

# Welcome to the Annual General Meeting



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THE RENEWABLE MATERIALS COMPANY

# Headphones Kielikanavat



Choose your language / Valitse kielikanava



English

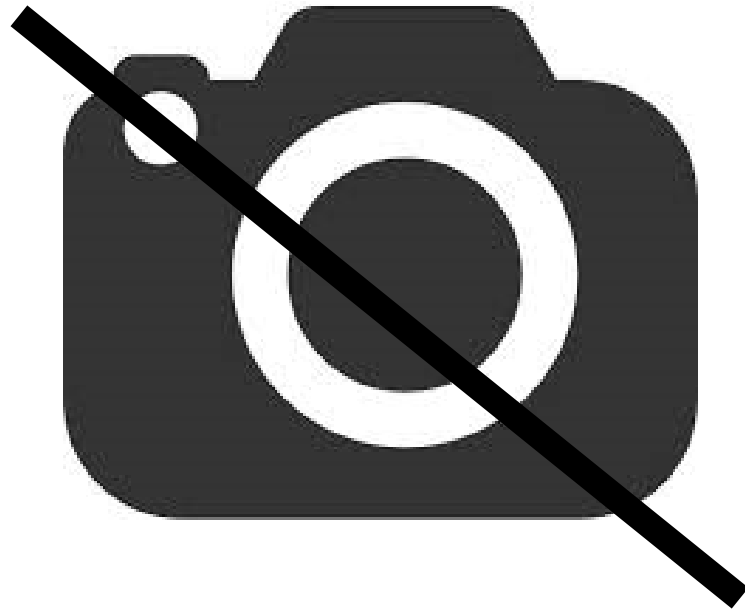


Svenska



Suomi

**No photography or video or audio recording**





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.



# Welcome!

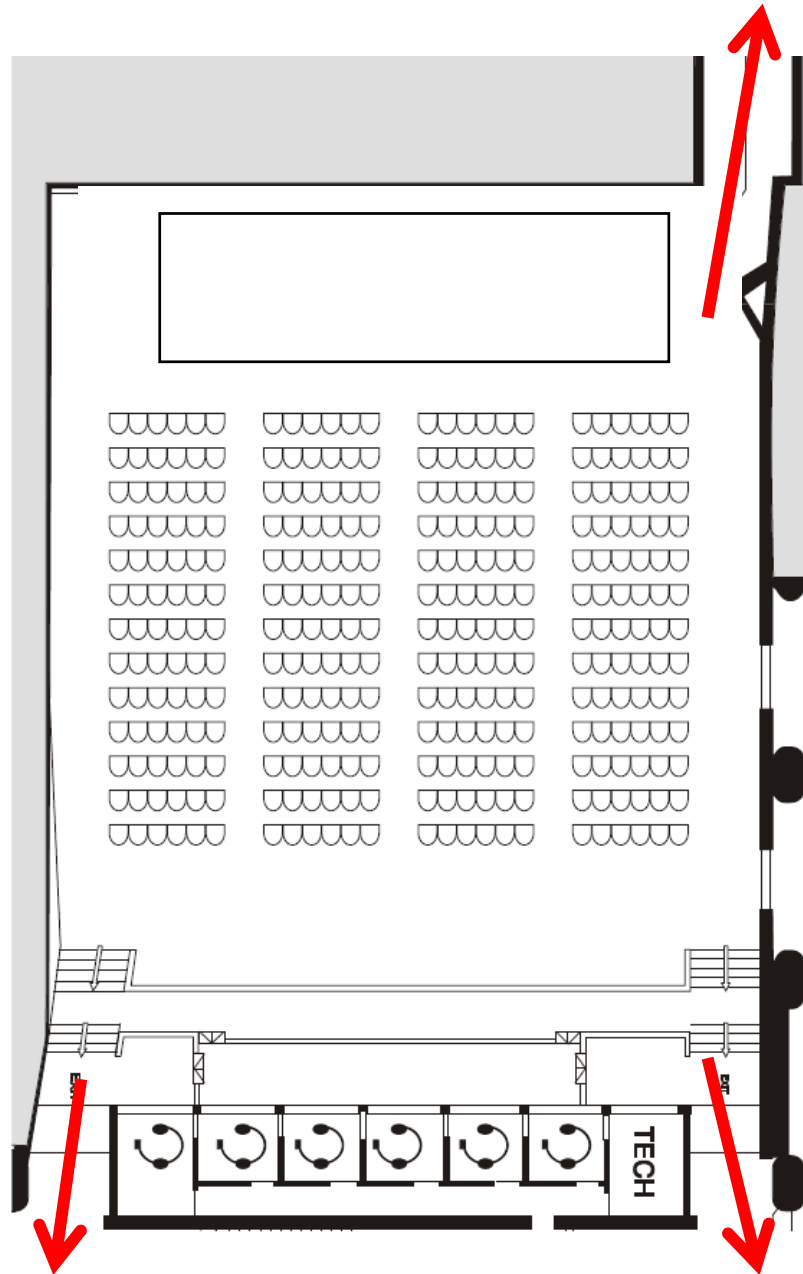
## Gunnar Brock, Chairman of the Board of Directors





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## Emergency exits

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English



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# Stora Enso's Annual General Meeting

27 April 2017

# Karl-Henrik Sundström, CEO



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# Have you ever thought about what a tree can do?





