

# Resilient in the headwinds



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SVP, Head of IR Ulla Paajanen

6 August 2020



Made from  
a tree

# Disclaimer



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.

# Solid profitability and cash flow

## Strong performance from Packaging Materials and Forest divisions

Q2 2020 year-on-year



- Sales decreased by 19% to 2 114 (2 608) MEUR and decreased by 12% excluding Paper
- Operational EBIT decreased to 178 (299) MEUR, excluding Paper to 217 (249) MEUR
- FV of biological assets +272 MEUR in Q2/20 compared to Q1/20, +990 MEUR from Q2/19 to Q2/20
- Cash flow from operations amounted to 363 (550) MEUR. Cash flow after investing activities was 239 (428) MEUR
- Net debt to operational EBITDA at 2.5x (2.1x), above the target level of <2.0x
- Strong liquidity at 2.1 BEUR, including cash and committed credit facilities and good access to funding sources
- Operational ROCE at 6.8% (11.8%), below the strategic target of 13%



# Staying resilient as uncertainty continues

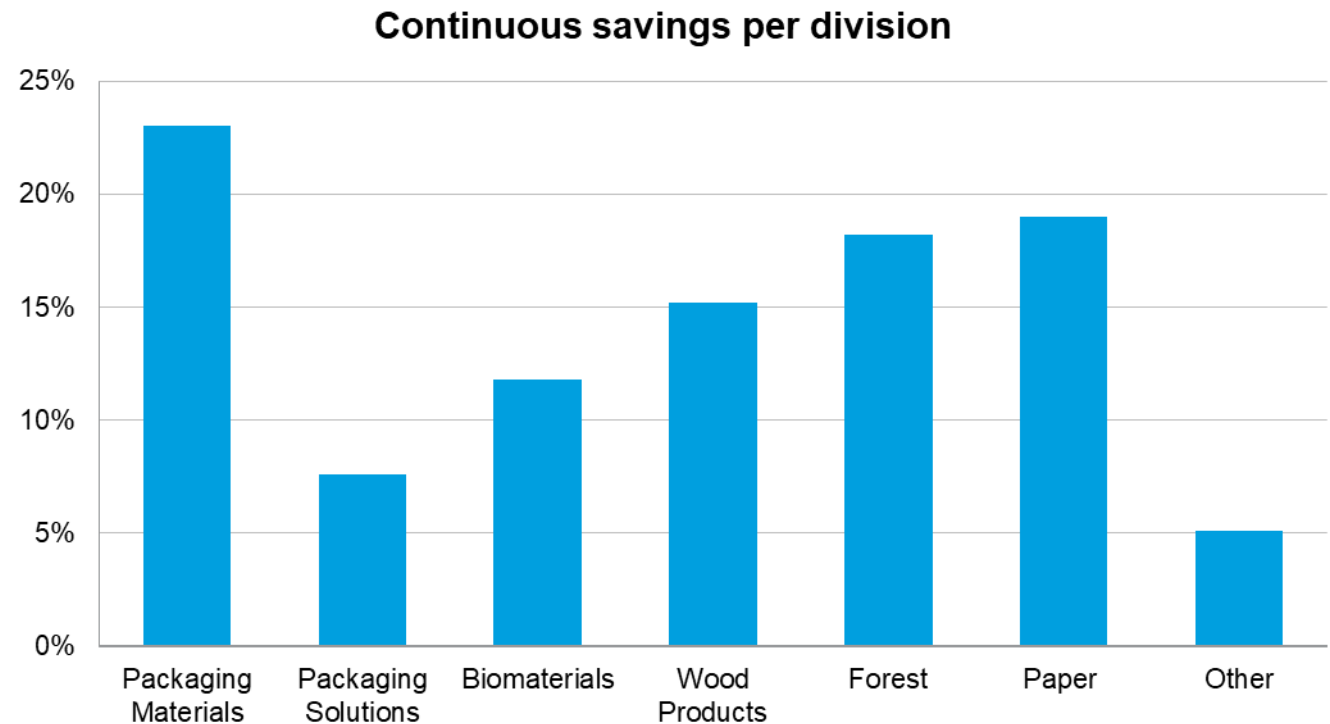
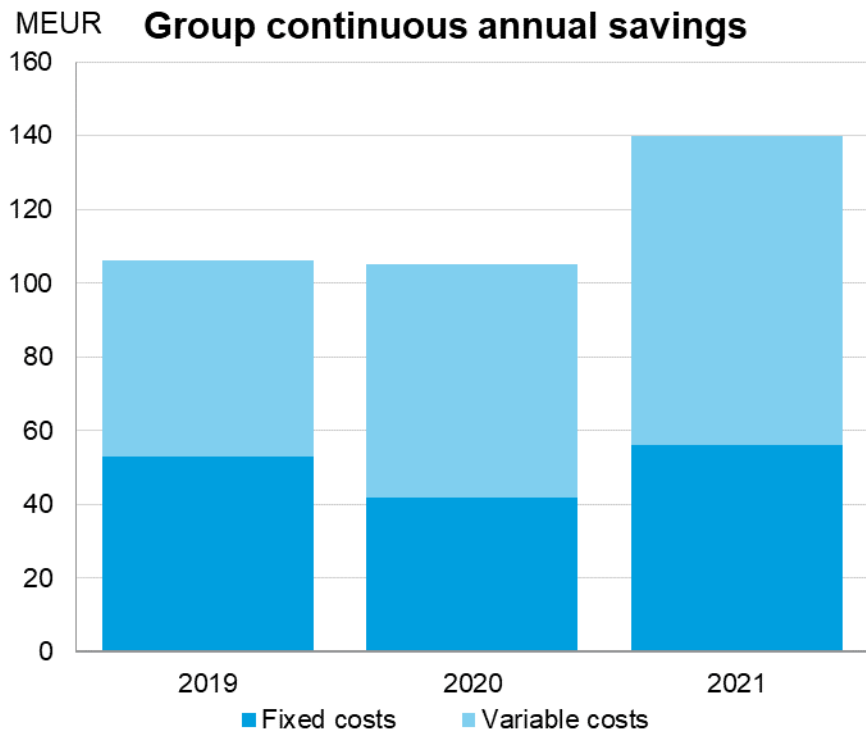


