

# Shaping our business for higher growth and value

## Steady performance as a result of our own actions in Q4 2020

Stora Enso Roadshow presentation Q4 2020  
11 February 2021



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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.

# We are a solution for consumers' new demands



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

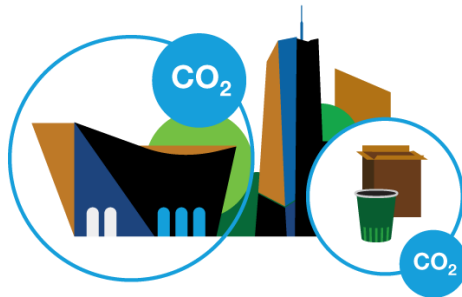
# Stora Enso's annual estimated climate impact



Our forests  
remove carbon<sup>1</sup>

**-1.5**

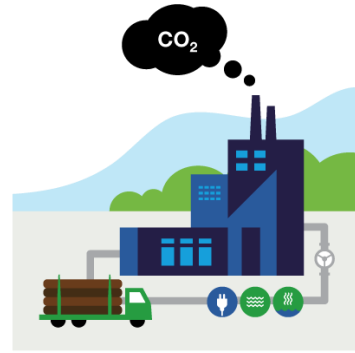
million tonnes of CO<sub>2</sub>



Our products  
store carbon

**-2.6**

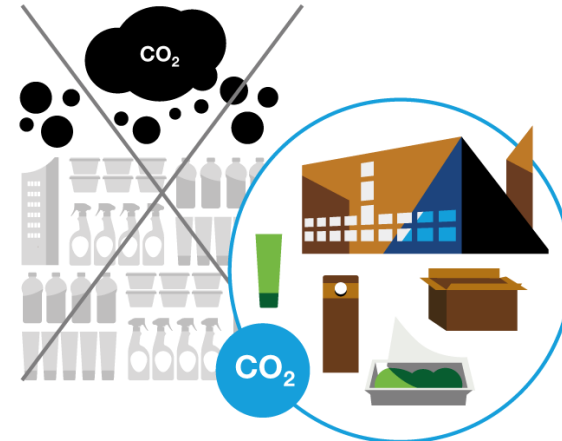
million tonnes of CO<sub>2</sub>e



Our value  
chain emissions<sup>2</sup>

**+10.5**

million tonnes of CO<sub>2</sub>e



Our products substitute  
fossil-based products, saving

**-17.9**

million tonnes of CO<sub>2</sub>e



Climate impact<sup>3</sup>

**-11.5**

million tonnes  
of CO<sub>2</sub>e

1) Estimated net annual carbon sequestration in own and managed forests and plantations, which provide about 30% of our wood use. Excludes purchased wood. Third-party owned forests that provide Stora Enso's purchased wood are estimated to have an additional net carbon sequestration of ~5 million tonnes of CO<sub>2</sub> annually.  
2) Fossil CO<sub>2</sub> emissions in 2019 including direct emissions from our operations, emissions from purchased energy as well as emissions from other sources along our value chain (Scope 1, 2, and 3). Calculated based on the guidance provided by the Greenhouse Gas Protocol.  
3) Negative value indicates a net removal from atmosphere. Calculated by the Swedish University of Agricultural Sciences (SLU) in 2020 based on Stora Enso's production, forest and wood use, and emission figures in 2019: Climate effects of a forestry company – including biogenic carbon fluxes and substitution effects.



# Shaping our business for higher growth and value...



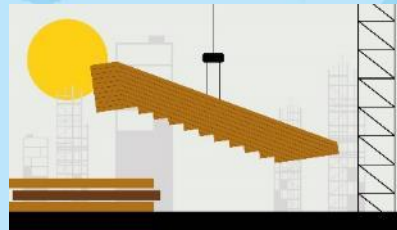
## Growth



Packaging Materials



Packaging Solutions



Wood Products:  
Building Solutions



Biomaterials: Innovations

## Foundation



Forest



Wood Products:  
Traditional wood products



Biomaterials: Pulp

## Cash



Paper

# ...by focusing on our three leading positions



## Packaging Materials & Solutions

- High demand for plastic free and eco-friendly circular packaging
- Leading market positions
- Attractive investment options available

**Significant growth potential with  
20%+ margin  
Majority of future company growth**



## Wood Products: Building Solutions

- 10%+ annual growth
- Leading global supplier
- Potential to capture a larger share of the value chain

**3x sales from Building Solutions with  
~20% margin**



## Biomaterials Innovations

- High growth end product markets
- Uncontested sustainability position
- Proprietary technologies and unique value propositions

