

Financial results for Q1 2020

Strengthening our resilience for the headwinds

President and CEO Annica Bresky
CFO Seppo Parvi

21 April 2020

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Better than expected quarter, supported by Packaging Materials and Forest

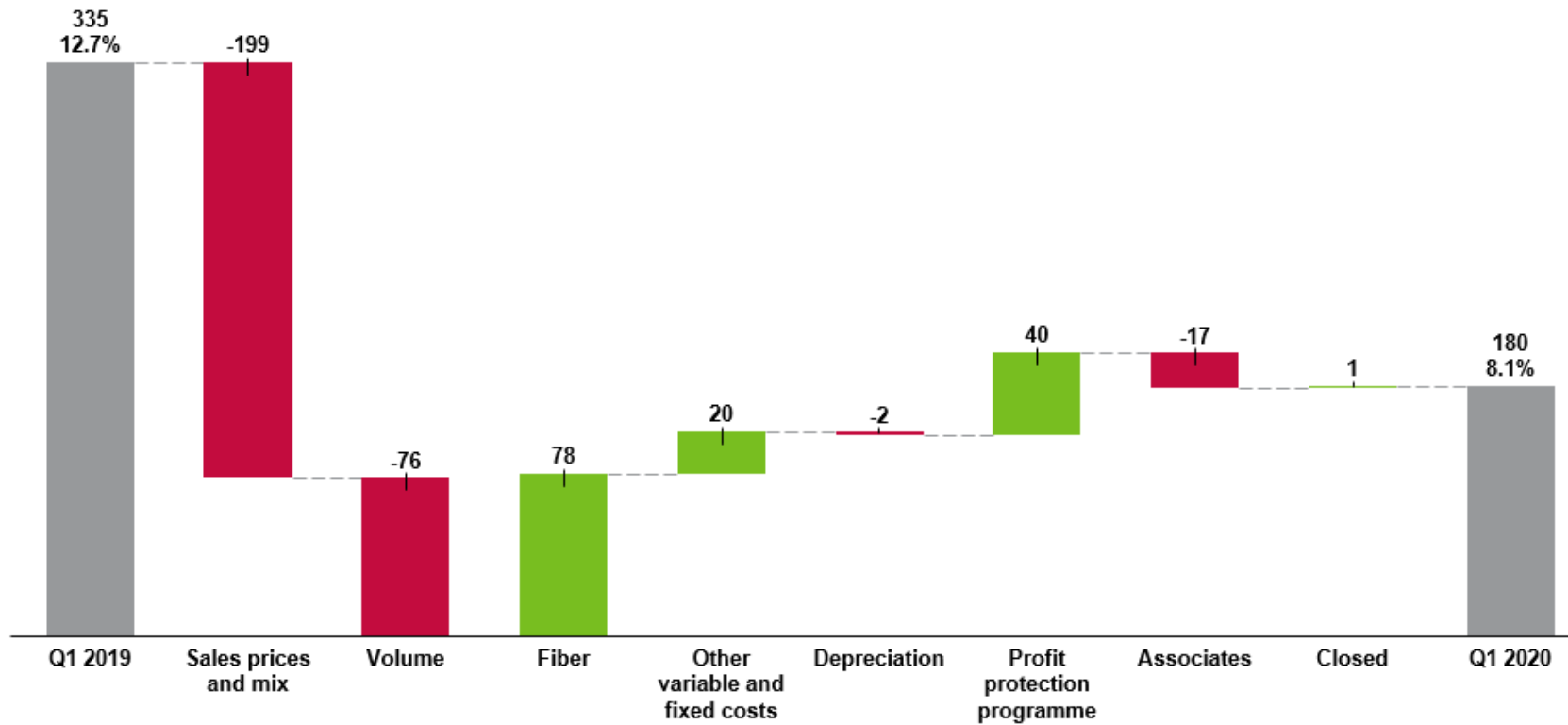
Q1 2020 year-on-year

- 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%)
- New dividend proposal EUR 0.15 per share. In addition, 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



