



# A promising start of the year

**CFO Seppo Parvi**

**SVP, Investor Relations Ulla Paajanen**

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# Stora Enso at a glance

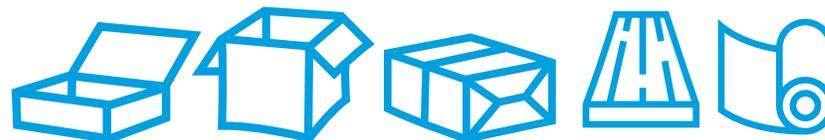


**Leading producer of  
board, pulp, wood  
products and paper**

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



**30** countries  
**10.5 BEUR** sales 2018



**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**



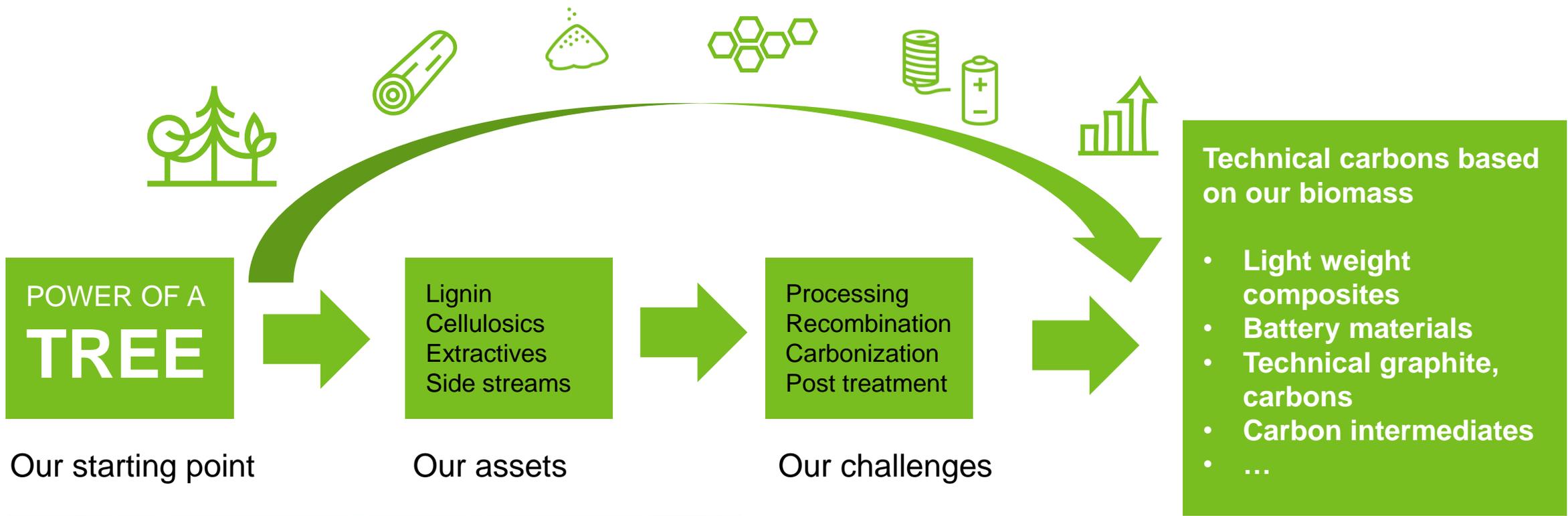
# We are well-positioned for profitable growth – strength of our portfolio



		Sales 2018 EUR and % of group's sales	Market growth	Position
	<b>Consumer Board</b>	+ 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%	<b>#1</b> in LPB, FSB and CUK in Europe or the world
	<b>Packaging Solutions</b>	+ 1.3 BEUR  13%	High quality SC fluting 1-3%; Kraftliner 2–3% excl. North Am; Testliner 3–4% Eastern Europe	<b>#6</b> in containerboard in Europe
	<b>Biomaterials</b>	+ 1.6 BEUR  16%	Market pulp 2.3%; Fastest growth in tissue (3.2%)	Widest pulp grades portfolio <b>#1</b> in Europe in fluff
	<b>Wood Products</b>	+ 1.6 BEUR  15%	Global sawn softwood 2–3%, European new construction 3.5%	<b>#1</b> in Europe and <b>#4</b> in the world in supplying wooden construction material
	<b>Paper</b>	- 3.1 BEUR  29%	Declining 3–5% annually	<b>#2</b> in Europe