**35%+ margin in novel markets with  
strong growth**

# High intensity in strategy execution



Oulu Mill conversion to kraftliner is finalised and is in a start-up phase

14 MEUR investment in Sunila Mill to build a granulation and packaging plant for lignin

Feasibility study at Skoghall Mill by end Q4 2021

CLT Ždírec progressing according to plan, start-up Q3 2022

80 MEUR investment in wood handling at Imatra Mills by Q3 2022

Permanent closure of US-based Virdia during 2021



# Packaging



# Significant growth opportunities for plastic free and circular packaging

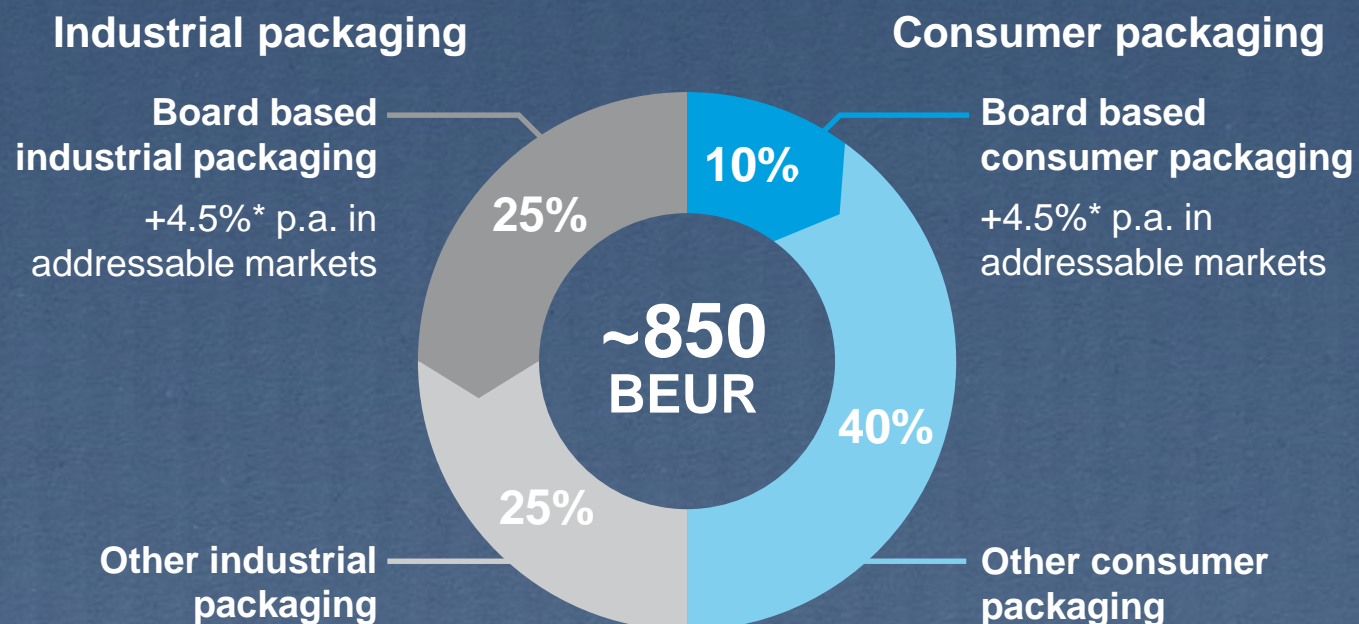


## Global packaging market

Increased disposable income & urbanisation

Growing e-commerce & on-the-go consumption

Demand for renewable & low CO<sub>2</sub> alternatives

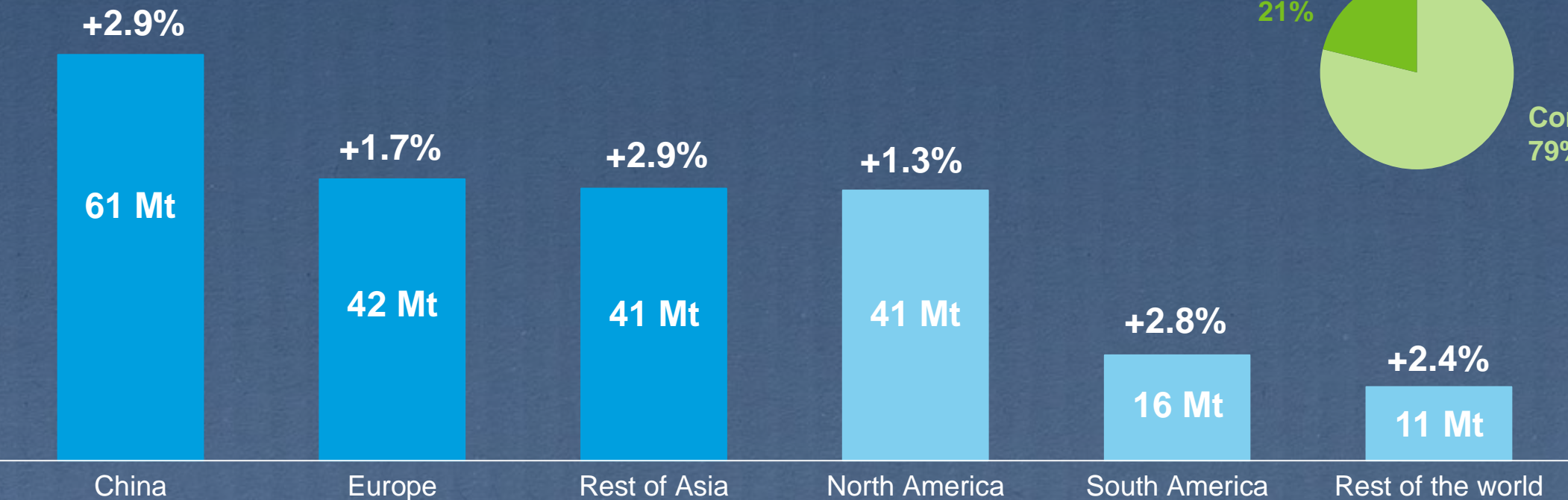


\*Including inflation

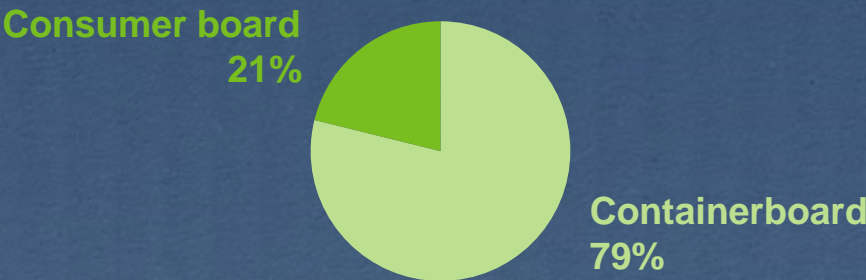


# Solid global growth in consumer and containerboard

Annual demand growth of consumer board and containerboard\* combined in 2020 - 2030 and market sizes (2019)



