

Financial results for Q4 and full year 2019

Record high cash flow despite a challenging quarter

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CFO Seppo Parvi

30 January 2020

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Record high cash flow despite a challenging quarter

Dividend proposal EUR 0.50 per share

Q4 2019 year-on-year

- Strong cash flow from operations at 721 (323) MEUR. Cash flow after investing activities was 518 (148) MEUR
- Significant increase of forest fair valuation of 777 MEUR, out of which 600 MEUR effecting IFRS results (not impacting Operational EBIT, using DCF methodology)
- The 275 MEUR profit protection programme is proceeding ahead of plan

Key financials

- Sales decreased by 9% to 2 411 (2 657) MEUR due to significantly lower prices
- Operational EBIT decreased to 112 (271) MEUR due to significantly lower prices, partly offset by lower costs
- Net debt to operational EBITDA at 2.1x (1.1x) close to the target <2.0x
- Operational ROCE at 4.2% (12.4%), below the strategic target of 13%



Photo: Valio

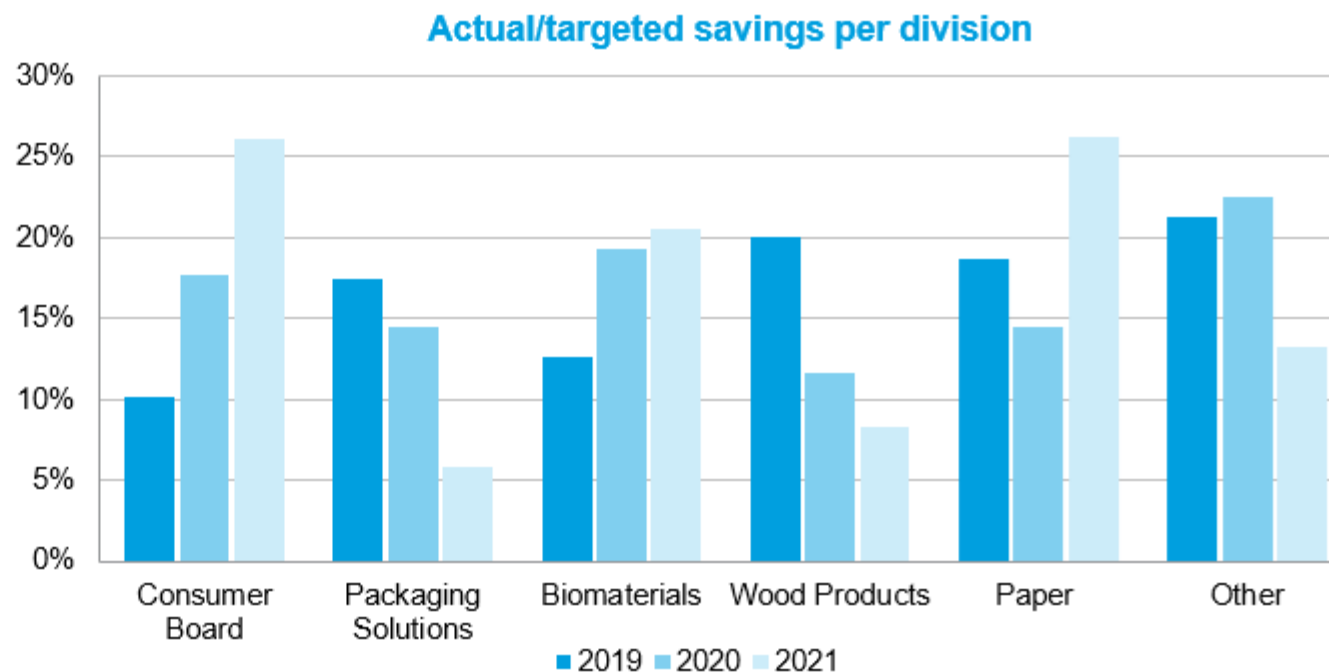
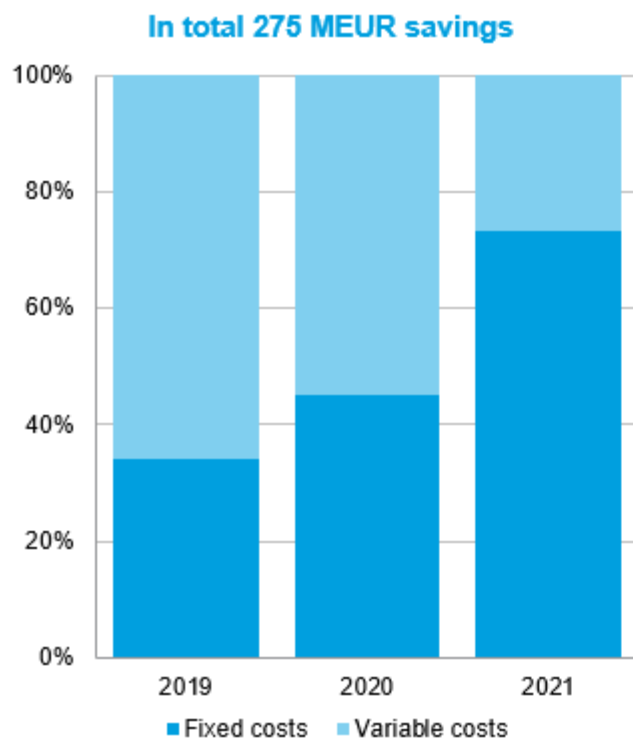
Cost savings partly offset price decreases

Operational EBIT Q4 y-o-y



275 MEUR profit protection programme strengthens our readiness for the future

150 MEUR cost savings actions implemented in 2019



Forest fair valuation increased by 777 MEUR



	Productive land (ha)	Price per ha (EUR)	Value (BEUR)*
Forest holdings in Sweden	1 140 000	3 020	3.4
Forest holdings in Finland	262 000	2 960	0.8
Forest holdings in plantations	220 000	3 230	0.7
Total forest holdings	1 622 000	3 040	4.9

	Productive land (ha)	Price per ha (EUR)	Value (BEUR)*
Forest value in Sweden based on LRF**	1 140 000	5 700	6.5
Forest value in Finland based on real estate register***	262 000	3 300	0.9

* Land and biological assets

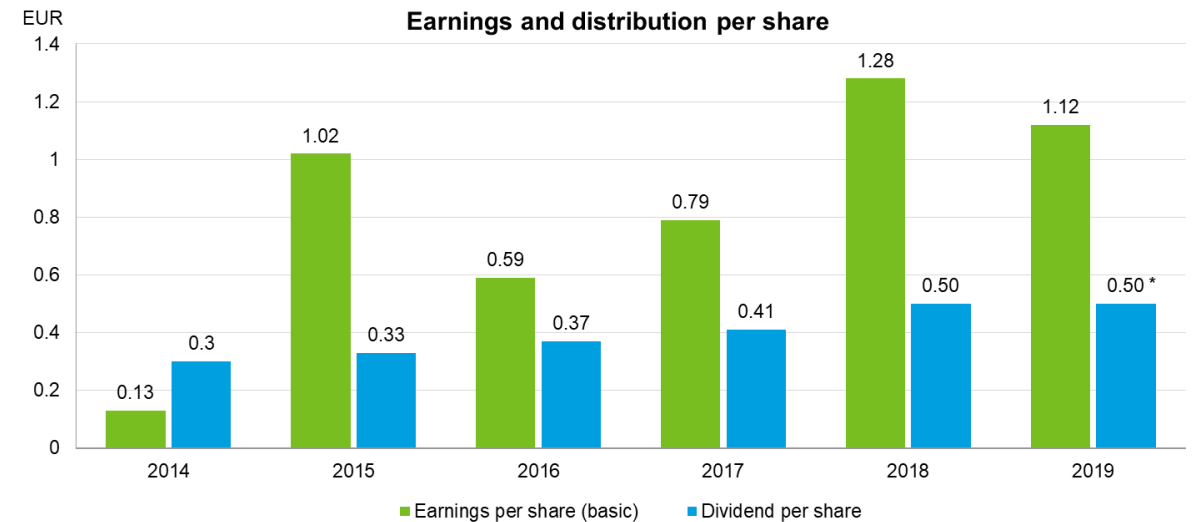
** LRF Konsult

*** Real estate register (Kiinteistörekisteri) and Stora Enso

Dividend proposal unchanged at 0.50 EUR per share



- Dividend proposal of 0.50 EUR per share for 2019 totalling 394 MEUR, unchanged from 2018
- Dividend policy:
 - Strive to pay stable dividends linked to the long-term performance
 - 50% of EPS over the cycle



**Dividend proposal*

Events during Q4



- Corrugated packaging plant in Riga, Latvia expansion completed, ramping up as planned
- 9 MEUR investment enabling the production of bio-based plastics barrier in transparent packaging to be completed by Q2/2021
- Stora Enso and Sulapac commercialised a renewable and biodegradable straw
- 90 000 t/a packaging papers machine at Imatra Mills in Finland was shut down
- Kitee sawmill in Finland closed and agreement to divest sawn construction timber (KVH) mill at Pfarrkirchen in Germany to be finalised during Q1/2020
- Divestment of 60% equity stake in Dawang Mill in China completed