Active cost management partly offset price and volume decreases

Operational EBIT Q1 y-o-y



Fighting Covid-19 by strengthening our resilience

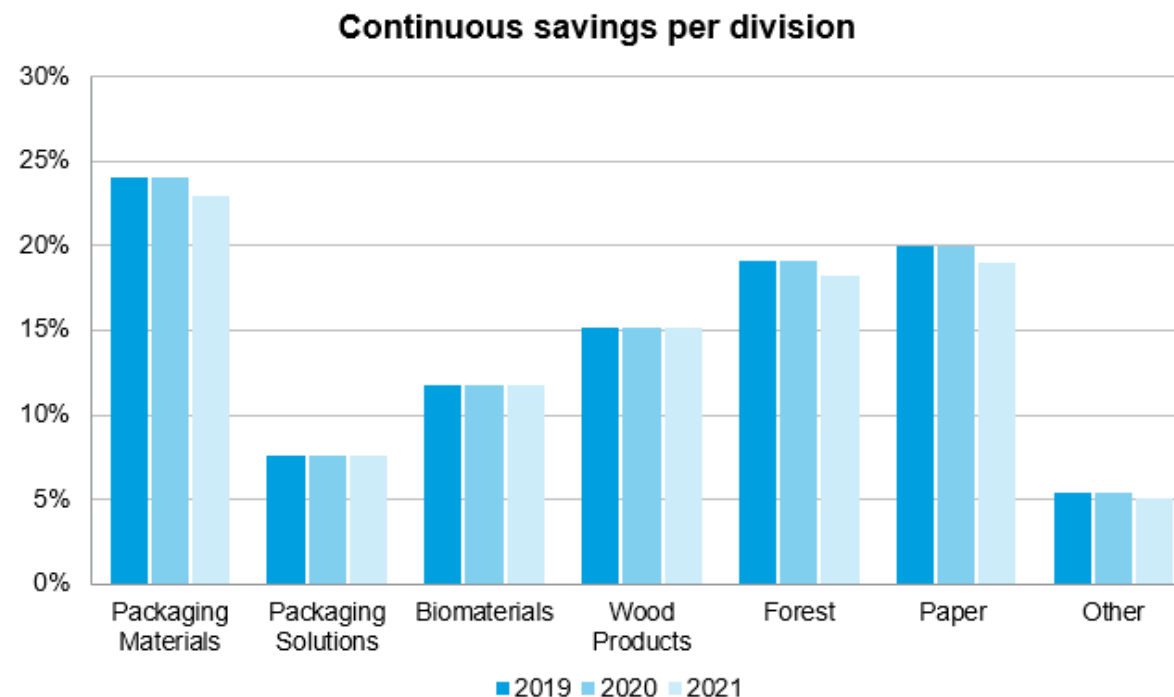
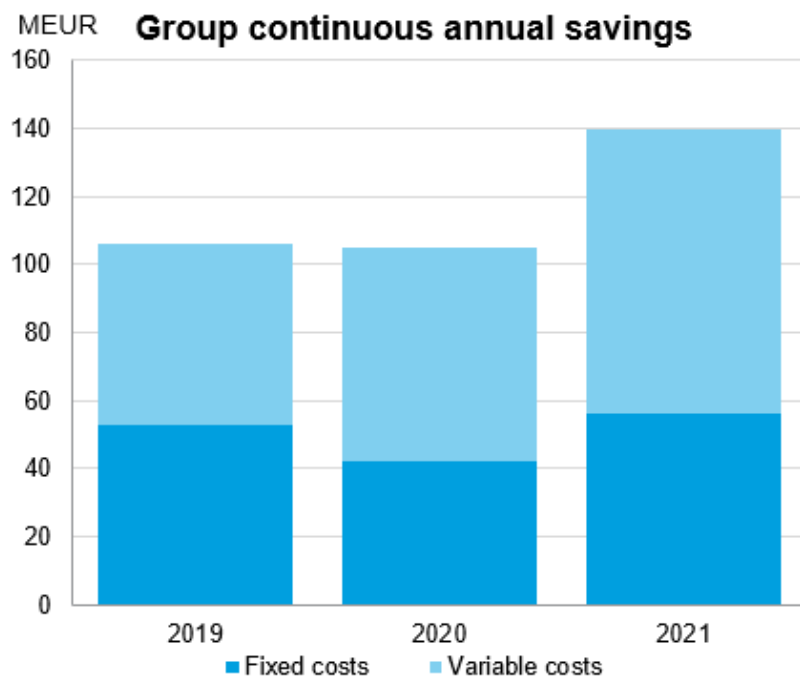


- Health and safety of our employees is a key priority
- Early proactive measures
 - Minimised impact on running our operations
 - Secured our ability to serve our customers
 - Active management of cash, cost and working capital
 - CAPEX forecast reduced to 675–725 MEUR
 - Postponed the annual mill maintenance 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



Increased profit protection programme to 350 MEUR continuous and 85 MEUR one-time savings

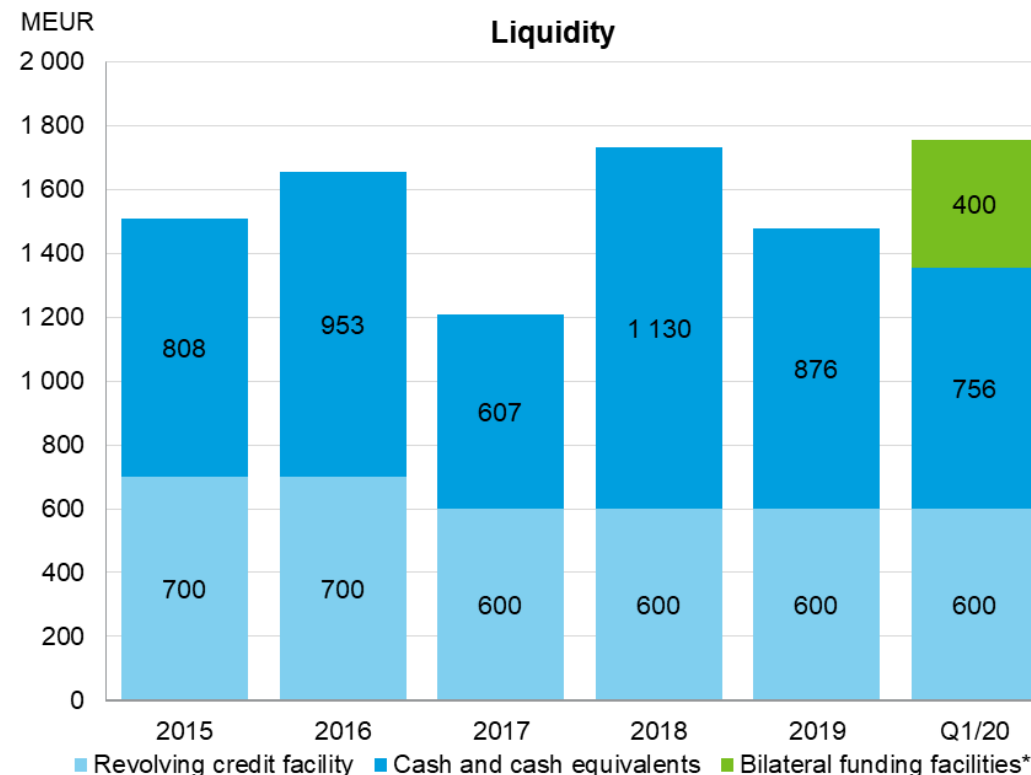
30 MEUR continuous and 10 MEUR one-time savings in Q1