- Health and safety of our employees continues to be a key priority
- Proactive and extensive measures taken
  - Secured business continuity and ability to serve our customers
  - Minimal impact on operations, adapt according to demand
  - Extensive precautions for the upcoming mill maintenance stops
  - Secured liquidity and execution on profit protection programme
  - Active management of cash, costs and working capital
- Exceptional uncertainty and poor demand visibility for the rest of the year
  - Mixed conditions for divisions depending on end use
  - Accelerated structural demand decline for paper
  - All divisions adapt operations to match demand
  - Q3 negative maintenance impact estimate is 45 MEUR more than in Q2, but similar to Q3 last year



# Profit protection programme of 350 MEUR continuous and 85 MEUR one-time savings

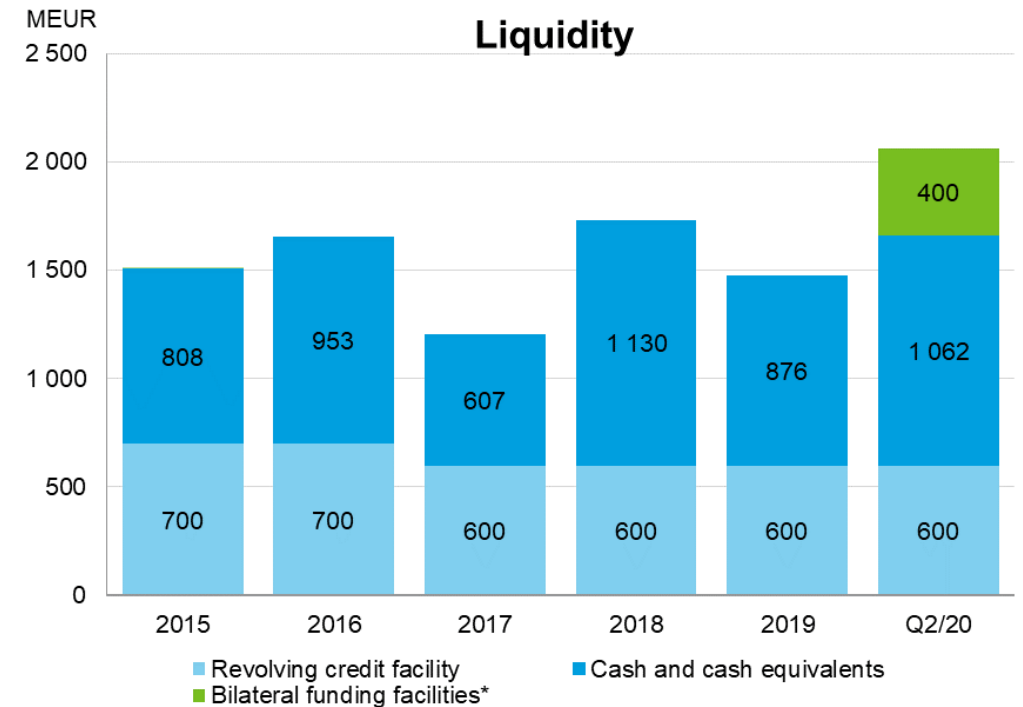
## 40 MEUR continuous and 10 MEUR one-time savings in Q2



# Strong liquidity and good access to funding sources



- Actions to secure liquidity:
  - 1 062 MEUR cash and cash equivalents at the end of Q2 2020
  - 600 MEUR committed revolving credit facility fully undrawn
  - 400 MEUR additional committed funding facilities through bilateral arrangements signed and undrawn
  - 950 MEUR statutory pension premium loans available
- Limited debt maturities in 2020 and next bond maturity in Q3 2021
- No financial covenants on Stora Enso Oyj's debt
- Net debt to operational EBITDA for the last 12 months at 2.5x and gearing at 45%



At the end of the period

\* Signed and undrawn at the end of Q2 2020

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



# Substituting materials from finite resources is our key competitive advantage



Our products substitute fossil-based products, saving **20 Mt CO<sub>2</sub>**

Our total climate benefit:

**12**  
**Mt CO<sub>2</sub>**

Resource efficient value chain, emissions: **11 Mt CO<sub>2</sub>**



Our forests are carbon neutral and absorb **3 Mt CO<sub>2</sub>**



# The new divisional structure strengthens our strategy execution



## Growth



**Packaging Materials**  
Consumer board and  
containerboard business



**Packaging Solutions**  
Corrugated packaging  
together with recently  
created formed fiber unit



**Biomaterials**  
No changes



**Wood Products**  
No changes



**Forest**  
Nordic forest assets and  
wood supply operations in  
Nordics, Russia, and Baltics

## Cash



**Paper**  
No changes

New divisional structure as of 1 January 2020

# We continue building on our strengths and making choices in our innovation portfolio



Our portfolio gives us pole position to make choices for future growth

- #1 in Europe or the world in food, liquid packaging and other packaging
- #1 in fluff pulp in Europe
- #4 in the world in wooden construction material and
- #1 in CLT
- #6 in containerboard in Europe

**One of the biggest** private forest owners in the world

Customer centricity and ecosystem of partners support growth and innovation



Innovations for growth offer climate positive alternatives for fossil-based materials



# Examples of new products already in commercial use



## Trayforma

Paperboard for trays  
for food packaging  
64% lower carbon footprint  
than plastic trays



