



storaenso

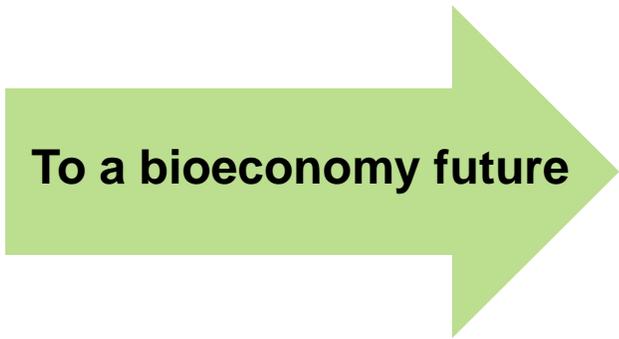
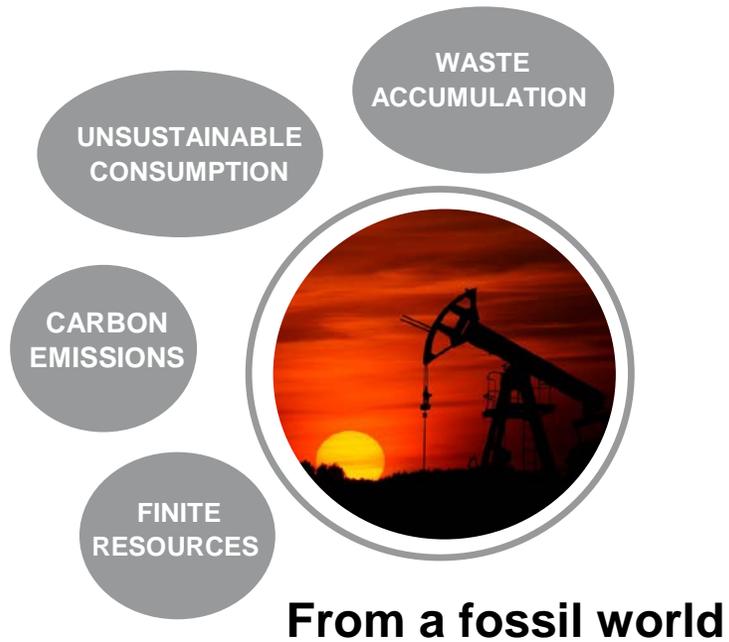
# CEO's report

## Karl-Henrik Sundström

# Small changes make a big impact



# Stora Enso – well positioned for the future



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



# Stora Enso progress 2018



EUR 10.5 billion sales

EUR 1.3 billion operational EBIT

15.5% Return On Capital Employed

Proposed increased dividend by 22%

A leader in the bioeconomy

# Full year results

## 2014–2018



EUR million	2014	2015	2016	2017	2018
Sales	10 213	10 040	9 802	10 045	10 486
Operational EBIT	810	915	884	1 004	1 325
Operational EBIT margin	7.9%	9.1%	9.0%	10.0%	12.6%
Operational ROCE	9.5%	10.6%	10.2%	11.9%	15.5%
Cash flow from operations	1 139	1 556	1 633	1 492	1 365
Cash flow after investing activities	255	599	834	825	811
EPS excl. IAC	EUR 0.40	EUR 1.24	EUR 0.65	EUR 0.89	EUR 1.29
Dividend per share	EUR 0.30	EUR 0.33	EUR 0.37	EUR 0.41	EUR 0.50*
Net debt/last 12 months' operational EBITDA**	2.3	2.2	1.9	1.4	1.1

\* Proposal for 2018

\*\*Restated due to a change in group's operational EBITDA definition to include the operational EBITDA of its equity accounted investments (EAI)