Record high cash flow, good working capital management

Summary financials Q4 2019



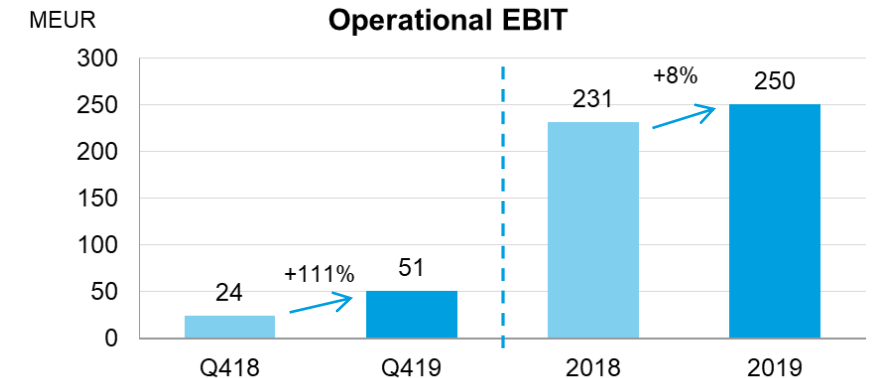
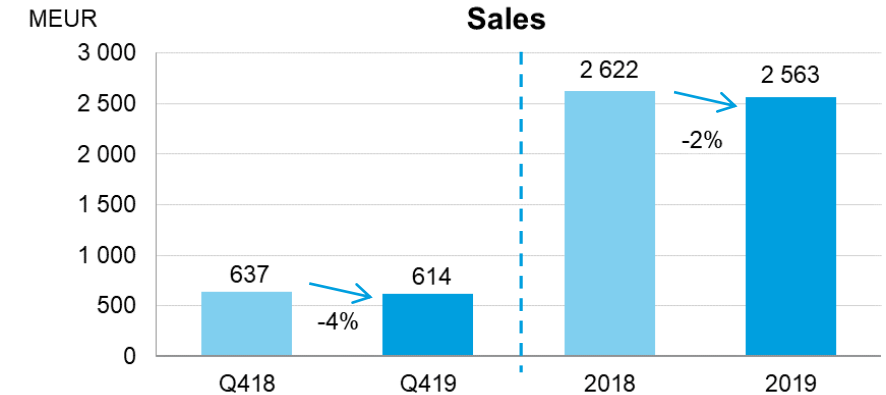
MEUR	Q4/19	Q4/18	Change% Q4/19- Q4/18	Q3/19	Change% Q4/19- Q3/19	2019	2018	Change% 2019-2018
Sales	2 411	2 657	-9.3%	2 402	0.4%	10 055	10 486	-4.1%
Operational EBITDA	259	405	-36.0%	376	-31.0%	1 542	1 878	-17.9%
Operational EBITDA margin	10.8%	15.3%		15.7%		15.3%	17.9%	
Operational EBIT	112	271	-58.8%	231	-51.7%	953	1 325	-28.1%
Operational EBIT margin	4.6%	10.2%		9.6%		9.5%	12.6%	
Profit before tax excl. IAC	678	267	153.4%	152	n/m	1 329	1 190	11.7%
Net profit for the period	519	299	73.9%	59	n/m	856	988	-13.4%
EPS excl. IAC, EUR	0.69	0.33	113.2%	0.13	n/m	1.34	1.29	3.9%
EPS (basic), EUR	0.66	0.39	71.2%	0.09	n/m	1.12	1.28	-13.1%
Operational ROCE	4.2%	12.4%	-66.1%	8.7%	-51.7%	9.8%	15.5%	-36.8%
Cash Flow from Operations	721	323	123.5%	488	47.8%	1 980	1 365	45.0%
Net debt/last 12 months' operational EBITDA	2.1*	1.1		2.2*		2.1*	1.1	

* Restructuring of Swedish forest holding impact 0.6x in Q4/19 and 0.7x in Q3/19 and adoption of IFRS 16 Leases impact 0.2x in Q4/2019 and 0.3x in Q3/2019

Consumer Board

Successful “value over volume” management Q4 y-o-y

- Sales decreased by 4% to 614 MEUR due to lower board deliveries in Europe
- Operational EBIT increased by 111% to 51 MEUR
 - Value over volumes approach decreased volumes but local sales prices were higher
 - Clearly lower variable costs due to pulp
- Key account negotiations completed successfully with increased prices
- Operational ROOC doubled to 9.5% (5.0%)

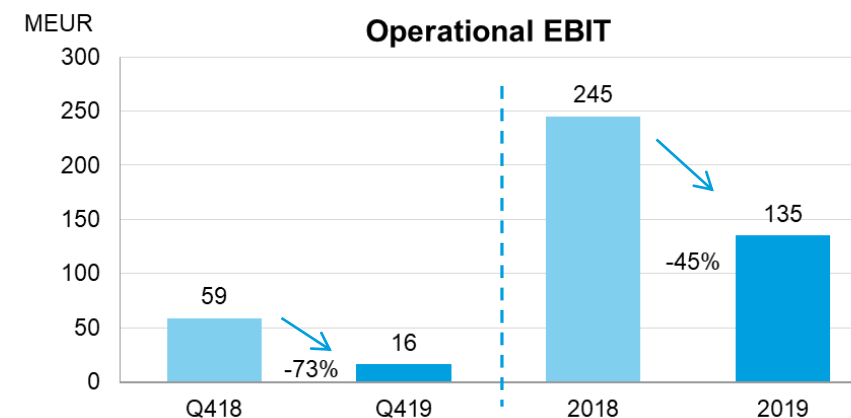
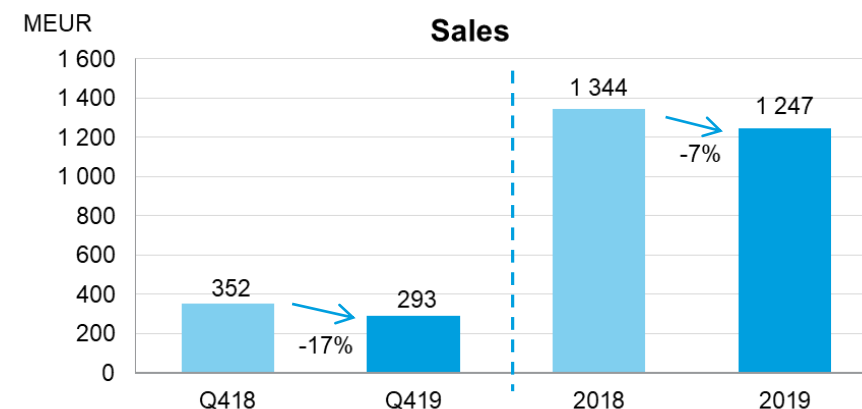


Packaging Solutions

Challenges in containerboard, corrugated market continues to perform well Q4 y-o-y



- Sales decreased by 17% from all-time high level a year ago to 293 MEUR
 - Significantly lower containerboard prices
 - Corrugated market strong, softer demand in China
- Operational EBIT decreased by 43 MEUR from last year's record high level to 16 MEUR
 - Lower raw material prices for corrugated units offset by lower containerboard prices
- Operational ROOC decreased to 6.8% (25.7%) driven by significantly lower containerboard prices
- Oulu Mill conversion into kraftliner production is proceeding as planned and production is expected to start by the end of 2020

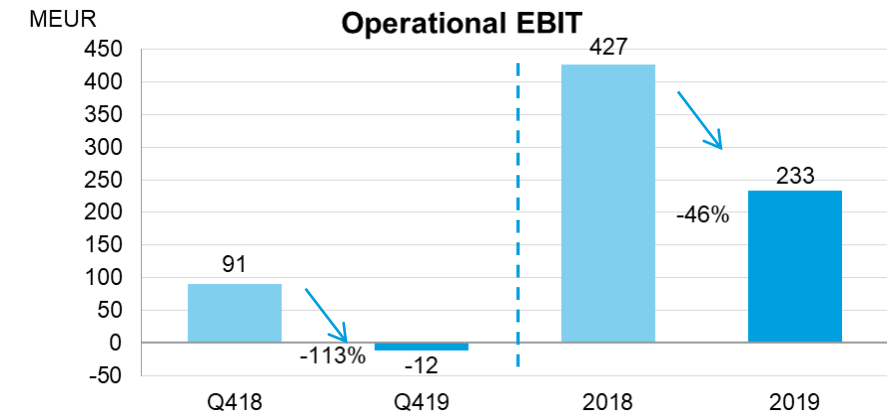
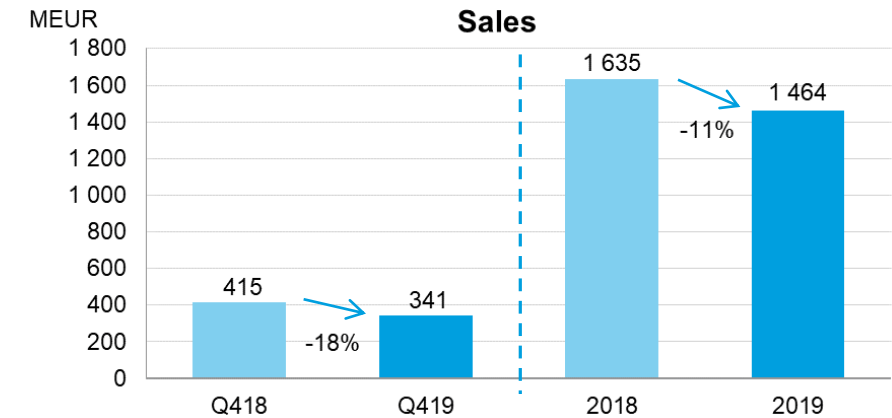


Biomaterials

Challenging market conditions continue, focus on inventory management Q4 y-o-y



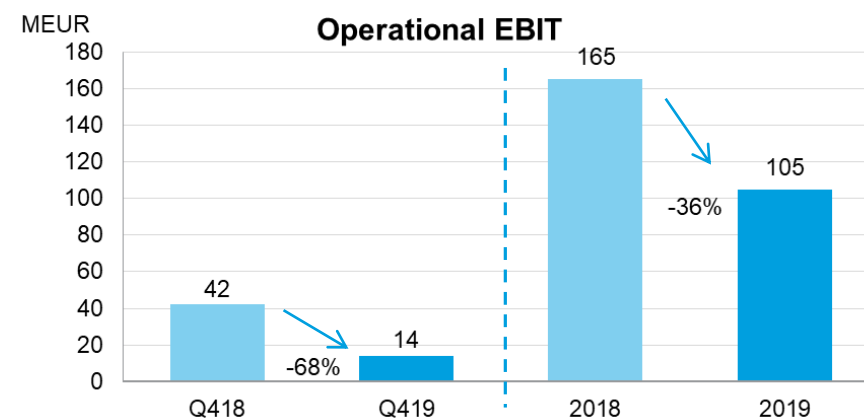
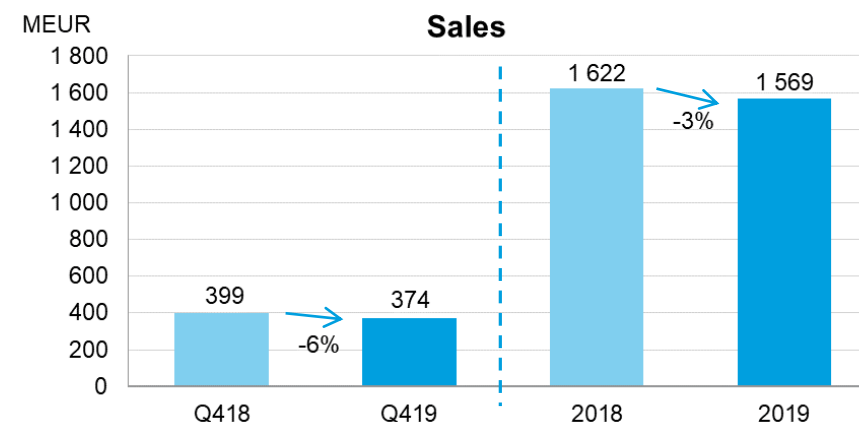
- Sales decreased by 18% from last year's all-time high level to 341 MEUR
 - Significantly lower pulp prices
 - All-time high deliveries
- Operational EBIT decreased by 103 MEUR to -12 MEUR from last year's record high Q4 level
 - Higher total volume impact but significantly lower pulp prices
 - Maintenance costs in Skutskär higher
 - All-time high deliveries to manage inventory levels
- Operational ROOC decreased to -1.9% (15.0%)