## Biodegradable straw with Sulapac

To combat the global  
problem of plastic waste



## Cupforma Natura Solo™

Renewable paperboard  
for paper cups  
Designed for full fiber recovery  
in a recycling process



## DuraSense

Biocomposites  
replacing plastics  
Can reduce the consumption of  
fossil-based plastic by up to 60%



## Formed fiber

Manufactured from pulp  
Products are renewable,  
recyclable & biodegradable



## Massive wood products

New heights in  
sustainable construction  
Strong, stable, lightweight  
structures with CLT and LVL

# Accelerating the replacement of fossil-based materials



- 10 MEUR investment to build a pilot facility for producing bio-based carbon materials based on lignin
- Wood-based carbon utilised as a crucial component in batteries
- Applications: consumer electronics, the automotive industry and large-scale energy storage systems
- The pilot plant will be located at the Sunila Mill in Finland



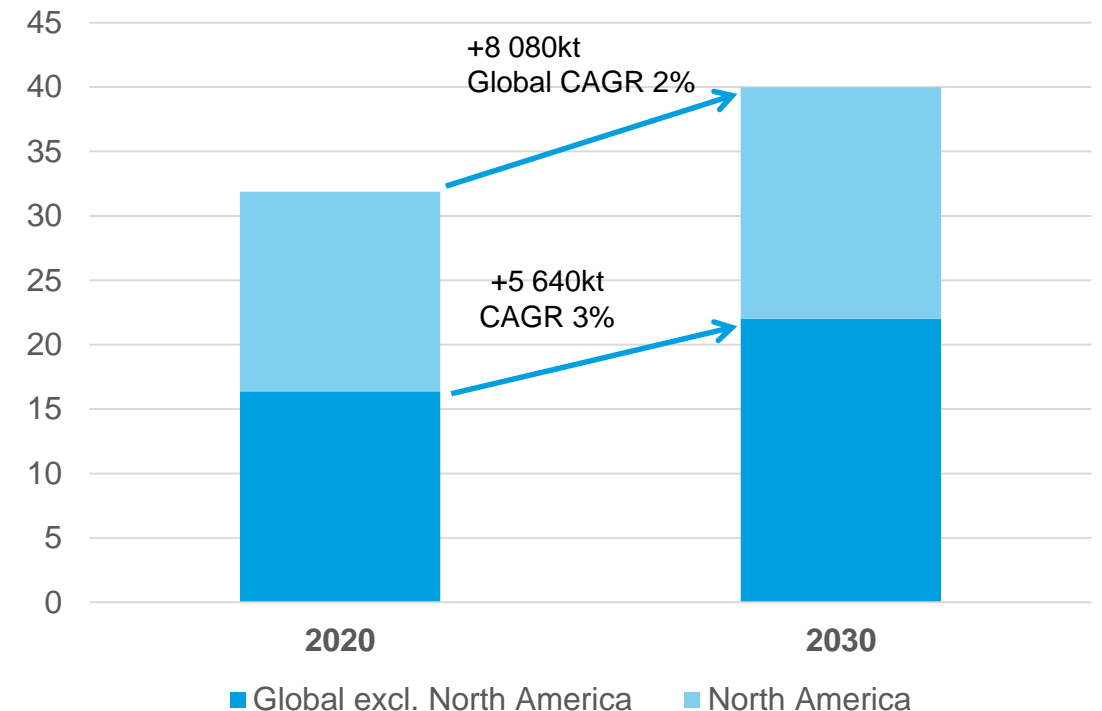
# Oulu paper mill is converting to packaging board as planned

## Reducing our paper capacity by 20%



- 450 000 t/a high-quality virgin-fibre-based kraftliner
- 530 000 t/a unbleached softwood pulp
- Expected to meet Packaging Material's operational target of 20%
- Oulu Mill's EBITDA margin expected to improve by 15–20 percentage points
- 350 MEUR investment in 2019–2022
- Paper production to stop at the end of Q3/2020
- Production on the converted machine to start in Q4/2020 and ramp-up in Q1/2021

