



Fit for the future, protecting profitability and cash flow

CFO Seppo Parvi

7 August 2019

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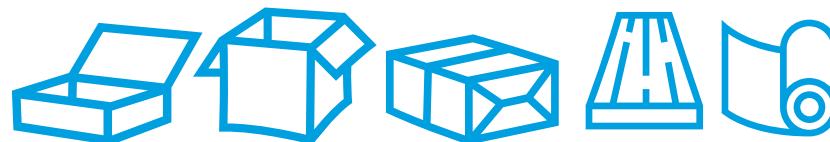
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Stora Enso at a glance

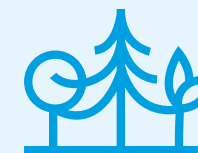


30 countries
10.5 BEUR sales 2018

**Leading producer of
board, pulp, wood
products and paper**



We know the origin of
all the wood we use.
100% comes from
sustainable sources.



15.5% Operational ROCE
in 2018

12.6% EBIT margin
2018

1.1 Net debt to operational
EBITDA 2018

9%
of our sales came from **new
products and services**
in 2018

We employ
26 000 people













Everything
that's made
with fossil-based
materials today
can be made from a
tree tomorrow.

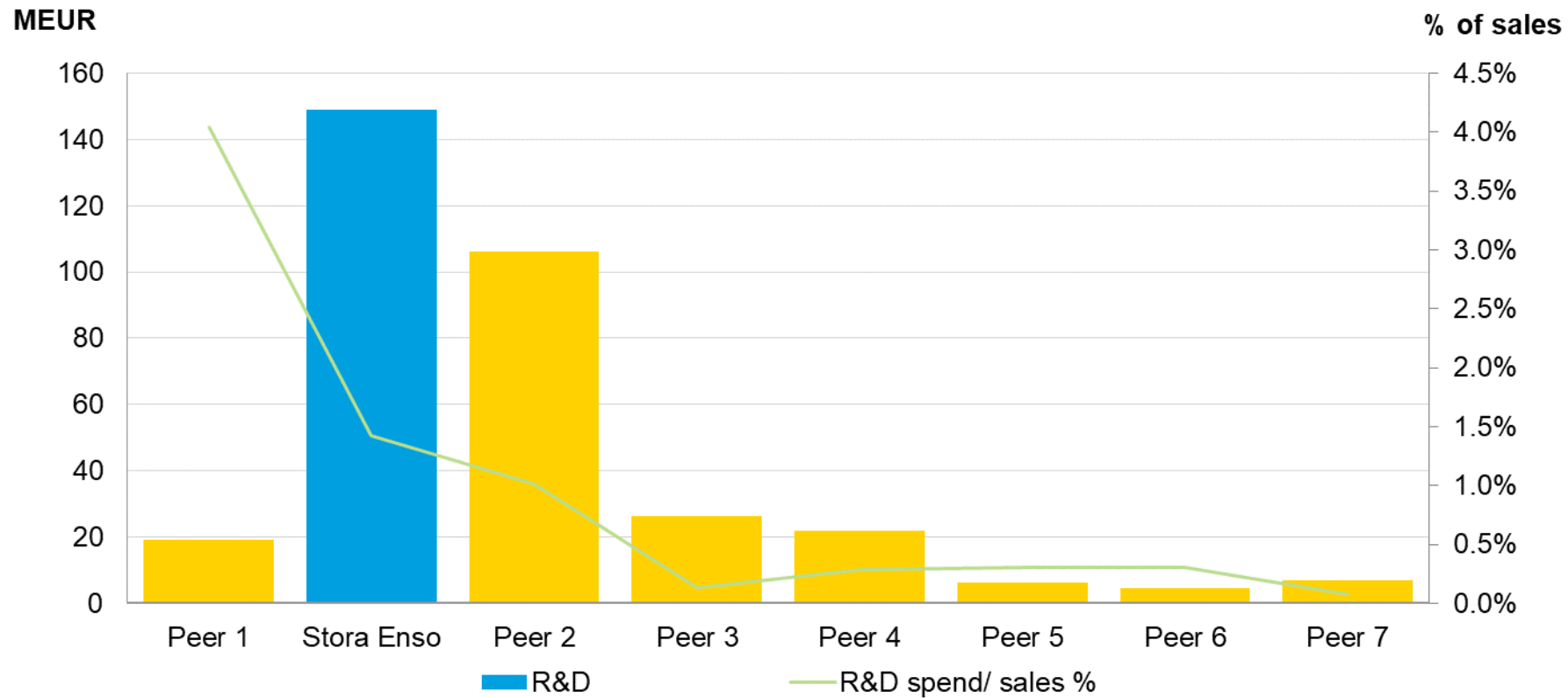


We are well-positioned for profitable growth – strength of our portfolio



		Sales 2018 EUR and % of group's sales	Market growth	Position
	Consumer Board	+ 2.6 BEUR  25%	2016–2030 for virgin board: Europe 1.8%, North America 1.2%, Latin America 3.3%, China 4.3%, Rest of Asia 3.4%, Africa 2.5%	#1 in LPB, FSB and CUK in Europe or the world
	Packaging Solutions	+ 1.3 BEUR  13%	High quality SC fluting 1-3%; Kraftliner 2–3% excl. North Am; Testliner 3–4% Eastern Europe	#6 in containerboard in Europe
	Biomaterials	+ 1.6 BEUR  16%	Market pulp 2.3%; Fastest growth in tissue (3.2%)	Widest pulp grades portfolio #1 in Europe in fluff
	Wood Products	+ 1.6 BEUR  15%	Global sawn softwood 2–3%, European new construction 3.5%	#1 in Europe and #4 in the world in supplying wooden construction material
	Paper	- 3.1 BEUR  29%	Declining 3–5% annually	#2 in Europe

We are investing more in innovation and R&D