**Stora Enso  
celebrating 100 years  
on the Helsinki  
Stock Exchange**

NASDAQ HELSINKI  
CONGRATULATES  
STORA ENSO  
100<sup>TH</sup> LISTING  
ANNIVERSARY



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# Full year 2016 results



EUR Million	2016	2015	Change %
Sales	9 802	10 040	-2.4%
Operational EBIT	884	915	-3.4%
Operational ROCE	10.2%	10.6%	
Cash flow from operations	1 633	1 556	4.9%
Cash flow after investing activities	834	599	39.2%
EPS excl. IAC	EUR 0.65	EUR 1.24	-47.6%
Dividend per share	EUR 0.37*	EUR 0.33	12.1%
Net Debt/ last 12 months' operational EBITDA	2.0	2.3	

\* Proposal for 2016

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# 2016 year-on-year



- Sales EUR 9 802 million
  - Increased 3.1% excluding paper business and divested Barcelona Mill
  - Varkaus kraftliner and Beihai consumer board mills' ramp-up
- Operational EBIT EUR 884 million decreased EUR 31 million
  - Historically low hardwood pulp prices, negative impact of EUR 87 million in Biomaterials
  - Negative impact of EUR 74 million from Beihai ramp-up
  - Positive impact of EUR 134 million from Paper division



# Transformation driving sales growth

## Q1 2017 year-on-year

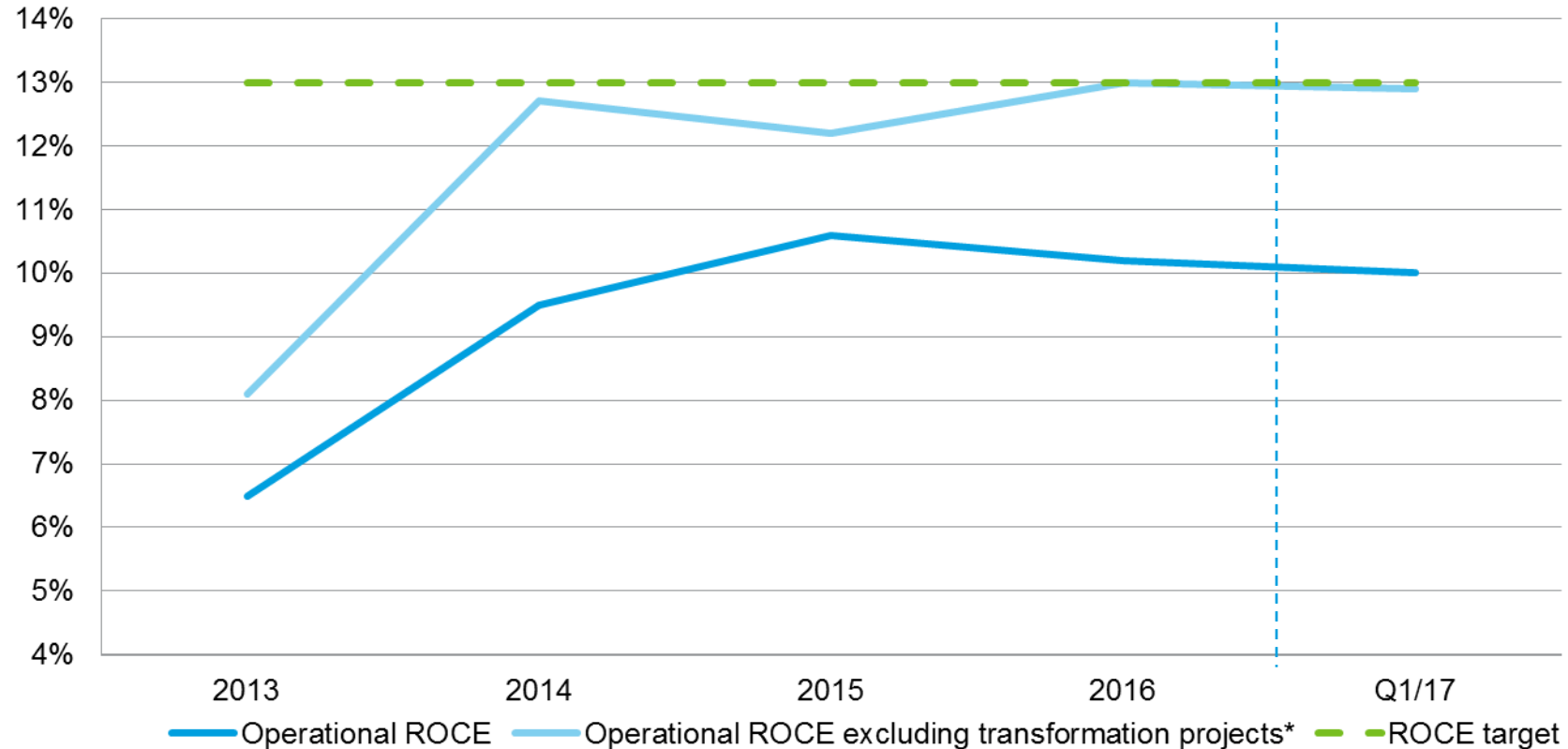


- Sales EUR 2 497 million +2.1%, increased for the first time in 5 years, +9.7% excluding paper
  - Beihai, Varkaus and Murów ramp-up, higher volumes
- Operational EBIT EUR 215 million, EBIT margin 8.6%
  - Hardwood pulp, paper prices & transformational costs
  - Beihai cost EUR 12 million more, including EUR 7.5 million provision related to turbine damage
- Cash flow from operations EUR 178 (289) million, after investing activities EUR 43 (96) million
- Operational ROCE 10.0% (11.3%), excluding Beihai Mill investment 12.9% (13.7%)
- Net debt to operational EBITDA decreased to 2.0 (2.2)
- EUR 50 million profit improvement programme proceeding according to plan



# Continuous improvements

## Operational ROCE 10.0%, excluding Beihai Mill project 12.9%



*\*Excluding Montes del Plata until end of 2014 and excluding Beihai Mill project in Guangxi*

# Majority of the portfolio is aimed at growth





**Stora Enso 2016:** Sales EUR 9 802 million/ Operational EBIT EUR 884 million/  
Operational ROCE 10.3% / Operational ROCE excluding Beihai 13.0%