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# Strategic targets

## Years 2014–2018



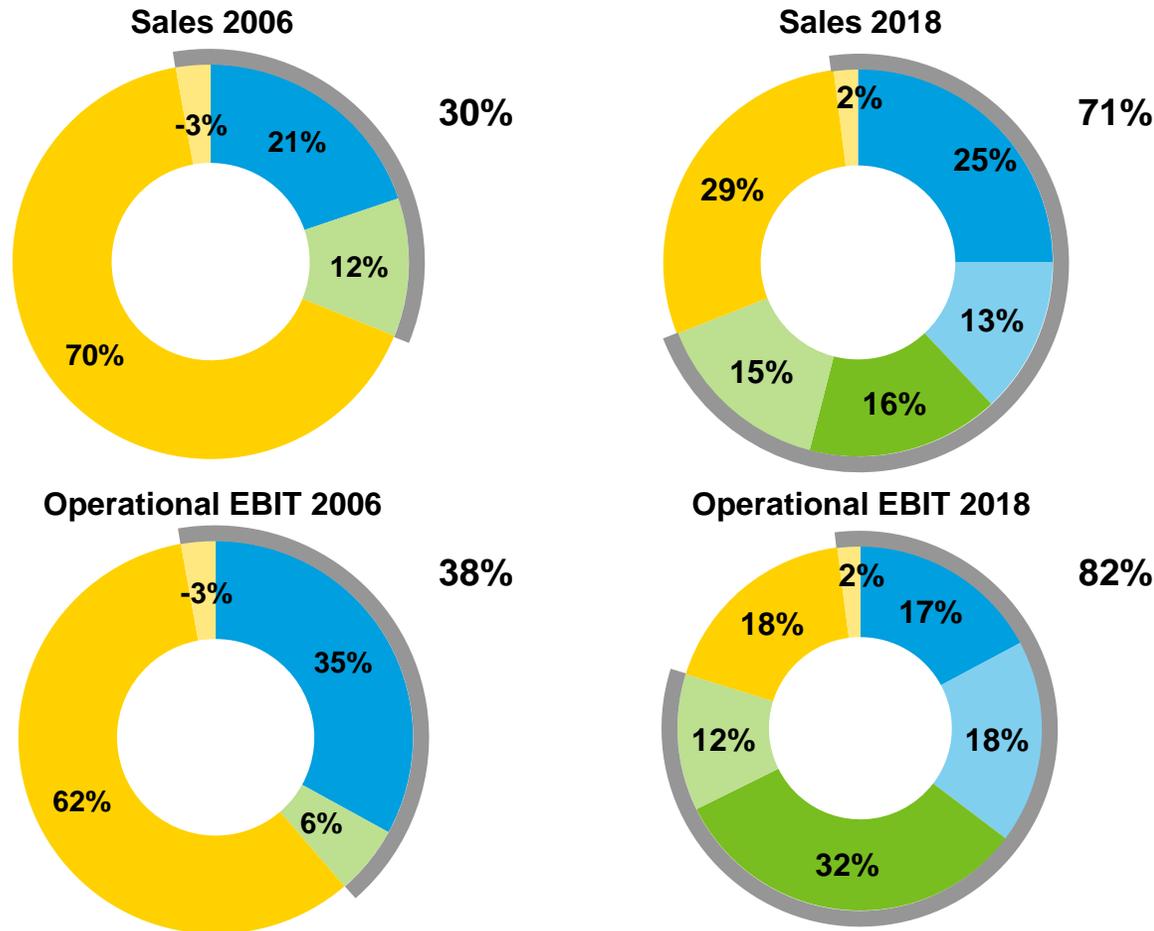
Group targets		2014	2015	2016	2017	2018	Status
Dividend	To distribute 50% of EPS over the cycle	EUR 0.30	EUR 0.33	EUR 0.37	EUR 0.41	EUR 0.50*	●
Growth**	To grow faster than the relevant market	0.9% (YoY)	4.6% (YoY)	3.1% (YoY)	8.5% (YoY)	5.9%*** (YoY)	●
Net debt to operational EBITDA	<2.0 (UPDATED)	2.3	2.2	1.9	1.4	1.1	●
Fixed costs to sales	<20%	25.1%	25.0%	25.3%	25.1%	23.6%	●
Net debt to equity	<60% (UPDATED)	65%	60%	47%	38%	31%	●
Operational ROCE	>13%	9.5%	10.6%	10.2%	11.9%	15.5%	●

Divisional targets		2014	2015	2016	2017	2018	Status
Consumer Board	Operational ROOC >20%	17.8%	15.5%	12.7%	14.6%	11.9%	●
Packaging Solutions	Operational ROOC >20%	14.1%	11.1%	7.6%	19.6%	27.2%	●
Biomaterials	Operational ROOC >15%	3.9%	12.4%	8.5%	10.5%	17.9%	●
Wood Products	Operational ROOC >20%	17.3%	15.7%	16.8%	20.5%	28.1%	●
Paper	Cash flow after investing activities to sales >7%	6.2%	5.5%	8.5%	5.5%	5.7%	●