Strong liquidity and good access to funding sources



- Actions to secure liquidity:
 - 756 MEUR cash and cash equivalents at the end of Q1 2020
 - 600 MEUR committed revolving credit facility fully undrawn
 - 400 MEUR additional funding facilities through bilateral arrangements agreed and signed early April
 - 950 MEUR statutory pension premium loans available
- Limited debt maturities in 2020 and next bond maturity in September 2021
- No financial covenants on Stora Enso Oyj's debt
- Net debt to operational EBITDA for the last 12 months at 2.3x and gearing at 48%



At the end of the period

*agreed and signed in early April

Key events during Q1



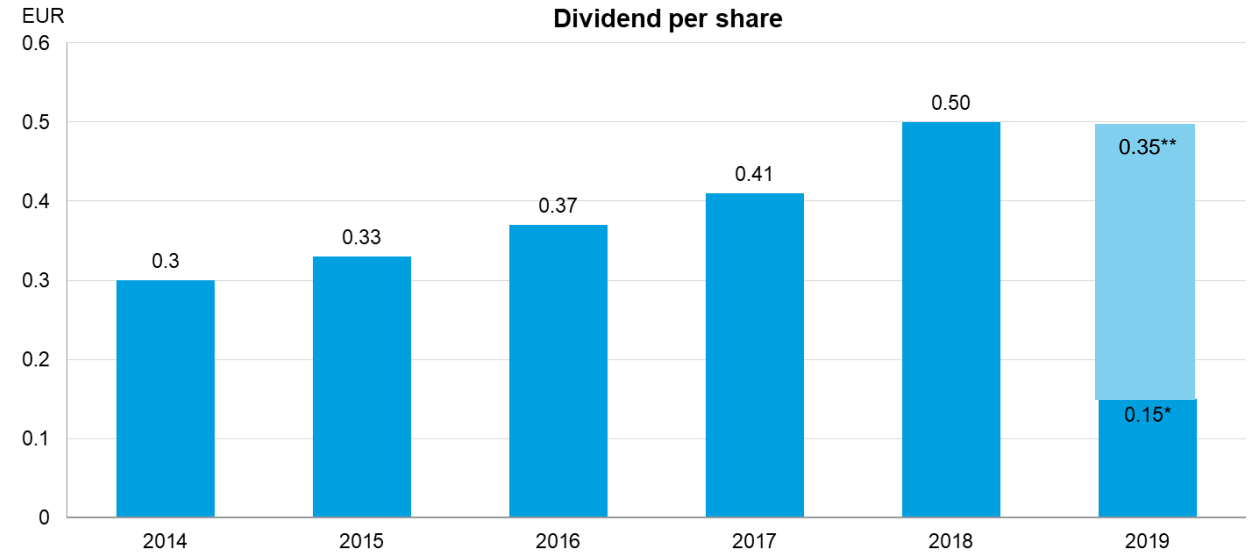
- As of 1 January 2020, new divisions: Packaging Materials, Packaging Solutions and Forest
- The expansion of the corrugated packaging plant in Riga, Latvia was completed and the ramp-up is proceeding as planned
- The divestment of the Pfarrkirchen sawn construction timber (KVH) mill was finalised
- Postponement of AGM due to Covid-19



Annual General Meeting on 4 June 2020



- 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



**Dividend proposal*

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

Focusing on margin and cash flow

Summary financials Q1 2020



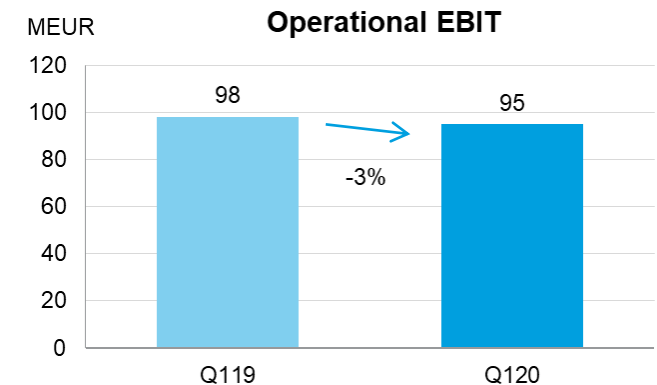
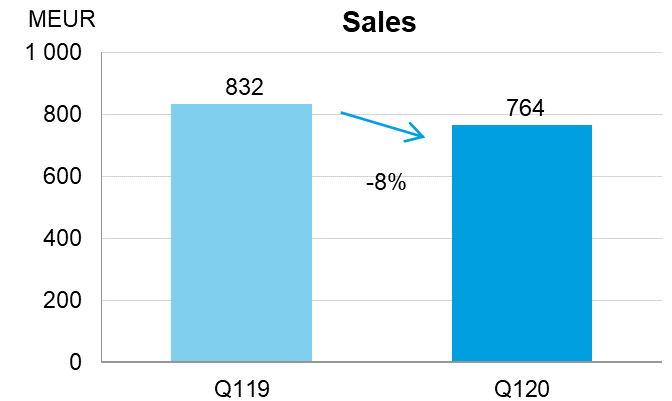
MEUR	Q1/20	Q1/19	Change% Q1/20- Q1/19	Q4/19	Change% Q1/20- Q4/19
Sales	2 207	2 635	-16.2%	2 411	-8.5%
Operational EBITDA	335	484	-30.8%	277	20.8%
Operational EBITDA margin	15.2%	18.4%		11.5%	
Operational EBIT	180	335	-46.3%	124	45.0%
Operational EBIT margin	8.1%	12.7%		5.1%	
Profit before tax excl. IAC	220	286	-22.8%	678	-67.5%
Net profit for the period (IFRS)	149	226	-33.9%	519	-71.3%
EPS excl. IAC and FV, EUR	0.12	0.32	-62.4%	0.07	63.5%
EPS (basic), EUR	0.19	0.29	-34.4%	0.66	-70.7%
Operational ROCE	6.8%	14.5%		4.7%	
<i>Operational ROCE excluding Forest</i>	7.6%	16.7%		5.0%	
Cash Flow from Operations	146	223	-34.5%	725	-79.9%
Net debt/last 12 months' operational EBITDA	2.3	1.6		2.0	