**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

# Strategic targets ambitious, but reachable



Group targets		2015	2016	Status
Dividend	To distribute 50% of net income over the cycle			
Growth*	To grow faster than the relevant market	4.6% (YoY)	3.1% (YoY)	✓
Net debt to operational EBITDA	<3.0x	2.4	2.0	✓
Fixed costs to sales	<20%	25.0%	25.3%	
Debt to equity	<80%	60%	47%	✓
Operational ROCE	>13%	10.6%	10.2%	
<i>Operational ROCE excl. Beihai</i>		12.2%	13.0%	✓

Divisional targets		2015	2016	Status
Consumer Board	Operational ROOC > 20%	15.5%	12.7%	
<i>Consumer Board excl. Beihai</i>		29.7%	36.2%	✓
Packaging Solutions	Operational ROOC > 20%	11.1%	7.6%	
Biomaterials	Operational ROOC > 15%	12.4%	8.5%	
Wood Products	Operational ROOC > 18%	15.7%	16.8%	
Paper	Cash flow after investing activities to sales > 7%	5.5%	8.5%	✓

\*Excluding Paper



# Stora Enso's offering...

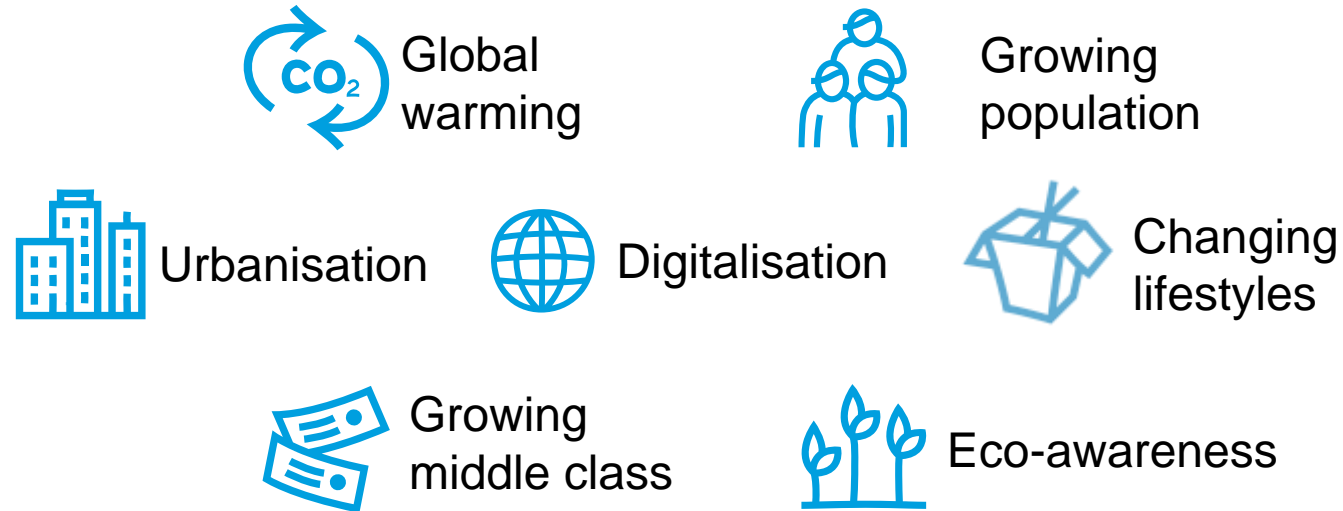




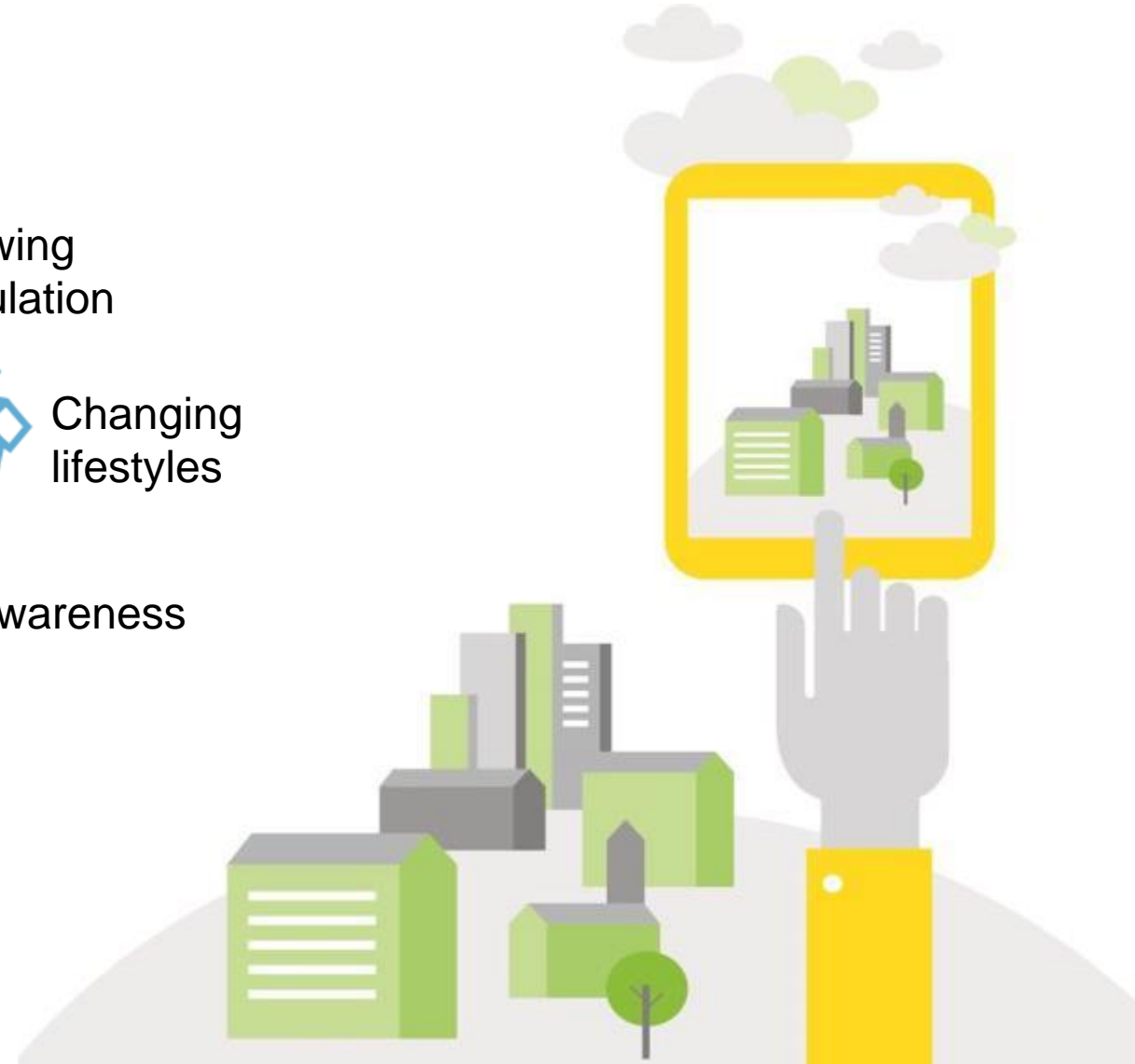
# ...responds to global megatrends



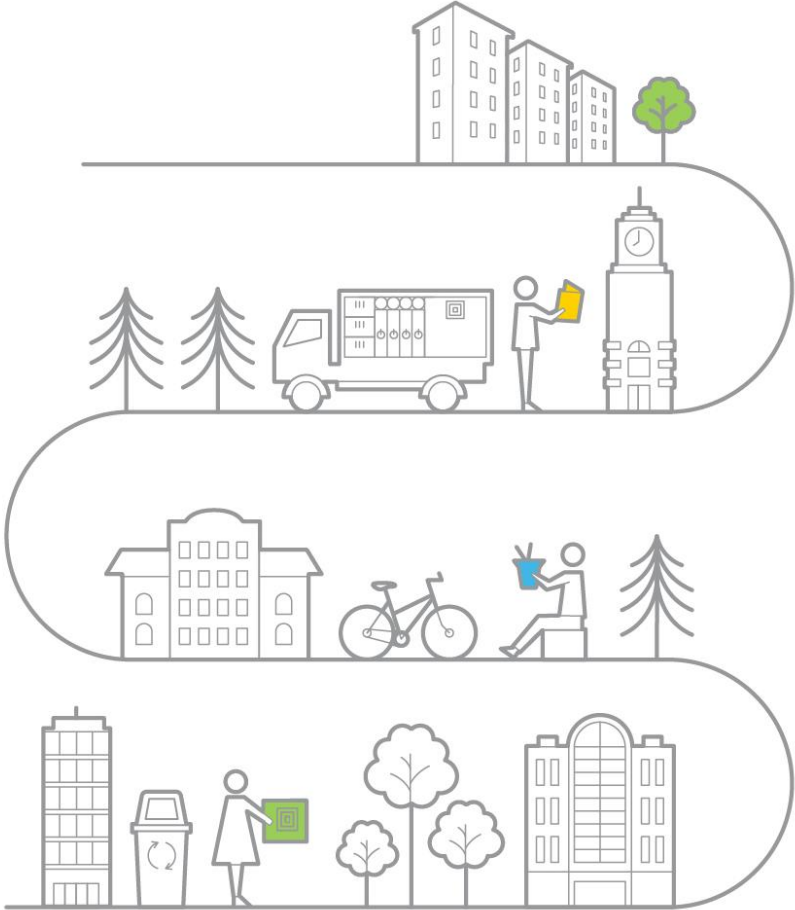
- Major global trends drive the world's demand for renewable materials



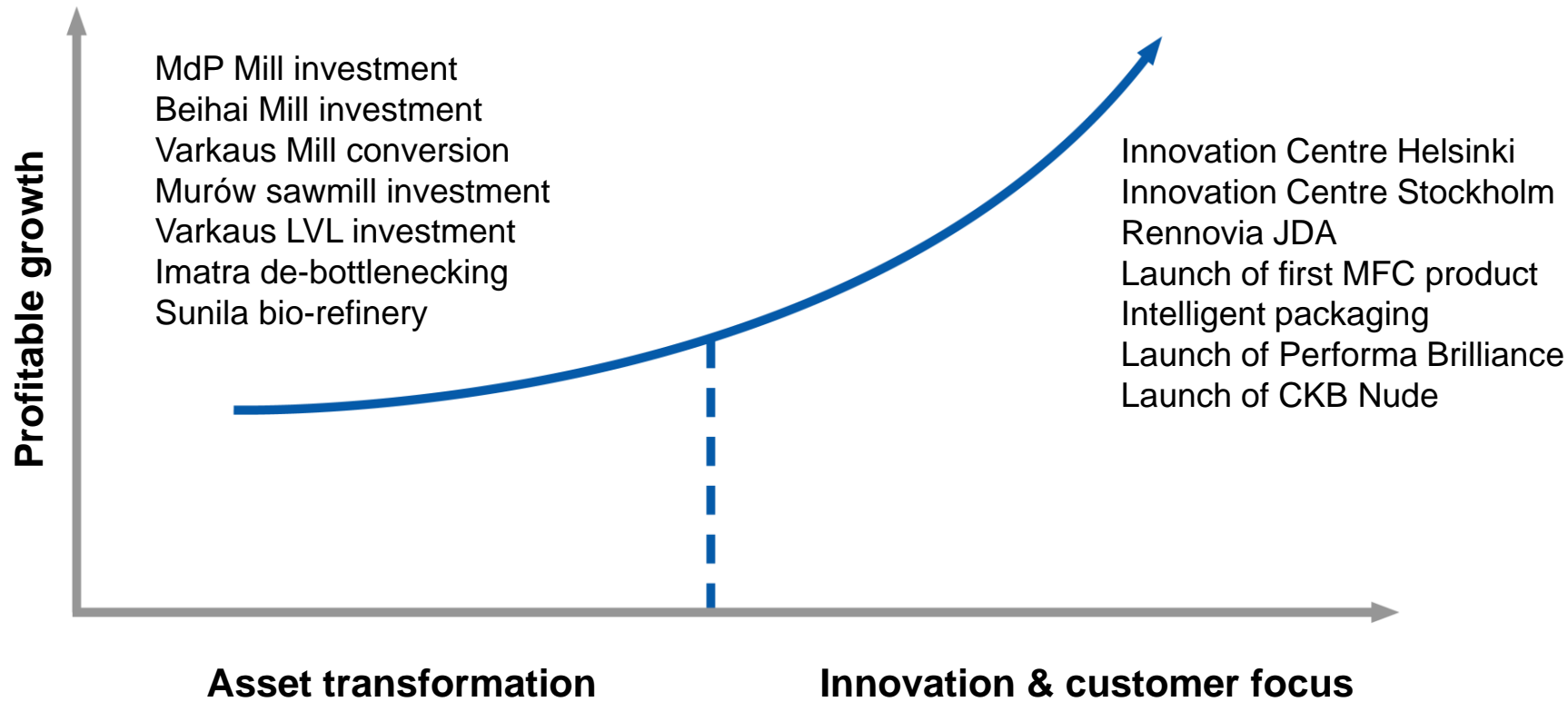
- Bio-based products are not only reusable, but also renewable