Wood Products

Focus on margin protection and record Q4 cash flow Q4 y-o-y

- Sales decreased by 6% to 374 MEUR
 - Lower classic sawn prices and lower deliveries
- Operational EBIT decreased by 28 MEUR from last year's record high Q4 level to 14 MEUR
 - Lower sales prices
 - Lower total volume impact mainly due to curtailments in Nordic mills to manage inventory levels and Kitee closure impact
 - Lower wood costs in Central Europe and lower fixed costs
- Operational ROOC decreased to 8.2% (27.1%) due to lower profitability
- Launch of a new concept enabling architects, engineers and developers to design wooden office buildings
- Finland's tallest wooden high-rise building, Lighthouse Joensuu, has been granted the 'Puupalkinto' Wood Award 2019

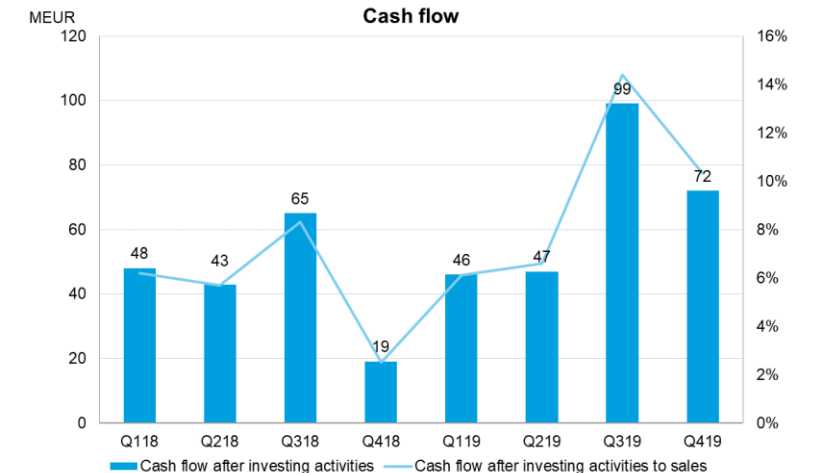
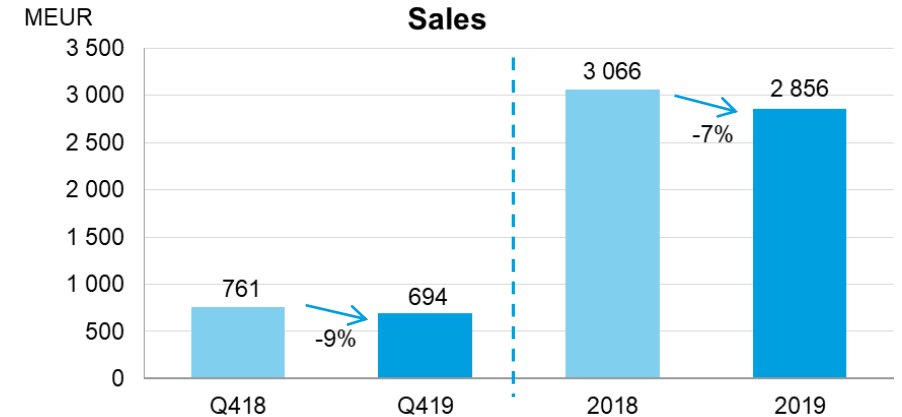


Paper

Strong cash flow supported by good cost and working capital management Q4 y-o-y



- Sales decreased by 9% to 694 MEUR
 - Significantly lower paper deliveries and lower prices in most paper grades
 - Dawang paper mill divestment impact -13 MEUR
- Operational EBIT stable at 44 MEUR
 - Somewhat lower prices in most grades and significantly lower total volumes impacted by curtailments to manage inventories
 - Lower variable, mainly pulp and paper for recycling costs, and fixed costs due to good costs management
- Cash flow after investing activities to sales ratio increased to 10.3% (2.5)%
 - Very good working capital management
- Reducing paper capacity by over million tonnes, 20% of Stora Enso paper capacity, with Oulu conversion in 2020



Development of strategic targets



Group strategic targets		Q4 18	Q4 19		2018	2019	
Dividend*	To distribute 50% of EPS over the cycle			●	0.50 EUR	0.50 EUR**	●
Growth***	To grow faster than the relevant market	6.9% (YoY)****	-9.4% (YoY)	●	5.9% (YoY)****	-3.0% (YoY)	●
Net debt to operational EBITDA	<2.0x	1.1	2.1	●	1.1	2.1	●
Fixed costs to sales	<20%	25.0%	27.5%	●	23.6%	24.3%	●
Net debt to equity	<60%	31%	43%	●	31%	43%	●
Operational ROCE	>13%	12.4%	4.2%	●	15.5%	9.8%	●

Divisional strategic targets		Q4 18	Q4 19		2018	2019	
Consumer Board	Operational ROOC > 20%	5.0%	9.5%	●	11.9%	12.3%	●
Packaging Solutions	Operational ROOC > 20%	25.7%	6.8%	●	27.2%	14.4%	●
Biomaterials	Operational ROOC > 15%	15.0%	-1.9%	●	17.9%	9.4%	●
Wood Products	Operational ROOC > 20%	27.1%	8.2%	●	28.1%	16.6%	●
Paper	Cash flow after investing activities to sales > 7%	2.5%	10.3%	●	5.7%	9.3%	●

* Annual dividend. ** Dividend proposal *** Excluding Paper

**** Excluding Paper and Puumerkki

Outlook for 2020



Subdued and mixed trading conditions caused by geopolitical uncertainties are expected to continue to impact Stora Enso in 2020. The decline in demand for European paper will persist, and demand for other Group products is expected to remain mixed. Exceptionally mild winter conditions in the Nordics with reduced period of frozen soil could impact harvesting and transport of wood and may therefore affect the stability of raw material supply and potentially increase wood costs to our Nordic mills.

Stora Enso will continue active cost management in 2020–2021 through the profit protection programme implementation. The fixed and variable cost savings target is 275 MEUR to the end of 2021. Various labour unions in Finland are currently on strike which is expected to impact result negatively.



Guidance for Q1 2020



- Operational EBIT is expected to be in the range of 90–200 MEUR
- During Q1, there will be an annual maintenance shutdown at Ostrołęka Mill PM5. The total maintenance impact is estimated to be approximately 60 MEUR and 10 MEUR lower than in Q4/2019 and in Q1/2019 respectively.
- Various labour unions in Finland are currently on strike which also affects Stora Enso's operations. The negative impact of these three-week labour actions is included in the above guidance range for Q1/2020.

Annual maintenance	Q1 2020	Q1 2019
Packaging Materials	Ostrołęka Mill PM5	Ostrołęka Mill PM5
Biomaterials	-	Veracel Mill
Paper	-	-



New divisional structure as of 1 January 2020



The restated figures for the new divisional structure will be published during Q1/2020

Record high cash flow and significant increase of forest valuation

Q4 2019 year-on-year

- Subdued and mixed trading conditions
- Very strong cash flow from operations, 721 (323) MEUR
- Significant increase of our forest assets fair valuation, 777 MEUR
- 275 MEUR profit protection programme delivering positive impact of 150 MEUR in 2019
- New divisional structure from January 2020 onwards
- Dividend proposal 0.50 EUR per share



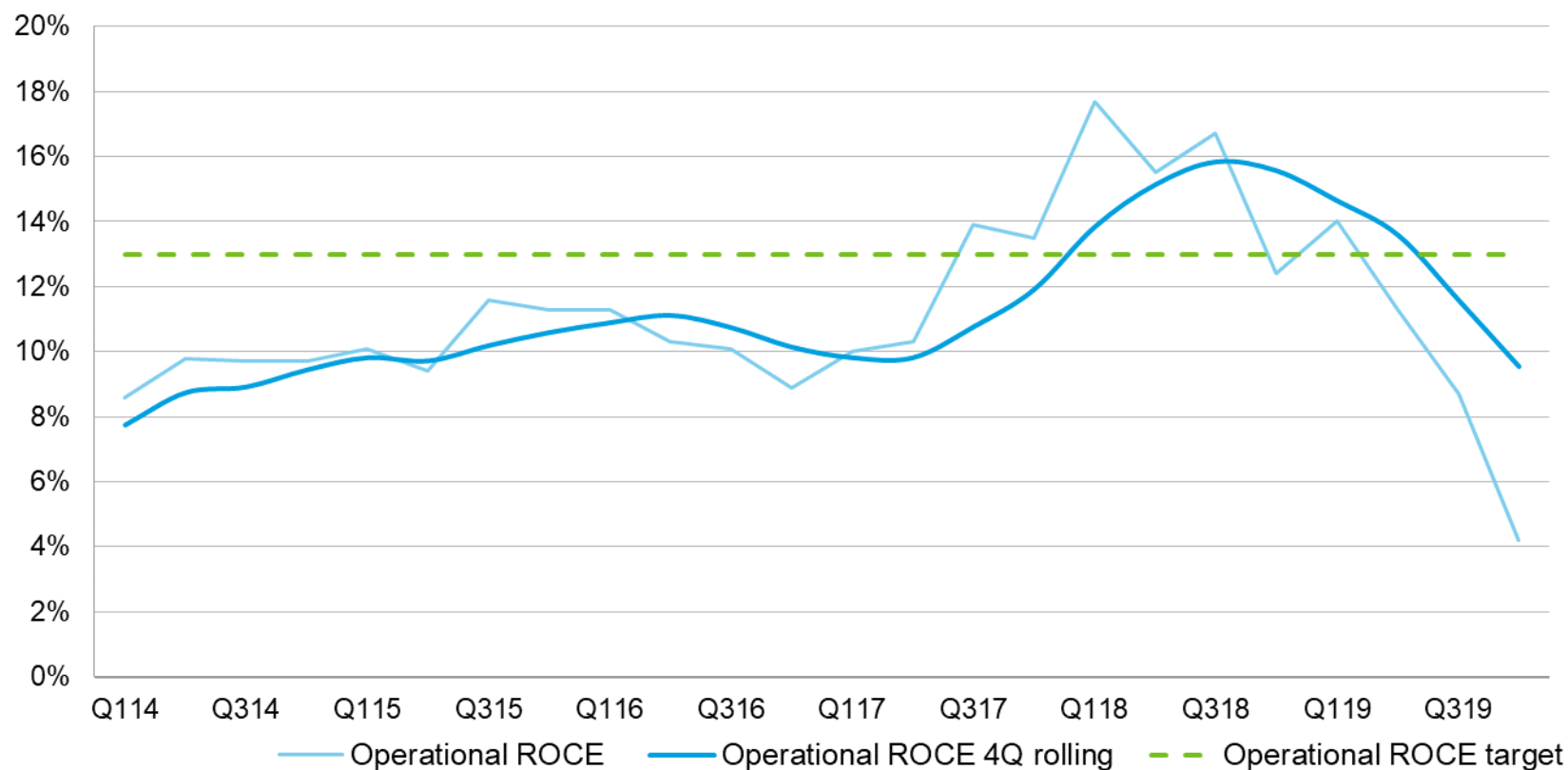
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Operational EBIT by segments



