

President & CEO's report

Annica Bresky



Made from
a tree

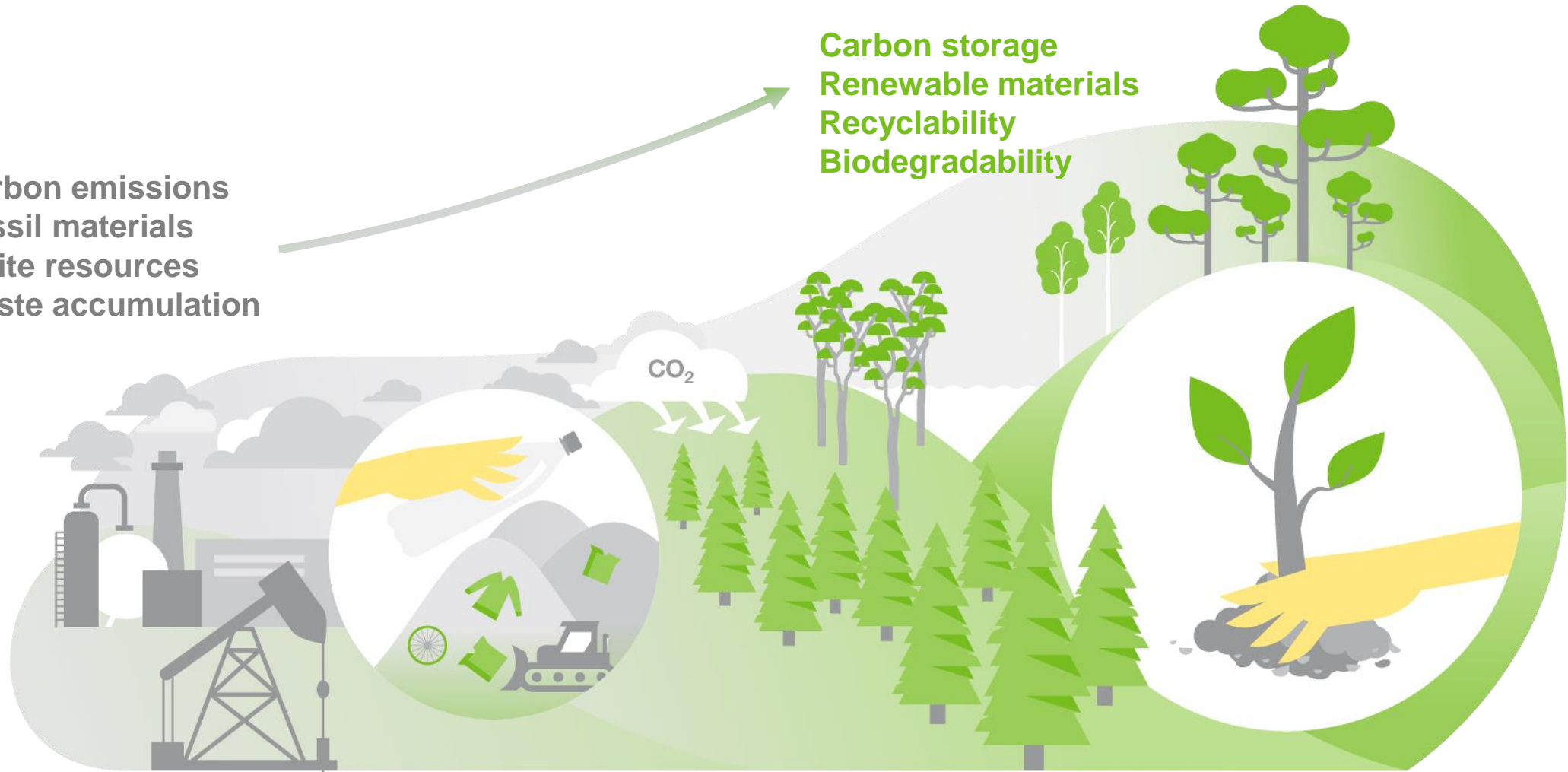
THE RENEWABLE MATERIALS COMPANY

From a fossil world to a renewable future



Carbon emissions
Fossil materials
Finite resources
Waste accumulation

Carbon storage
Renewable materials
Recyclability
Biodegradability



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



Stora Enso's progress in 2019



A leader in the
bioeconomy



Dividend proposal

EUR 0.15*

per share

*additional max EUR 0.35 to be decided later

Sales 2019
EUR 10.1 billion

**Strong cash flow
from operations**

45% up

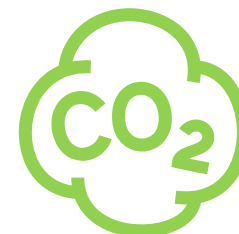


ROCE
9.8%

Combating global warming

-25%

lower CO₂e than
in the 2010 base year



Operational EBIT
EUR 953 million

Better than expected quarter, supported by Packaging Materials and Forest

Q1 2020 year-on-year

- Sales decreased by 16% to 2 207 (2 635) MEUR
- Operational EBIT decreased to 180 (335) MEUR
- The profit protection programme savings target has been increased to 350 MEUR (275 MEUR) by end of 2021
- Cash flow from operations amounted to 146 (223) MEUR