**”Everything that’s made with fossil-based materials today  
can be made from a tree tomorrow”**



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





# Beihai Mill – EBITDA break-even in Q1 2018





Varkaus conversion – EBIT break-even in Q2 2017





# Varkaus – first LVL billet and the team





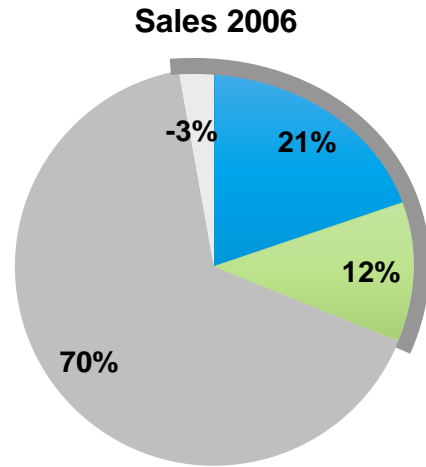
# Transformation steps since 2016



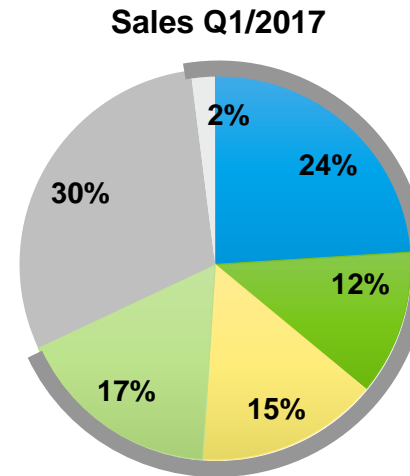
Investments		Divestment and closure announcements	
Beihai Mill start-up	✓	Arapoti Mill, Brazil	✓
Varkaus LVL start-up	✓	IL Recycling AB, Sweden	✓
Murów inauguration	✓	Hartola production unit, Finland	✓
Varkaus kraftliner EBITDA break-even	✓	Kabel Mill, Germany	✓
Beihai PE coating line	Ongoing	Suzhou Mill, China	✓
Skoghall Mill, chemical plant	Ongoing	Heinola corrugated planned closure	✓
Skutskär Mill, environmental investment	Ongoing	Packaging machine manufacturing company Formeca, Finland	✓
Imatra PE coating line and automated roll warehouse	Ongoing	Plan to shut down SC paper machine at Kvarnsveden Mill	✓
Skutskär pulp mill, fluff	Ongoing		
Lahti corrugated packaging investment	Ongoing		
Imatra, Ingerois and Fors MFC	Ongoing		
Heinola Fluting Mill capacity increase	Ongoing		
Hylte biocomposite granules	Ongoing		