Packaging Materials

Strong demand continues in liquid, food and pharma Q1 y-o-y



- Sales decreased by 8% to 764 MEUR
 - Lower containerboard prices
 - Lower board deliveries in Europe due to the Finnish paper union strike
- Operational EBIT decreased by 3 MEUR to 95 MEUR
 - Top line impact only partly offset by lower pulp, paper for recycling and fixed costs
 - No covid-19 impact on Beihai
 - Strong operational performance with several production records
- Operational ROOC remained stable at 13.4% (14.0%)
- The conversion of Oulu Mill to kraftliner production is proceeding as planned

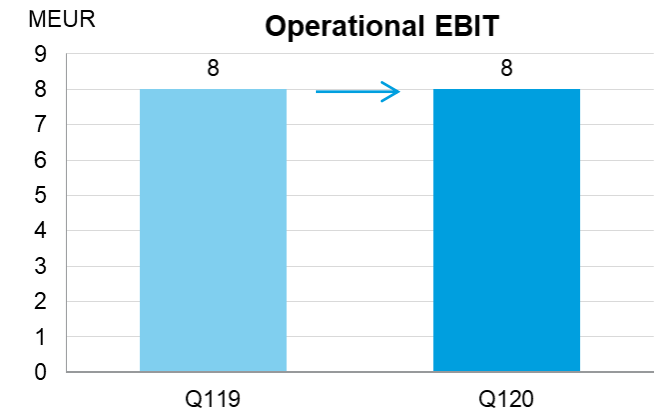
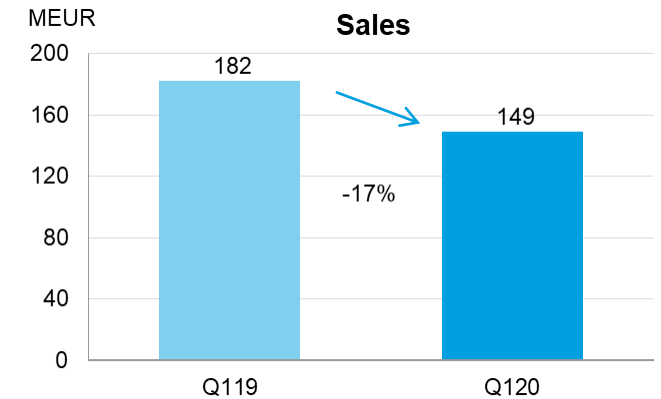


Packaging Solutions

Stable demand for e-commerce and food

Q1 y-o-y

- Sales decreased by 17% to 149 MEUR from last year's record high Q1 level
- Covid-19 impact on China Packaging but back in full operation since March
 - Lower box prices in Europe due to decreased raw material prices
- Operational EBIT remained stable at 8 MEUR
 - Improved corrugated margin in Europe
- Operational ROOC increased to 14.4% (11.8%) due to lower operating capital and improved EBIT margin

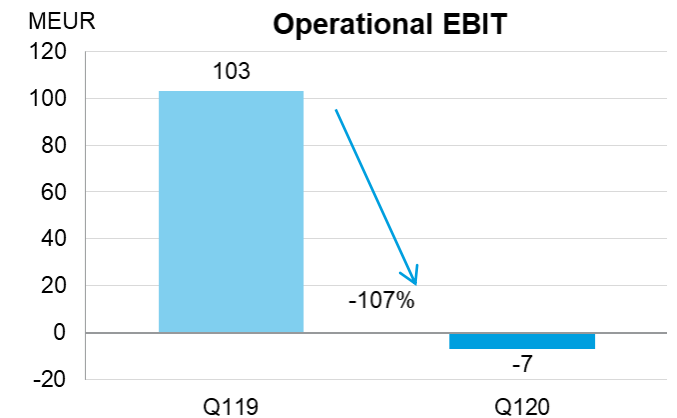
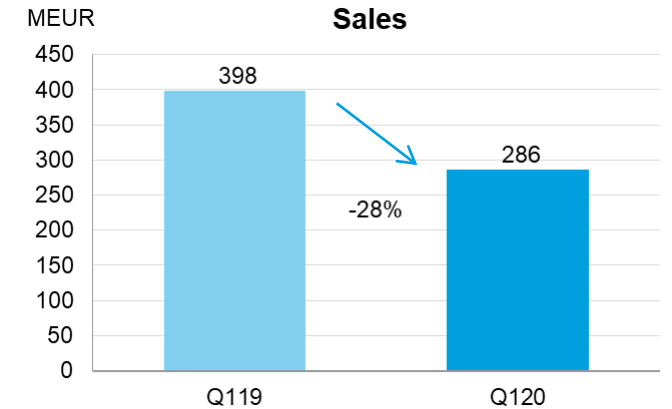