MEUR	Q419	Q418	Change % Q419-Q418	Q319	Change % Q419-Q319	2019	2018	Change % 2019-2018
Consumer Board	51	24	111.3%	73	-30.1%	250	231	8.1%
% of sales	8.3%	3.8%		11.3%		9.7%	8.8%	
Packaging Solutions	16	59	-72.6%	29	-44.1%	135	245	-44.7%
% of sales	5.5%	16.6%		9.6%		10.8%	18.2%	
Biomaterials	-12	91	-113.1%	39	-130.7%	233	427	-45.6%
% of sales	-3.5%	22.0%		11.7%		15.9%	26.1%	
Wood Products	14	42	-67.5%	27	-50.4%	105	165	-36.0%
% of sales	3.6%	10.4%		7.2%		6.7%	10.2%	
Paper	44	45	-3.0%	50	-12.9%	213	234	-9.1%
% of sales	6.3%	5.9%		7.3%		7.4%	7.6%	
Other	0	9	-105.5%	13	-103.8%	17	23	-24.4%
% of sales	-0.1%	1.0%		1.7%		0.5%	0.7%	

Operational ROCE development



The impact of Bergvik Skog restructuring was a negative 0.6 percentage points and the adoption of IFRS 16 Leases a negative 0.2 percentage points in Q4 2019

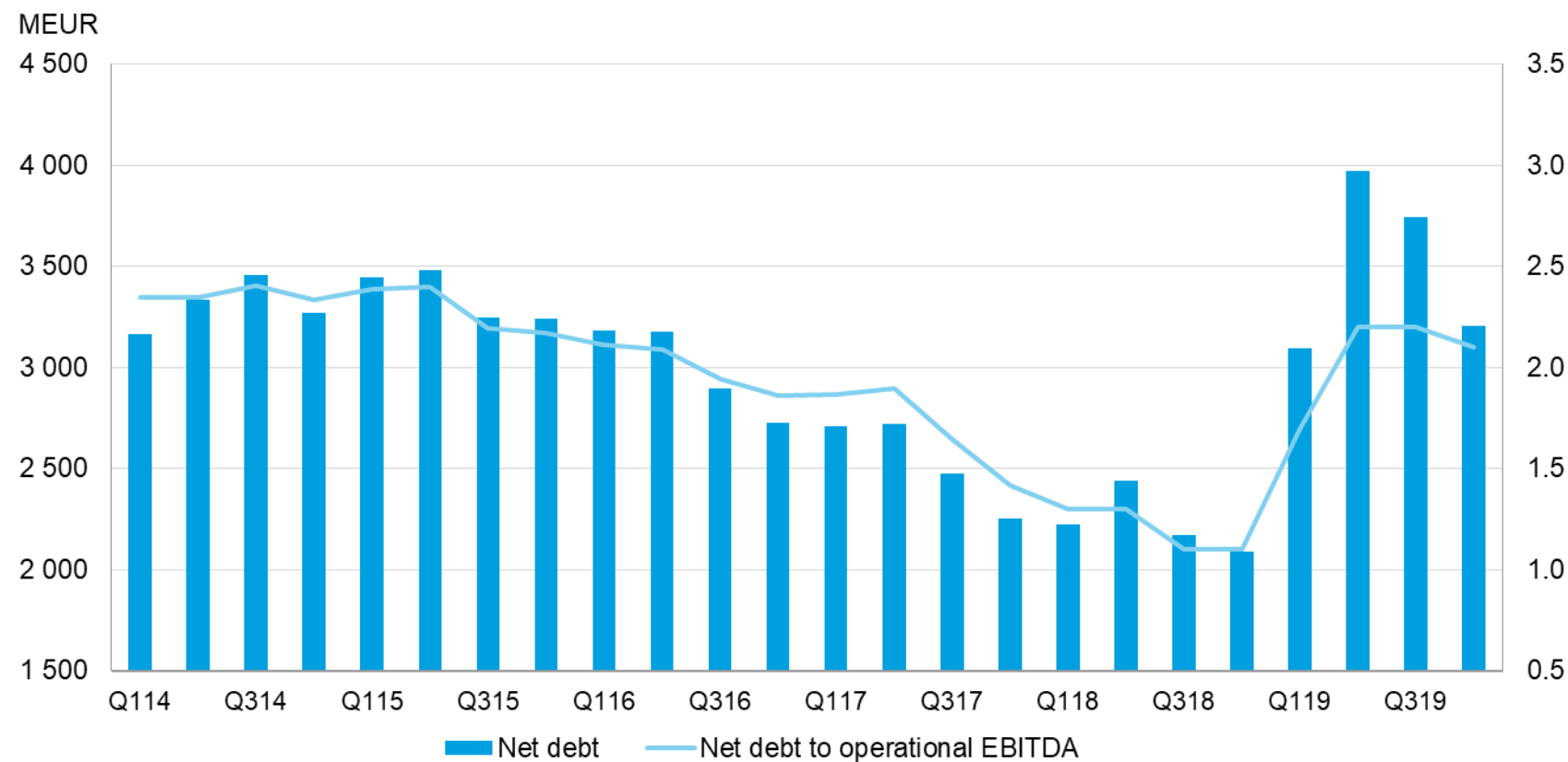
Adoption of IFRS 16 Leases impact in Q4



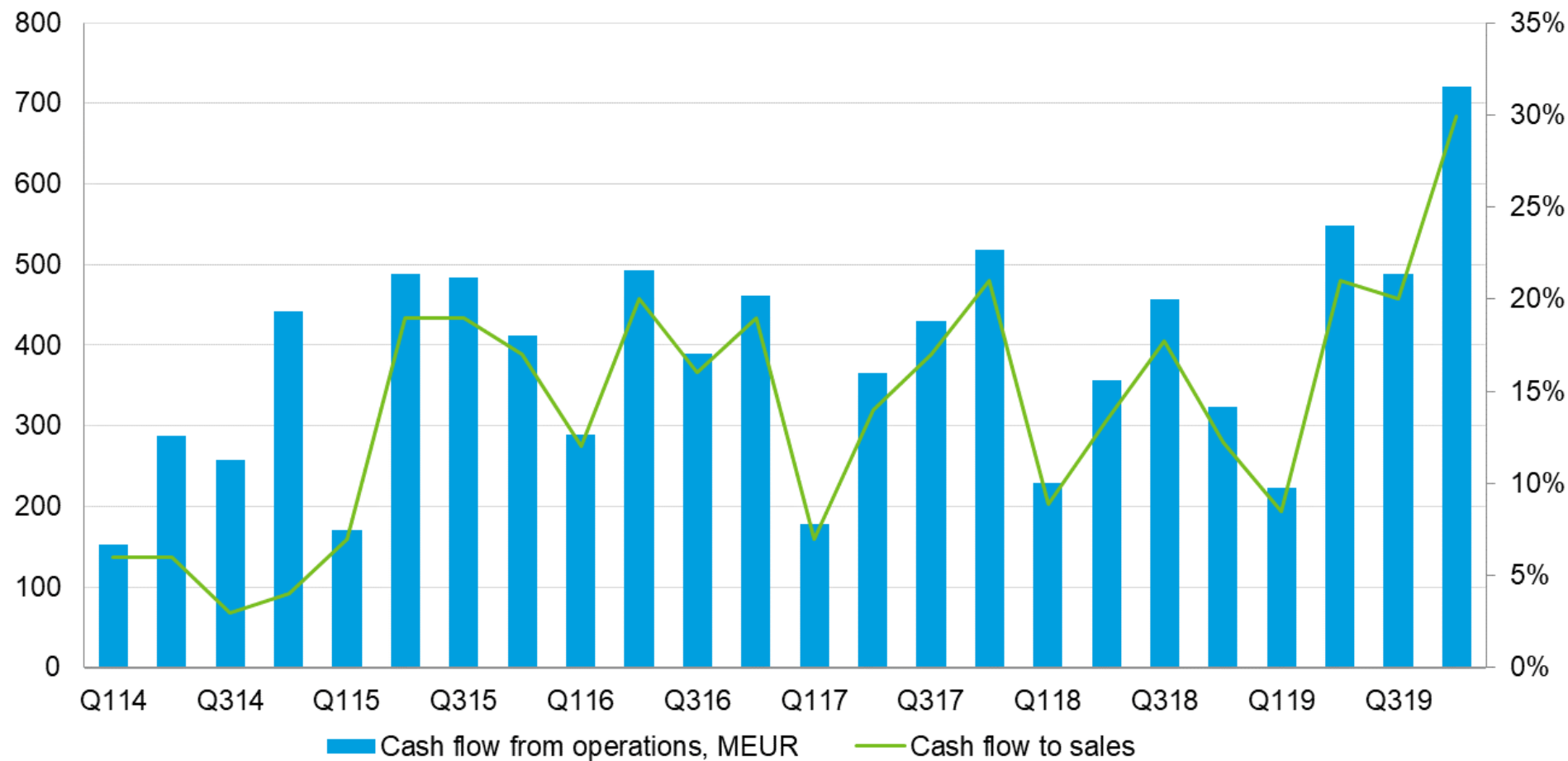
MEUR	Q4/19	IFRS 16 impact	Q4/19 without IFRS 16
Capital employed	10 617	457	10 160
Operational EBITDA	259	23	242
Depreciation (incl. EAI)	-137	-19	-118
Operational decrease in the value of biological assets	-11		-11
Operational EBIT	112	4	108
Fair valuations and non-operational items	600		600
IAC	-32	-3	-29
Operating Profit IFRS	680	1	679
Net financial items	-34	-5	-30
Income tax	-127		-127
Net Profit for the Period	519	-4	523
Operational ROCE	4.2%	-0.2%	4.4%
Net debt	3 209	440	2 770
Net debt to operational EBITDA	2.1	-0.2	1.9