\* Dividend proposal \*\* Excluding Paper \*\*\* Excluding Paper and Puumerkki

# Transformation journey continues

2018: Growth businesses 71% of sales and 82% of operational EBIT

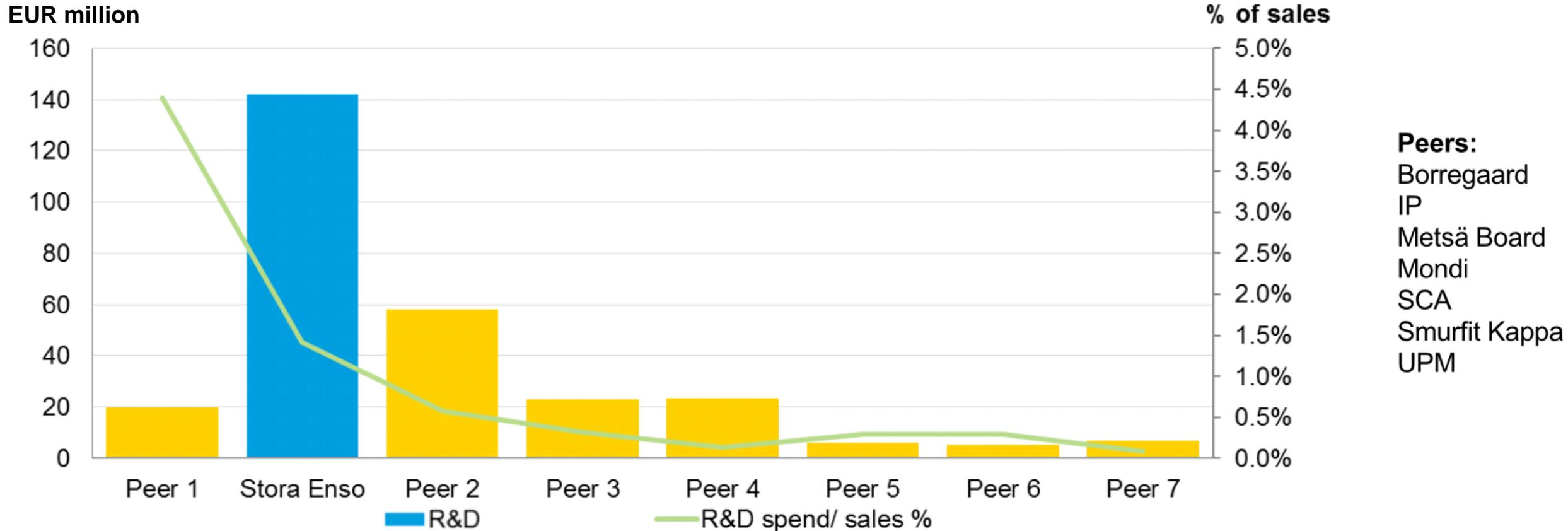


- Consumer Board
- Packaging Solutions\*
- Biomaterials
- Wood Products
- Paper\*\*
- Other & eliminations

