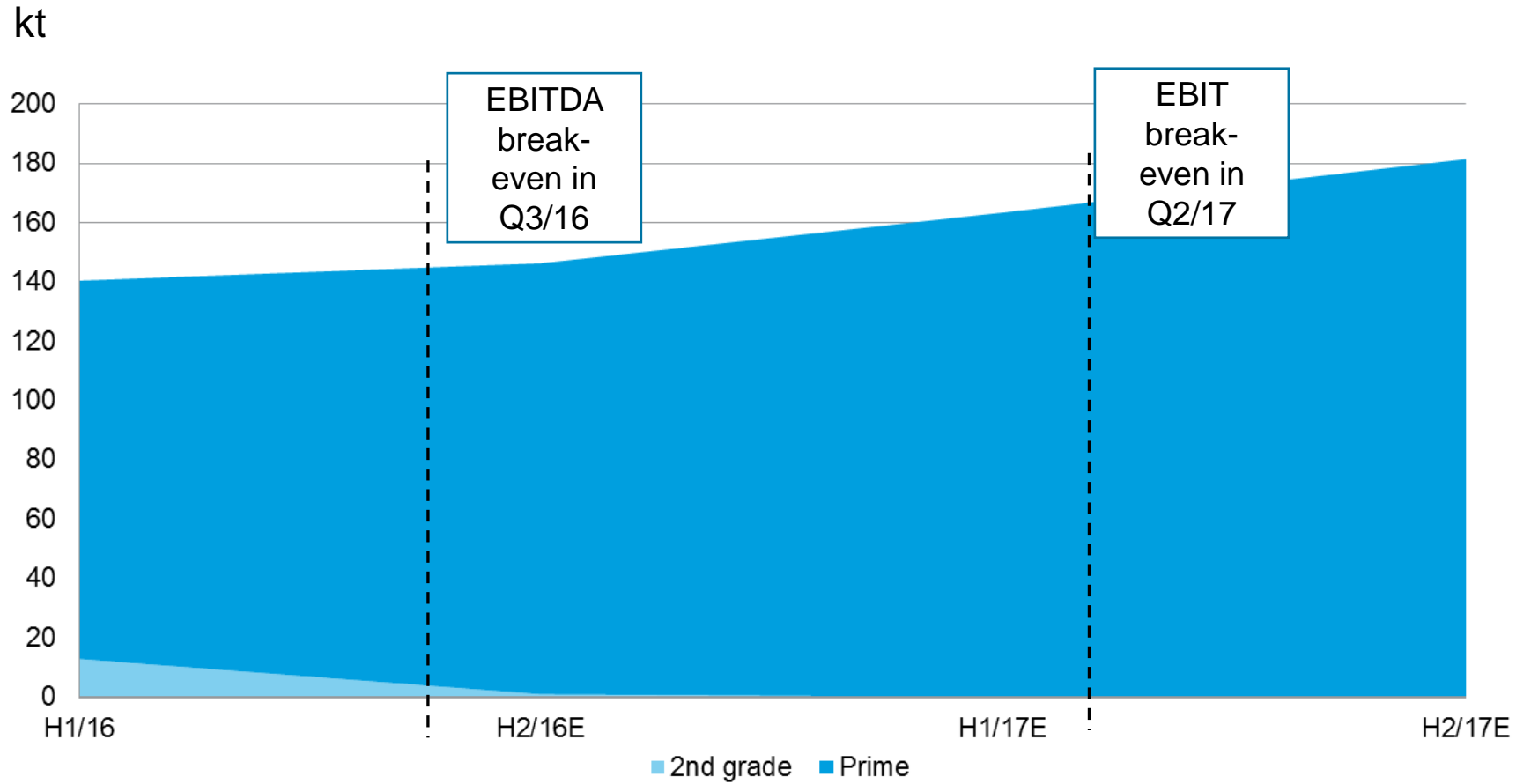
Corrugated boxes packaging* (million tonnes)