Global demand split 2019



Target markets for Stora Enso

\*Excluding sack and kraft papers

Source: Stora Enso and AFRY



# Attractive converting positions in growing markets in packaging



Active engagement in plastic substitution

Speed in introduction of new materials and solutions

Synergies with Packaging Materials from integrated supply chain

## Industrial packaging converting

### Nordic countries

Annual market growth  
~ 1.5%\*

#1

### Baltics and Poland

Annual market growth  
~ 3.5%\*

#2

### Russia

Annual market growth  
~ 3%\*

#6

## Consumer packaging converting

### China

Annual market growth  
~ 9%\*

#3

Source: RISI, ICCA, and others

\*In 2020 - 2025



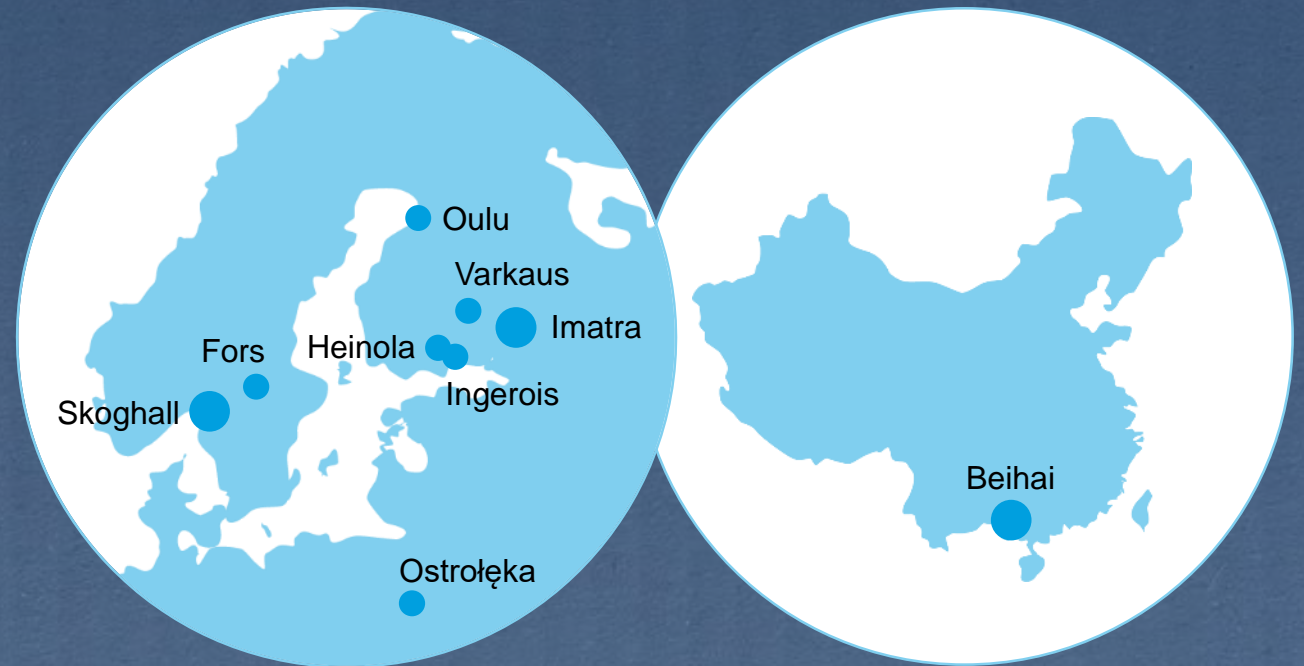
# Attractive investment options for Packaging Materials growth



Focus on brownfield investments, debottlenecking and improving operational efficiency

Develop world leading cost competitive integrates

Explore opportunities to consolidate the market through selective M&A





# Significant opportunities for new sustainable packaging



## Formed fiber



## Biofoam



## Biobarriers and films



Market growth  
(CAGR 2020 - 2030)

**3%**

**6%**

**3%**

Total market size  
(BEUR, 2020e)

**30**

**15**

**80**

EBIT margin  
potential

**30%**

**35%**

Supporting  
existing business

1<sup>st</sup> production line in Hylte

Pilot plant in Fors

Capacity investment in Forshaga





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# Wood Products



# Strong foundation for Building Solutions growth



## Traditional wood products

- ~5% operational EBIT -margin business over a cycle
- ~2% market growth
- Platform for building solutions and fiber supply to pulp mills

## Building Solutions

- ~20% operational EBIT -margin business
- ~10% market growth
- Opportunities to take a larger part of value chain with new business models and services



# Attractive growth opportunities in Building Solutions

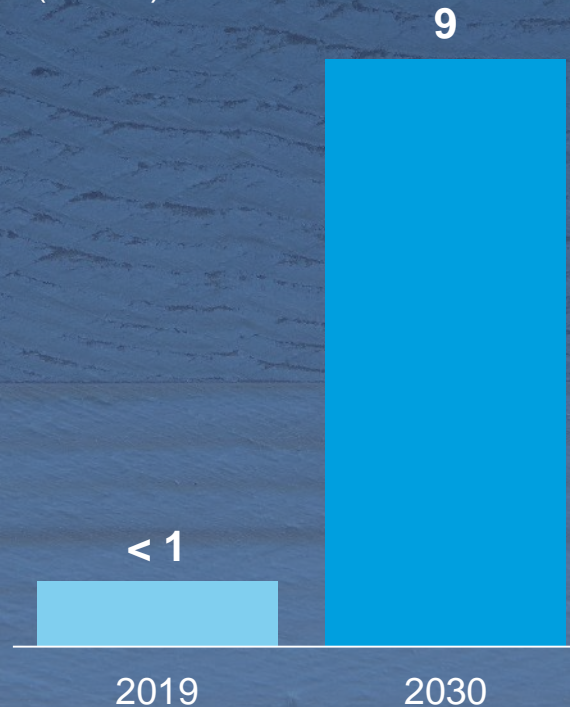


Carbon storage & safer workplaces

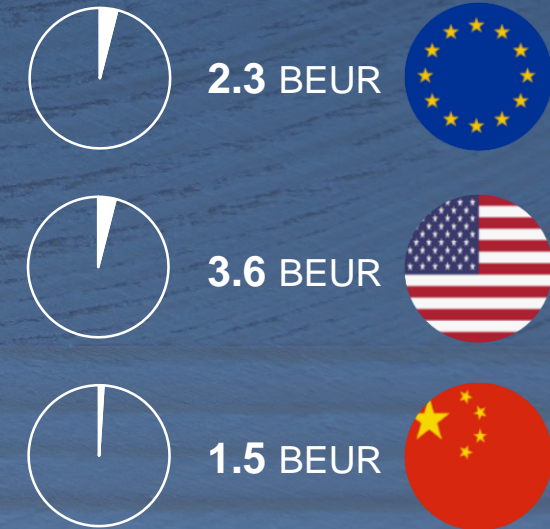
Lower building costs & faster construction

Policies promoting wooden construction

The global wood-based Building Solutions market (BEUR)



2030 market share and value by geography



Building Solutions

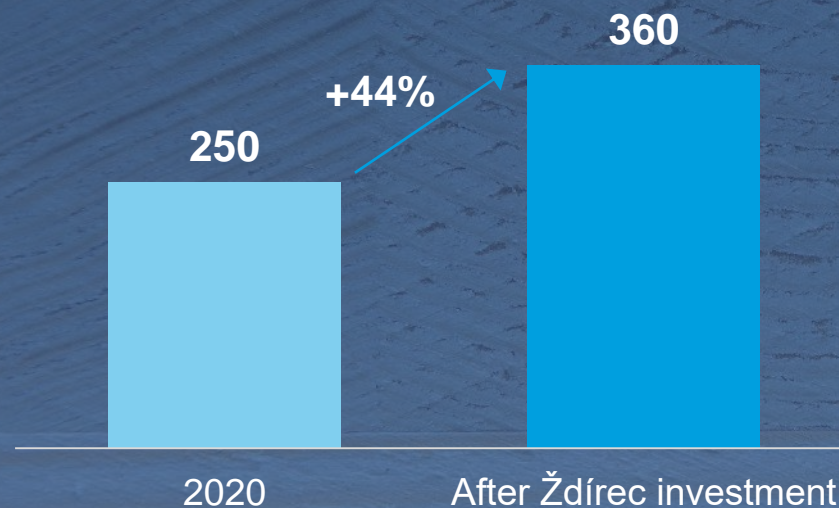
Other construction materials (concrete, steel)