Biomaterials

Mixed demand for different pulp end uses

Q1 y-o-y

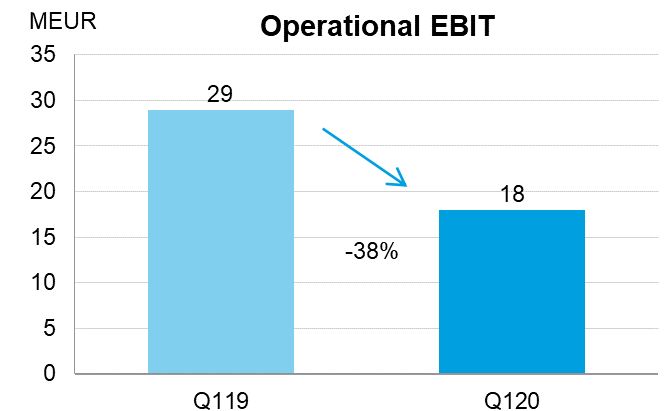
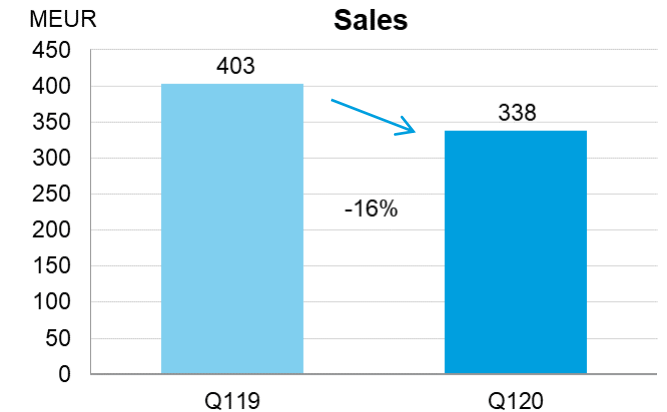
- Sales decreased by 28% to 286 MEUR from last year's record high level
- Significantly lower pulp prices
 - Lower volumes due to the Finnish paper union strike
 - Weak demand for graphical paper end uses
 - Strong demand for tissue, hygiene and packaging end uses
- Operational EBIT decreased by 110 MEUR to -7 MEUR from last year's record high Q1 level
 - Top line impact partly offset by lower fixed costs
- Operational ROOC decreased to -1.1% (16.2%)



Wood Products

Satisfactory performance during a challenging quarter Q1 y-o-y

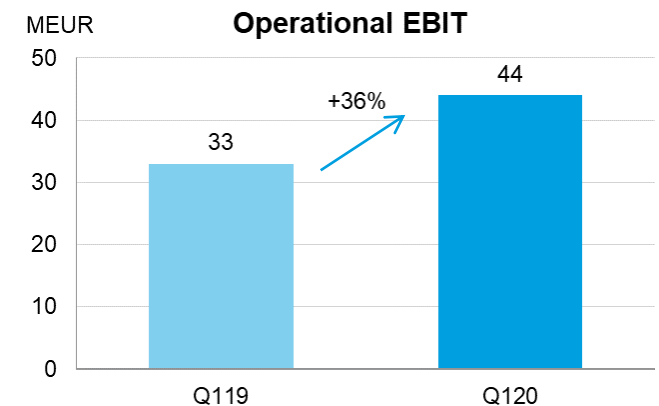
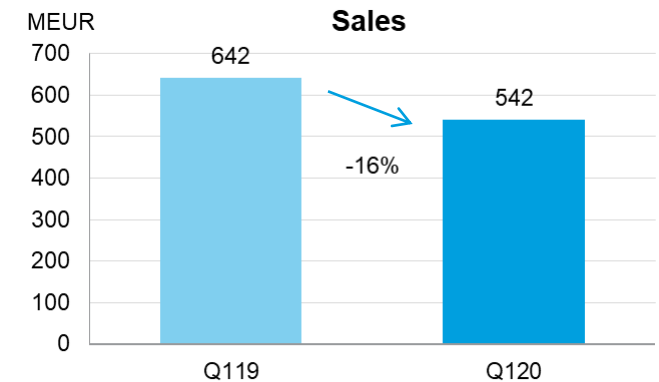
- Sales decreased by 16% to 338 MEUR
 - Lower classic sawn prices
 - Lower deliveries due to the Finnish union strike and lower demand
- Operational EBIT decreased by 11 MEUR from last year's record high Q1 level to 18 MEUR
 - Top line impact partly offset by lower wood and fixed costs
- Operational ROOC decreased to 11.4% (17.7%) mainly due to lower profitability