Cash flow after investing activities was -32 (94) MEUR
- Net debt to operational EBITDA at 2.3x (1.6x) above the target level of <2.0x
- Operational ROCE at 6.8% (14.5%), below the strategic target of 13%
 - Operational ROCE excluding Forest division was 7.6% (16.7%)



Fighting Covid-19 by strengthening our resilience



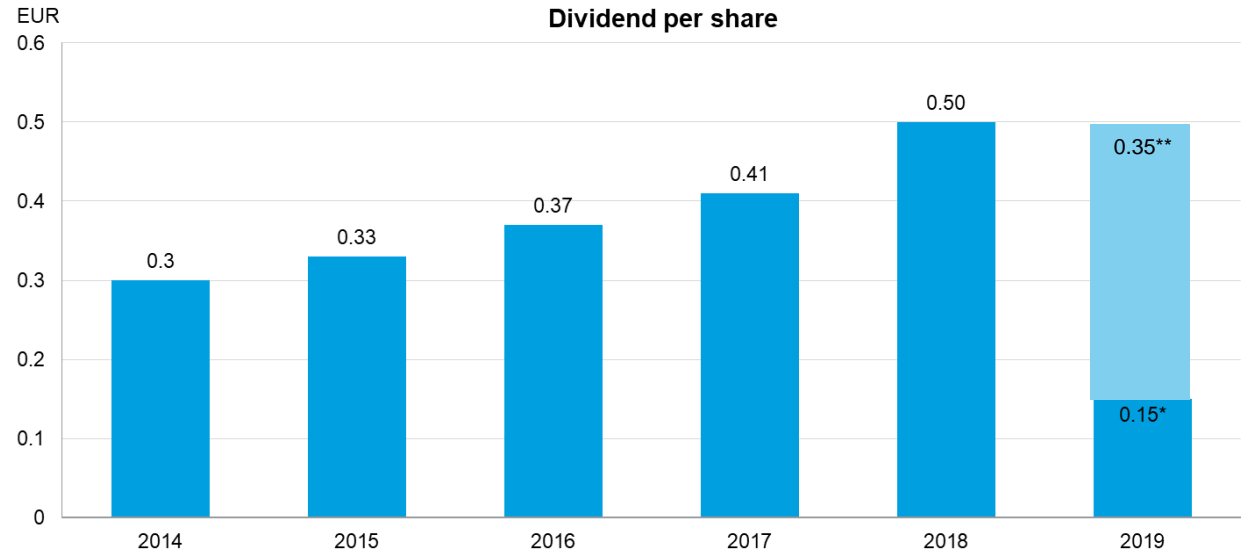
- Health and safety of our employees is a key priority
- Early proactive measures
 - Minimised impact on running our operations
 - Secured our ability to serve our customers
 - Active management of cash, cost and working capital
 - CAPEX forecast reduced to 675–725 MEUR
 - Postponed the annual mill maintenance shutdowns to the second half of 2020 (except for Heinola Mill, Q2 2020)
 - Preparation for temporary layoffs started
 - Securing liquidity
- Difficult to predict demand for the rest of the year due to macroeconomic uncertainties
 - Accelerated structural demand decline for paper
 - Mixed conditions for other divisions depending on end use
 - Forest division adapts operations to match wood demand