# Creating value in the bio-economy

## Tree based carbon materials replacing oil-based solutions



# 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%**

# Main events during Q1



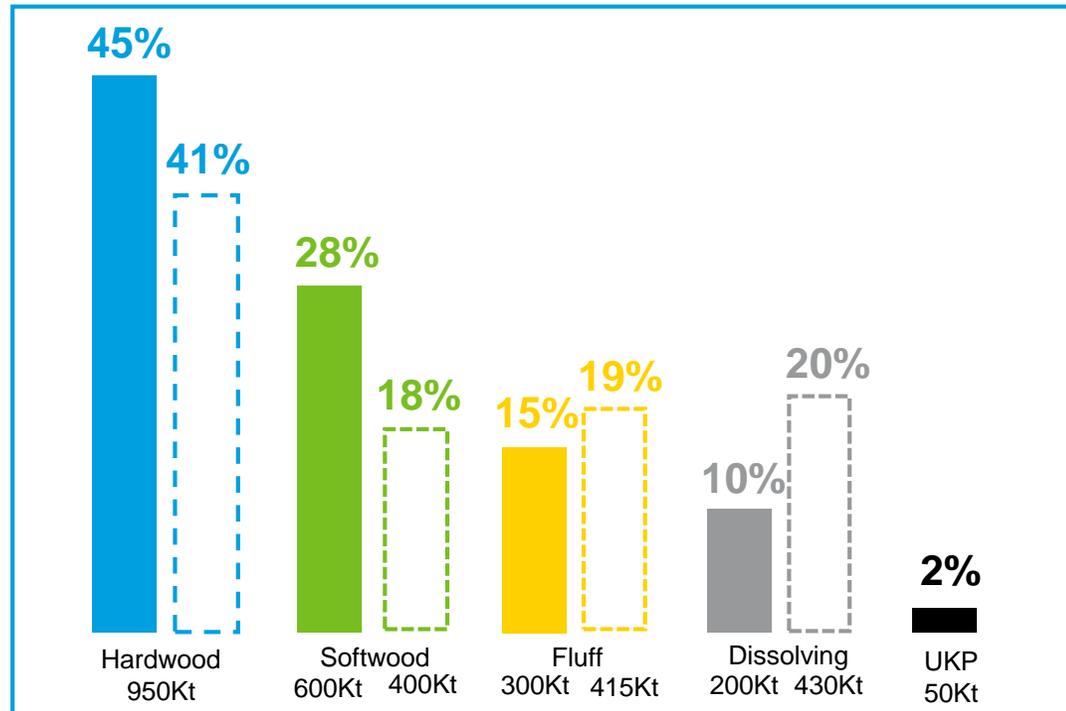
- Formed fiber 5 MEUR investment in Hylte Mill Sweden
  - A new production line and related infrastructure to produce e.g. inserts, containers, cups, industrial packaging, etc.
  - Enables manufacturing of products that are renewable, recyclable and biodegradable and do not contain any plastic
- Oulu conversion feasibility study completed
  - Proposed plan is to convert PM7 into kraftliner production and close down PM6 and the sheeting plant
  - The decision of the potential conversion is planned to be made by the Stora Enso Board of Directors during H1 2019 after the co-determination process has been completed
- New CLT unit investment at the Gruvön sawmill completed
  - First commercial volumes produced during the quarter
- Flash-drying capacity of CTMP investment at Imatra Mills completed successfully
  - Enhances the availability of CTMP at the mill and drives the commercialisation of MFC



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



## Market pulp forecast for rolling 12 months (Q2/19-Q1/20)



By 2020 after conversions

## Pulp sensitivity analysis

10% change in prices, impact on operational EBIT

10% increase in	Positive impact*
Hardwood pulp** prices	60 MEUR
Softwood pulp prices	40 MEUR
Fluff pulp prices	20 MEUR
Dissolving pulp prices	15 MEUR
<b>Market pulp prices, total</b>	<b>135 MEUR</b>

\* 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 - Pure by Stora Enso dissolving pulp