R&D expenditure in 2018
149 MEUR

- Peers:**
 Borregaard
 IP
 Metsä Board
 Mondi
 SCA
 Smurfit Kappa
 UPM

Source: Stora Enso, annual reports 2018

New products and services sales 9% in 2018



In 2018

9%

of our sales came from new products and services

Long-term target

15%

of our sales is expected to come from new products and services



We see many new opportunities to replace fossil-based materials



Lignin-based products

- Lineo™ by Stora Enso
- Carbon fibre
- Carbon for energy storage

- **Market size 1.2 BEUR**
- **Growth ~20%/a**
- **EBITDA 30–50%**



Biocomposites

- DuraSense™ by Stora Enso for wood-based biocomposites
- Less fossil-based materials with higher share of fibre

- **Market size 7 BEUR**
- **Growth ~15%/a**
- **EBITDA 20–30%**



Liquid packaging MFC

- Source reduction

MFC films

- Functional barriers for paper and board packaging

- **Market size 1.5 BEUR**
- **Growth ~5%/a**
- **EBITDA >20%**

Innovative and award-winning design



WORLDSTAR
WINNER 2017



- Leak-tight renewable and 100% recyclable packaging for fresh fish
- WorldStar packaging award
- Sustainability award by World Packaging Organisation

DuraSense by Stora Enso – gradually replacing plastics with biocomposites



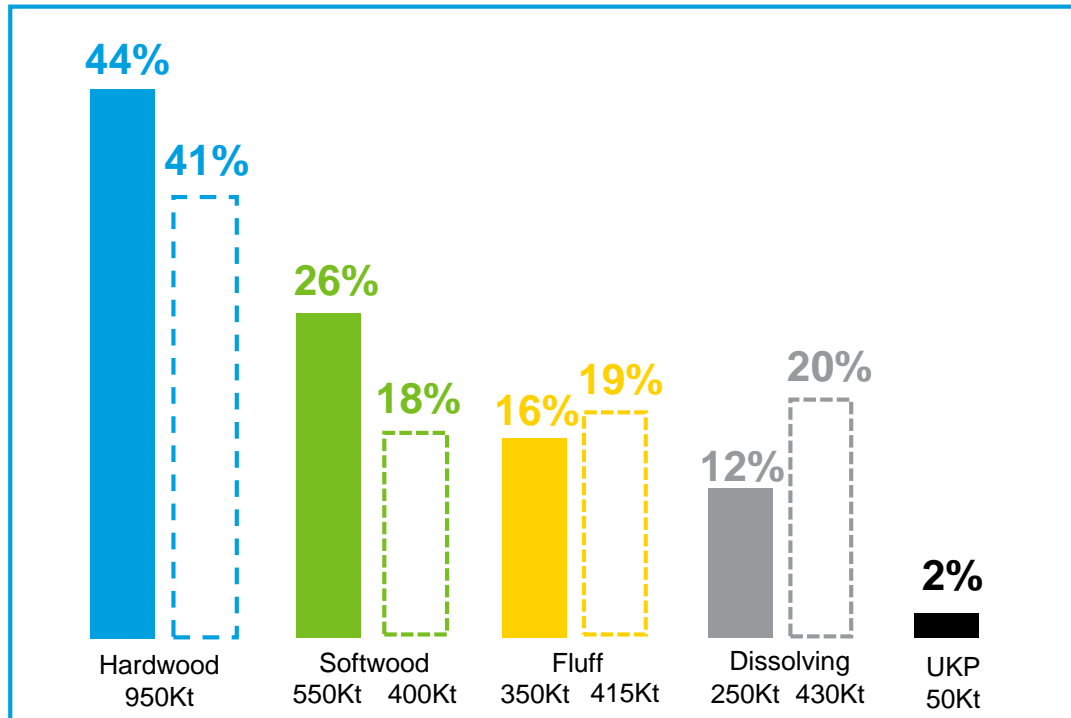
- Biocomposites enable the use of renewable wood in products typically produced from plastics, such as disposable cutlery, furniture, as well as storage and logistics goods
- Includes renewable materials and can reduce the consumption of fossil-based plastic by up to 60%
- Always a better alternative than fossil-based plastic
 - For example, with wood fibre we can reduce the carbon footprint of a product up to 80%