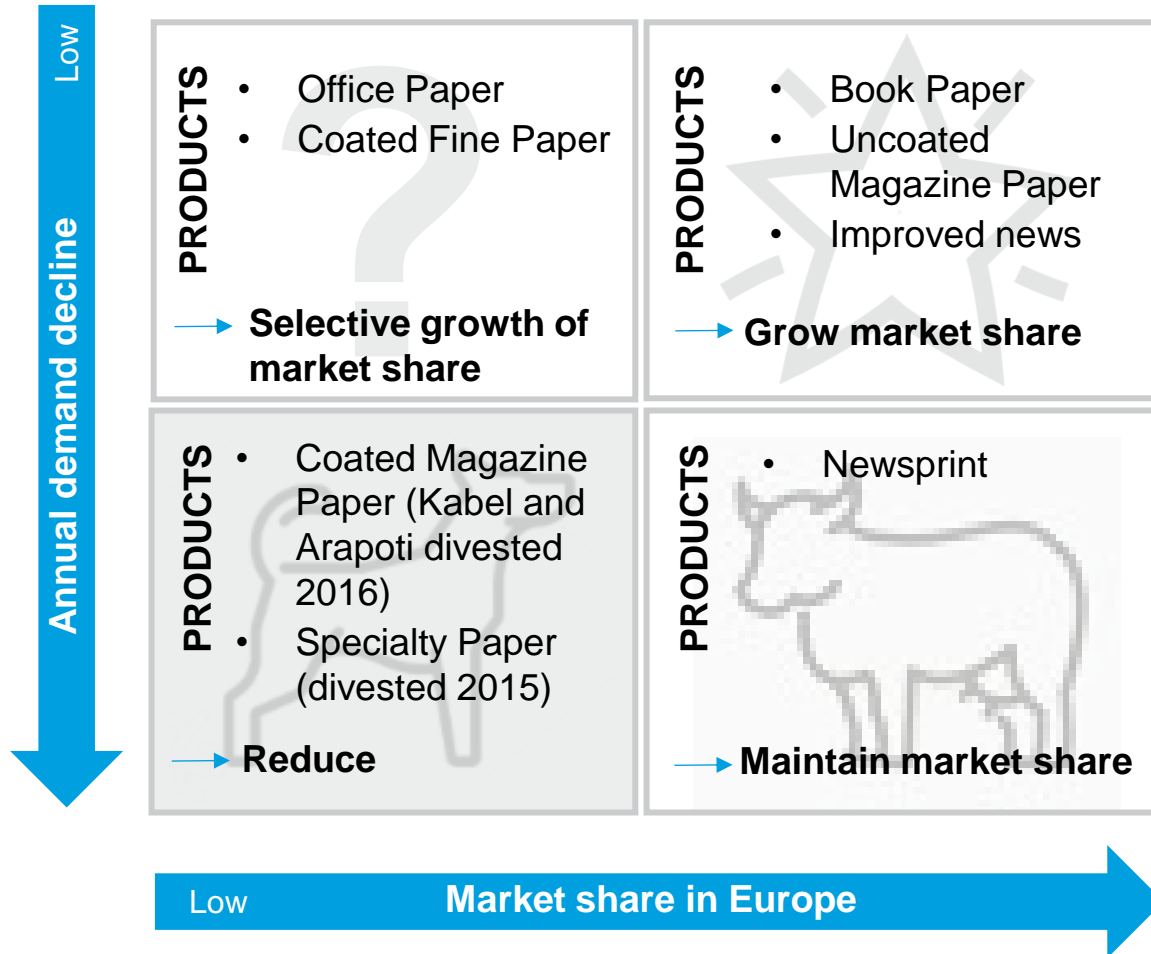
*) Sweden, Finland, Poland, Russia, Baltic