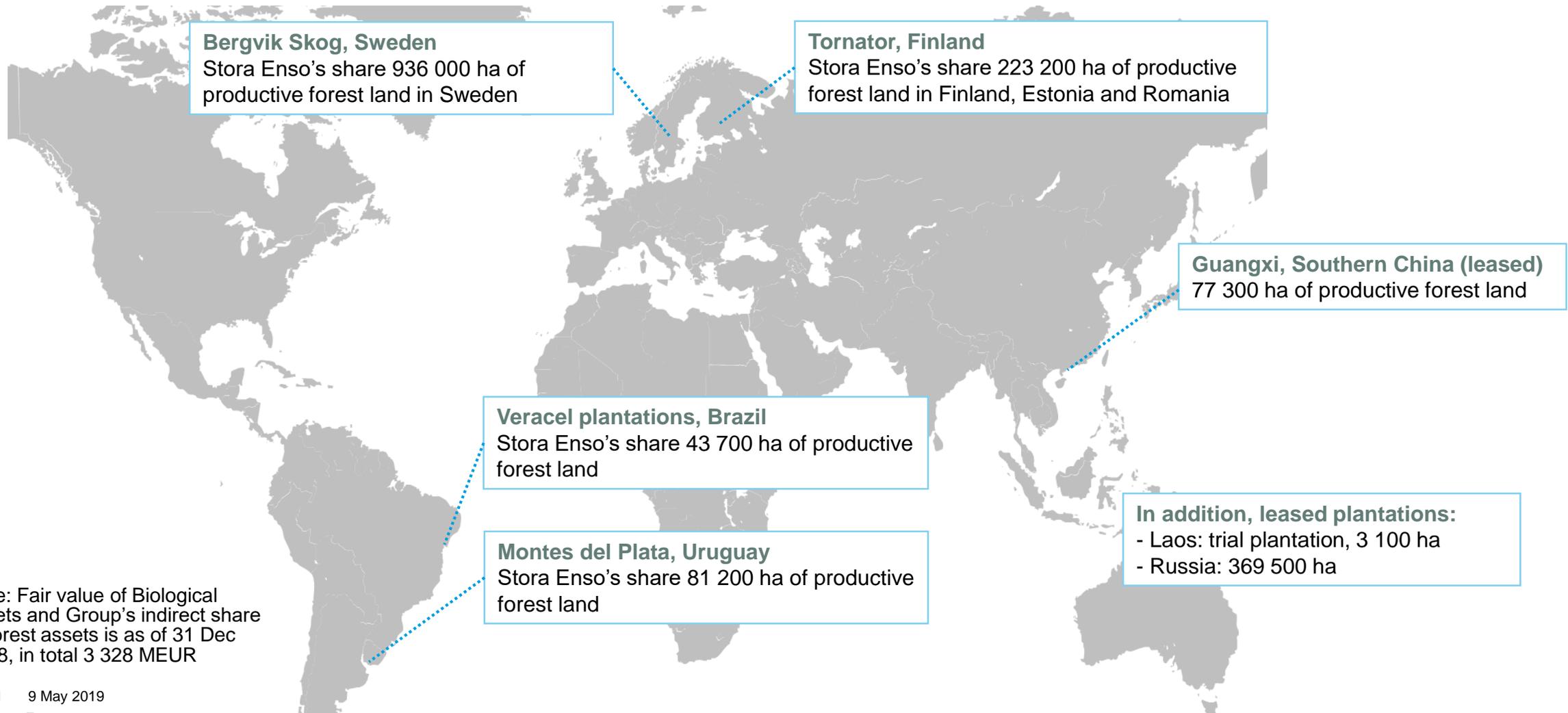


- One example of the applications for dissolving pulp is the clothing industry
- Fabrics such as viscose, rayon, modal, lyocell, and cupro are all made from wood fibres
- Enocell pulp mill in Finland produces 150 000 tonnes / year of dissolving pulp from birch wood
- 52 MEUR investment to increase the dissolving pulp production capacity at Enocell Mill up to 430 000 tonnes / year, introducing new softwood dissolving pulp grade H2 2019
- Stora Enso recently announced partnership with H&M, Ikea and innovator Lars Stigsson in TreeToTextile joint venture, that develops a woodfibre-based textile process with less energy and chemicals compared to conventional textile technologies
- Continuous R&D cooperation with universities and other partners for sustainable textile fibres