\* In 2006 included in Consumer Board

\*\* In 2006 includes merchants

# We take the lead in innovation in our industry

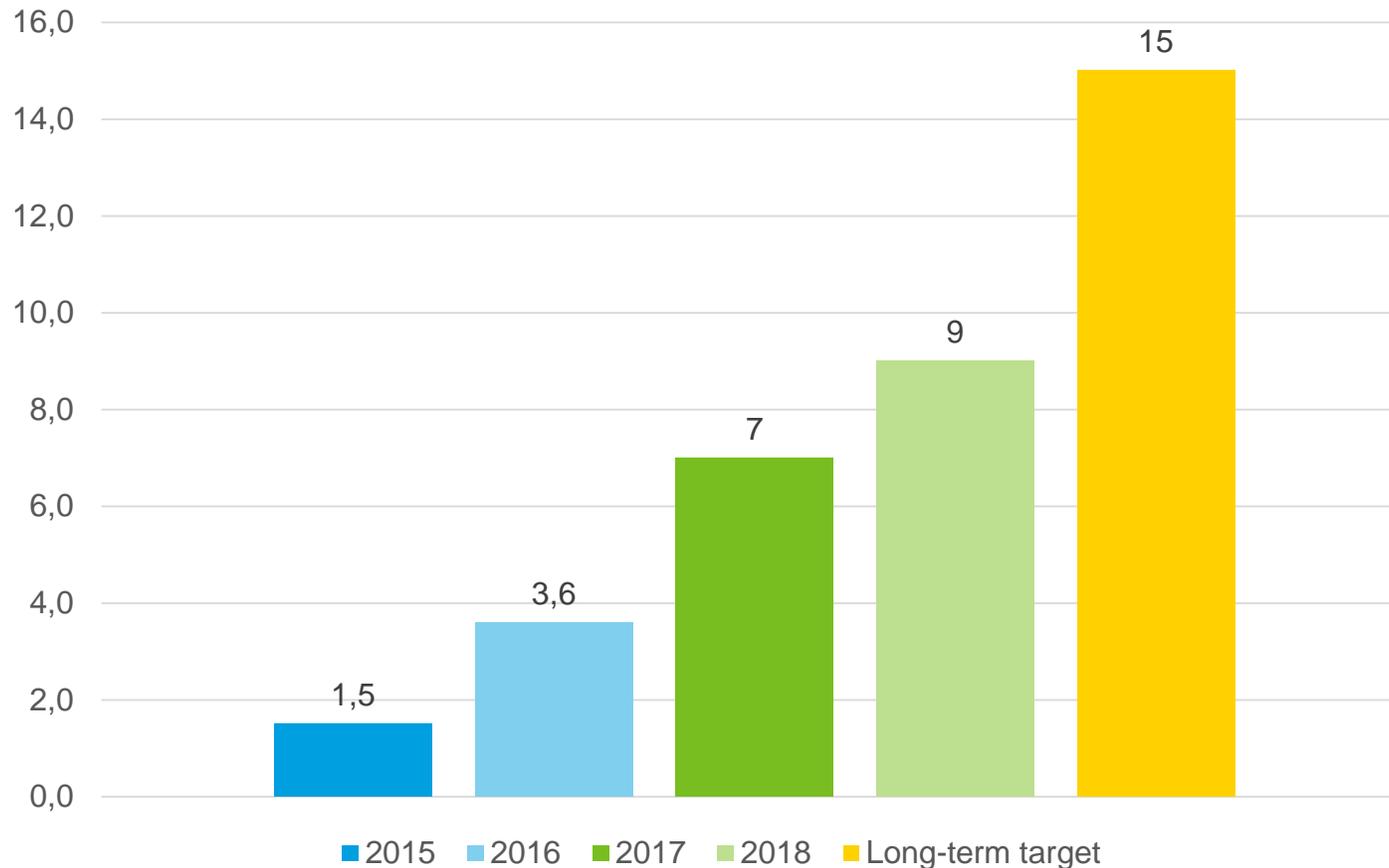


Source: Stora Enso, annual reports 2017

# Accelerating renewable growth with new products and services



% of sales from new products and services



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

# Our drivers for accelerating growth



**High-quality containerboards**



**Value added services in corrugated packaging**



**Intelligent packaging**



**Biocomposites**

**Next generation liquid and food packaging**



**Building components and systems**



**Bio-barriers**



**Future bio-based chemical intermediates**



# Innovation never happens in isolation



**Awarded as Finland's most startup-friendly company**

Screened ~500 digital start-ups  
- deeper collaboration with 17

TRÄ Group - innovative digital services for wooden buildings

**DuraSense™**

Husqvarna's most innovative supplier

Piloting MFC films

Sustainable RFID tag technology, ECO™ by Stora Enso

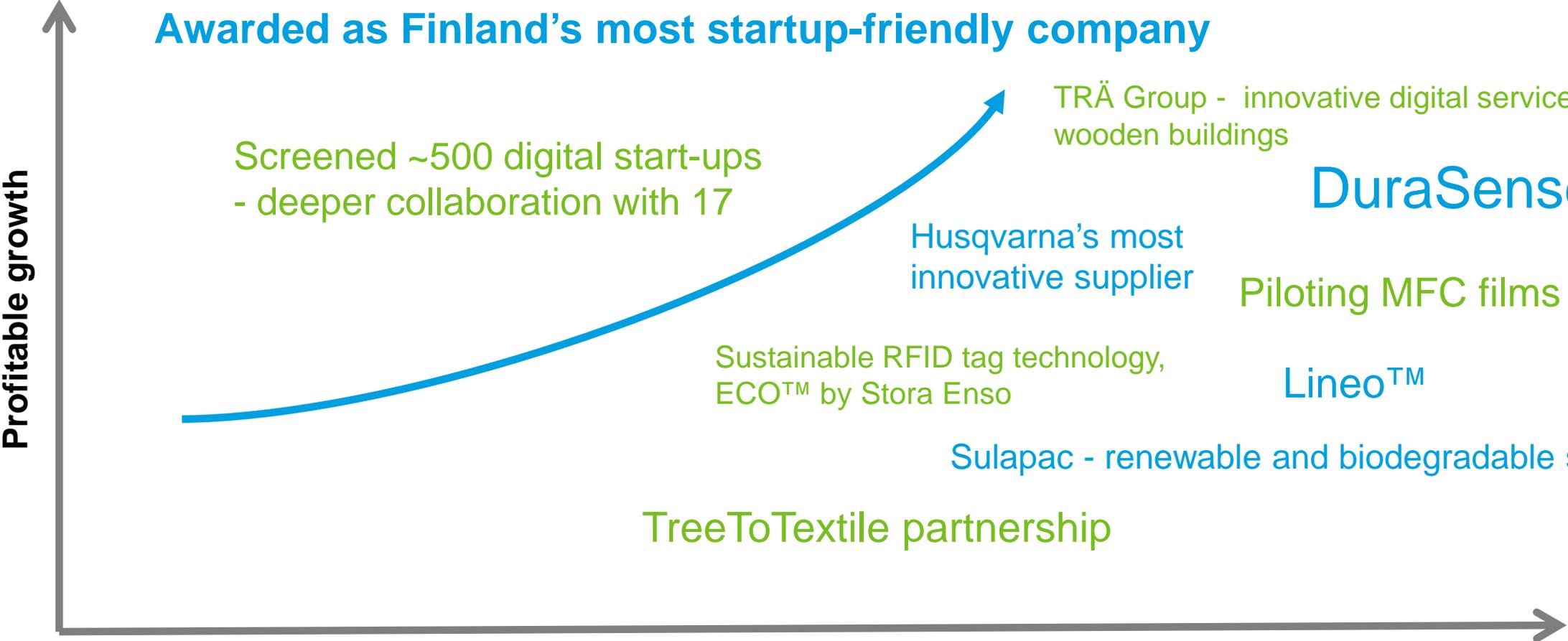
**Lineo™**

Sulapac - renewable and biodegradable straws

TreeToTextile partnership

**Asset transformation**

**Innovation & customer focus**

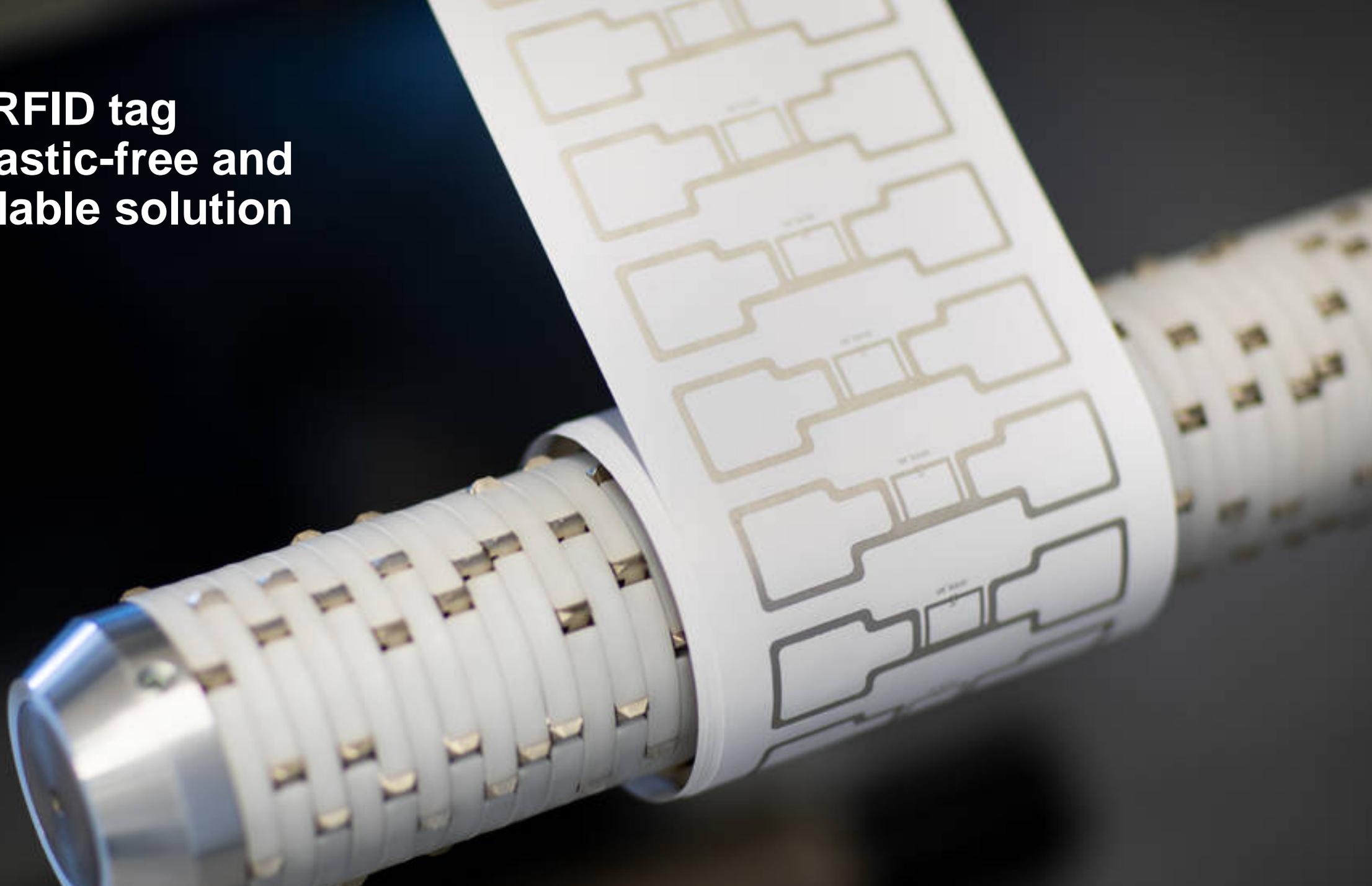




**EUR 52 million**  
investment to increase  
dissolving pulp  
production