Varkaus ramp-up tonnes

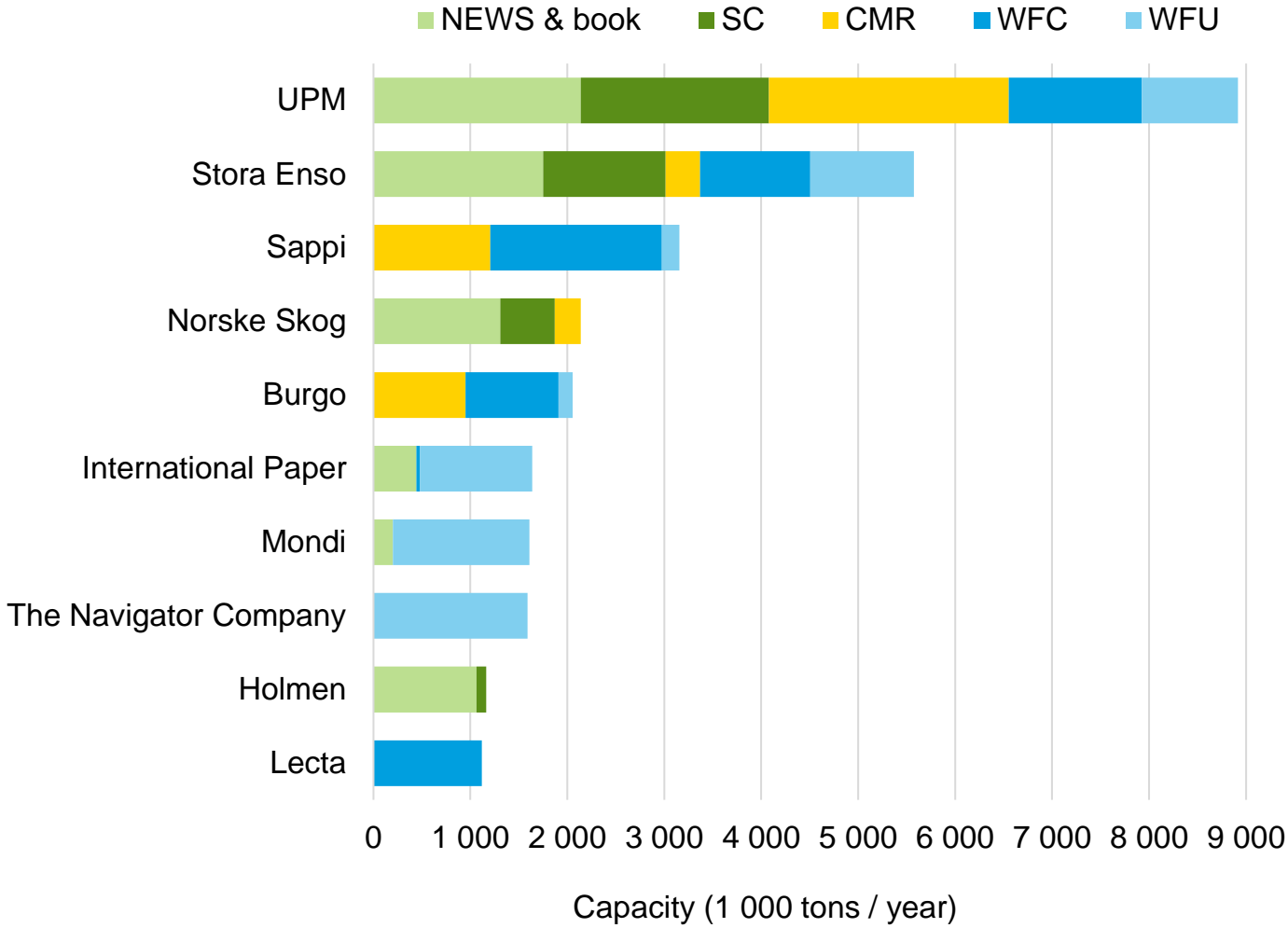
Full production expected in second half 2017



Division Paper: strategy for maximum cash generation



Paper strategy for maximum cash generation



Clear targets driving capital allocation



	Target
Stora Enso Group	ROCE > 13%
Consumer Board	ROOC > 20%
Packaging Solutions	ROOC > 20%
Biomaterials	ROOC > 15%
Wood Products	ROOC > 18%
Paper	Free cash flow to sales > 7%
Stora Enso Group	Fixed costs to sales < 20%