# Forest assets – Northern and Southern hemisphere

## Fair value of 3.3 BEUR

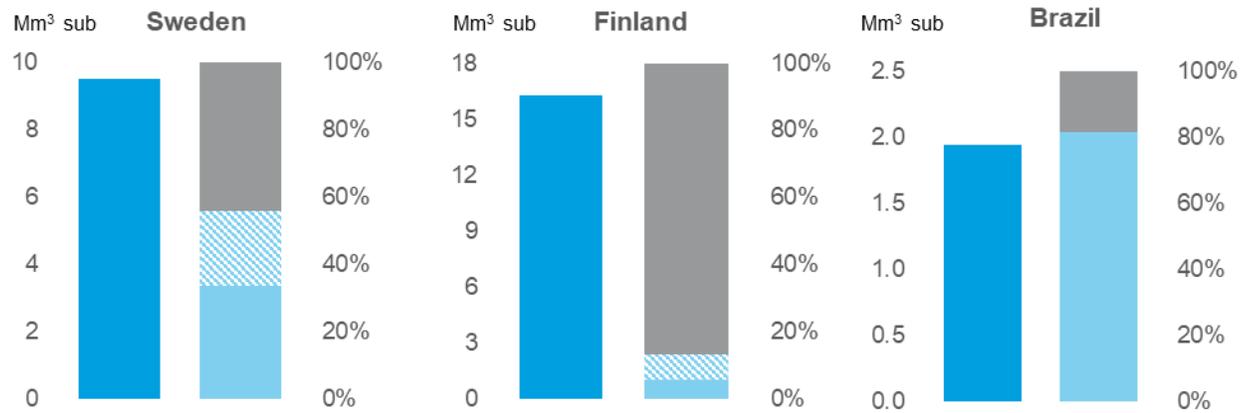


Note: Fair value of Biological assets and Group's indirect share of forest assets is as of 31 Dec 2018, in total 3 328 MEUR

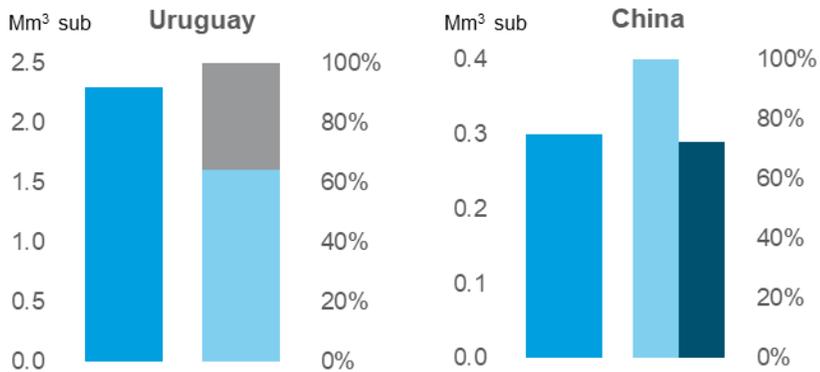
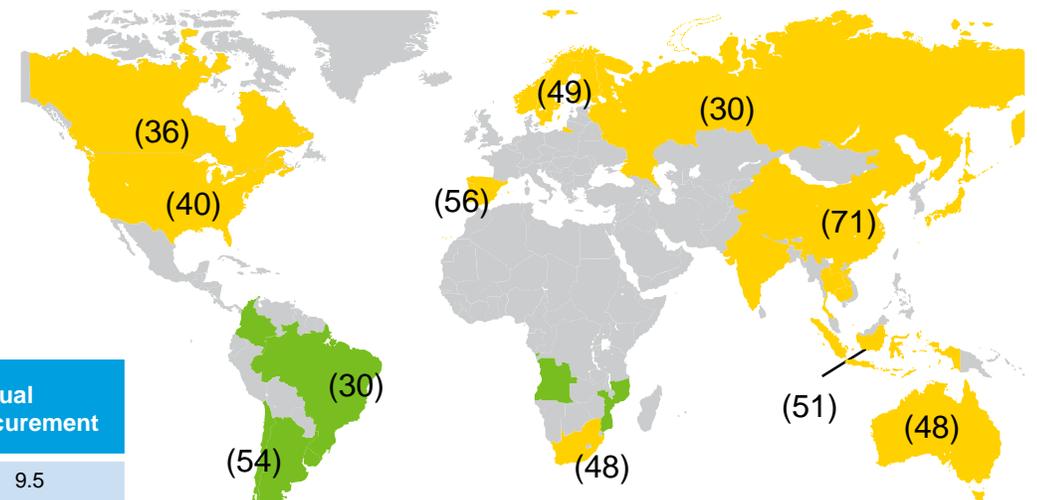
# We control ~30% of our wood raw material – a critical advantage in the bioeconomy