# Transformation journey

Growth businesses 70% of sales and 80% of operational EBIT

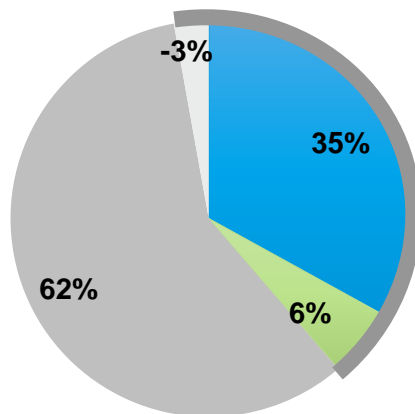


30%



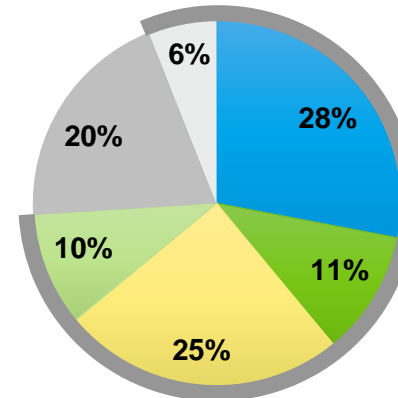
70%

**Operational EBIT 2006**



38%

**Operational EBIT Q1/2017**



80%

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

<sup>(1)</sup> In 2006 included in Consumer Board

<sup>(2)</sup> In 2006 includes merchants

# Stora Enso as a taxpayer

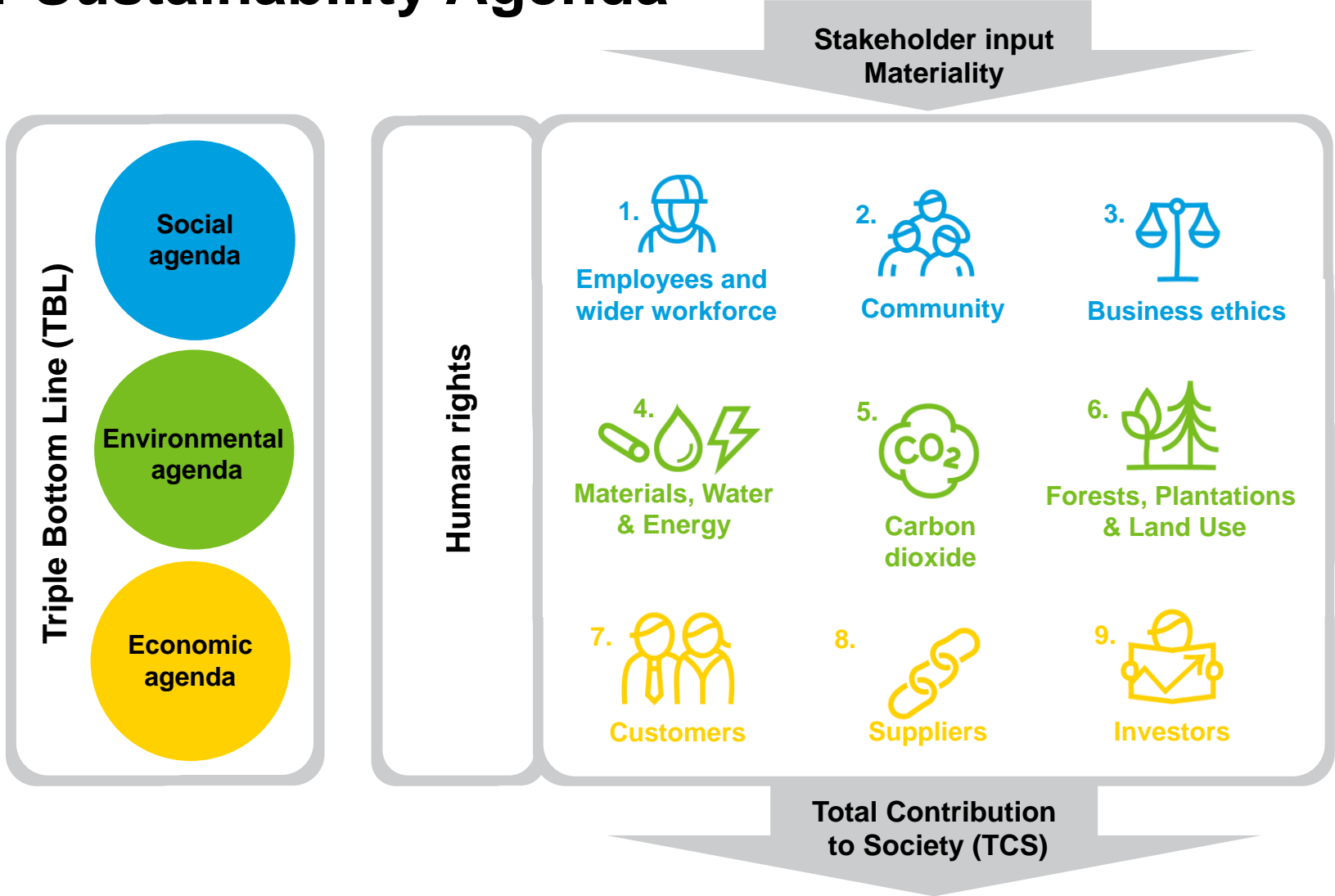
## Reducing accumulated tax losses



EUR million in 2016	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	0	47	2	0	14	7	12	2	3	10	8	<b>105</b>
Employment taxes	97	89	15	1	12	5	11	12	2	3	16	<b>263</b>
Operational taxes	15	7	6	0	31	5	6	0	4	1	9	<b>84</b>
<b>Total Taxes Borne</b>	<b>112</b>	<b>143</b>	<b>23</b>	<b>1</b>	<b>57</b>	<b>17</b>	<b>29</b>	<b>14</b>	<b>9</b>	<b>14</b>	<b>33</b>	<b>452</b>
<b>Taxes collected</b>												
VAT & similar*	33	70	116	80	9	28	9	8	3	10	27	<b>393</b>
Payroll taxes	142	83	33	2	12	8	9	14	2	1	19	<b>325</b>
Other taxes	62	0	0	0	0	0	0	0	8	0	1	<b>71</b>
<b>Total Taxes Collected</b>	<b>273</b>	<b>153</b>	<b>149</b>	<b>82</b>	<b>21</b>	<b>36</b>	<b>18</b>	<b>22</b>	<b>13</b>	<b>11</b>	<b>47</b>	<b>789</b>
<b>Total Taxes Paid</b>	<b>349</b>	<b>296</b>	<b>172</b>	<b>83</b>	<b>78</b>	<b>53</b>	<b>47</b>	<b>36</b>	<b>22</b>	<b>25</b>	<b>80</b>	<b>1 241</b>

\* VAT, goods and services taxes and similar turnover related taxes.