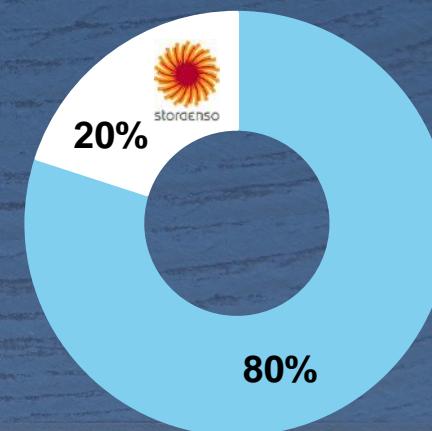
# Global market leader of wood-based Building Solutions



Stora Enso Cross Laminated Timber (CLT) capacity (k m<sup>3</sup>)



Stora Enso global CLT market share in 2020





# Biomaterials



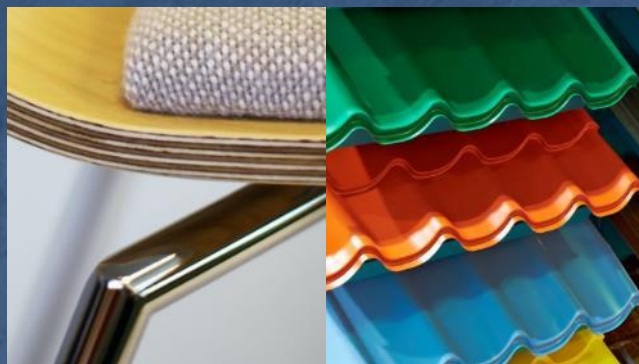
# New biomaterials are a highly attractive innovation platform



## Carbon for energy storage



## Bio-binders



## Carbon fibers



Market growth  
(CAGR 2020–2030)

**30%**

**2 - 4%**

**8 - 10%**

Total market size  
(BEUR, 2020e)

**10**

**20**

**3**

EBIT margin  
potential

**35%**

**35%**

**35%**

Pilot plant in Sunila

1<sup>st</sup> production line in Sunila

Pilot ongoing in JD with Cordenka



# Pulp sensitivity for next twelve months

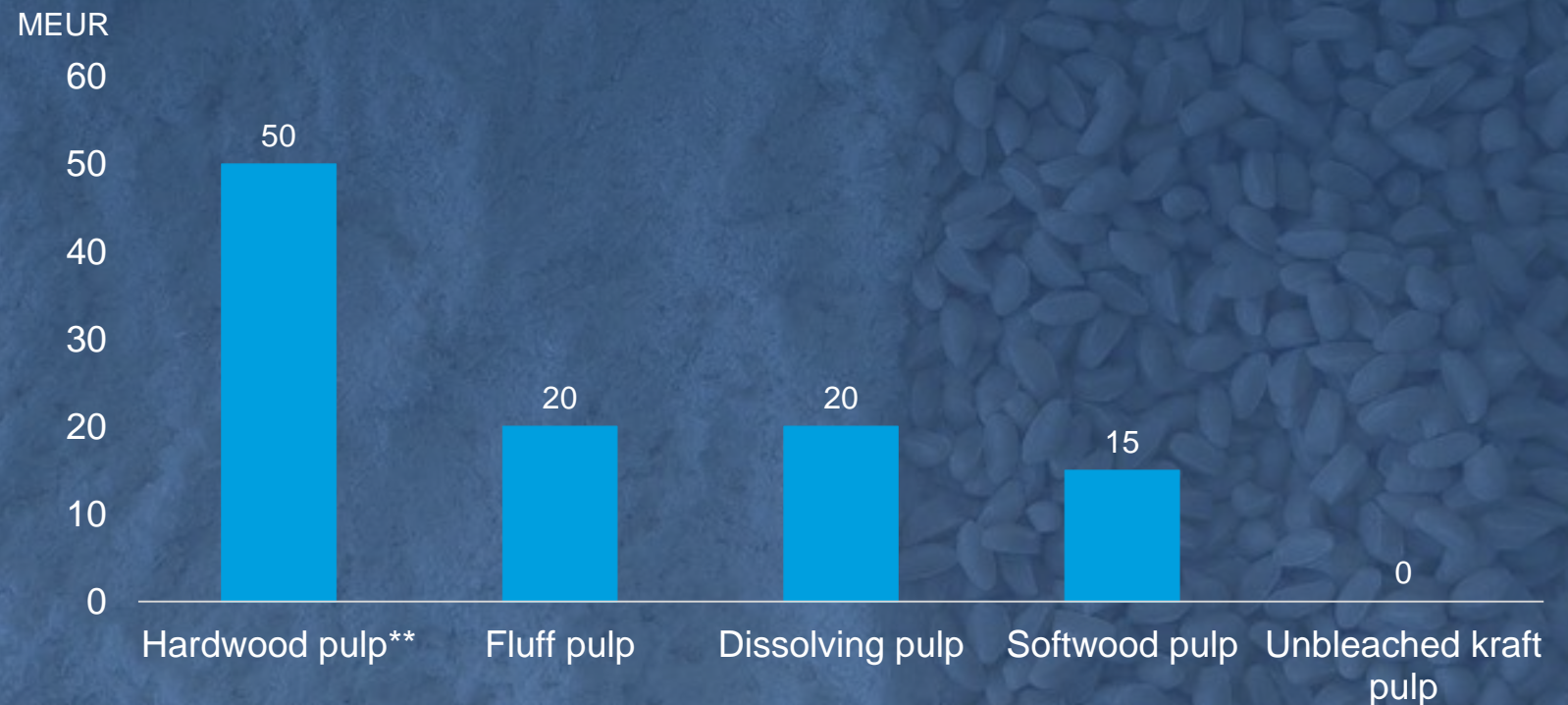


Sensitivity: 10% increase in market pulp prices has 105 MEUR positive impact on operational EBIT