### Kraftliner global demand (mt)



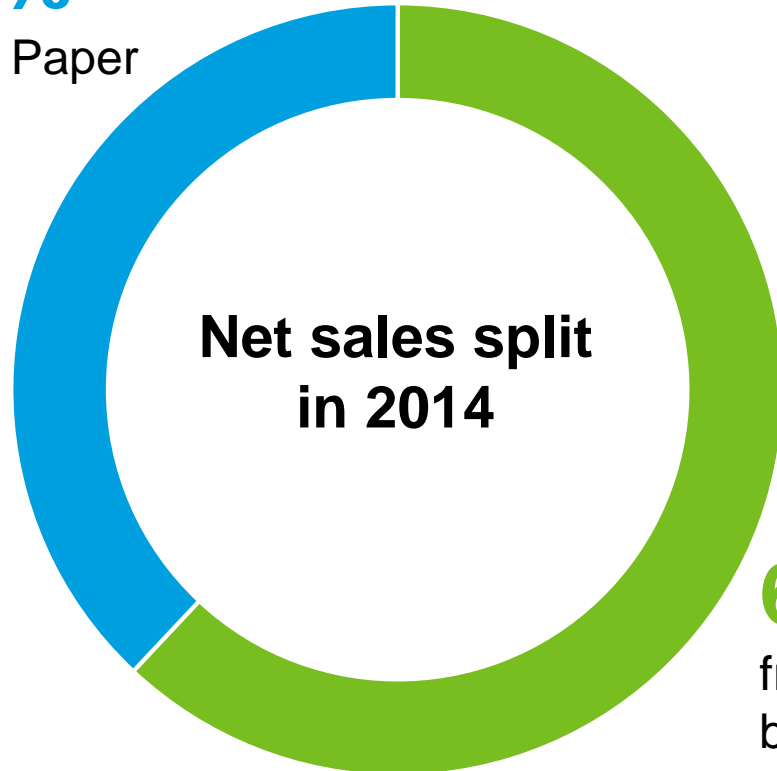
Source: Pöyry February 2020

# The transformation will show in the company structure



**38%**

from Paper



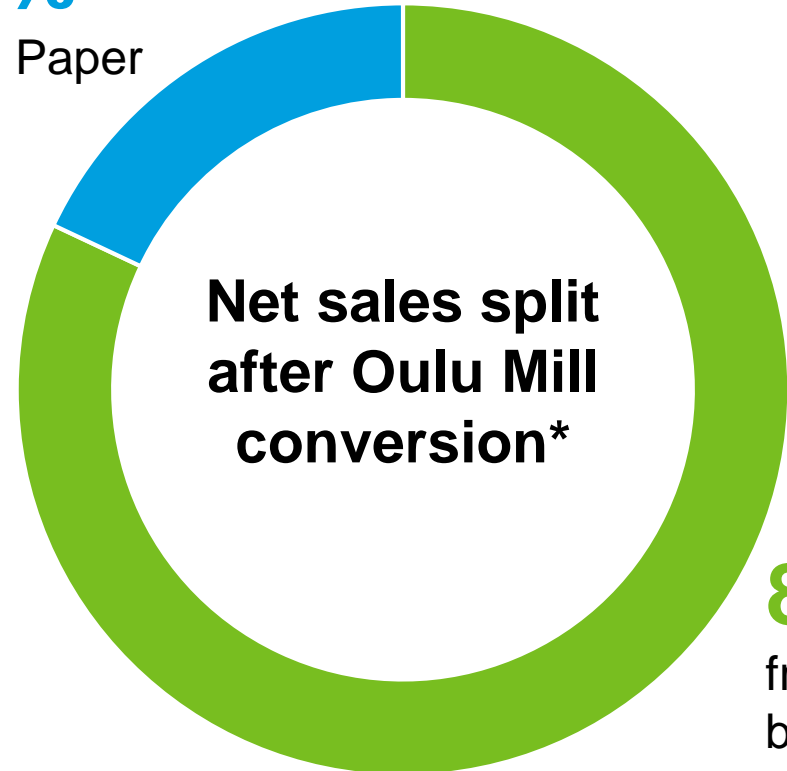