MEUR	Operational EBITDA	Capital employed
Consumer Board	5	232
Packaging Solutions	2	18
Biomaterials	5	76
Wood Products	3	50
Paper	2	21
Other	6	60
Group	23	457

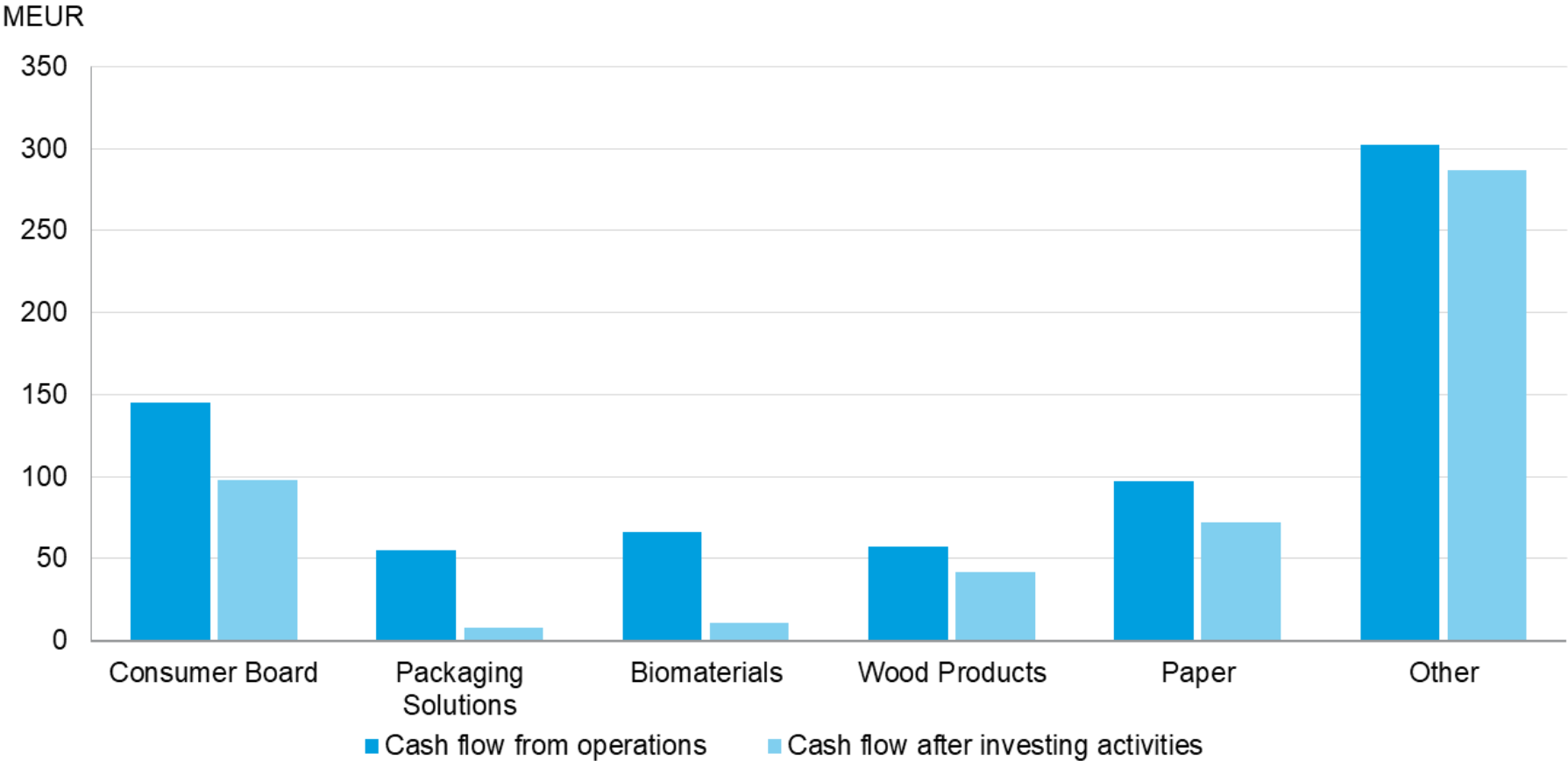
Year-on-year net debt/EBITDA



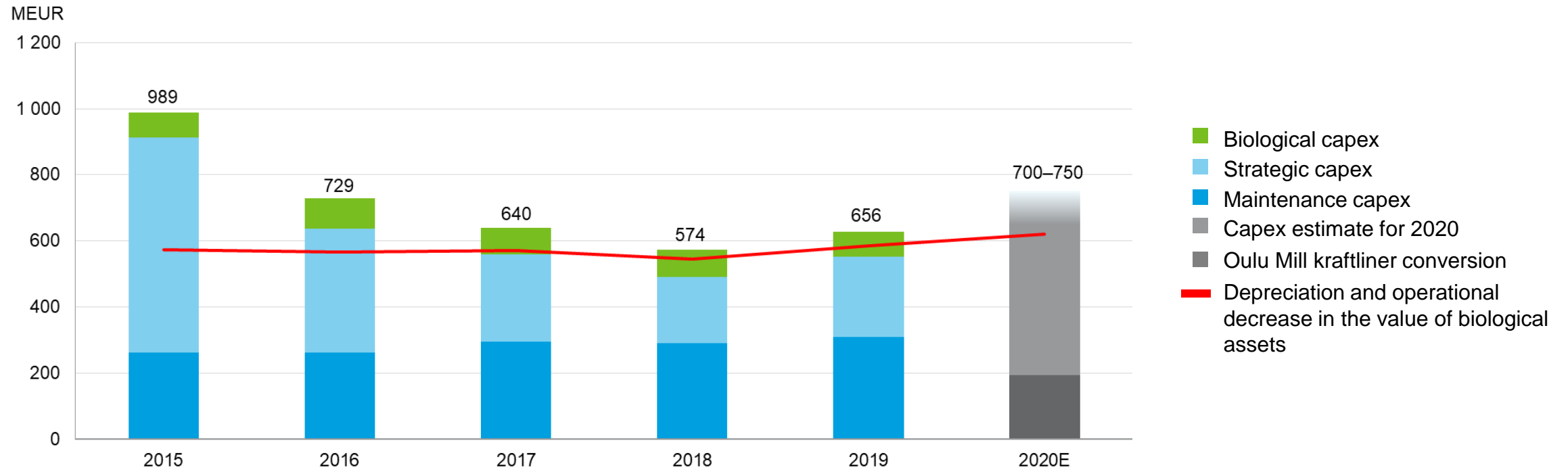
Healthy cash flow generation further improved



Cash flow by divisions in Q4



Capex raised temporarily above depreciation



Capex for 2019 and estimate for 2020 include the capitalised leasing contracts according to IFRS 16 Leases standard