Dividend



- New dividend proposal EUR 0.15 per share
- The Board of Directors (BOD) proposes to the AGM that the BOD be authorised to decide, at its discretion, on a dividend payment of a maximum of up to EUR 0.35 per share, to be distributed in one or several instalments at a later stage when it is possible to make a more reliable estimate on the impacts of the Covid-19 pandemic on Stora Enso's business and liquidity
- Record date 8 June 2020
- Payment date on or about 15 June 2020



**Dividend proposal*

***Additional payment of a maximum of up to EUR 0.35 per share to be decided later*

Steps in Stora Enso's transformation in 2019



The new **CLT line**
at Gruvön Mill
started up



Oulu paper mill
to be converted to
packaging materials



Acquisition of
Swedish forests
from Bergvik Skog
was completed



Enocell pulp mill
increased **dissolving pulp**
production, replacing cotton
and fossil-based materials,
such as polyester

Sales over EUR 10 billion and very strong cash flow

Full year results 2015–2019



EUR million	2015	2016	2017	2018	2019	Q1/20
Sales	10 040	9 802	10 045	10 486	10 055	2 207
Operational EBIT	915	884	1 004	1 325	953	180
Operational EBIT margin	9.1%	9.0%	10.0%	12.6%	9.5%	8.1%
Operational ROCE	10.6%	10.2%	11.9%	15.5%	9.8%	6.8%
Cash flow from operations	1 556	1 633	1 492	1 365	1 980	146
Cash flow after investing activities	599	834	825	811	1 386	-32
EPS excl. IAC	1.24	0.65	0.89	1.29	1.34	0.12
Dividend per share	0.33	0.37	0.41	0.50	0.15*	
Net debt/last 12 months' operational EBITDA	2.2	1.9	1.4	1.1	2.1	2.3

*Proposal for 2019, additional max EUR 0.35 to be decided later

Ambitious and reachable strategic financial targets



Group targets		2015	2016	2017	2018	2019	Status
Dividend	To distribute 50% of EPS over the cycle	EUR 0.33	EUR 0.37	EUR 0.41	EUR 0.50	EUR 0.15*	●
Growth**	To grow faster than the relevant market	4.6% (YoY)	3.1% (YoY)	8.5% (YoY)	5.9%*** (YoY)	-3.0% (YoY)	●
Net debt to operational EBITDA	<2.0	2.2	1.9	1.4	1.1	2.1	●
Fixed costs to sales	<20%	25.0%	25.3%	25.1%	23.6%	24.3%	●
Net debt to equity	<60%	60%	47%	38%	31%	43%	●
Operational ROCE	>13%	10.6%	10.2%	11.9%	15.5%	9.8%	●

Divisional targets		2015	2016	2017	2018	2019	Status
Packaging Materials	Operational ROOC >20%	15.5%	12.7%	14.6%	11.9%	12.4%	●
Packaging Solutions	Operational ROOC >30%	11.1%	7.6%	19.6%	27.2%	18.9%	●
Biomaterials	Operational ROOC >15%	12.4%	8.5%	10.5%	17.9%	9.4%	●
Wood Products	Operational ROOC >20%	15.7%	16.8%	20.5%	28.1%	16.6%	●
Forest	Operational ROOC >5%				4.7%	3.3%	●
Paper	Cash flow after investing activities to sales >7%	5.5%	8.5%	5.5%	5.7%	9.3%	●

* Dividend proposal, additional max EUR 0.35 to be decided later ** Excluding Paper *** Excluding Paper and Puumerkki