**Net sales split  
in 2014**

**62%**

from growth  
businesses

**18%**

from Paper



**Net sales split  
after Oulu Mill  
conversion\***

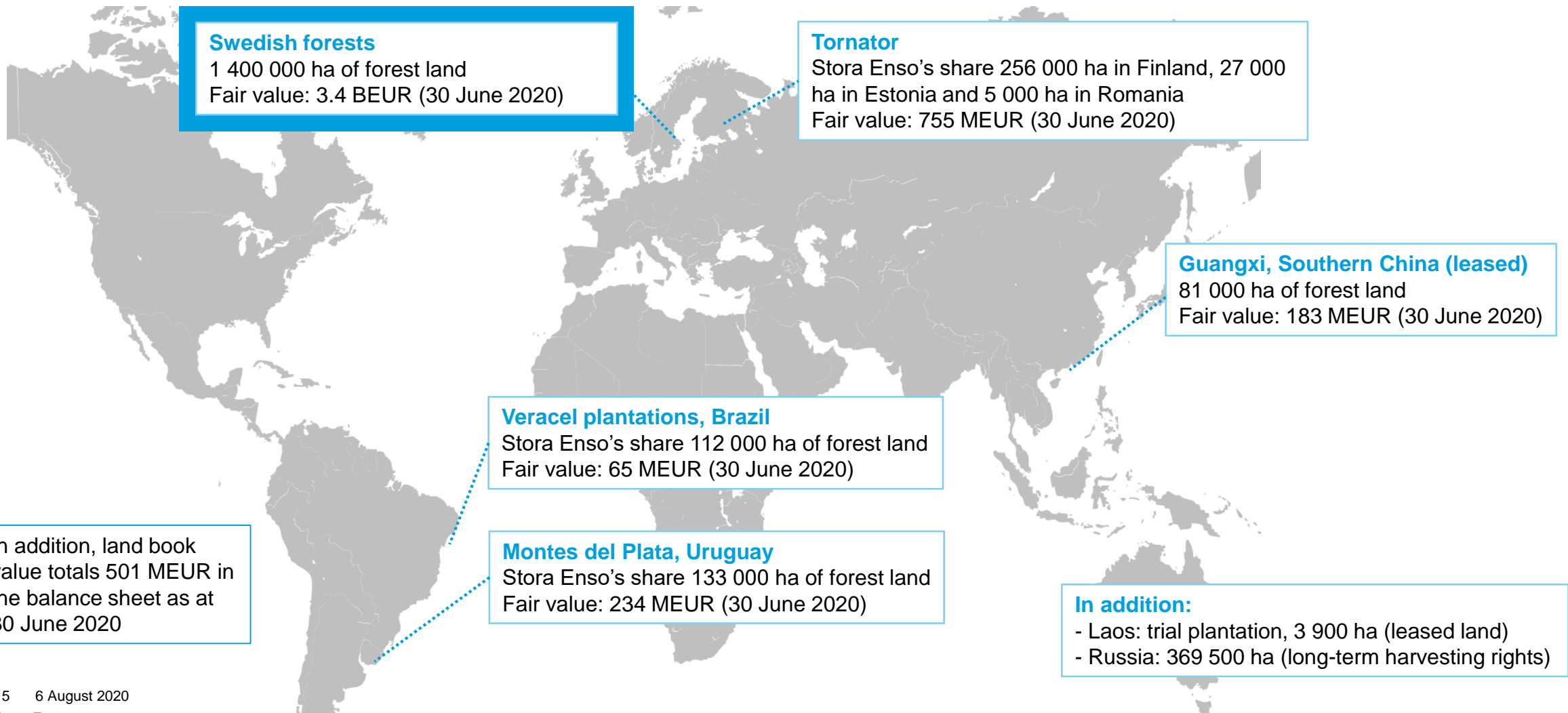
**82%**

from growth  
businesses

\*Illustration based on Q2/2020 market situation for rolling 12 months