Forest

Managing a challenging business environment Q1 y-o-y

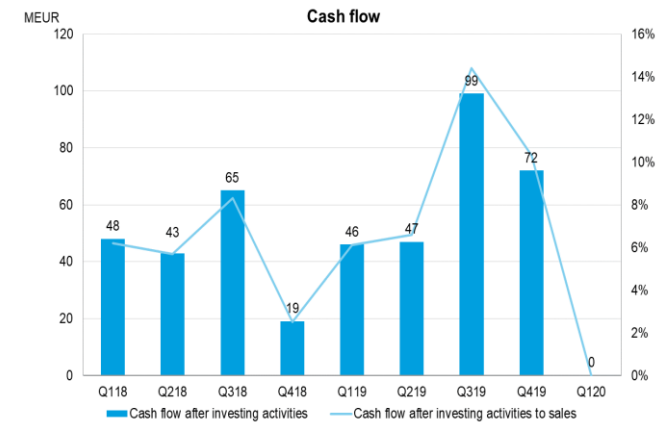
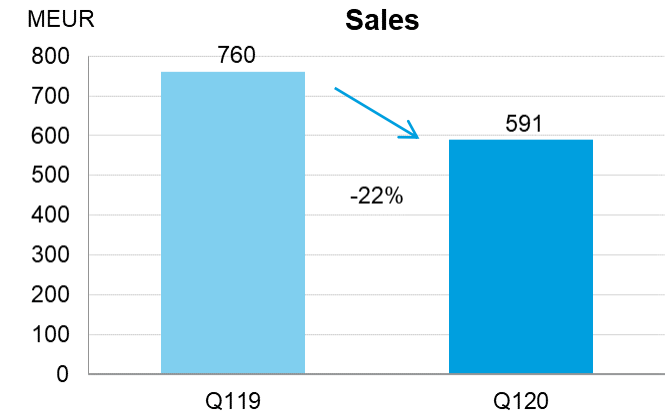
- Sales decreased -16% to 542 MEUR
 - Difficult harvesting conditions due to mild winter
 - Clearly lower deliveries due to the Finnish paper union strike
- Operational EBIT increased by 11 MEUR to 44 MEUR
 - Improved profitability from own forest holdings
- Operational ROOC decreased to 4.3% (6.6%), due to increased operating capital after Bergvik Skog restructuring



Paper

Accelerating structural decline in demand Q1 y-o-y

- Sales decreased by 22% to 591 MEUR mainly due to Finnish strike
 - Oversupplied paper market impacted deliveries and prices negatively
 - Dawang paper mill divestment impact -12 MEUR
- Operational EBIT decreased by 48 MEUR to 21 MEUR
 - Top line impact partly offset by lower fiber costs and good fixed costs management
- Cash flow after investing activities to sales ratio decreased to 0.0% (6.1%) driven by lower profitability
- After the Oulu Mill conversion Paper division's share of Group sales will be approximately 20%
 - Paper capacity reduced by approximately 1.1 million tonnes



Development of strategic financial targets



Group strategic financial targets		Q1 19	Q1 20	
Dividend*	To distribute 50% of EPS over the cycle	0.50	0.15**/0.35***	
Growth****	To grow faster than the relevant market	3.6% (YoY)	-13.8% (YoY)	●
Net debt to operational EBITDA	<2.0x	1.6	2.3	●
Fixed costs to sales	<20%	22.4%	24.9%	●
Net debt to equity	<60%	47%	48%	●
Operational ROCE	>13%	14.5%	6.8%	●
Operational ROCE excl. Forest		16.7%	7.6%	

Divisional strategic financial targets		Q1 19	Q1 20	
Packaging Materials	Operational ROOC > 20%	14.0%	13.4%	●
Packaging Solutions	Operational ROOC > 30%	11.8%	14.4%	●
Biomaterials	Operational ROOC > 15%	16.2%	-1.1%	●
Wood Products	Operational ROOC > 20%	17.7%	11.4%	●
Forest	Operational ROOC > 5	6.6%	4.3%	●
Paper	Cash flow after investing activities to sales > 7%	6.1%	0.0%	●

* Annual dividend. **Dividend proposal ***Additional payment of a maximum of EUR 0.35 to be decided later **** Excluding Paper

Guidance and outlook is discontinued due to exceptional uncertainty



Stora Enso is discontinuing its quarterly guidance and annual outlook until further notice, due to exceptional uncertainty in the global economy.

The current situation has accelerated the structural demand decline for paper and the market conditions for the Group's other products continue to be mixed.

Stora Enso continues to put focus on securing strong liquidity and cash flow, active management of cost and working capital to stay resilient and ensure quick recovery after the pandemic is over and the cycle turns.



Strengthening our resilience for the headwinds



- Better than expected quarter, supported by Packaging Materials and Forest
- The Covid-19 pandemic creates exceptional uncertainty
 - Mixed demand for our different products
 - Only minor disturbances on our operations so far
- Strengthening our resilience and ability for quick recovery
 - Protect the health of our employees
 - Serve our customers by securing business continuity
 - Continue innovation and launching new products
- Focus on what we can impact:
 - Staying close to our customers and partners
 - Securing strong liquidity
 - Active management of cash flow, working capital, costs and capex