First steps of moving towards a more specialised pulp mix visible in 2019



Market pulp forecast for rolling 12 months (Q3/19-Q2/20)



By 2020 after conversions

Pulp sensitivity analysis

10% change in prices, impact on operational EBIT

10% increase in	Positive impact*
Hardwood pulp** prices	50 MEUR
Softwood pulp prices	30 MEUR
Fluff pulp prices	25 MEUR
Dissolving pulp prices	20 MEUR
Market pulp prices, total	125 MEUR

* Impact on operational EBIT for the next twelve months. A decrease of pulp prices would have the opposite impact.

** Includes 700 000 tonnes from Montes del Plata

Clothes made of wood

Dissolving pulp for the textile industry



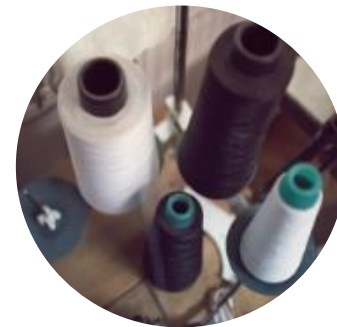
Trees



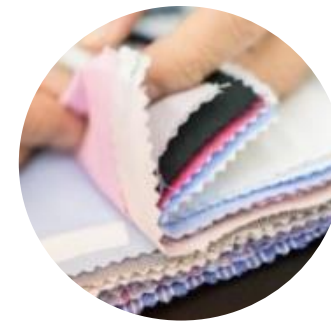
Dissolving pulp



Wood based
staple fiber



Yarn

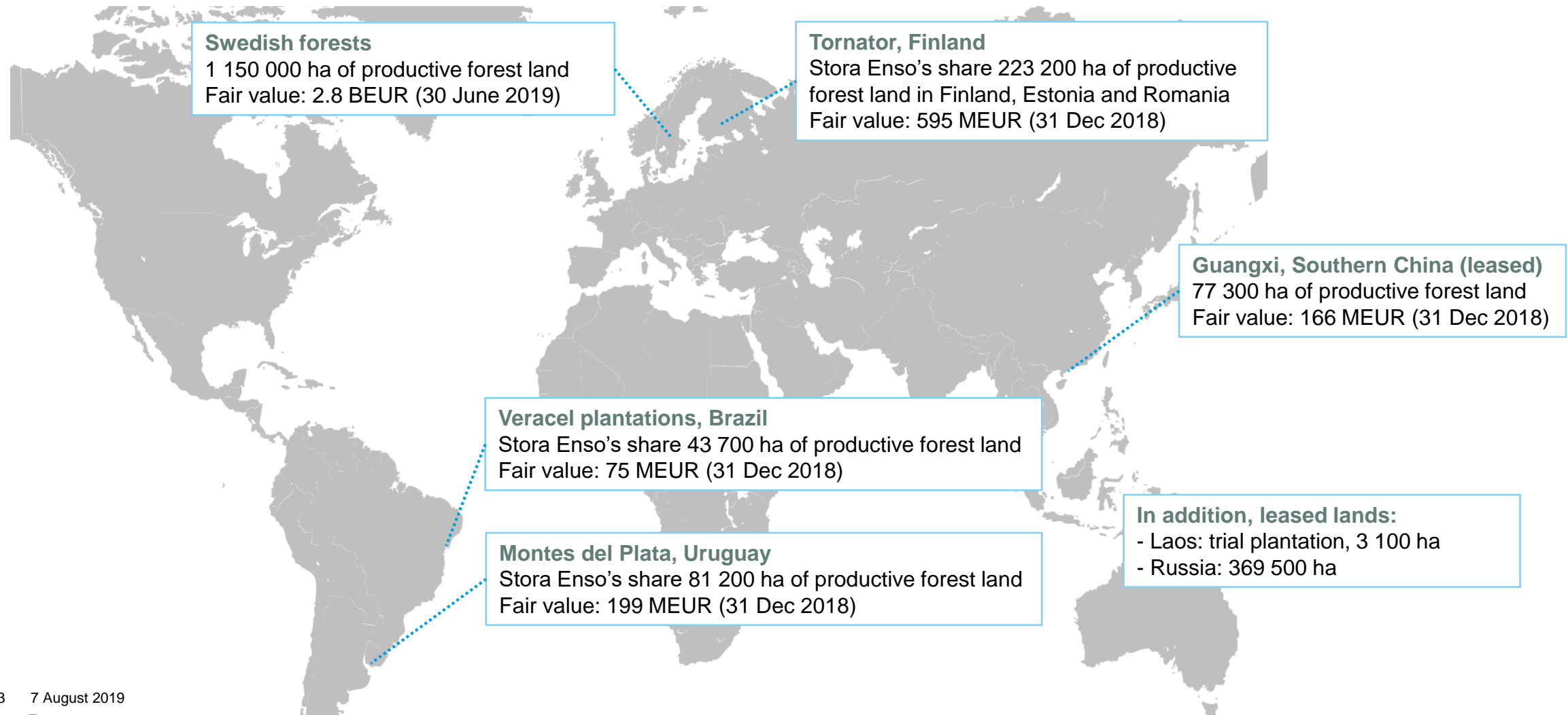


Fabric, knitwear



Brand owners

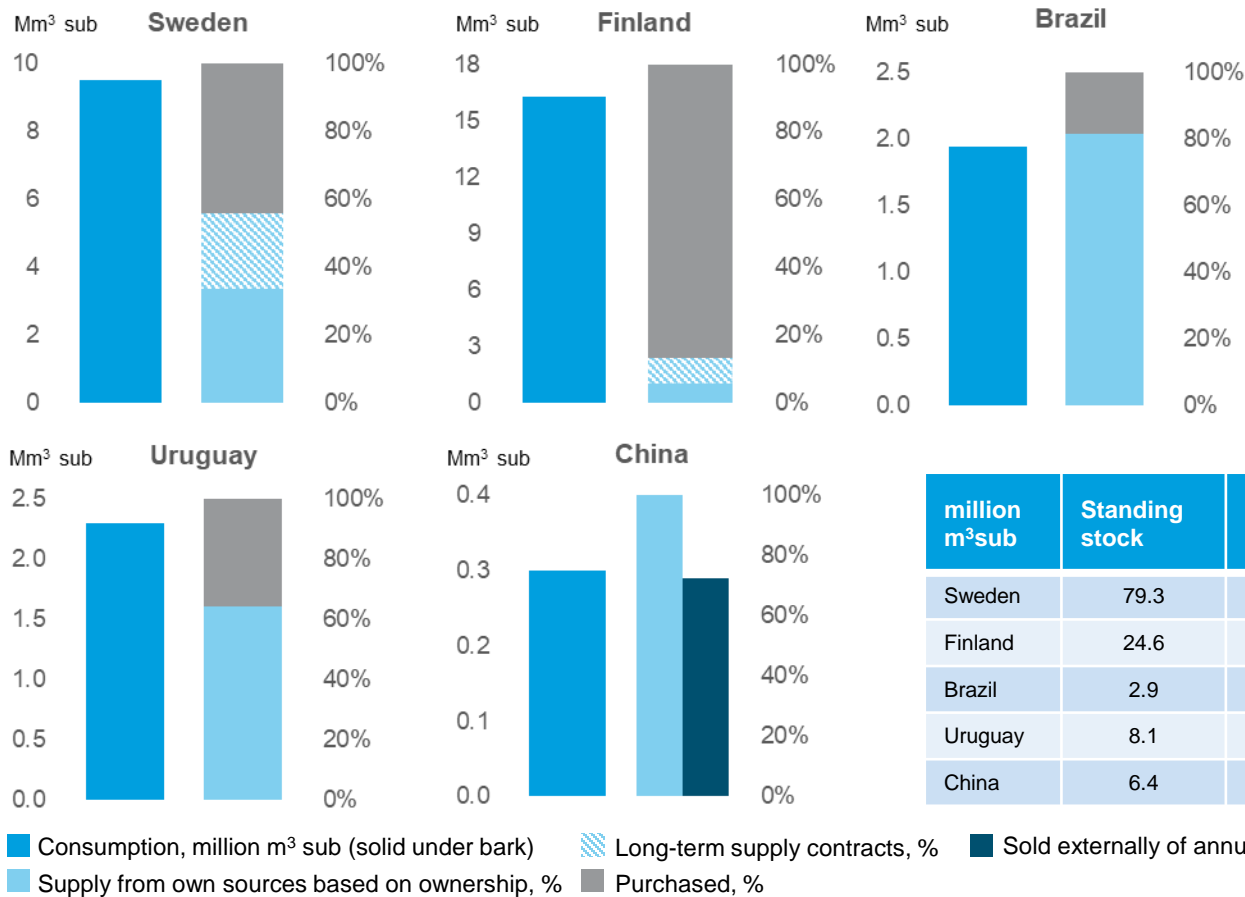
Forest assets – Northern and Southern hemisphere