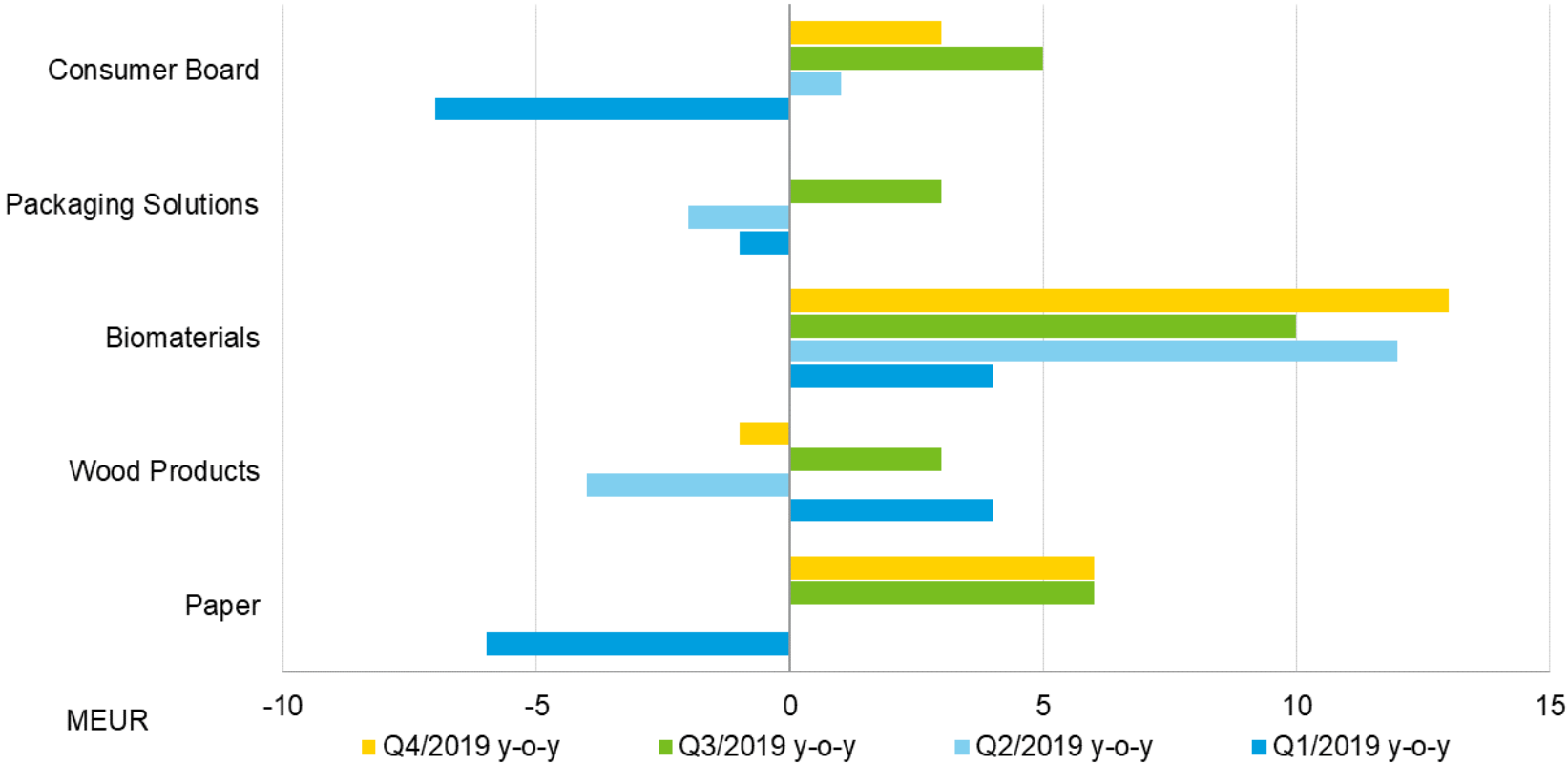
Net Financial Items



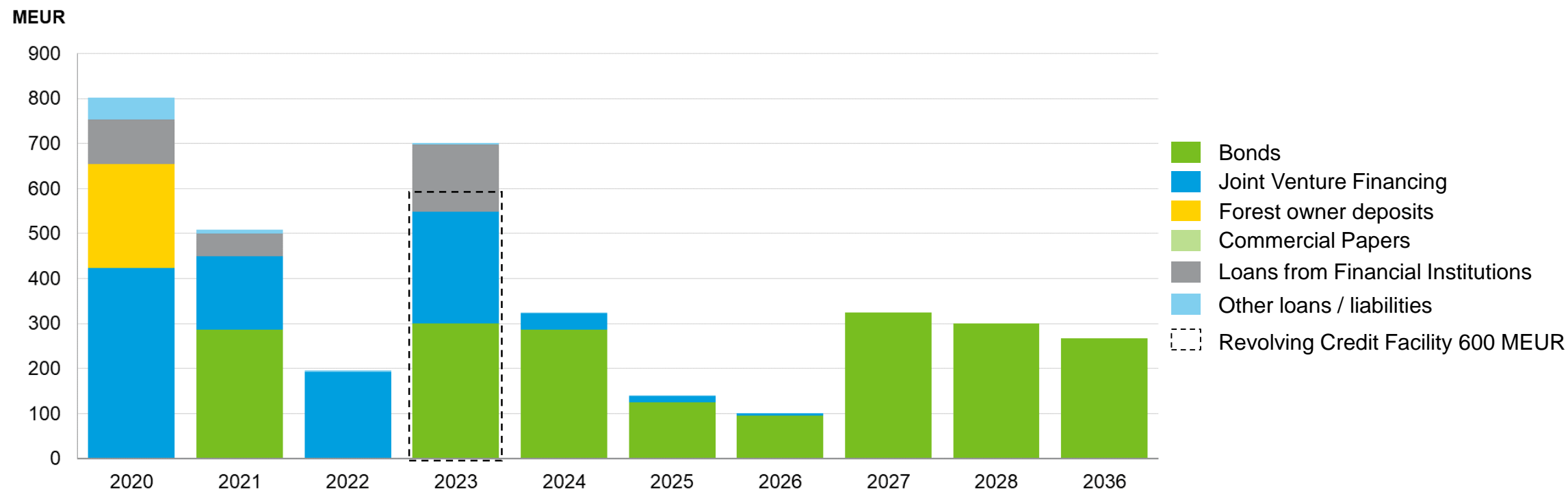
EUR million	Q4 2019	Q4 2018	Change MEUR Q419/ Q418	Q3 2019	Change MEUR Q419/ Q319
Net interest expense	-37	-34	-3	-37	-
Average interest rate*	3.5%	4.4%		3.3%	
Foreign exchange gains and losses	8	-4	12	-17	25
Other financial items, of which	-5	-3	-2	-1	-4
Pension costs (IAS 19R)	-2	-2	-	-2	-
Other items	-3	-1	-2	1	-4
Total net financial items	-34	-41	7	-55	-21

* Quarterly gross interest expense divided by average gross debt

Net FX by division



Maturity profile Q4 2019



Revolving Credit Facility 600 MEUR matures in January 2023 and is fully undrawn

Transaction risk and hedges Q4 2019



EUR Million	USD	SEK	GBP
Estimated annual operating cash flow exposure	1 141	-894	300
Transaction hedges as at 31 December 2019	-600	557	-136
Hedging percentage as at 31 December 2019 for the next 12 months	53%	62%	45%

Operational EBIT: Currency strengthening of +10%**	EUR million
USD	114
SEK	-89
GBP	30

**Before currency hedges assuming no other changes other than a single currency rate movement occurs

Sensitivity analysis

Impact on operational EBIT



10% decrease in	Impact*
Energy prices	Positive 12 MEUR
Wood prices	Positive 170 MEUR
Chemical and filler prices	Positive 33 MEUR
10% increase in	Impact*
Market pulp price, total	Positive 115 MEUR
10% strengthening against Euro in the value of**	Impact*
US dollar	Positive 114 MEUR
Swedish krona	Negative 89 MEUR
British pound	Positive 30 MEUR
Brazilian real	Negative 16 MEUR
Chinese renminbi	Negative 4 MEUR

* Impact on operational EBIT for the next twelve months

** Before FX hedges

An increase of energy, wood or chemical and filler prices or decrease of pulp prices, as well as weakening of the currencies would have the opposite impact

Pulp sensitivity analysis

10% change in prices, impact on operational EBIT



10% increase in	Impact*
Hardwood pulp** prices	Positive 50 MEUR
Softwood pulp prices	Positive 30 MEUR
Fluff pulp prices	Positive 20 MEUR
Dissolving pulp prices	Positive 15 MEUR
Market pulp price, total	Positive 115 MEUR

* Impact on operational EBIT for the next twelve months. A decrease of pulp prices would have the opposite impact.

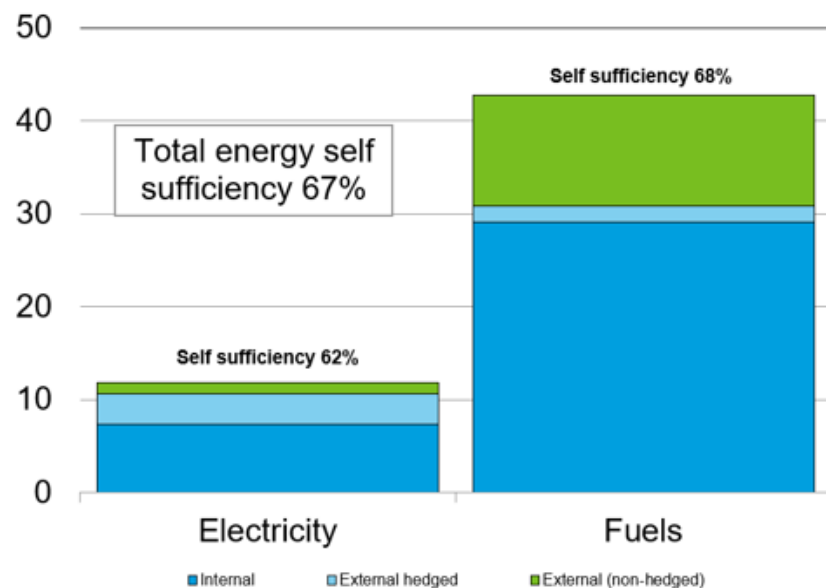
** Includes 750 000 tonnes from Montes del Plata

Stora Enso energy balance Q4 2019

Pulp, paper and board mills



TWh/a

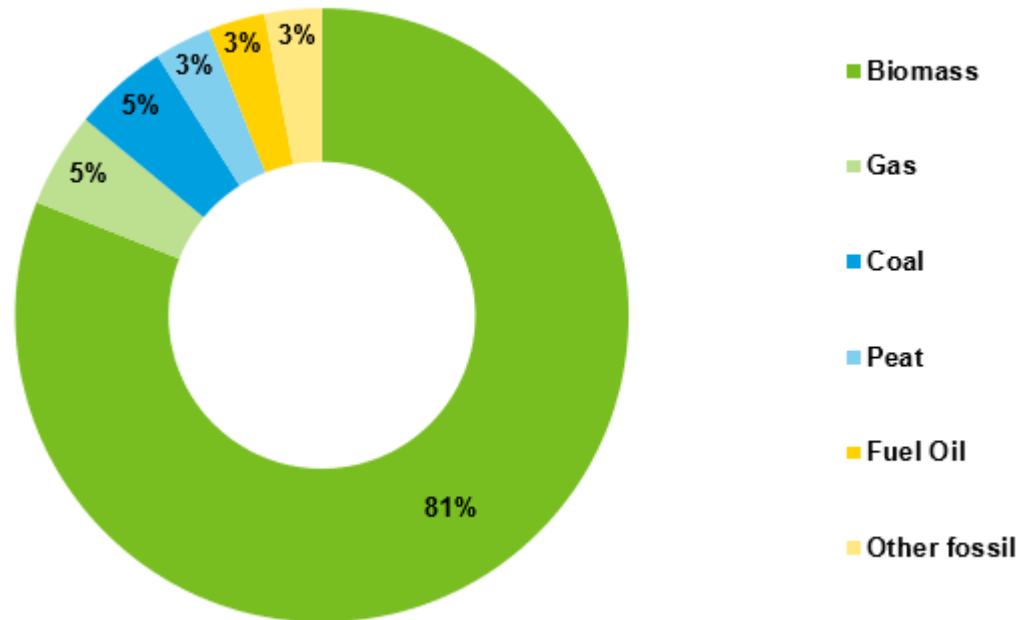


Impact on non-hedged volume on operating profit from 10% change in:	EUR million p.a.
Electricity market price	~6.4
Fossil fuel price	~5.7

External hedged volumes are secured from energy price risk exposure

Stora Enso fuels Q4 2019

Pulp, paper and board mills in Europe and overseas



Total Q4 fuel consumption was 10.6 TWh.