Market pulp capacity by grade in tonnes:

|                  |         |
|------------------|---------|
| Hardwood         | 1 150kt |
| Fluff            | 350kt   |
| Dissolving       | 350kt   |
| Softwood         | 250kt   |
| Unbleached kraft | 50kt    |

Sensitivity analysis: EBIT impact of 10% increase in market pulp prices\*



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

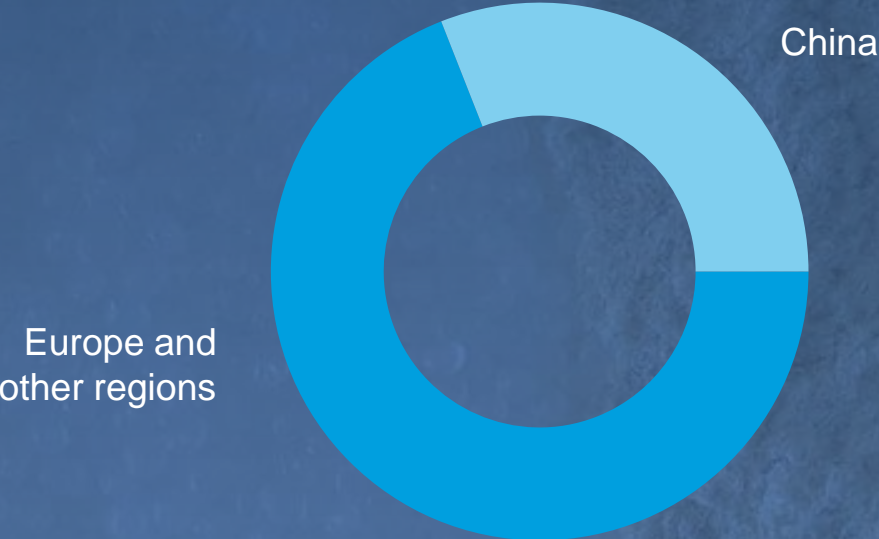
\*\* Includes 700 000 tonnes from Montes del Plata



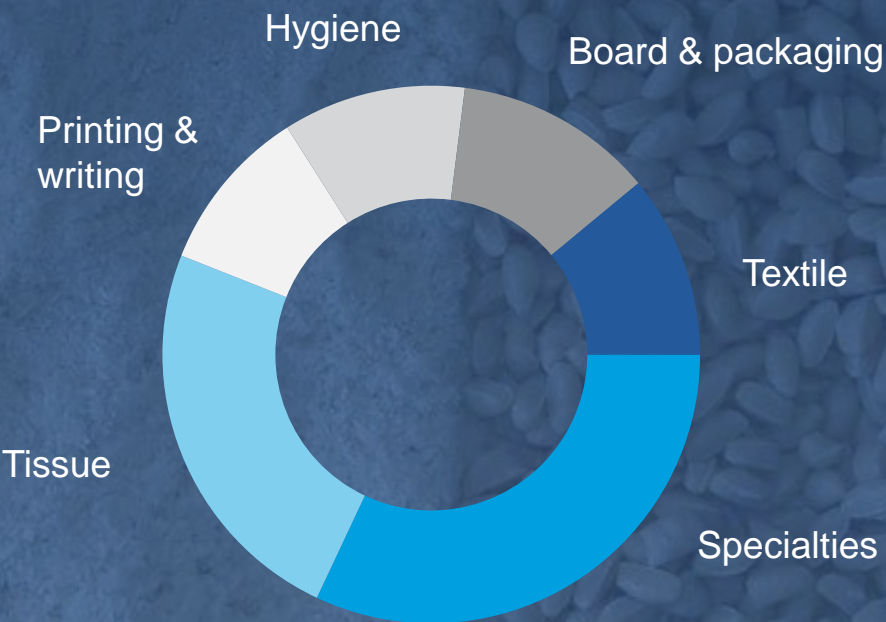
# Exposure to growing markets and end usages



Biomaterials' sales mix geographically in Q4/2020



Biomaterials' sales mix by end use in Q4/2020

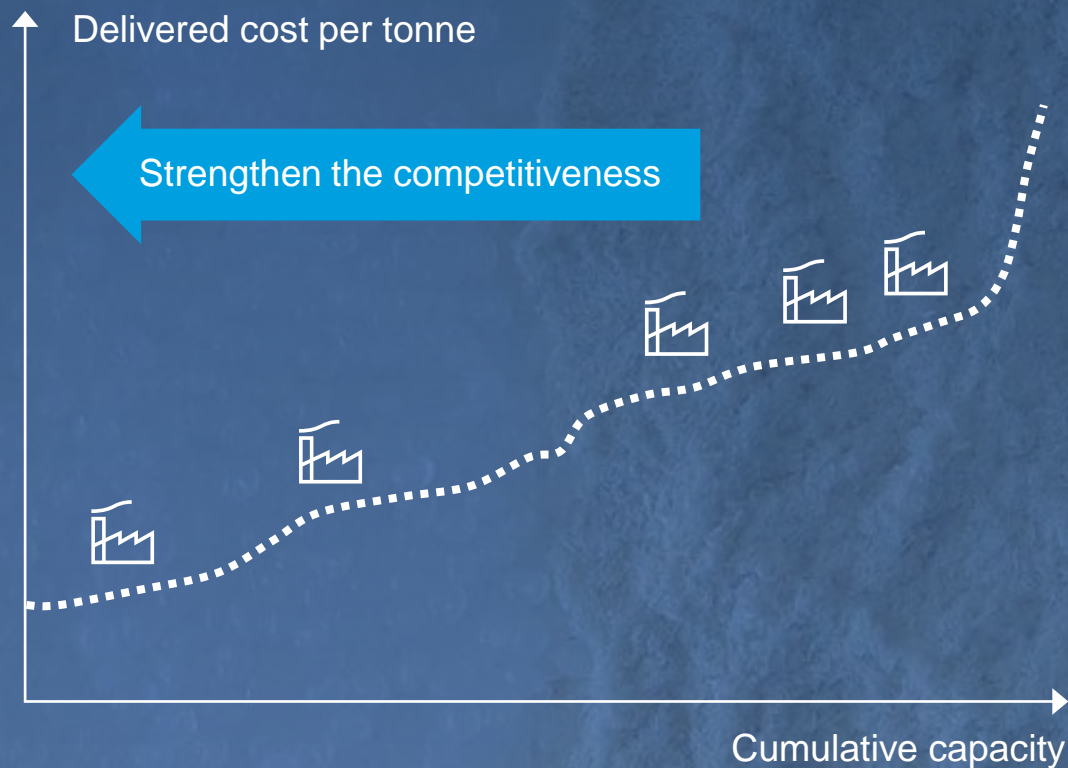




# Focus on strengthening competitiveness



## Delivered cost – Standard market pulp



- Market pulp not a focus area for growth
- Investments in integrated pulp to support Packaging Materials
- Maintain cost competitiveness of the Eucalyptus mills
- Focus on specialty pulp product development in Nordic mills