**TreeToTextile**  
partnership to develop  
woodfibre-based  
textiles

**ECO RFID tag  
– a plastic-free and  
recyclable solution**



# Biocomposites – in commercial phase



A photograph of a dense forest of tall, thin pine trees. The trees are arranged in a regular pattern, suggesting a managed forest. The ground is covered in green grass and moss, with a large, dark rock in the foreground. The sky is visible through the canopy, showing a clear blue color.

**1.15 million hectares of productive forest land to direct ownership in Sweden**

# Direct ownership of the forests in Sweden



	Unit	Stora Enso's 49% holding of Bergvik Skog in Sweden	Stora Enso's Swedish forests after transaction
Ha (gross land)	Ha ('000)	1 133	1 388
Ha (productive forest)	Ha ('000)	926	1 149
Forest cubic meters (m <sup>3</sup> fo)	m <sup>3</sup> fo (million)	127	144
Forest cubic meters / ha (productive f)	m <sup>3</sup> fo/ha	136	125
IFRS value* (Bio Assets + Land)	MEUR	2 323	2 707
IFRS value*/ha (productive forest)	EUR/ha	2 507	2 355
IFRS value*/m <sup>3</sup> fo	EUR/m <sup>3</sup> fo	18.2	18.8

Values calculated with LRF Konsult's statistics**	Unit	Stora Enso's 49% holding of Bergvik Skog in Sweden	Stora Enso's Swedish forests after transaction
Value/m <sup>3</sup> fo	EUR/m <sup>3</sup> fo	44.2	44.2
Value of the timber (m <sup>3</sup> fo)	MEUR	5 573	6 356