## Stora Enso's forest assets\*



## Pulpwood plantation availability and wood cost



Country	million m³ sub	Standing stock	Annual procurement
Sweden	79.3	79.3	9.5
Finland	24.6	24.6	13.5
Brazil	2.9	2.9	1.9
Uruguay	8.1	8.1	2.1
China	6.4	6.4	0.3

■ Consumption, million m³ sub (solid under bark)  
 ▨ Long-term supply contracts, %  
 ■ Sold externally of annual harvesting, %  
■ Supply from own sources based on ownership, %  
 ■ Purchased, %

● Potential for wood supply expansion  
● Wood supply restrictions for expansion  
 ( ) Wood cost (USD/m3/sob) at mill - hardwood

\* Sweden includes Stora Enso's share of Bergvik Skog and Finland Stora Enso's share of Tornator. Brazil and Uruguay with 50% share.

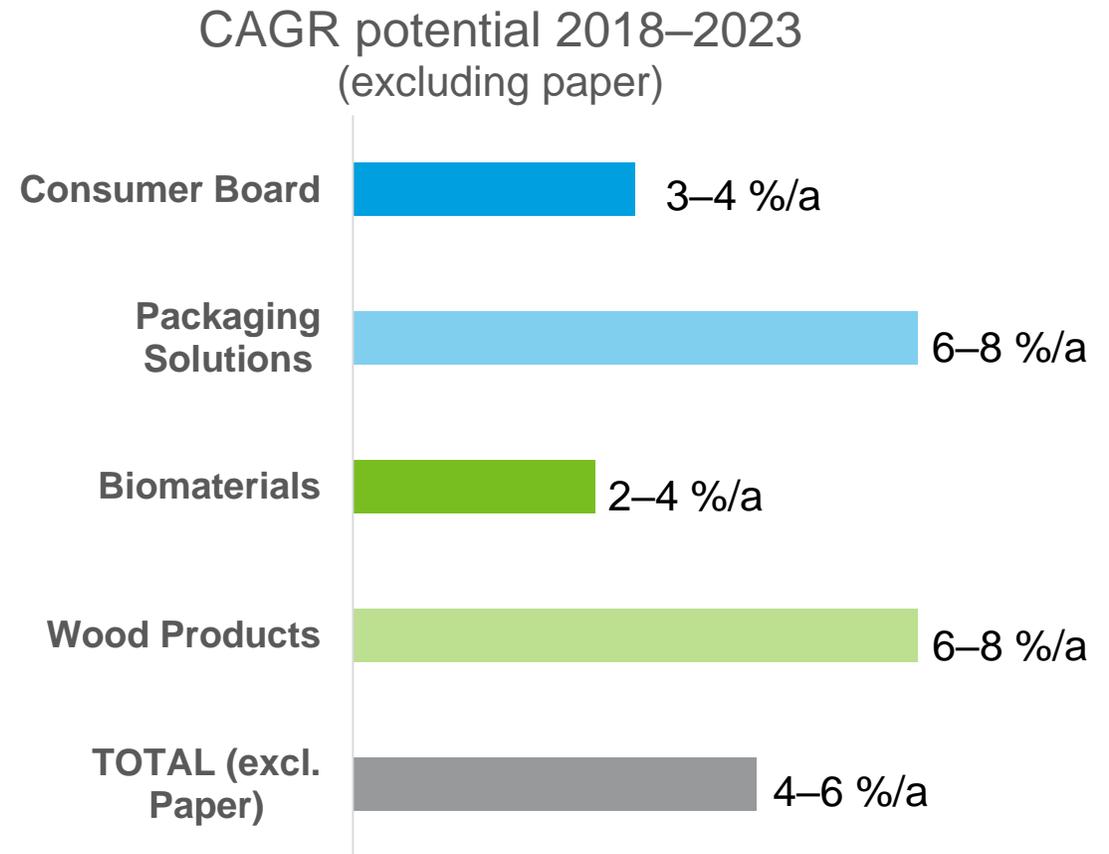
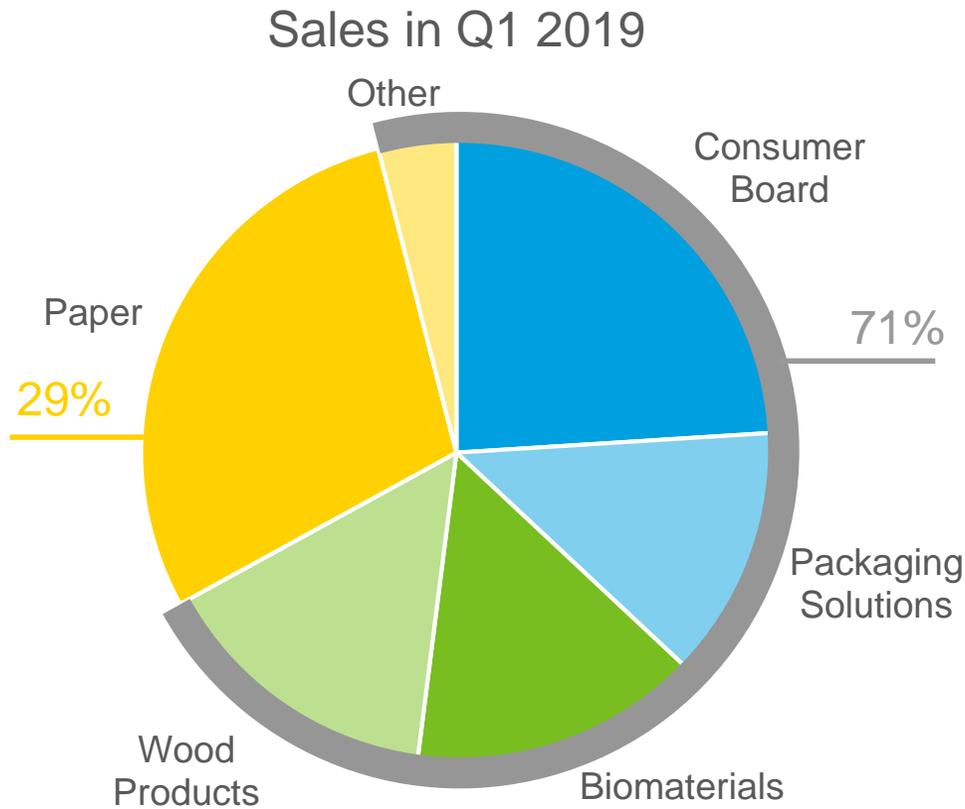
# Bergvik Skog ownership restructuring proceeding as planned