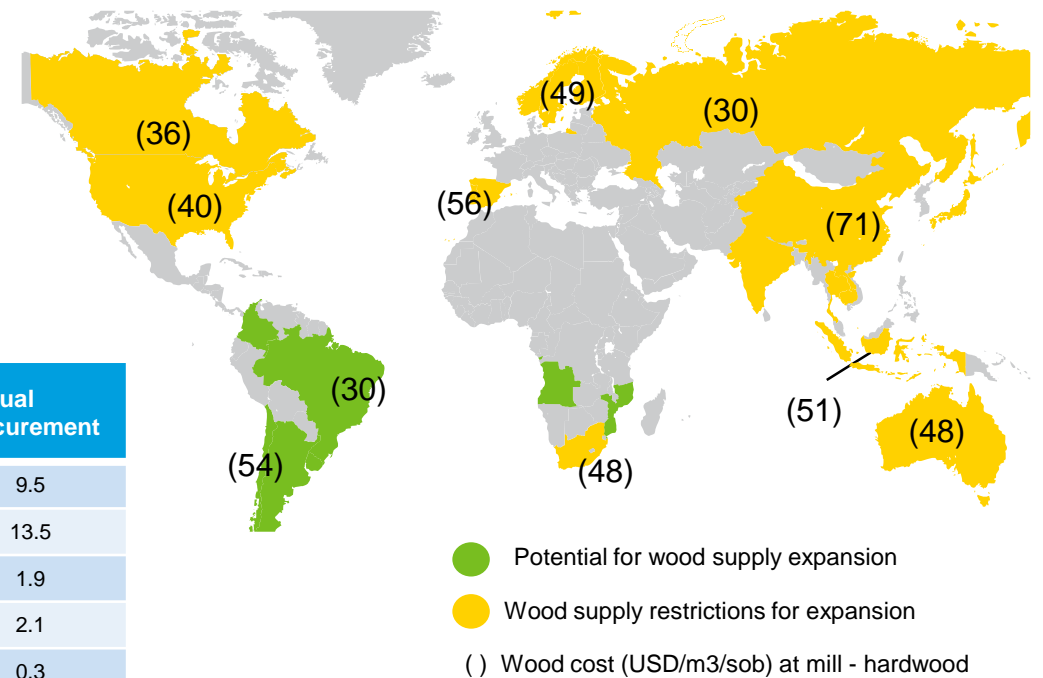
We control ~30% of our wood raw material – a critical advantage in the bioeconomy



Stora Enso's forest assets*



Pulpwood plantation availability and wood cost



Bergvik Skog forests holdings restructuring finalised in Sweden



- To further develop sustainable forest management
- Strengthening our competitiveness and self-sufficiency
- Stora Enso strongly believe in the bioeconomy and the future business opportunities it offers to us
- Indirect forest holdings from 1.1 million hectares to direct ownership of 1.4 million hectares in Sweden
- Financial impacts
 - Increase of net debt by about 1.0 BEUR. Issued a 600 MEUR green bond dedicated to finance Bergvik Skog acquisition
 - The net debt to EBITDA ratio exceeds the strategic target of <2.0x temporarily before all the steps of the transaction have been finalised
 - Increase of capital employed ~1.0 BEUR, resulting in a decrease in the operational ROCE of 0.8 percentage point in Q2 2019
 - Fully owned subsidiary and consolidated in segment Other from 1 June 2019 onwards

IAC Income statement	MEUR
A net gain in Share of results of equity accounted investments	+82
Reclassification from Other comprehensive income in equity to Other operating expenses of a currency translation adjustment (CTA)	-171
Total	-88
Equity movements	
CTA	+171
Total IAC	-88
Hedge termination	+10
Total change in Equity	+93

Bergvik Skog transaction



	Hectares	Price per ha (EUR)	Value (BEUR)
Indirect ownership*	1 150 000	2 000	2.3
EUR to SEK translation impact on indirect ownership (June 2019 vs Dec 2018)			-0.1
Acquired additional forest	250 000	2 400	0.6
Total forest holdings in Sweden	1 400 000	2 000	2.8
Forest value based on Billerud Korsnäs/AMF**	1 400 000	3 700	5.1
Forest value based on LRF**	1 400 000	5 700	7.9