## Financial impacts estimate for Stora Enso

- Bergvik Väst consolidated as a subsidiary
- Cash out effect of 200 MEUR
- Debt would increase by 800 MEUR, 600 MEUR financed with Green bonds
- Net debt to operational EBITDA ratio would increase by 0.5x
- Capital employed would increase by 1 BEUR resulting a decrease in ROCE of 1%-point

\* Based on 31 Dec 2018 valuation. IFRS value of Stora Enso Swedish forest after transaction is based on a pro-rata allocation of forest values and the values may change as a result of purchase accounting allocations.

\*\*LRF Konsult's market statistics for forest property prices. These reference prices are applicable for small-size lands. Calculation for Stora Enso is referential and based on LRF's price for Mellersta (453 SEK/m<sup>3</sup>fo) and applied for all properties. FX rate of 10.2548 (European central bank, 31 Dec 2018) applied to all SEK currencies.

# Forests, plantations, and land use

## We respect the local environment



- Renewability requires sustainable forestry that keep forests healthy and productive.
  - Sustainably managed forests grow forever.
- 89% of our wood comes from managed semi-natural forests, the rest from tree plantations.
- We know the origin of all the wood we use through traceability systems.
  - 100% comes from sustainable sources.
  - 76% is certified.
- 96% of lands owned and managed by Stora Enso are covered by certification.