Permanent pulp, paper and board capacity reductions since 2006



Mill	Date	Grade	Capacity reduction, t
Corbehem PM 3 and PM 4	Jun 2006	LWC	250 000
Varkaus PM 1	End 2006	WFC	95 000
Berghuizer Mill	Oct 2007	WFU	235 000
Reisholz Mill	End 2007	SC	215 000
Summa Mill	Jan 2008	Newsprint, uncoated mag, book paper	415 000
Anjala Mill PM1	Feb 2008	Coated magazine paper	155 000
Baierfurt Mill	End 2008	FBB	190 000
Kabel Mill PM 3	End 2008	Coated magazine	140 000
Kemijärvi Pulp Mill	April 2008	Long-fibre (SW) pulp	250 000
Norrsundet Pulp Mill	Dec 2008	Long-fibre (SW), pulp	300 000
Varkaus Mill coreboard machine	Dec 2008	Coreboard	100 000
Imatra PM 8	Mar 2010	WFU	210 000
Varkaus PM 2 and PM 4	Sep 2010	Newsprint, directory paper	290 000

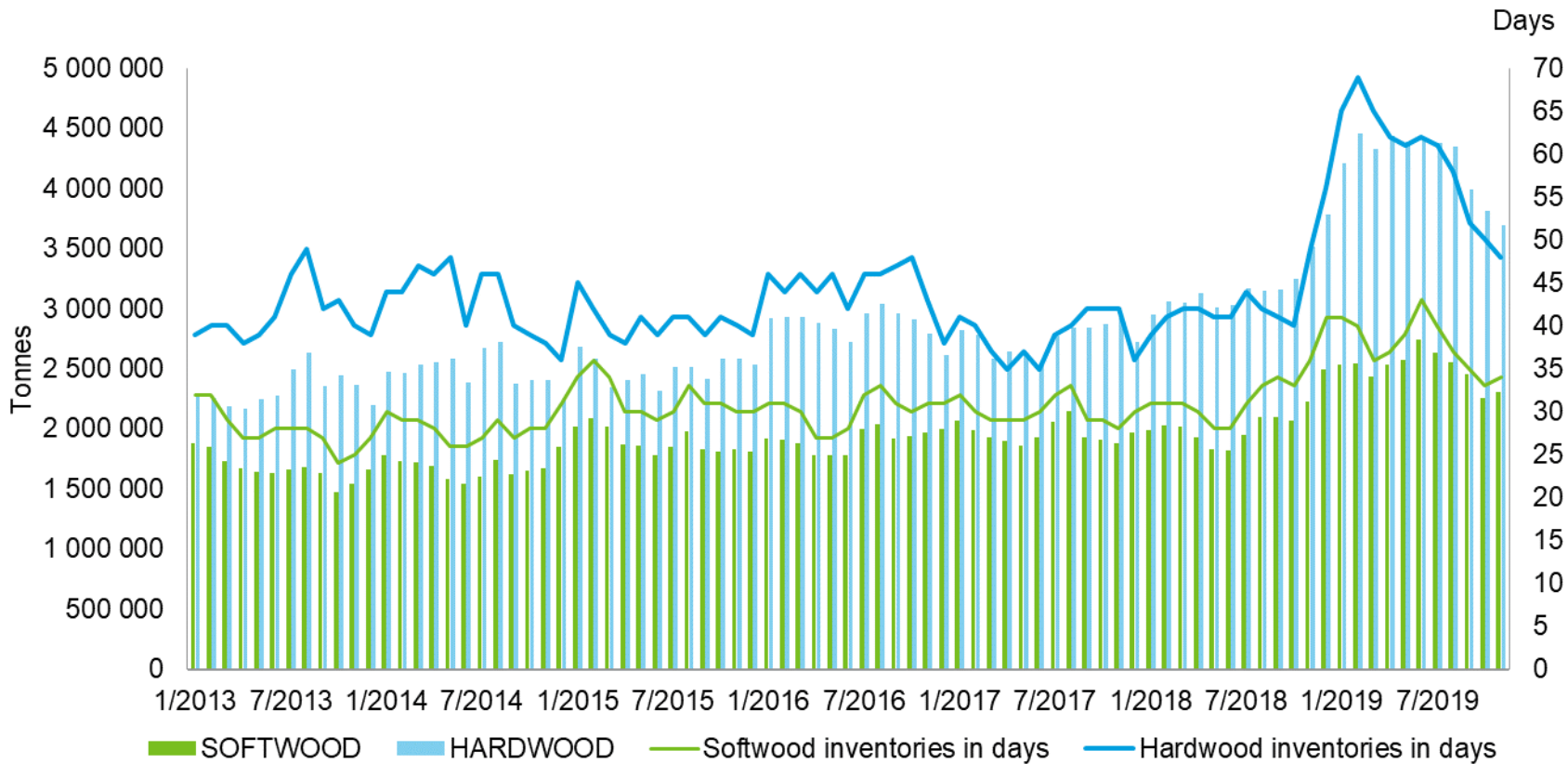
Mill	Date	Grade	Capacity reduction, t
Maxau PM 7	Nov 2010	Newsprint	195 000
Hylte PM1	Dec 2012	Newsprint	180 000
Ostroleka PM2	Jan 2013	Containerboard	85 000
Hylte PM2	May 2013	Newsprint	205 000
Kvarnsveden PM11	May 2013	Newsprint	270 000
Veitsiluoto PM1	Apr 2014	Coated magazine	190 000
Corbehem Mill	July 2014	LWC	330 000
Varkaus	Aug 2015	WFU	280 000
Suzhou	Jun 2016	WFU	240 000
Kvarnsveden PM8	Jun 2017	SC	100 000
Imatra PM 6	End of 2019	Coated spec.	90 000
Oulu PM 6 and PM7	Sep 2020	WFC	1 080 000
Total			6 090 000

Permanent sawn wood capacity reductions since 2006



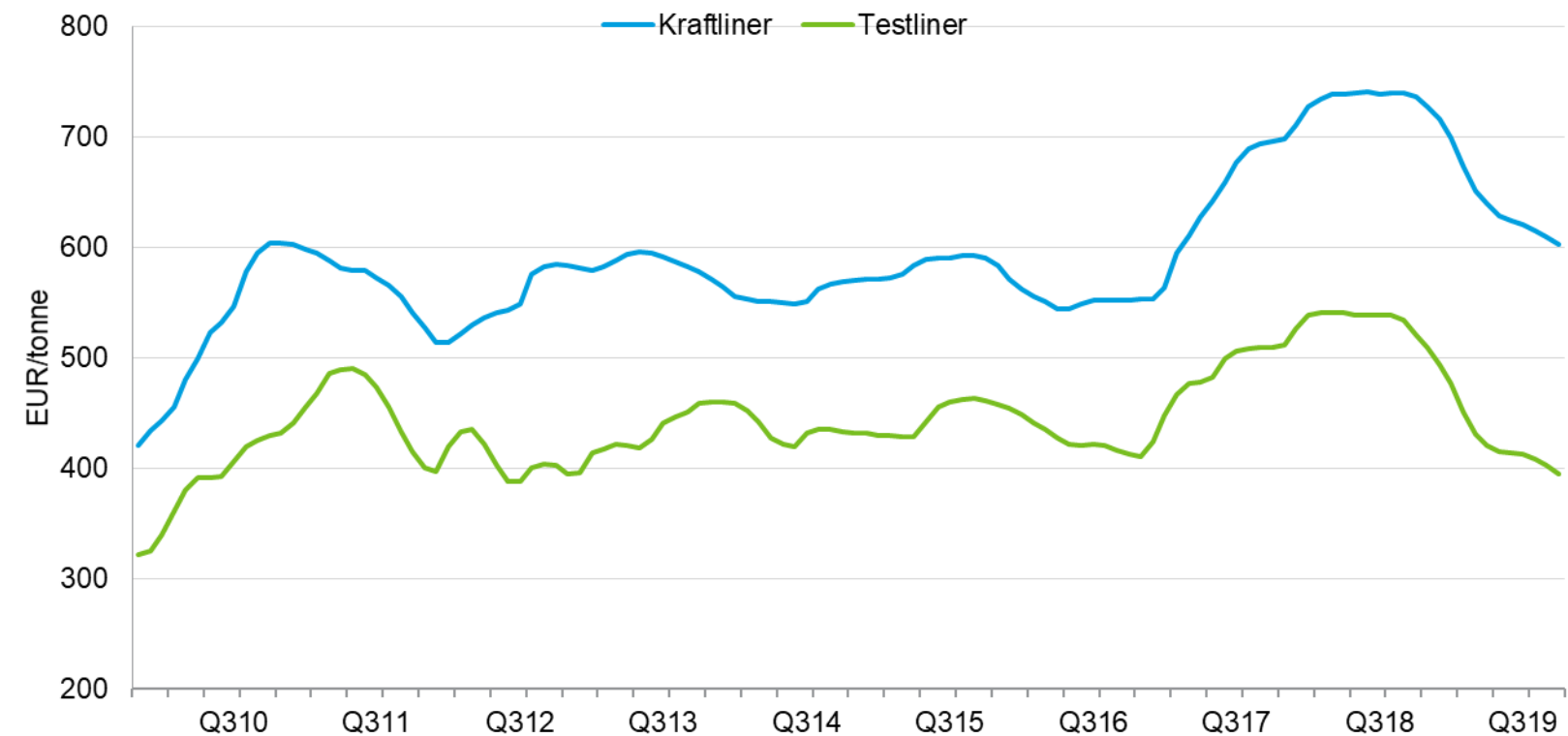
Mill	Date	Capacity reduction, m ³
Veitsiluoto Sawmill	2006	100 000
Honkalahti Sawmill	2006	90 000
Sauga Sawmill	2007	130 000
Sollenau Sawmill	2007	110 000
Näpi Sawmill	2007-2008	100 000
Kotka Sawmill	2007-2008	70 000
Paikuse Sawmill	2008	220 000
Zdirec Sawmill	2008	120 000
Ybbs Sawmill	2008 & 2009	200 000
Kitee Sawmill	2008 & 2009	130 000
Varkaus Sawmill	2009	60 000
Tolkkinen Sawmill	2009	260 000
Kopparfors Sawmill	2011	310 000
Sollenau Sawmill	2014	400 000
Kitee	End of 2019	260 000
Total		2 560 000

Global bleached chemical market pulp inventories by grade in tonnes and days of supply