# We are one of the largest private forest owners in the world

## Total biological asset value in balance sheet ~ 4.6 BEUR

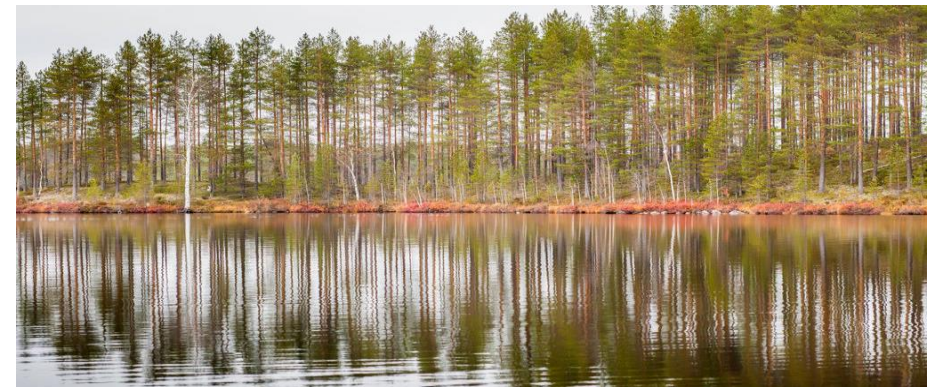
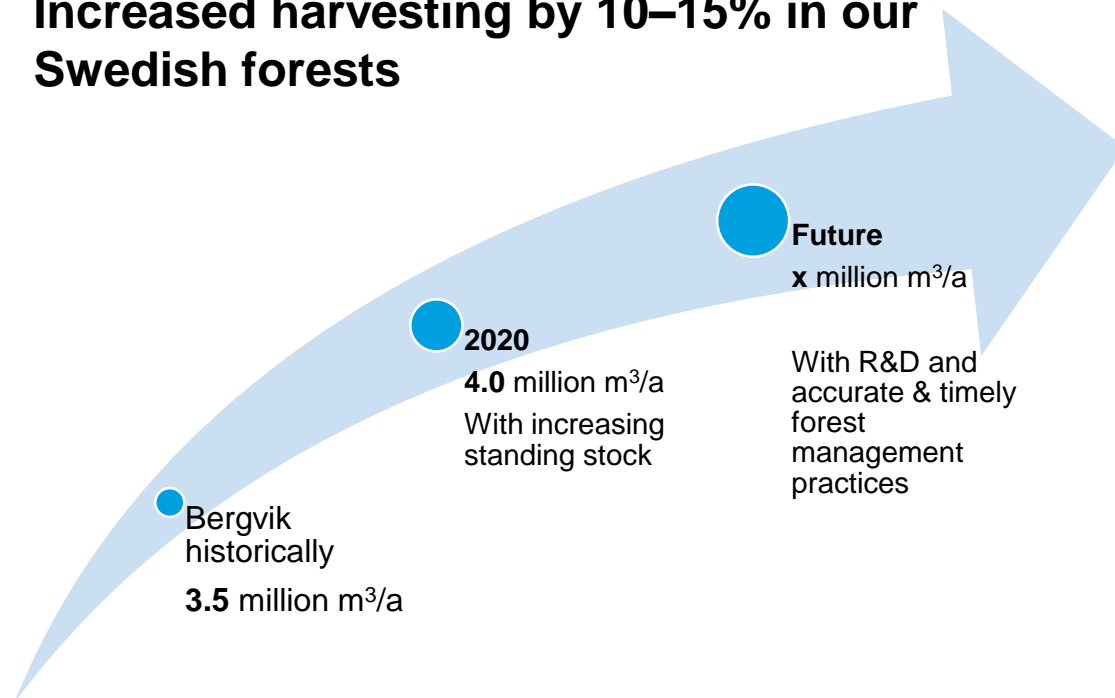