# Stora Enso as a taxpayer

## Close to EUR 1.3 billion total taxes paid



EUR million in 2018	Finland	Sweden	Germany	UK	China	Poland	Belgium	Austria	Brazil	Russia	Other	Total
Primary activity	Production	Production and sales	Production and sales	Sales	Production and sales	Production and sales	Production and sales	Production and sales	Production	Production and sales		
<b>Taxes borne</b>												
Corporate income tax	1	71	-1	0	8	17	18	12	2	11	13	<b>152</b>
Employment taxes	90	89	12	1	14	6	10	13	3	3	19	<b>260</b>
Operational taxes	13	7	5	0	29	7	4	0	3	5	4	<b>77</b>
<b>Total Taxes Borne</b>	<b>104</b>	<b>167</b>	<b>16</b>	<b>1</b>	<b>51</b>	<b>30</b>	<b>32</b>	<b>25</b>	<b>8</b>	<b>19</b>	<b>36</b>	<b>489</b>
<b>Taxes collected</b>												
VAT & similar*	35	78	69	79	8	42	6	9	3	11	34	<b>374</b>
Payroll taxes	143	87	25	2	11	10	9	16	2	1	20	<b>326</b>
Other taxes	78	0	0	0	1	0	0	0	2	0	2	<b>87</b>
<b>Total Taxes Collected</b>	<b>256</b>	<b>165</b>	<b>94</b>	<b>81</b>	<b>20</b>	<b>52</b>	<b>15</b>	<b>25</b>	<b>11</b>	<b>12</b>	<b>56</b>	<b>787</b>
<b>Total Taxes Paid</b>	<b>360</b>	<b>332</b>	<b>110</b>	<b>82</b>	<b>71</b>	<b>82</b>	<b>47</b>	<b>50</b>	<b>19</b>	<b>31</b>	<b>92</b>	<b>1 276</b>

\* VAT, good and services taxes and similar turnover related taxes

# Winning in sustainability



Included on CDP's 2018 Climate A List, which identifies the global companies that are taking leadership in climate action.



Achieved the highest recognition level – Gold – in the Ecovadis ethical supplier rating system, improving our performance by two points.



Ranked the most sustainable listed company in Sweden by Dagens Industri, Aktuell Hållbarhet, and Lund University School of Economics and Management.



Ranked "Industry Leader 2018" in the Sustainable Brand Index™ B2B.



Top-ranked in gender balance and gender equality by Equileap.

## FINDIX

Ranked best in diversity by Findix report, examining the diversity of 89 Finnish companies.



Among the top ten sustainability reports globally according to *Reporting matters 2018* by the World Business Council for Sustainable Development (WBCSD).



Ranked best sustainability report by Finnish media in a competition organised by seven not-for-profit organisations.



Included in Report Watch's Best Practices in Annual Sustainability Reporting.



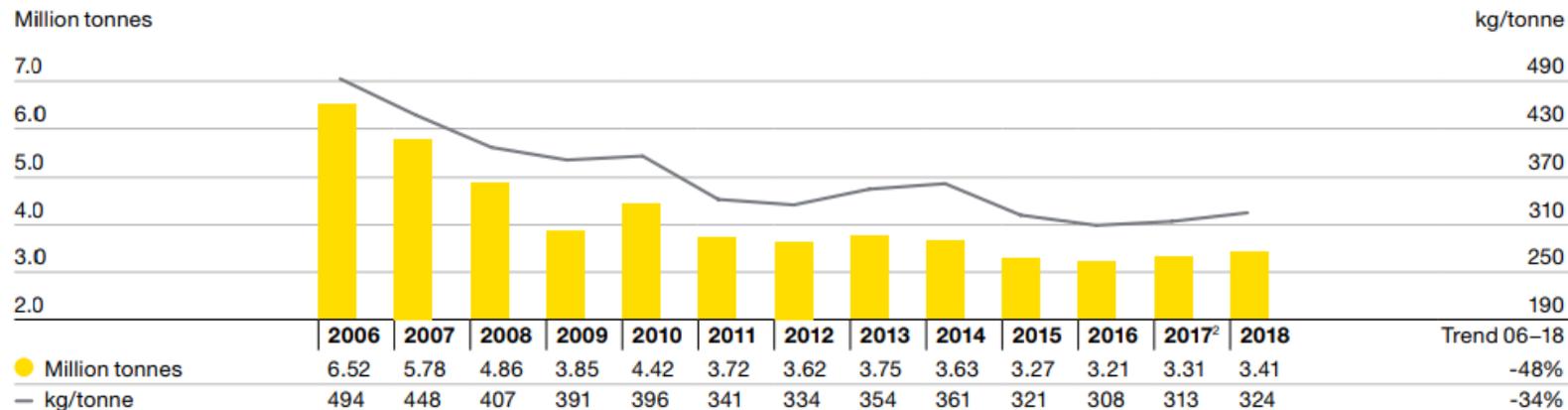
# Taking the lead to combat global warming