# Our Sustainability Agenda



1. We care about all our people
2. We help communities be resilient
3. We play fair
4. We use natural resources with care
5. We combat global warming
6. We respect the local environment
7. We help customers be sustainable
8. We choose like-minded partners
9. We reward investors sustainably

# Business ethics

## We play fair



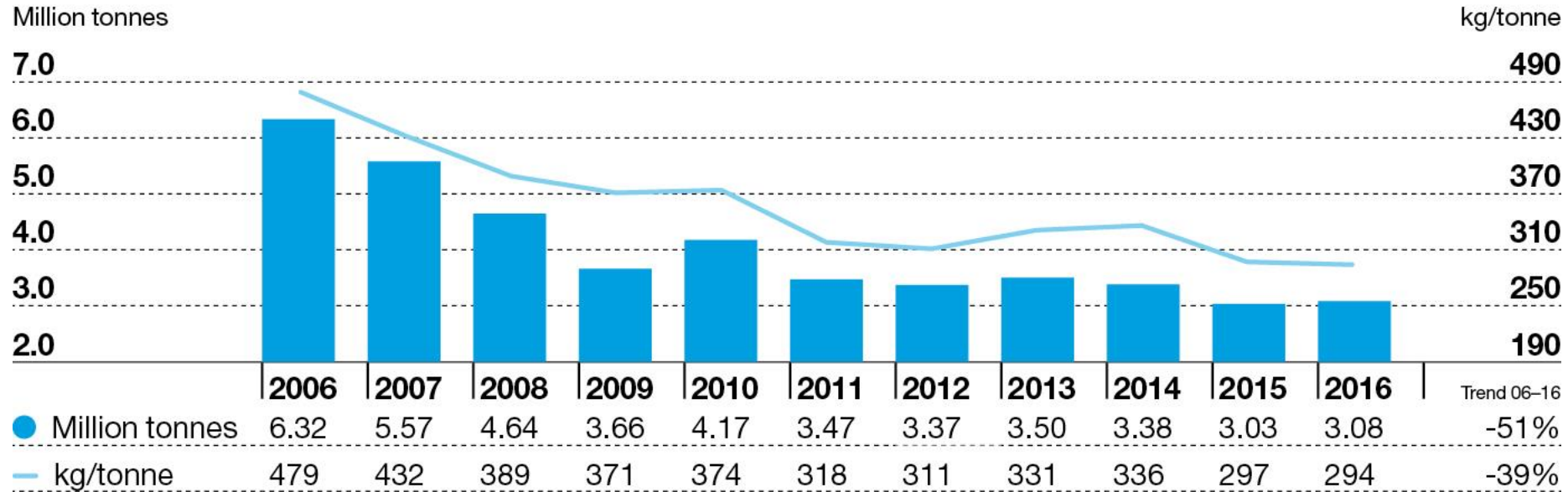
- As a value-driven company, compliance is only the starting point for us
  - Focus on wider ethical topics
- We drive Ethics and Compliance through
  - Top level commitment
  - Communication and training
  - Intensified efforts in high-risk countries
  - Developing grievance channels
  - Promoting ethics and compliance as a competitive edge
- New initiatives include a volunteer based Ethics Ambassadors program for employees who wish to actively practice and promote business ethics

# Carbon dioxide

## We combat global warming



### Our fossil CO<sub>2</sub> emissions<sup>1</sup>



<sup>1</sup> Covering direct and indirect fossil CO<sub>2</sub> emissions (scopes 1 and 2) from pulp, paper, and board production units. Normalised figures are reported per unit of sales production. Historical figures recalculated due to changes in baseline following divestments or accuracy improvements.



# Forests, plantations & land use

## We respect the local environment



- Sustainable forest management keeps forests and plantations healthy and productive
- 90% of our wood comes from managed semi-natural forests, the rest from tree plantations
- All our wood comes from sustainable sources
  - 83% of our wood is FSC and/or PEFC certified
  - 90% of lands owned and managed by us is covered by certification
  - Traceability systems and other tools ensure the sustainability of all uncertified wood



# External recognitions and awards in 2016

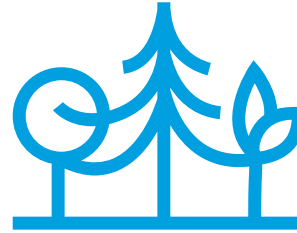


CDP's Climate A list



FTSE4Good

Bio-based brand of the year



Product awards



STOXX ESG indices



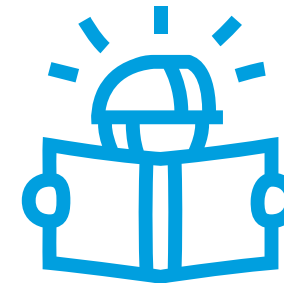
Euronext Vigeo – Europe 120



Nordic housing competition



Stora Enso Safety Toolbox





# Congratulations Finland!

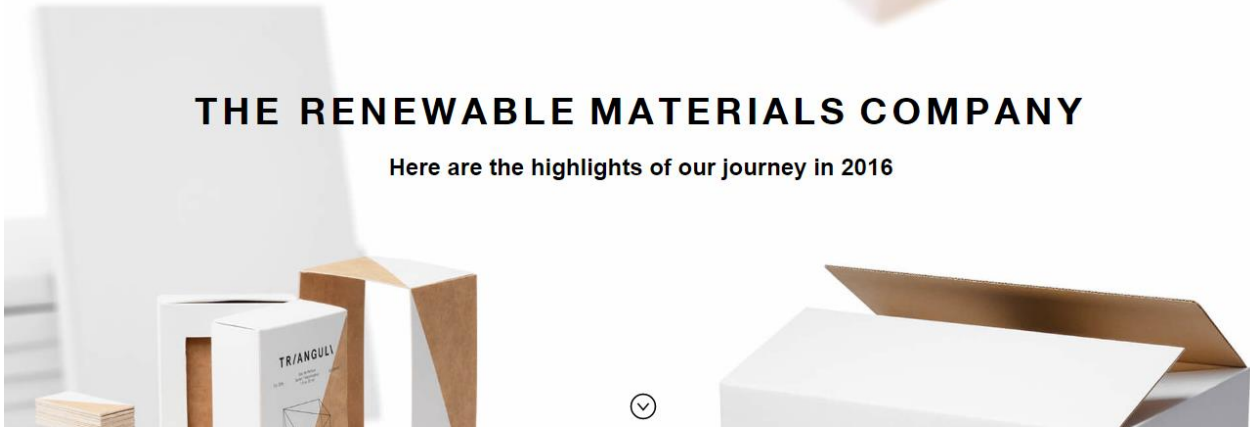
## We are looking forward to the next 100 years