Our renewable products are circular by nature



*Paper for Recycling utilisation rate

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



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

Accelerating renewable growth with new products and services

R&D expenditure in 2019

EUR 141 million

In 2019

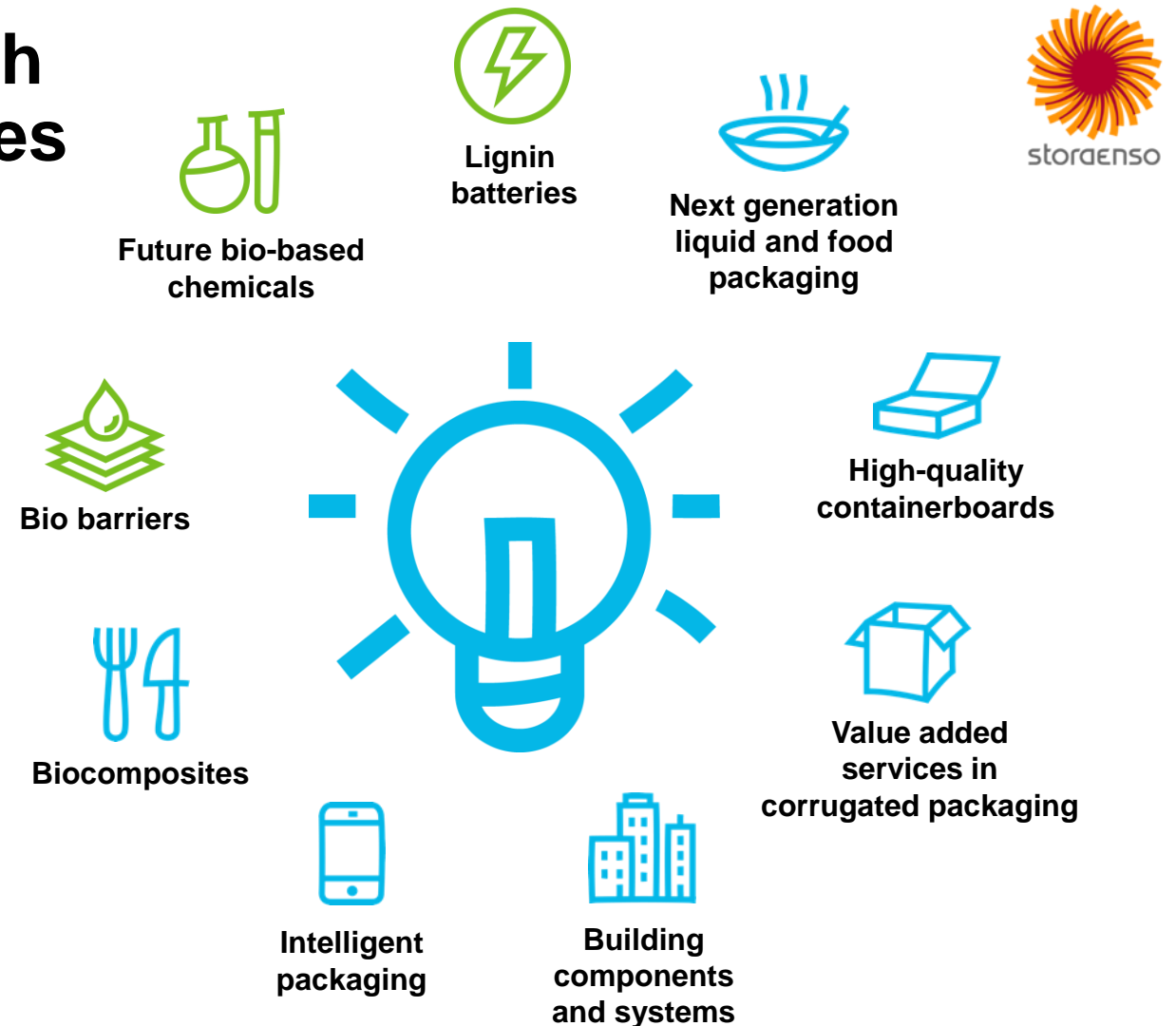
7%

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



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

Transformation to growth businesses with investments



Ostrołęka, 2013

New container-board mill in Poland



Montes Del Plata, 2014

New pulp mill in Uruguay



Beihai, 2016

New consumer board mill in China



Varkaus, 2015

Containerboard conversion in Finland



Skutskär, 2018

Increased fluff capacity in Sweden



Enocell, 2019

Increased dissolving pulp capacity in Finland



Gruvön, 2019

New CLT production unit in Sweden



Oulu, 2020

Containerboard conversion in Finland



● New mills ● Conversion

The transformation will show in the company structure



38%

from cash
business

**Net sales split
in 2014**

22%

from cash
business

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

62%

from growth
businesses

78%

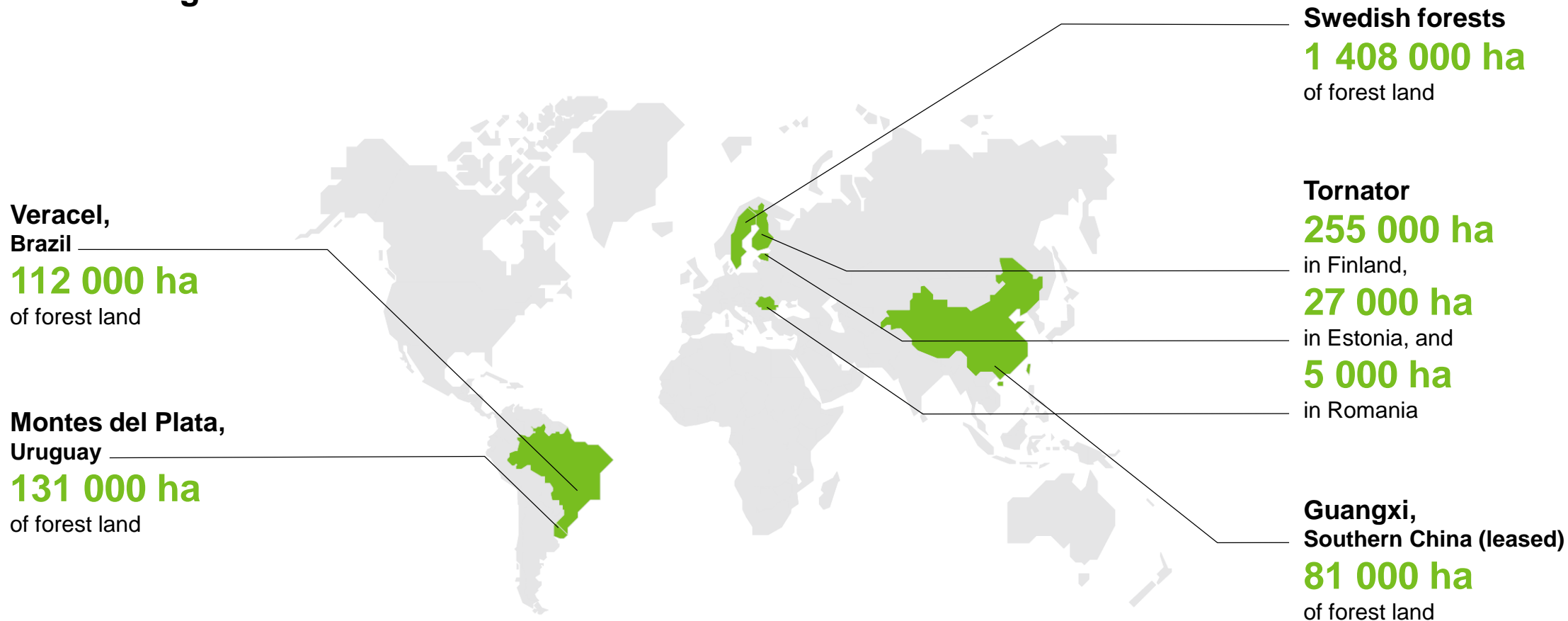
from growth
businesses

*Estimated net sales after fully ramped up production in Oulu Mill

We are one of the biggest private forest owners in the world



Total biological asset value in balance sheet EUR ~4.4 billion