## Setting ambitious reduction targets for greenhouse gas emissions



- Stora Enso was the **first forest products company** to have externally approved science-based targets (SBT) to reduce its greenhouse gas (GHG) emissions.
- **Targets for our operations**
  - Reducing GHG emissions from operations by **31%** per tonne of pulp, paper, and board produced by 2030, compared to a 2010 baseline.
- **Engagement targets for our suppliers**
  - 70% of our non-fibre suppliers in terms of spend to set GHG reduction targets.
- **Engagement targets for our customers**
  - Training our customer-facing staff on the advantages of setting science-based targets.

### Greenhouse gas emissions in relation to production<sup>1</sup>

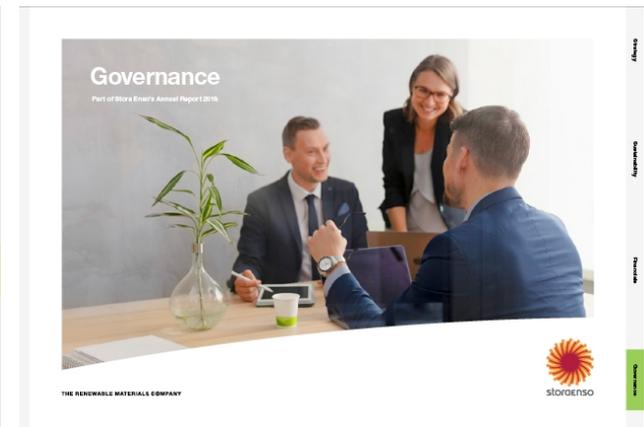
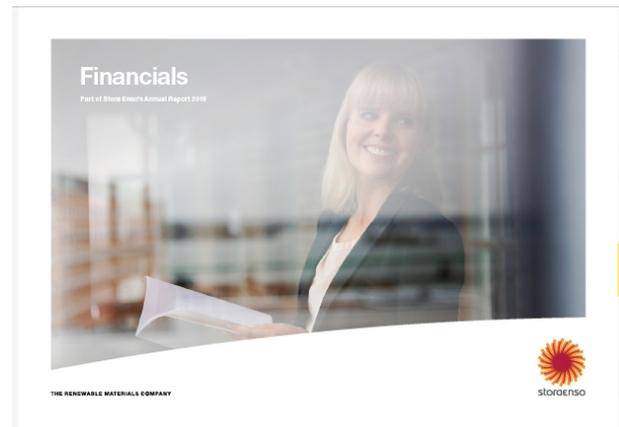
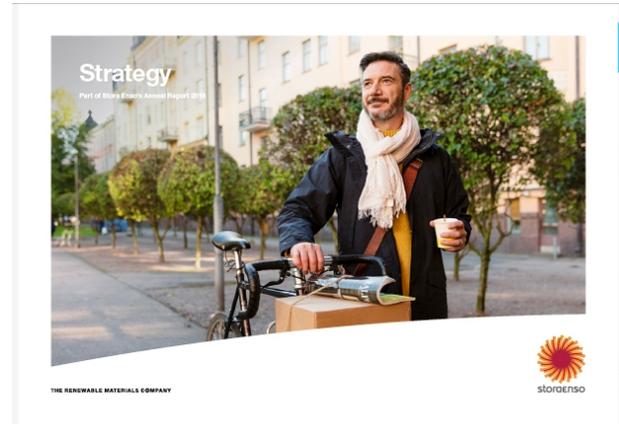


<sup>1</sup> Covering direct and indirect emissions as fossil CO<sub>2</sub> equivalents (scope 1 and 2) from board, pulp, paper and corrugated production units.

Excluding joint operations. Normalised figures are reported per unit of sales production.

<sup>2</sup> Historical figures recalculated due to accuracy improvements.

# When you want to know more Read our Annual Report



[storaenso.com/annualreport2018](https://storaenso.com/annualreport2018)

# Group Leadership Team of Stora Enso



# Stora Enso progress 2018



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