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# Forest

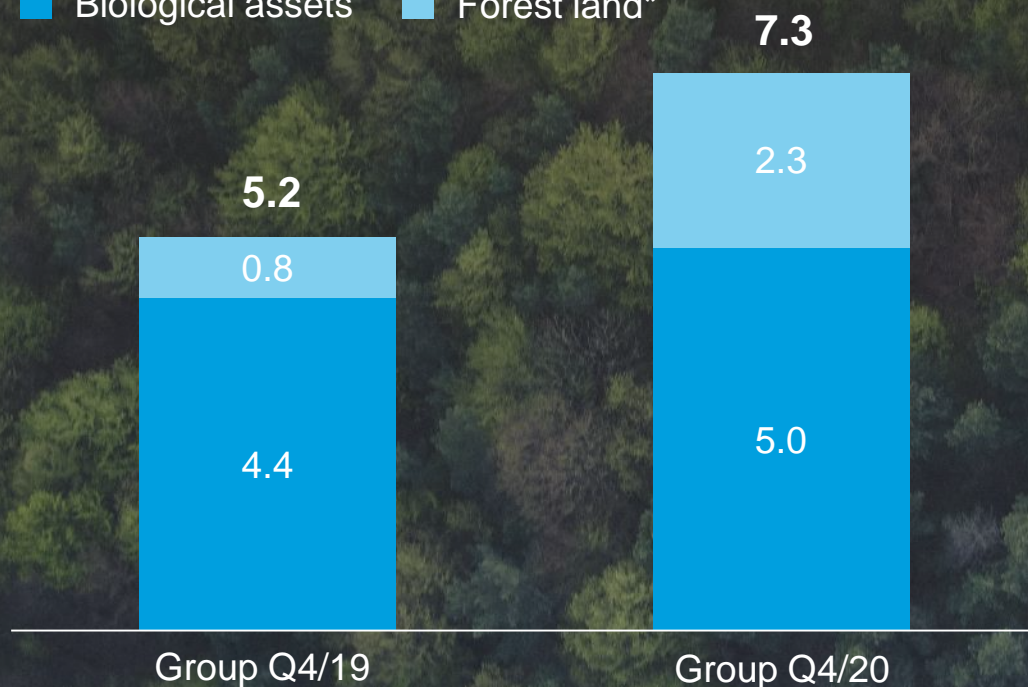


# Group forest assets fair value increased significantly in 2020



## Group forest assets BEUR

■ Biological assets ■ Forest land\*



*\*including leased land*

## Market transaction based valuation method in Sweden

- Market transactions from Stora Enso forest regions (Northern and Central Sweden)
- Standing stock and price data of the traded forest (Price per m3fo (SEK))
- Weighted three year average transactions from Ludvig & Co and Areal statistics

## Land revaluation in Finland

- Impact not material



# Forest assets significant share of the balance sheet



All figures total forest assets including biological assets and forest land\*

Group forest assets  
Biological assets: 5.0 BEUR  
Forest land\*: 2.3 BEUR

98% certified wood from own forests

**Sweden**  
**5.6 BEUR**

(Market transaction-based fair value)

**Tornator (41%)**  
**825 MEUR**  
(DCF) (Q4/20)

**Montes del Plata (50%)**  
**418 MEUR**  
(DCF) (Q4/20)

**Veracel (50%)**  
**93 MEUR**  
(DCF) (Q4/20)

**Guangxi**  
**359 MEUR**  
(DCF) (Q4/20)

*\*including leased land*



# One of the largest global forest owners



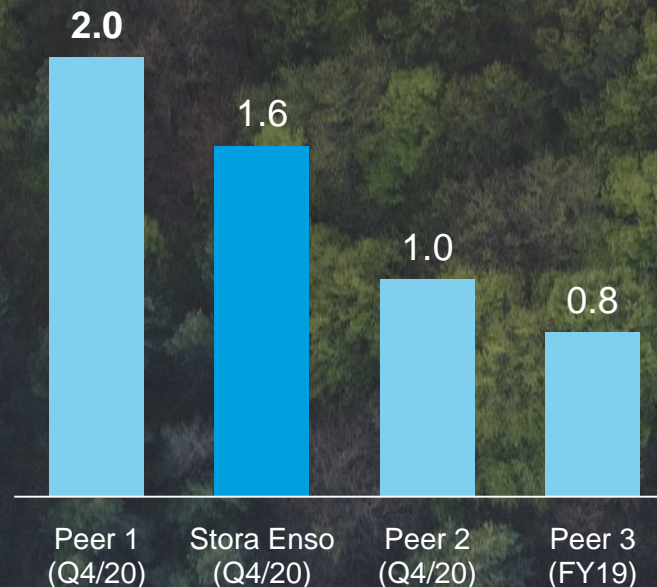
> 2 million ha of forest land  
and over 1.6 million ha  
productive forest land

~196 million m<sup>3</sup> standing  
stock\*

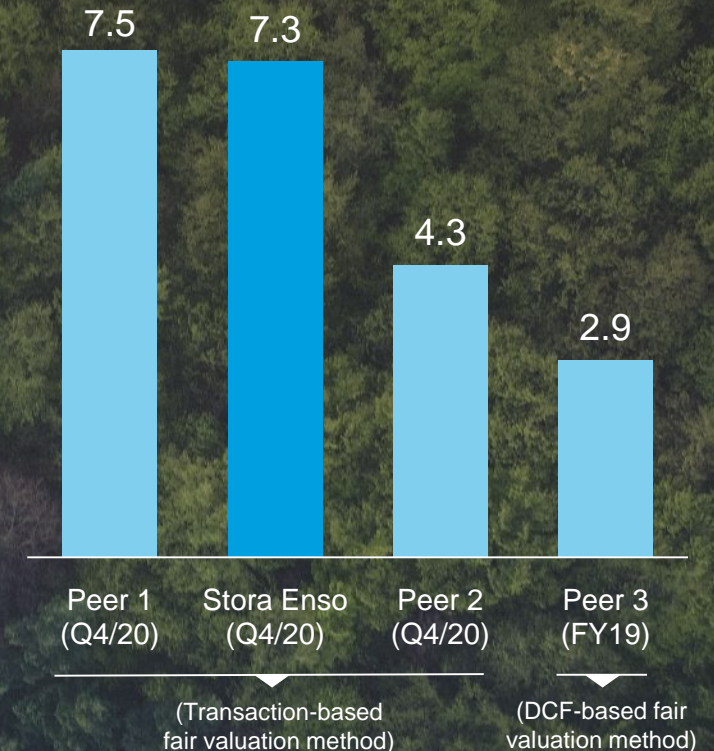
11.1 million m<sup>3</sup>\* in annual  
growth (exceeding harvesting  
levels with > 3 million m<sup>3</sup>\*)