The value of our forests



Balance sheet value including land

4.9
EUR billion

Value based on market transactions

7.4*
EUR billion

*based on LRF Konsult, Real Estate Register in Finland and Stora Enso



Taking the lead in combatting global warming



To do our share in achieving the goals of the Paris agreement, we have set ambitious science-based targets to reduce our greenhouse gas (GHG) emissions.

Our goal is to reduce GHG emissions from operations by 31% by 2030, compared to 2010.

In 2019, we achieved a **-25% reduction**

Our climate work has been top-ranked by the CDP and the Transition Pathway Initiative (TPI).



Meaningful contributor to societies

Close to EUR 1.3 billion taxes paid



Stora Enso as a taxpayer

EUR million in 2019	Finland	Sweden	Germany	UK	Poland	China	Austria	Belgium	Russia	Brazil	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 and sales	Production		
Total Taxes Borne	96	184	25	1	25	29	28	31	20	14	45	498
Total Taxes Collected	276	162	76	75	35	30	27	11	12	13	50	767
Total Taxes Paid	372	346	101	76	60	59	55	42	32	27	95	1 265

Voluntary community investments

We depend on resilient, thriving local communities



We strive to ensure that the community is the main beneficiary.

Total voluntary community investment in 2019 was
EUR 2.7 million

We supported
441 projects

Examples:



Europe: Planting trees and educating schoolchildren on the role of forests in combatting global warming.