# When you want to know more

## Read our reports





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# Auditor's report

Jukka Vattulainen,  
Deloitte & Touche Oy





# Adoption of the annual accounts





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# Dividend





# Dividend



The Parent Company distributable shareholders' equity on 31 December 2016 amounted to EUR 1 470 552 196.69, including the profit for the period of EUR 132 174 538.59

The Board of Directors proposes to the AGM that a dividend of EUR 0.37 per share, total of no more than EUR 291 789 395.19 be paid to the shareholders of the Company.

Record date 2 May 2017

Payment date on or about 9 May 2017



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# Discharge of the members of the Board of Directors and the CEO from liability



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# Shareholders' Nomination Board Report

# Shareholders' Nomination Board in 2016



## Members

- Kari Järvinen (Chairman), Marcus Wallenberg, Gunnar Brock and Jorma Eloranta. Prior to the AGM 2016, Juha Rantanen acted as Vice Chairman of the Board and as member of the Shareholders' Nomination Board in place of Jorma Eloranta.

## Activity

- Convened 4 times, each member of the Shareholders' Nomination Board attended all meetings

## Key action points

- Board members election preparations
- Board independence and annual evaluation review
- Board long-term succession planning



# Annual remuneration



## Board of Directors

Chairman	EUR 170 000
Vice Chairman	EUR 100 000
Members	EUR 70 000

It is proposed that Board members use 40% of the above mentioned annual remuneration for purchasing Stora Enso R shares from the market and that the purchases will be carried out within two weeks from the AGM.

In addition, annual remuneration shall be paid to members of the Board Committees as follows:

## Financial and Audit Committee

Chairman	EUR 20 000
Members	EUR 14 000

## Remuneration Committee

Chairman	EUR 10 000
Members	EUR 6 000

## Sustainability and Ethics Committee

Chairman	EUR 10 000
Members	EUR 6 000

Remuneration shall be paid only to non-executive Board members.

# Composition of the Board of Directors



It is proposed that the Board of Directors shall have nine (9) members:

Anne Brunila  
Jorma Eloranta  
Elisabeth Fleuriot  
Hock Goh  
Christiane Kuehne, new member  
Mikael Mäkinen  
Richard Nilsson  
Göran Sandberg, new member  
Hans Stråberg



# New proposed members of the Board of Directors



## Christiane Kuehne

- Born 1955,
- LL.M., B.B.A.
- Broad experience from operative roles within the Nestlé Group both strategically and operationally between the years 1977 – 2015. Last operative role at Nestlé was as Head of Strategic Business Unit Food with strategic responsibility for the food business of Nestlé at global level. Possesses strong international experience from both the European as well as the Asian and African market.
- Board member of the UK company James Finlays Ltd. and served between 2012 – 2016 as Board member and as member of the Audit Committee of L’Oreal S.A. Acts as Board member of the Wetter Foundation, Morges/Switzerland.
- Independent of the Company and of its significant shareholders.





# New proposed members of the Board of Directors



## Göran Sandberg

- Born 1955
- Ph.D
- Professor in Plant Biology and professor at the Swedish University of Agricultural Science and the Umeå University since 1989. Acts as executive director of the Knut and Alice Wallenberg Foundation and the Marianne and Marcus Wallenberg Foundation.
- Board member of the Marcus Wallenberg Foundation for Promoting Scientific Research in the Forest Industry and the Wallenberg Foundations AB. Previous positions include Vice chancellor of Umeå University 2005-2010, Chairman of Umeå Plant Science Center 1996-2004, Chairman of SciLifeLab Sweden 2013-2016 as well as Board member of the Human Protein Atlas project and the Wallenberg Wood Science Center. Elected member of the Royal Swedish Academy of Science, the Royal Swedish Academy for Agriculture and Forestry Sciences and the Royal Swedish Academy of Engineering Sciences.
- Independent of the Company but not of its significant shareholders due to his position as executive director of majority shareholders of FAM AB, a significant shareholder of the Company.





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# Annual remuneration



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# Number of members in the Board of Directors



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Christiane Kuehne, new member  
Mikael Mäkinen  
Richard Nilsson  
Göran Sandberg, new member  
Hans Stråberg







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# Auditor's fees



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# Election of Auditors



The Board of Directors proposes to the AGM that Authorised Public Accountants Deloitte & Touche Oy continue as the statutory auditor of the Company until the end of the following AGM.





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# Amendment of the Articles of Association



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# Amendment of the Articles of Association



- Shareholders' meeting to decide on the election of Chairman and Vice Chairman of the Board of Directors
  - except in case of a vacancy during the term of office, in which case the Board of Directors shall have the right to elect a new Chairman or Vice Chairman from among its members for the remaining term of office
- Notice to the shareholders' meetings to be published on the company's website
  - in addition, details on the date and location of the meeting, together with the address of the company's website to be published in at least two Finnish and two Swedish newspapers
- Reference to "Authorised Public Accountants approved by the Finnish Central Chamber of Commerce" be changed to "Authorised Public Accountants".



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# Amendment of the Charter of the Shareholders' Nomination Board

# Amendment of the Charter of the Shareholders' Nomination Board



- Shareholders' Nomination Board to prepare and present to the shareholders' meeting a proposal regarding the Chairman and Vice Chairman of the Board of Directors in connection with its proposal regarding the members of the Board of Directors.





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