In addition, land book value totals 501 MEUR in the balance sheet as at 30 June 2020

# We are increasing sustainable yield without compromising biodiversity



## Increased harvesting by 10–15% in our Swedish forests





# Despite of short-term challenges, demand for pulp is expected to grow 2% on long term



**Textiles, nonwovens**  
107 Mt market, growing 3%/y  
6.8 Mt market pulp (dissolving)

**Hygiene**  
590 billions of converted unit, growing 3.5%/y  
6.2 Mt market pulp (fluff)

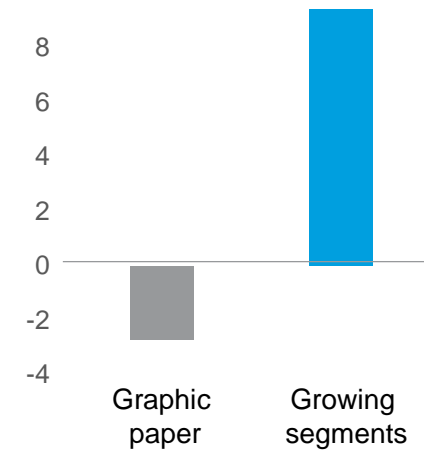
**Carton board**  
48 Mt market, growing 2.0%/y  
5.3 Mt market pulp

**Paper**  
Specialty: 29 Mt market, growing 2.0%/y  
9 Mt market pulp

**Tissue**  
36 Mt market, growing 4%/y  
23 Mt market pulp

**Graphic:** 101 Mt market, declining -1.0%/y  
16 Mt market pulp

Pulp consumption increase (Mt)



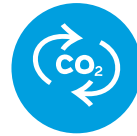
Digitalisation



Urbanisation



Growing middle class



Global warming



Eco awareness



Changing lifestyles



Growing population

Source: Stora Enso, based on available external information from AFRY, Hawkins Wright, Smithers, FastmarketsRISI, Euromonitor in April 2020

# Resilient in the headwinds and well prepared for recovery



- Proactive and extensive precautions to protect the health and safety of our employees and secure business continuity
- Solid profitability and cash flow under current circumstances
  - Strong performance by Packaging Materials and Forest
  - Wood Products better than expected
  - Accelerated structural decline of Paper business
  - Challenging market conditions for Biomaterials
- Exceptional uncertainty and poor visibility continues
  - Mixed demand for our different products
  - Adjust our operations according to demand
  - Upcoming maintenance shutdowns are well prepared
- Staying resilient and well prepared for recovery
  - Secured strong liquidity
  - Active management of cash, costs and capex
  - Continue innovation and our strategic projects



# Welcome to Stora Enso virtual CMD on 11 November 2020



# Sponsored ADR Programme



Stora Enso has established a sponsored Level I ADR programme in the US. The ADRs trade on the premier tier of Over-The-Counter (“OTC”) market in the US. Details are as follows:

Ticker Symbol	SEOAY
CUSIP	86210M106
Ratio	1 ADR : 1 Ordinary Shares
ADR depository	Citibank

Share price information      [www.citi.com/DR](http://www.citi.com/DR) or [www.otcqx.com](http://www.otcqx.com)

Please contact the Citibank’s dedicated ADR broker desks:

Scott Pollak (New York)	Mike Woods (London)
Tel: +1 212 723 5676	Tel: +44 20 7500 2030
Email: <a href="mailto:scott.h.pollak@citi.com">scott.h.pollak@citi.com</a>	Email: <a href="mailto:michael.woods@citi.com">michael.woods@citi.com</a>

# POWER OF A TREE

Creating value in the bioeconomy

**THE RENEWABLE MATERIALS COMPANY**