Clear capital allocation principles

2017 plan 600–650 MEUR

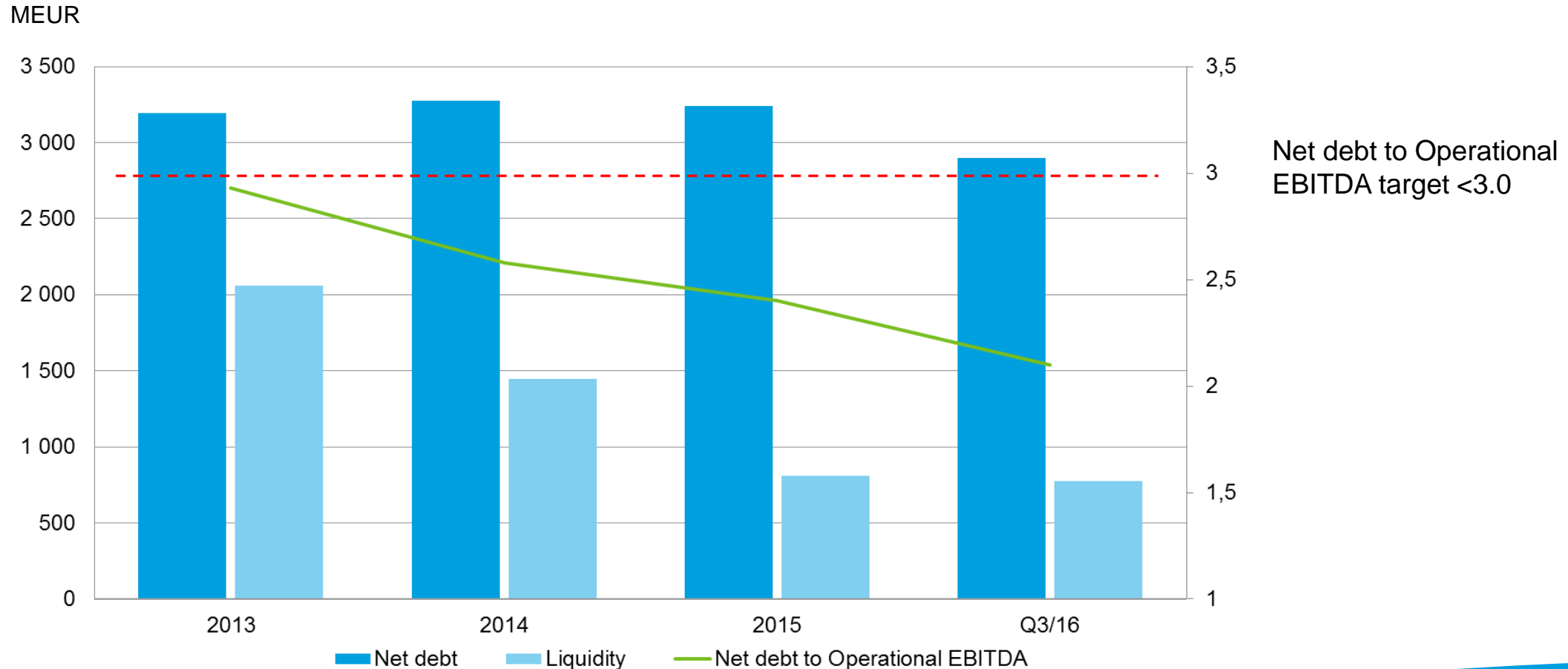


- Maintenance capex 200–250 MEUR / year
- Investments above maintenance levels have to reach capital targets set by each division, either by sales growth, cost reduction or a combination

Possible investment cases	Divisional targets	Group frame (CAPEX)
<ul style="list-style-type: none">• Ostrołęka containerboard• Gruvön CLT• Etc	<p>CB: ROOC > 20% PS: ROOC > 20% Bio: ROOC > 15% WP: ROOC > 18%</p>	<p>250-300 MEUR CAPEX available after maintenance CAPEX and 100 MEUR for biological assets</p>

Balance sheet strengthening – excess liquidity reduced as planned

Net debt and net debt to operational EBITDA



Strategic targets ambitious, but reachable



Group targets		2013	LTM	Status
Dividend	To distribute 50% of net income over the cycle			
Growth*	To grow faster than the relevant market	4.3% (YoY)	2.8% (YoY)	✓
Net debt to operational EBITDA	<3.0x	2.9	2.1	✓
Fixed costs to sales	<20%	27.2%	25.2%	
Debt to equity	<80%	61%	52%	✓
Operational ROCE	>13%	6.5%	11.0%	
<i>Operational ROCE excl. Beihai</i>		8.1***	13.7%	✓

Divisional targets		2013	LTM	Status
Consumer Board	Operational ROOC > 20%	14.4%	13.0%	
<i>Consumer Board excl. Beihai</i>		20.0%	42.0%	✓
Packaging Solutions	Operational ROOC > 20%	11.3%	9.7%	
Biomaterials	Operational ROOC > 15%	3.8%	6.8%	
Wood Products	Operational ROOC > 18%	13.9%	17.1%	
Paper	Cash flow after investing activities to sales > 7%	5.7%	6.0%	