* As at 31 Dec 2018 indirect ownership 49.79% of Bergvik Skog

** AMF Pensionsförsäkring AB, LRF Konsult

Events during Q2



- Decision on Oulu conversion
 - 350 MEUR investment
 - Conversion of PM7 into 450 000 t/a high-quality virgin-fibre-based kraftliner production
 - Closure of PM6 and the sheeting plant
 - Paper production ending in Sept 2020
 - Production of kraftliner to start by the end of 2020
- A new renewable paperboard for paper cups, Cupforma Natura Solo™ introduced
 - Without a traditional plastic coating layer
 - Designed for full fibre recovery in a recycling process
- DuraSense White launched
 - Biocomposite with lower carbon footprint suitable for replacing plastic packaging components as caps, lids and other types of food contact closures



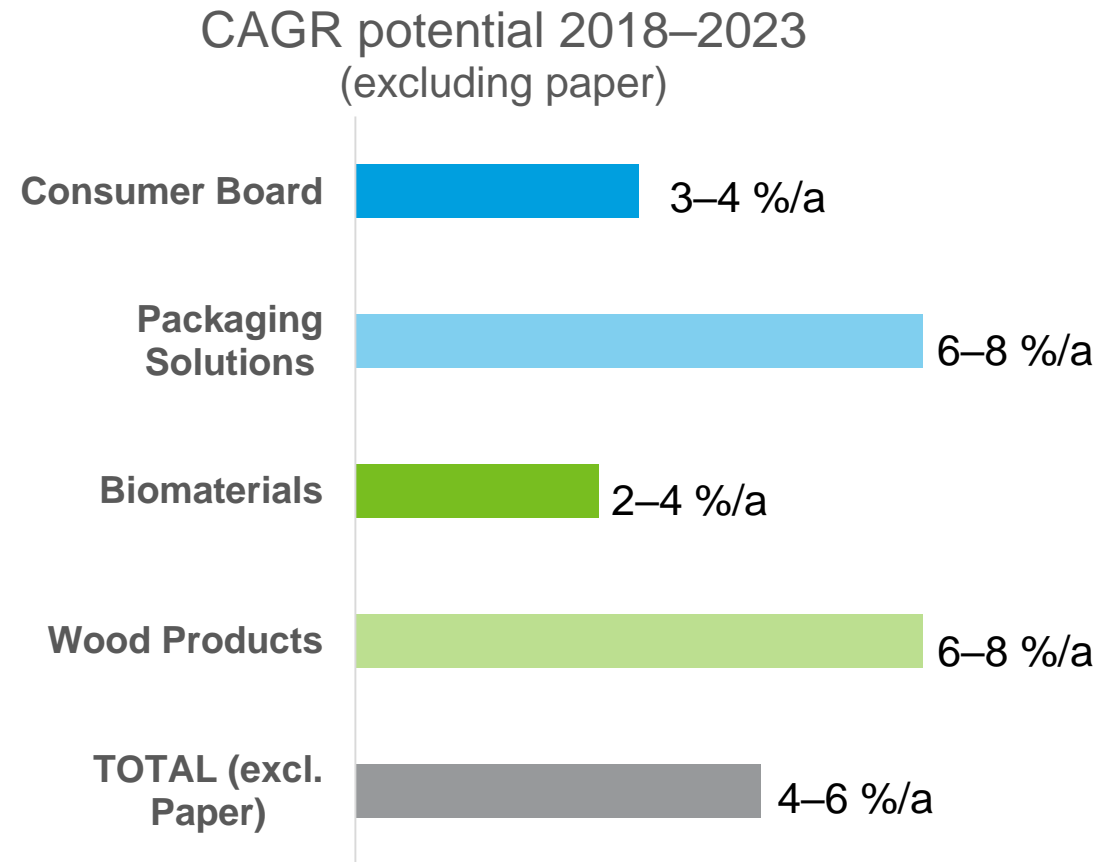
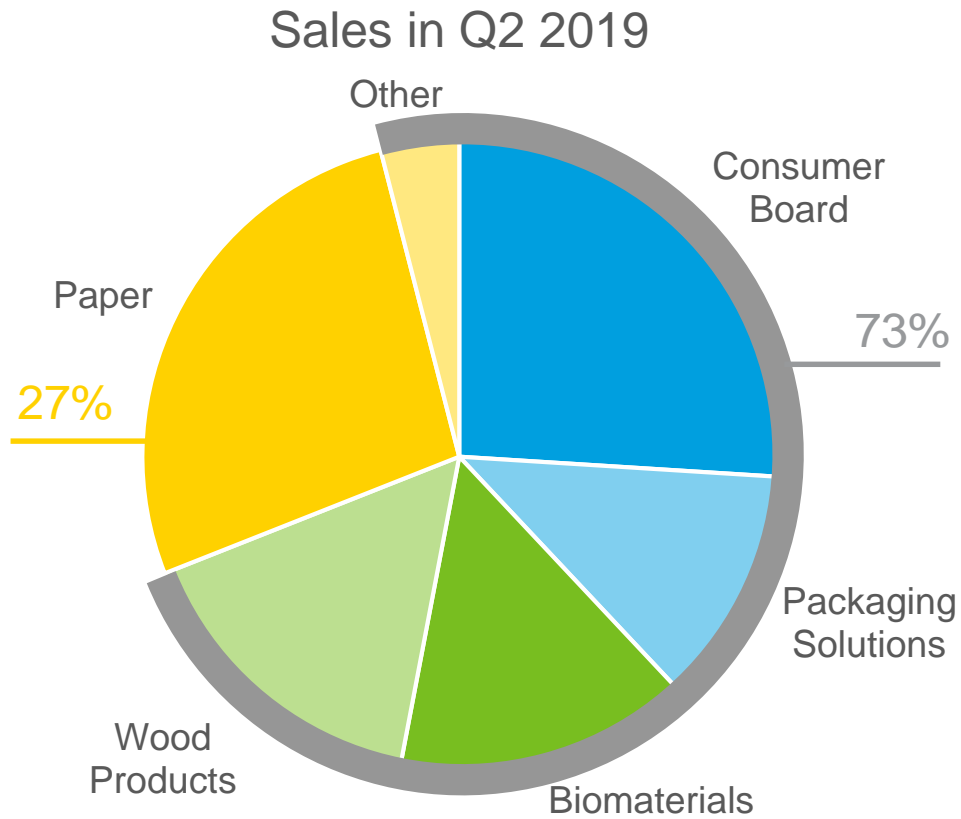
Profit protection programme target increased to 200 MEUR