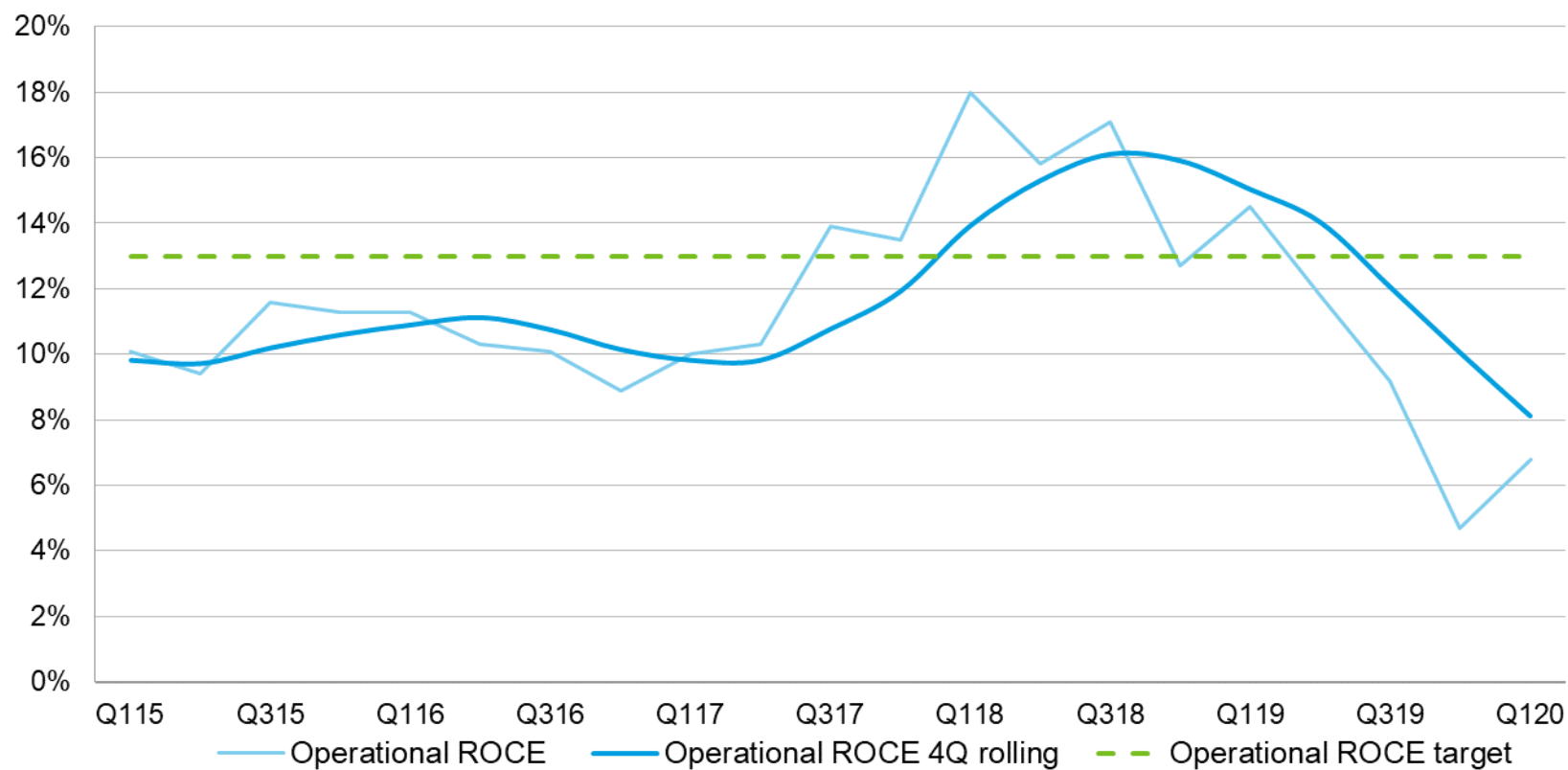
THE RENEWABLE MATERIALS COMPANY

Operational EBIT by segments



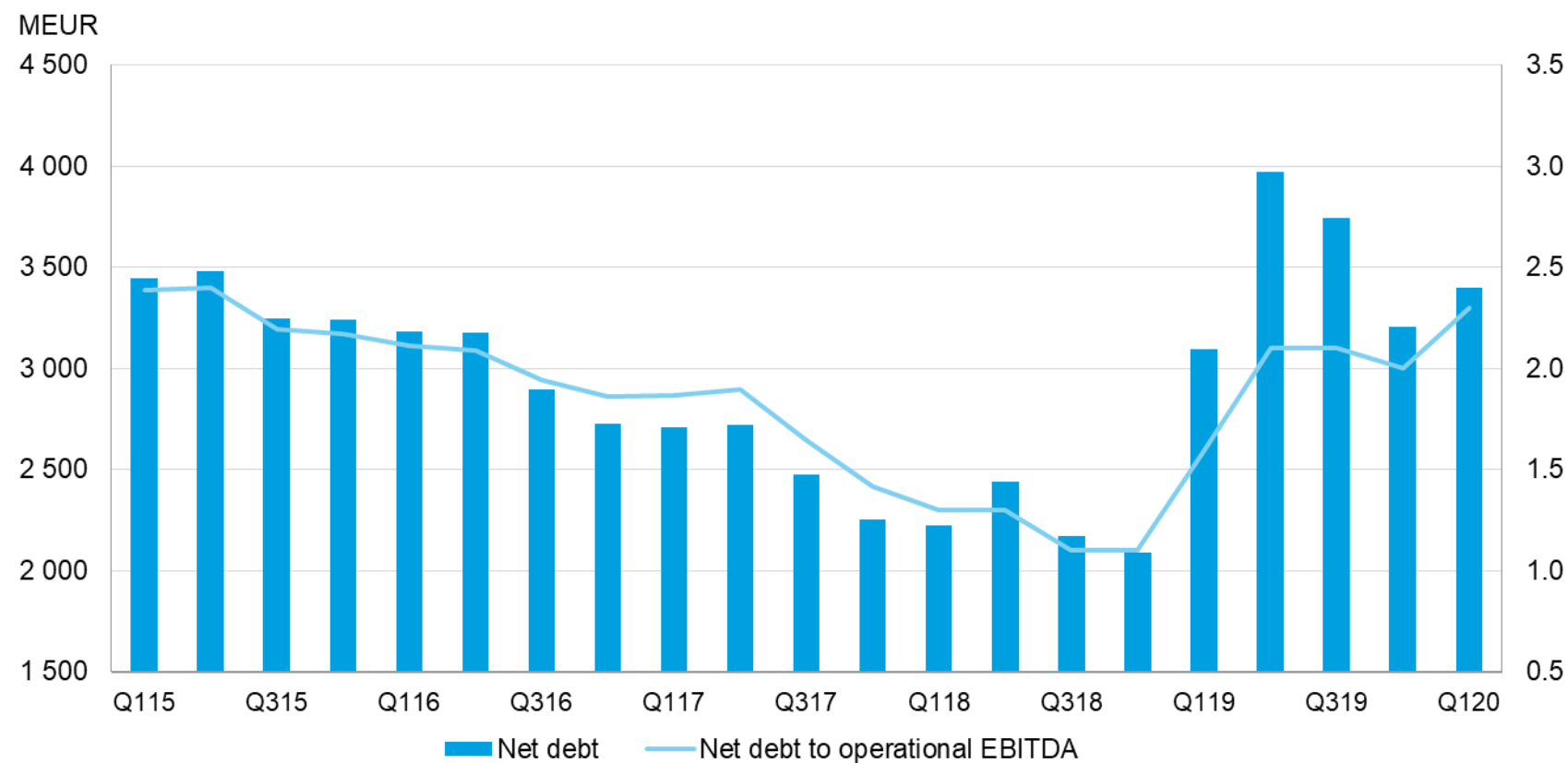
MEUR	Q120	Q119	Change % Q120-Q119	Q419	Change % Q120-Q419
Packaging Materials	95	98	-2.8%	57	67.7%
% of sales	12.5%	11.8%		7.4%	
Packaging Solutions	8	8	11.2%	10	-16.8%
% of sales	5.6%	4.2%		5.9%	
Biomaterials	-7	103	-106.8%	-12	41.3%
% of sales	-2.5%	25.8%		-3.5%	
Wood Products	18	29	-38.0%	14	33.9%
% of sales	5.3%	7.2%		3.6%	
Forest	44	33	35.6%	31	41.3%
% of sales	8.1%	5.1%		5.6%	
Paper	21	69	-69.1%	44	-51.4%
% of sales	3.6%	9.1%		6.3%	
Other	0	-4	95.0%	-19	98.9%
% of sales	-0.1%	-1.5%		-7.4%	