*Excluding Paper and Barcelona Mill

**Excluding also Montes del Plata investment

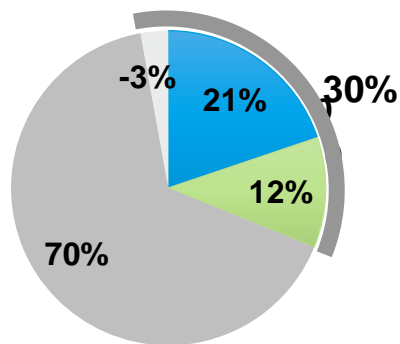
LTM = Q4/15-Q3/16

Good progress on transformation

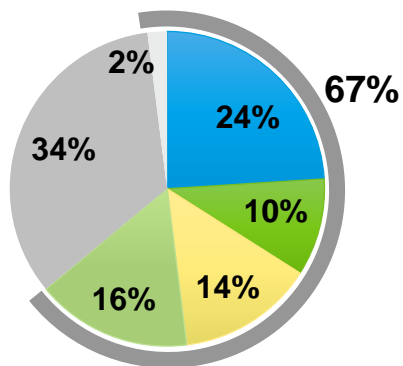
What a tree can do



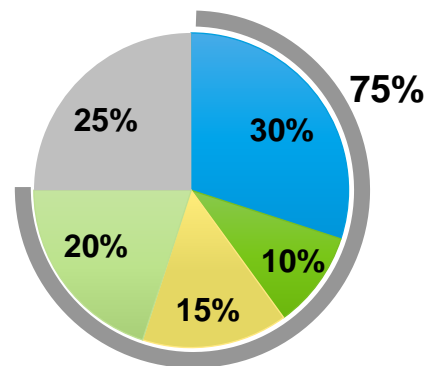
Sales 2006



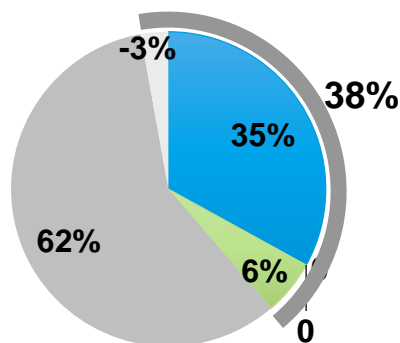
Sales LTM



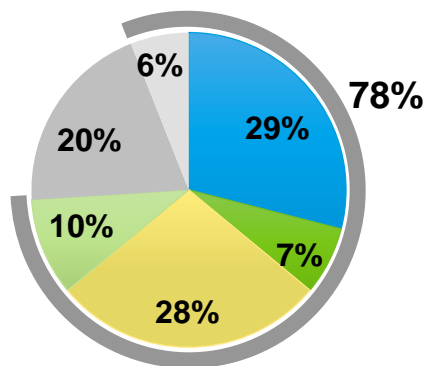
Sales 2021 forecast



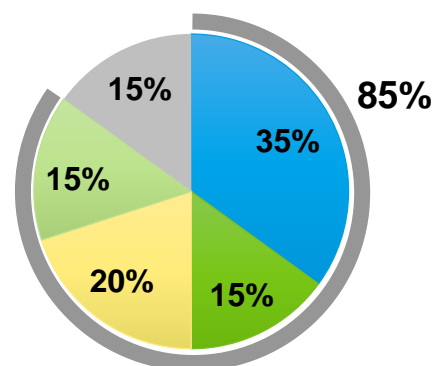
EBIT 2006



EBIT LTM



EBIT 2021 forecast



- Consumer Board
- Packaging Solutions⁽¹⁾
- Biomaterials
- Wood Products
- Paper⁽²⁾
- Other & eliminations

⁽¹⁾ In 2006 included in Consumer Board

⁽²⁾ In 2006 includes merchants

LTM = Q4/15-Q3/16

Solid performance, accelerated transformation - we are ready for the next step



- The asset transformation is nearly complete. Now the focus lies on sales and innovation.
- Shift towards value added products well underway
- Results so far:
 - Improved profit margins
 - Improved profitability
 - Improved cash generation
- Future proof – ready for the next step



Disclaimer



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Thank you!