- Previously announced restructuring of Stora Enso's forest associate Bergvik Skog is proceeding as planned
- Aim is to complete the transaction during Q2
- Impacts
  - Indirect forest holdings from 1.1 million hectares to direct ownership of 1.4 million hectares in Sweden
    - Productive forest land increase from 0.94 to 1.15 million hectares
  - Increase of net debt by about 1.0 BEUR. Issued a 600 MEUR green bond to finance
  - Increase of capital employed ~1.0 BEUR
  - ROCE impact ~1 % point
  - Transaction is forecast to increase Stora Enso's net debt to operational EBITDA temporarily above the strategic target of <math><2.0x</math> due to transaction's structure. Expected to be back below the target level by the end of 2019

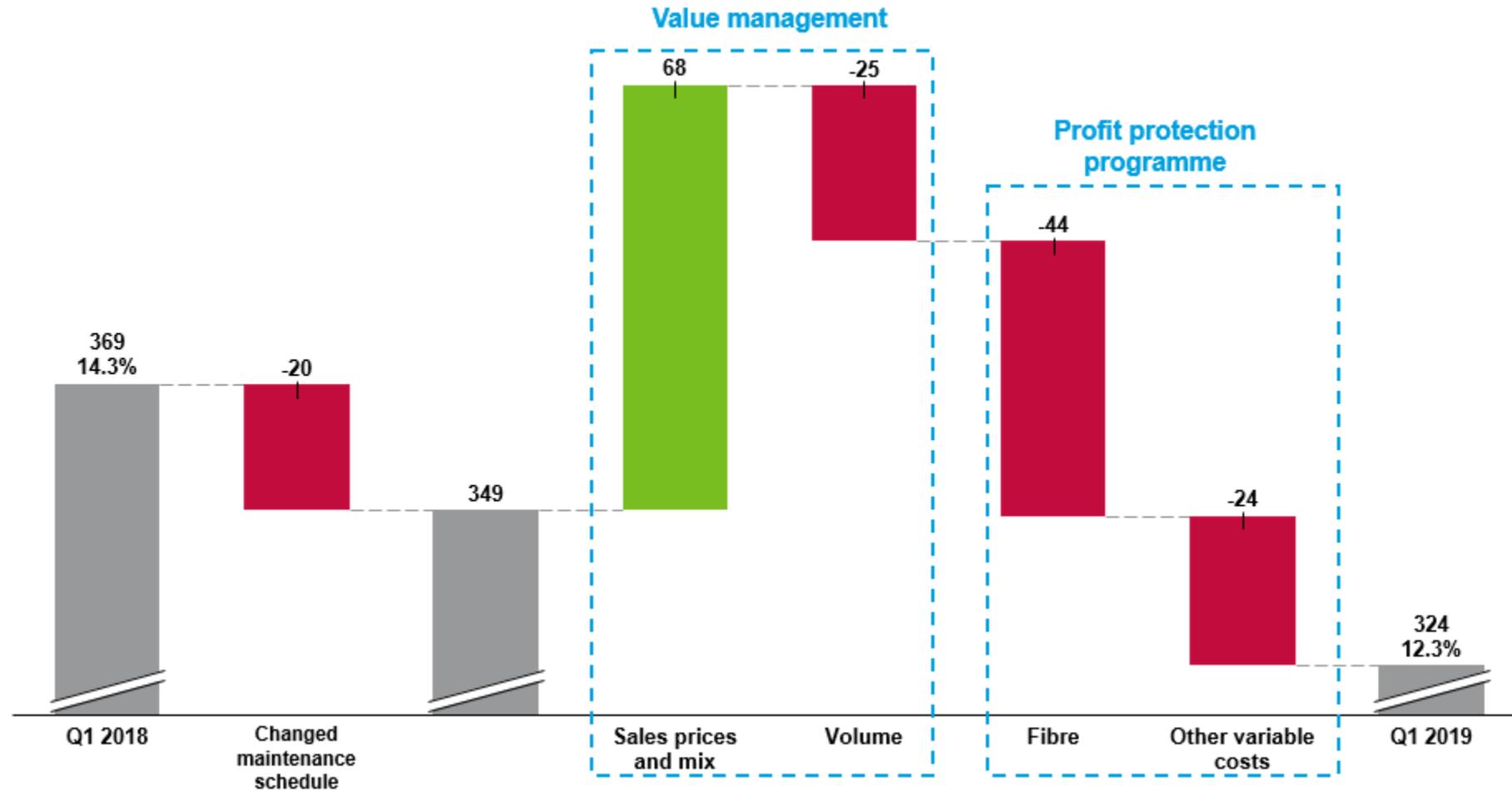


# We have several attractive profitable growth options



# Value management and profit protection paying off

Operational EBIT Q1 y-o-y



# Sales growth continues and profitability on good level

## Summary financials Q1 2019



EUR million	Q1/19	Q1/18	Change% Q1/19- Q1/18	Q4/18	Change% Q1/19- Q4/18
Sales	2 635	2 579	2.2%	2 657	-0.9%
Operational EBITDA	471	504	-6.5%	405	16.3%
Operational EBITDA margin	17.9%	19.5%		15.3%	
Operational EBIT	324	369	-12.3%	271	19.5%
Operational EBIT margin	12.3%	14.3%		10.2%	
Profit before tax excl. IAC	286	333	-14.2%	267	6.9%
Net profit for the period	226	273	-17.4%	299	-24.4%
EPS excl. IAC, EUR	0.30	0.35	-14.9%	0.33	-8.3%
EPS (basic), EUR	0.29	0.35	-16.0%	0.39	-23.6%
Operational ROCE	14.0%	17.7%	-20.9%	12.4%	12.9%
Cash Flow from Operations	223	229	-2.8%	323	-31.0%
Net debt/last 12 months' operational EBITDA	1.7*	1.3		1.1	