- Programme is proceeding ahead of plan
 - 60 MEUR cost savings achieved by end of Q2
 - About half of the increased target will be achieved during 2019 and the full impact by the end of 2020
- Programme includes announced Wood Products related actions for value creation

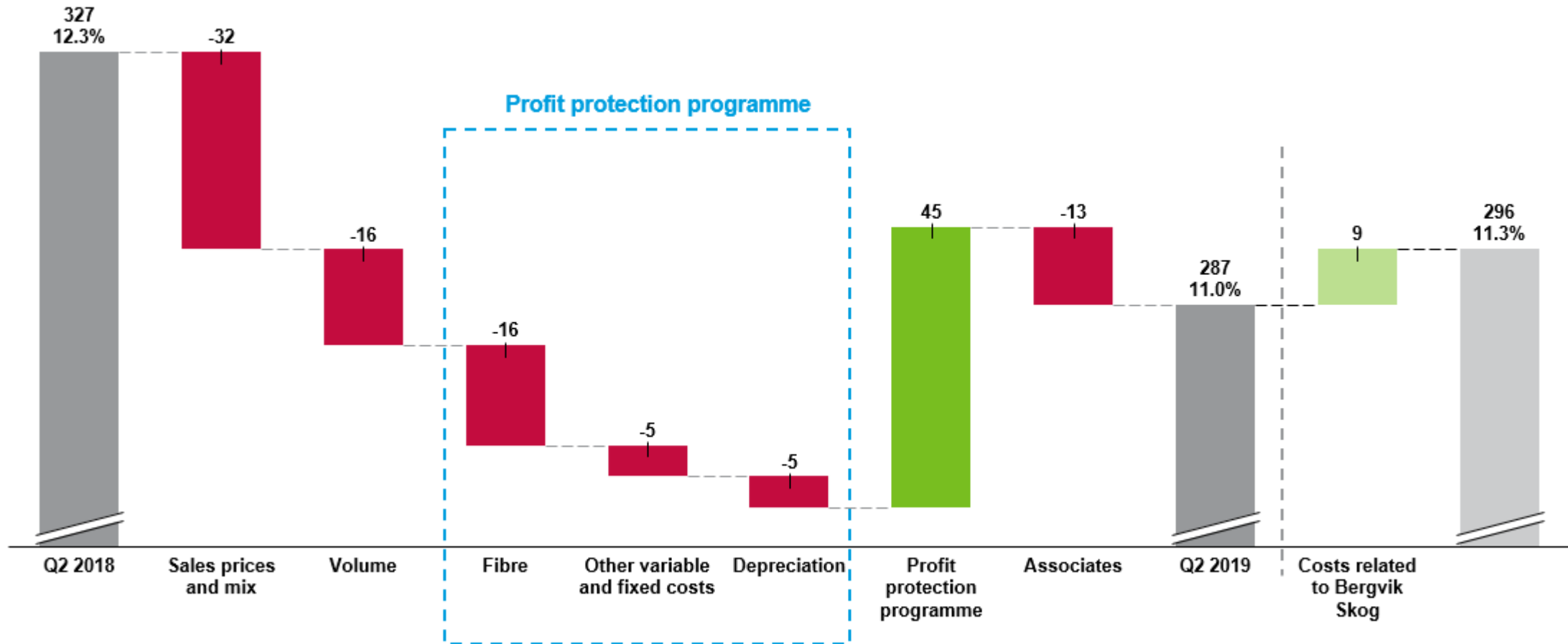


We have several attractive profitable growth options



Protecting profitability

Operational EBIT Q2 y-o-y



Strong cash flow

Summary financials Q2 2019



MEUR	Q2/19	Q2/18	Change% Q2/19- Q2/18	Q1/19	Change% Q2/19- Q1/19
Sales	2 608	2 664	-2.1%	2 635	-1.0%
Operational EBITDA	435	466	-6.6%	471	-7.6%
Operational EBITDA margin	16.7%	17.5%		17.9%	
Operational EBIT	287	327	-12.3%	324	-11.4%
Operational EBIT margin	11.0%	12.3%		12.3%	
Profit before tax excl. IAC	214	285	-25.0%	286	-25.2%
Net profit for the period	52	213	-75.6%	226	-76.9%
EPS excl. IAC, EUR	0.22	0.31	-27.5%	0.30	-25.8%
EPS (basic), EUR	0.08	0.28	-73.2%	0.29	-74.5%
Operational ROCE	11.3%	15.5%	-27.1%	14.0%	-19.3%
Cash Flow from Operations	548	357	53.4%	223	145.6%
Net debt/last 12 months' operational EBITDA	2.2*	1.3		1.7	

* Restructuring of Swedish forest holding impact 0.6x and adoption of IFRS 16 Leases impact 0.3x

Development of strategic targets



Group strategic targets		Q2 18	Q2 19	
Dividend	To distribute 50% of EPS over the cycle	0.41*	0.50*	●
Growth**	To grow faster than the relevant market	5.4% (YoY)	-0.9% (YoY)	●
Net debt to operational EBITDA	<2.0x	1.3	2.2	●
Fixed costs to sales	<20%	23.5%	23.3%	●
Net debt to equity	<60%	40%	59%	●
Operational ROCE	>13%	15.5%	11.3%	●

Divisional strategic targets		Q2 18	Q2 19	
Consumer Board	Operational ROOC > 20%	13.1%	12.8%	●
Packaging Solutions	Operational ROOC > 20%	25.6%	16.3%	●
Biomaterials	Operational ROOC > 15%	18.6%	15.6%	●
Wood Products	Operational ROOC > 20%	31.7%	20.3%	●
Paper	Cash flow after investing activities to sales > 7%	5.7%	6.6%	●

* Annual dividend. Payment: Q1 in 2019 and Q2 in 2018 ** Excluding Paper

Outlook for 2019