Target to increase sustainable  
harvesting by 10–15% in  
Sweden

Peer companies' productive  
forest land  
million hectares



Peer companies' forest assets fair valuations  
BEUR



\*Productive forest land





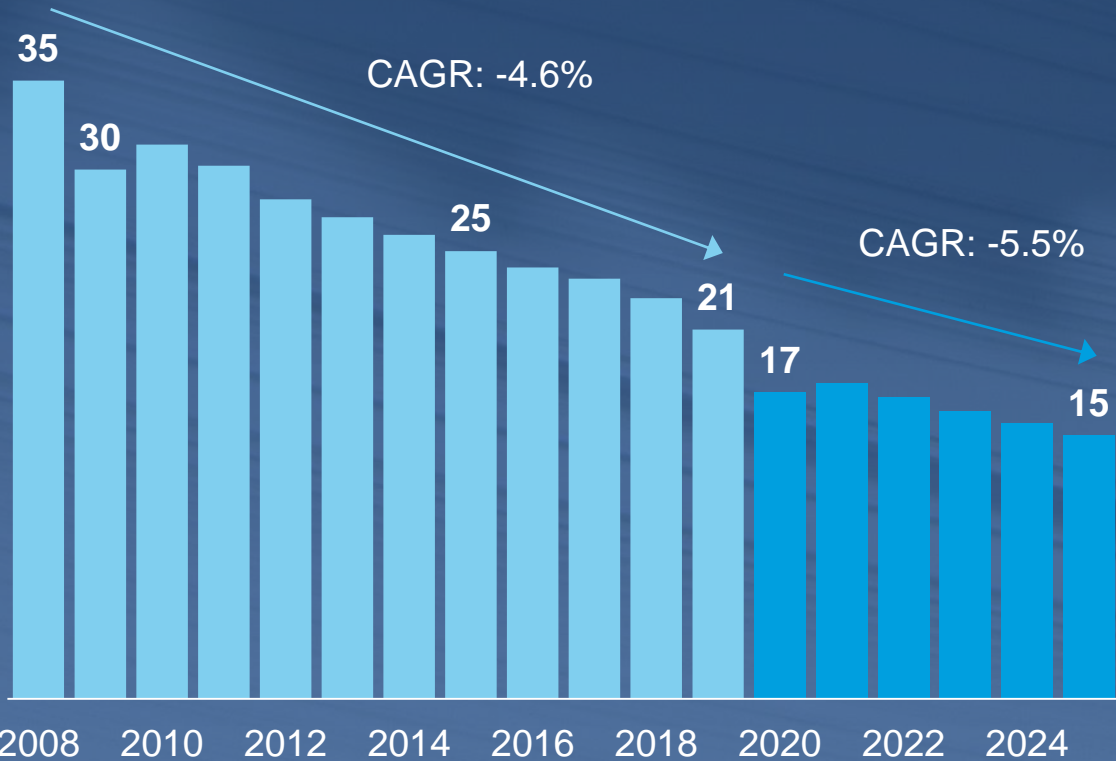
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# Paper

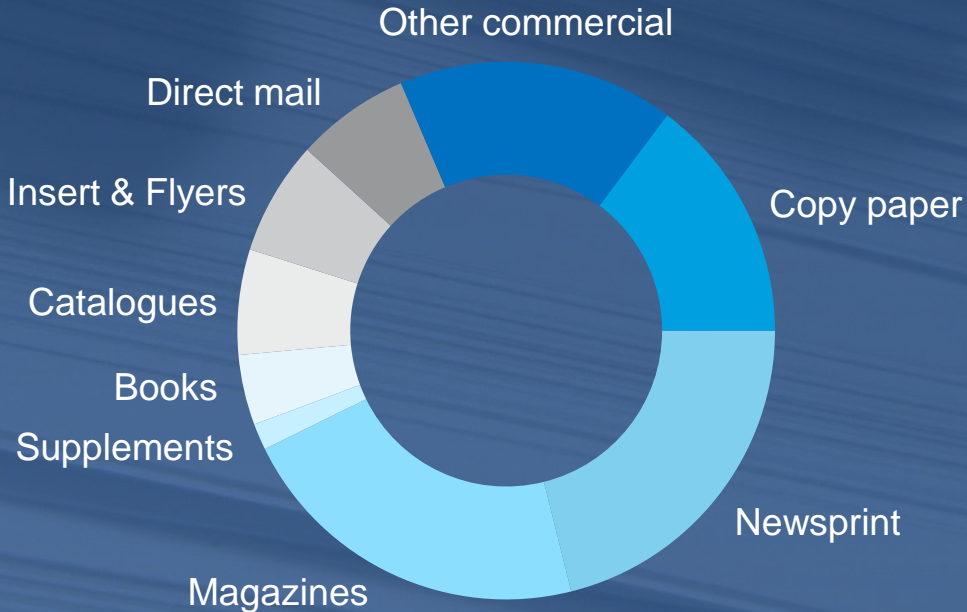


# Structural paper demand decline continues

European paper (Excl. wood free coated) demand (million t)