\* Adoption of IFRS 16 Leases impact 0.3x

# Adoption of IFRS 16 Leases impact in Q1



MEUR	Q1/19	IFRS 16 impact	Q1/19 without IFRS 16
Capital employed	9 226	260	8 966
<b>Operational EBITDA</b>	<b>471</b>	<b>19</b>	<b>452</b>
Depreciation (incl. EAI)	-135	-18	-118
Operational decrease in the value of biological assets	-13		-13
<b>Operational EBIT</b>	<b>324</b>	<b>2</b>	<b>322</b>
Fair valuations and non-operational items	-7		-7
IAC	-4		-4
<b>Operating Profit IFRS</b>	<b>313</b>	<b>2</b>	<b>311</b>
Net financial items	-31	-6	-25
Income tax	-56		-56
<b>Net Profit for the Period</b>	<b>226</b>	<b>-4</b>	<b>230</b>
<b>Operational ROCE</b>	<b>14.0%</b>	<b>-0.4%</b>	<b>14.4%</b>
<b>Net debt</b>	<b>3 093</b>	<b>526</b>	<b>2 569</b>
<b>Net debt to operational EBITDA</b>	<b>1.7</b>	<b>-0.3</b>	<b>1.4</b>

# Profit protection programme to strengthen competitiveness proceeding according to plan



- Intention to achieve 120 MEUR annual cost reduction
  - Fixed and variable costs
  - All divisions and corporate functions
  - Some effects visible in 2019, full impact by the end of 2020
- Capex forecast reduction of about 50 MEUR compared to earlier communication
  - Capex forecast 540–590 MEUR including 40 MEUR effect of new leasing standard
- Including also announced plans and decisions
  - Plans to reduce costs at Ala sawmill in Sweden and Imavere sawmill in Estonia
  - Decision to close down PM6 at Imatra Mills, Finland



# Development of strategic targets



Group strategic targets		Q1 18	Q1 19	
Dividend	To distribute 50% of EPS over the cycle	0.41*	0.50*	●
Growth**	To grow faster than the relevant market	3.2% (YoY)	3.6% (YoY)	●
Net debt to operational EBITDA	<2.0x	1.3	1.7	●
Fixed costs to sales	<20%	22.6%	22.4%	●
Net debt to equity	<60%	36%	47%	●
Operational ROCE	>13%	17.7%	14.0%	●

Divisional strategic targets		Q1 18	Q1 19	
Consumer Board	Operational ROOC > 20%	18.5%	10.3%	●
Packaging Solutions	Operational ROOC > 20%	27.7%	21.8%	●
Biomaterials	Operational ROOC > 15%	17.6%	16.2%	●
Wood Products	Operational ROOC > 20%	20.4%	17.7%	●
Paper	Cash flow after investing activities to sales > 7%	6.2%	6.1%	●

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

# Outlook for 2019 remains unchanged



Stora Enso's year 2019 is expected to be largely in line with the 2018, provided that the current trading conditions do not significantly change. Demand growth is expected to continue for Stora Enso's other businesses except for European Paper, for which demand is forecast to continue to decline in 2019. Group's sales are expected to be higher and costs are forecast to increase in 2019 compared to 2018. Stora Enso will implement measures to mitigate these cost increases and the increased uncertainties with the profit protection programme.



# Guidance for Q2 2019



- Operational EBIT is expected to be in the range of 270–350 MEUR
- During Q2 2019, there will be annual maintenance shutdown at Nymölla paper mill. The total negative impact of maintenance is estimated to be 35 MEUR less than in Q2 2018.

Annual maintenance	Q2 2019	Q2 2018
Consumer Board	-	Beihai Mill
Packaging Solutions	-	Heinola and Varkaus mills
Biomaterials	-	Enocell Mill
Paper	Nymölla Mill	Oulu Mill



# Value management and profit protection paying off

Q1 2019 year-on-year



- Sales growth 2%, ninth consecutive quarter of sales growth y-o-y
- Seventh consecutive quarter of double digit operational EBIT margin
- Operational ROCE was 14%, above the strategic target of 13%
- Balance sheet strong despite adoption of IFRS 16 Leases and dividend payment
- Value management, price vs. volume
- Profit protection programme addressing cost structure going forward – securing the future



# POWER OF A TREE

Creating value in the bioeconomy

THE RENEWABLE MATERIALS COMPANY



storaenso