Further deteriorating trading conditions caused by geopolitical uncertainties related to trade wars and a possible hard Brexit are expected to impact Stora Enso negatively. Demand growth is forecast to slow down for Stora Enso's businesses in general and demand decline is escalating for European paper. Costs are forecast to increase in 2019 compared to 2018. Stora Enso will implement additional Profit Protection measures to mitigate these cost increases and the geopolitical uncertainties. Due to the current uncertainties in the business environment Stora Enso will not comment on estimated sales development in the outlook.



Guidance for Q3 2019



- Operational EBIT is expected to be in the range of 200–280 MEUR
- During Q3, there will be annual maintenance shutdown at the Beihai, Imatra, Heinola, Ostrołęka, Enocell and Veitsiluoto mills. The total maintenance impact is estimated to be on the same level as in Q3/2018 and 30 MEUR more than in Q2 2019.

Annual maintenance	Q3 2019	Q3 2018
Consumer Board	Beihai and Imatra mills	Imatra and Ingerois mills
Packaging Solutions	Heinola and Ostrołęka kraft mills	Ostrołęka Mill
Biomaterials	Enocell Mill	Sunila Mill
Paper	Veitsiluoto Mill	Veitsiluoto Mill



Fit for the future, protecting profit and cash flow

Q2 2019 year-on-year



- Eighth consecutive quarter of double digit operational EBIT margin
- Bergvik Skog transaction completed
- Strong cash flow from operations, 548 (357) MEUR
- Further deteriorating trading conditions
- Profit protection programme increased to 200 MEUR from 120 MEUR
 - 60 MEUR positive impact so far
 - About half of the increased target will be achieved during 2019 and the full impact by the end of 2020



POWER OF A TREE

Creating value in the bioeconomy

Welcome to Stora Enso Forest and Wood Products day for capital markets on 19 September 2019 in Stockholm



Followed by Gruvön
Mill and logging site
visits on 20
September 2019

THE RENEWABLE MATERIALS COMPANY



storaenso