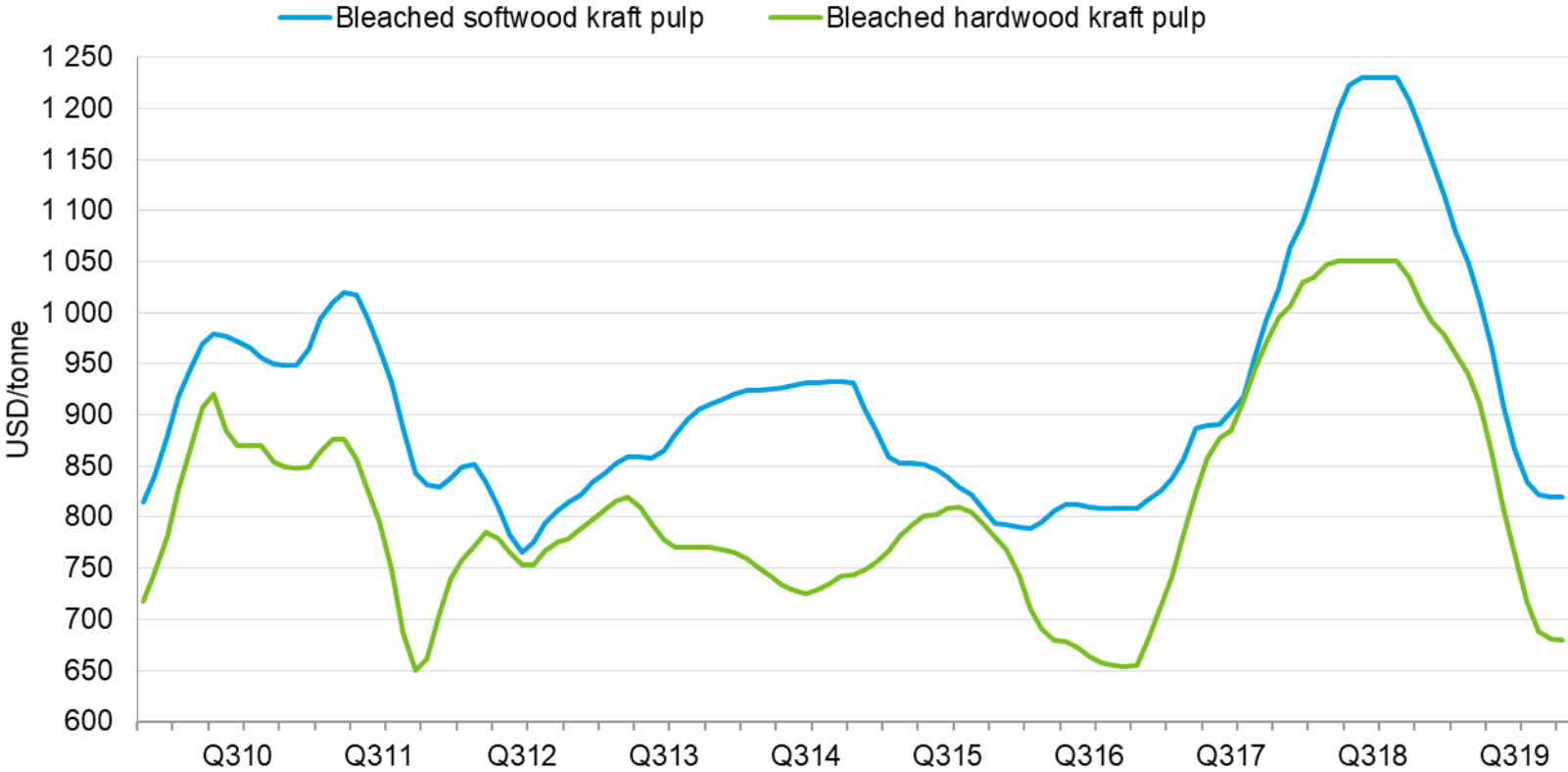
Source: EPIS

Kraftliner and testliner prices



Source: FOEX

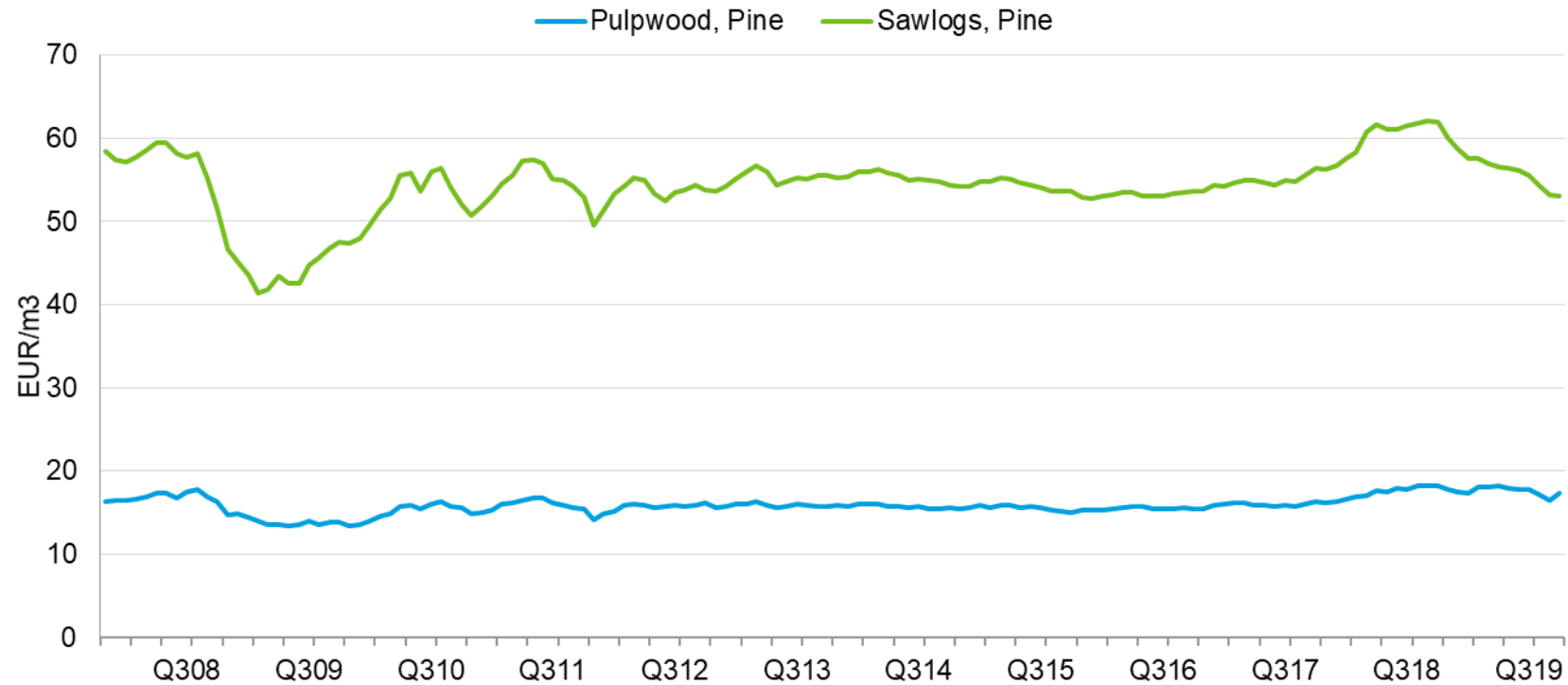
Pulp price development



Source: FOEX

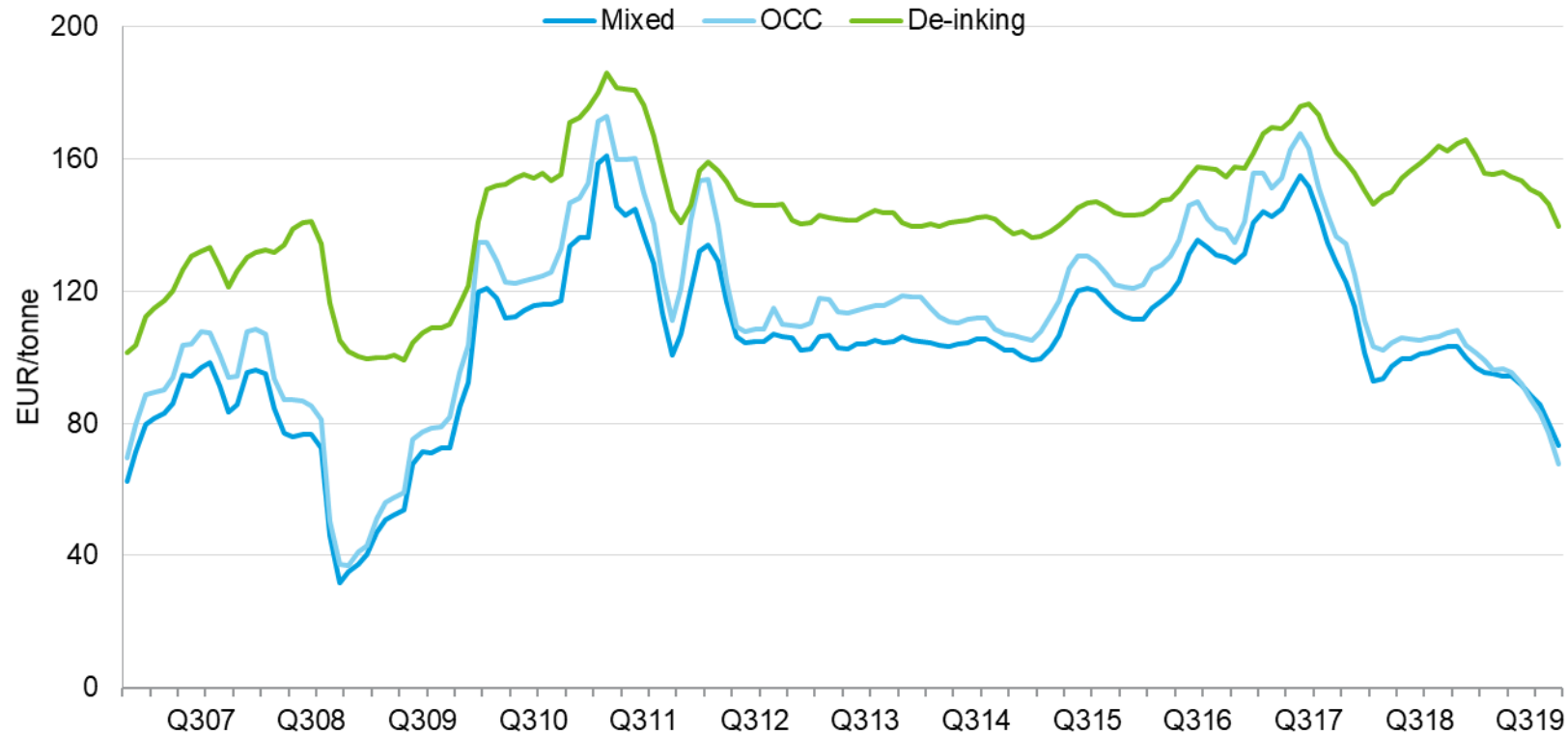
Pulp wood and saw log prices

Wood prices in Finland



Source: Luonnonvarakeskus

Paper for recycling prices



German RCP price development. free delivered
Source: Verband Deutscher Papierfabriken/Stora Enso

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