Brazil: Veracel continued to support local livelihoods such as family farming and local fishing, including a women's shellfish collection programme.



China: Supporting rural community projects that benefitted over 40 000 people.

Substituting materials from finite resources is our key competitive advantage



Our products substitute
fossil-based products, saving
20 Mt CO₂

Our total
climate benefit:

**12
Mt CO₂**

Resource efficient value chain,
emissions:
11 Mt CO₂

Our forests are carbon
neutral and absorb
3 Mt CO₂



Substituting finite materials in ice cream packaging



**Vanhan Porvoon
Jäätelötehdas, Finland**

95%
of renewable
material and
better insulation
properties than
the old package

WorldStar 2020
and ScanStar
2019 awards for
replacing plastic
and metal
packages

Corrugated board
for bulk packaging,
designed by
Stora Enso closely

We are ranked high for our sustainability work



Euronext Vigeo

Stora Enso is listed in the Euronext Vigeo Europe, and Eurozone 120 indices as one of the 120 most advanced companies in terms of environmental, social, and governance performance.



Ethibel

Stora Enso is a constituent of the Ethibel Sustainability Index (ESI) Excellence Europe. The ESI indices are composed of companies that display the best performance in the field of corporate social responsibility.



FTSE4Good Index

Stora Enso is included in the FTSE4Good Index Series. These indices measure the performance of companies that meet globally recognised corporate responsibility standards.



MSCI

In 2019, Stora Enso received a rating of AA in the MSCI ESG Ratings assessment. Stora Enso is included in several of MSCI's ESG indices.



ECPI Ethical Indices

Stora Enso is included in the ECPI EMU Ethical Equity index, which covers environmental, social, and governance criteria.



Transition Pathway Initiative (TPI)

Stora Enso is top-ranked in greenhouse gas management and performance by the TPI. An asset owner-led and asset manager-supported global initiative, the TPI assesses companies' preparedness for transition to a low carbon economy, supporting efforts to address climate change.



CDP

CDP has included Stora Enso on its 2019 Climate A List, which identifies the global companies that are taking leadership in climate action.



STOXX ESG indices

Stora Enso is included in several STOXX ESG indices. These indices rate leading global companies according to environmental, social, and governance criteria.



Equileap

Ranked globally at number 29, Stora Enso was also rated the best performing Finnish company and best in our industry in gender balance and gender equality by Equileap.



Ecovadis

Stora Enso was included in the top 1% (industry suppliers) of the Ecovadis ethical supplier rating system, and achieved the highest recognition level (Gold).



WBCSD

Stora Enso's Sustainability Report 2018 was included in the top ten sustainability reports globally according to the 2019 Reporting matters publication by the World Business Council for Sustainable Development (WBCSD).



Sustainability Reporting Awards Finland

Stora Enso's Sustainability Report 2018 was chosen as the best in Finland in a competition organized by an independent group of expert organisations.



ReportWatch

Stora Enso's Annual report 2018, including the Sustainability report, received the highest A+ ranking among more than 300 reports globally.



Stockholm School of Economics

Stora Enso received the highest score in the 2019 'Walking the talk' study on sustainability communications by the Mistra Center for Sustainable Markets (Misum) at the Stockholm School of Economics. The study included 95 Large Cap companies at the Stockholm stock exchange

Most sustainable company 2019

Stora Enso was ranked the most sustainable listed company in our sector in Sweden by Dagens Industri, Aktuell Hållbarhet, and Lund University School of Economics and Management. We were also ranked overall best in the category for 'Climate and environment.'

OMX Sustainability Finland index

Stora Enso is included in the NASDAQ OMX Sustainability Finland index.

We continue our transformation into a sustainable profitable growth company

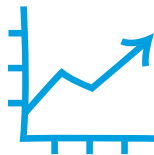


A leader in the
bioeconomy



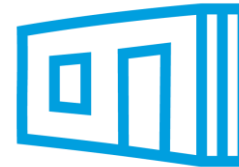
Strong cash flow
from operations

45% up



Sales 2019
EUR 10.1 billion

**The new CLT
line at Gruvön
Mill started up**



**Decision to convert Oulu
paper mill to packaging
materials**

**Acquisition of
Swedish forests**
from Bergvik Skog



**Enocell pulp mill
increased
dissolving pulp
production**

When you want to know more

Read our Annual Report



storaenso.com/annualreport