European paper demand by end use



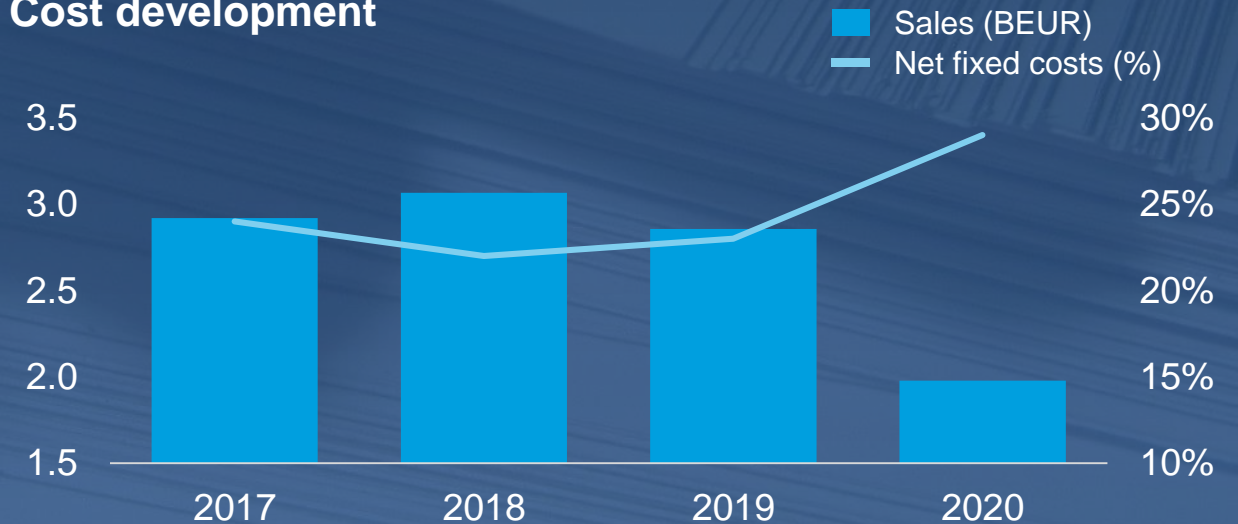


# Strong cash generation through cost reductions and capacity management



- Focus on cost reductions and working capital
- Capacity management through conversions, closures and divestitures
- Higher operational independence to adapt to challenging market conditions
  - Increased focus on the particular needs of the Paper business
  - Fit-for-purpose processes and tools
  - Allowing scalability of costs

## Cost development







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# Financials with Q4 figures



# Steady performance as a result of our own actions

Dividend proposal EUR 0.30 per share

Q4 2020 year-on-year



- Sales decreased by 11%, by 3% excl. Paper
  - Sequentially sales increased by 4%
- Operational EBIT was 118 (124) MEUR
  - Clear improvement excl. Paper to 122 (80) MEUR
  - Operational EBIT % increased to 5.5% (5.1%), excl. Paper 7.3% (4.6%)
- Cash flow from operations 436 (725\*) MEUR and after investments 223 (518) MEUR
- Net debt to operational EBITDA at 2.3x (2.0x)
  - Net debt reduced by ~300 MEUR
- Operational ROCE excl. Forest division at 4.6% (5.0%)



\* Cash flow in 2019 positively affected by an extraordinary dividend and capital repayment of 223 MEUR from Bergvik Skog



# Positive signs of market recovery

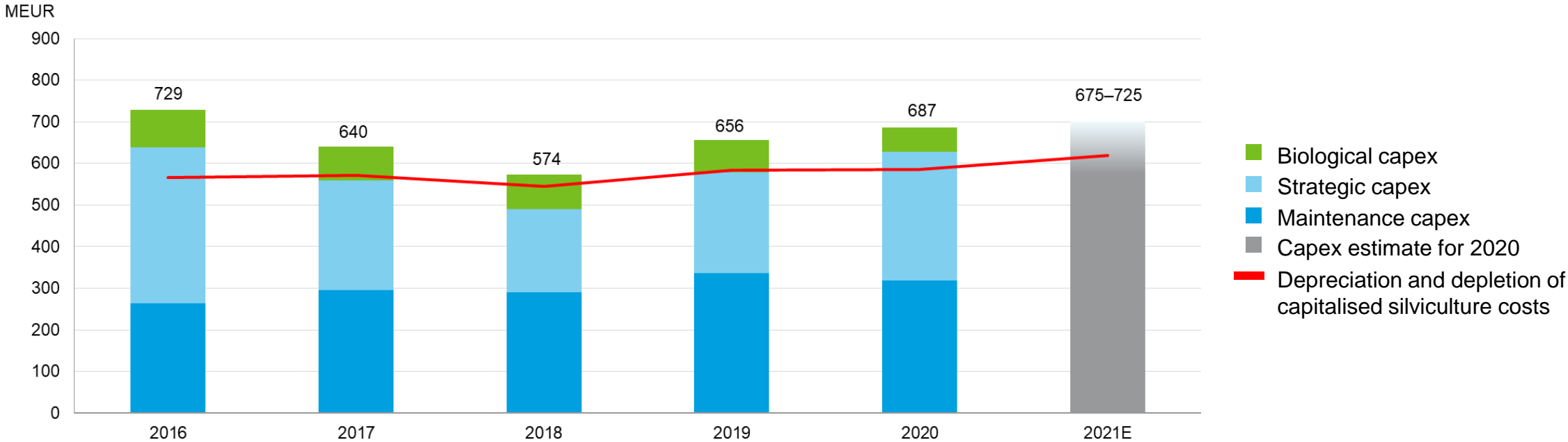


- Strong performance for Packaging Materials
  - Stable demand for consumer board
  - Improving market conditions for containerboard
- Strong e-commerce demand supports corrugated packaging
- Very strong performance for Wood Products
- Continued strong and stable performance for Forest
- Improving market conditions for Biomaterials
  - More balanced supply and demand, lower global inventory levels
- Strong cash flow for Paper
  - Demand decline continues and overcapacity in all paper grades





# Selective capex to support growth



Capex include the capitalised leasing contracts according to IFRS 16 Leases standard from 2019 onwards



# Outlook resumed with annual approach



## Operational EBIT in 2021 is expected to be higher than in 2020

- Expectations of economic recovery provided Covid-19 vaccination progresses successfully
- Demand for our products remains mixed
- Oulu Mill ramp up in Packaging Materials
  - Approximately 20 MEUR negative impact on operational EBIT in Q1
  - Approximately 45-55 MEUR total negative impact on operational EBIT in 2021
  - Design capacity reached by the end of Q2
  - Commercialisation of product portfolio by the end of 2021
  - Operational EBITDA break-even in Q1 2022
- The 400 MEUR profit protection programme will be concluded by end of 2021
  - Approximately 80 MEUR of estimated cost savings for this year
  - Continued focus on cash flow generation

## Total maintenance impact

| MEUR  | Q4 19 | Q1 20 | Q2 20 | Q3 20 | Q4 20 | Q1 21 est |
|-------|-------|-------|-------|-------|-------|-----------|
| Total | 167   | 98    | 110   | 159   | 161   | 105       |



**THE RENEWABLE MATERIALS COMPANY**