Operational ROCE development



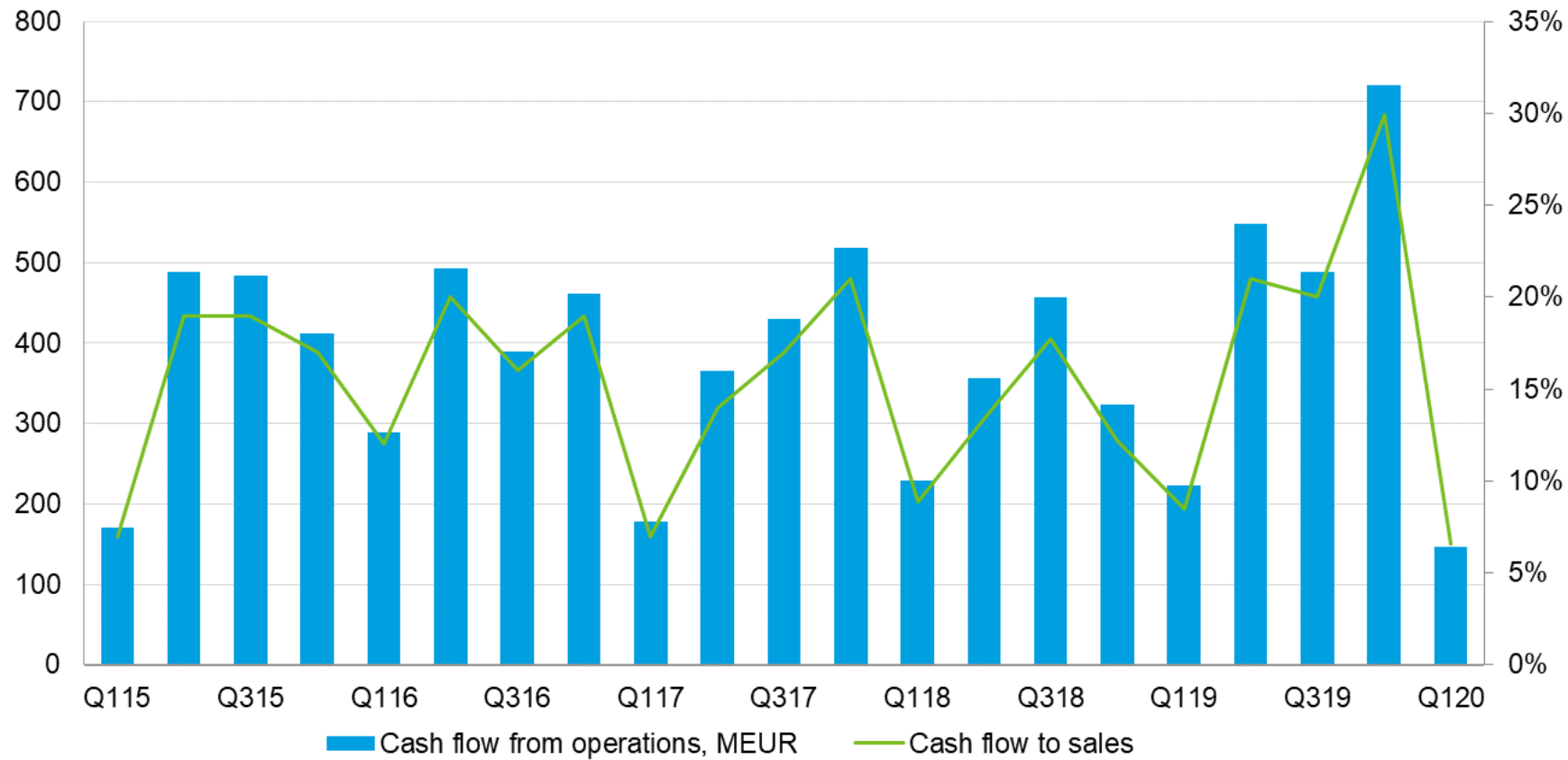
Operational ROCE for periods before 2018 not restated

Year-on-year net debt/EBITDA

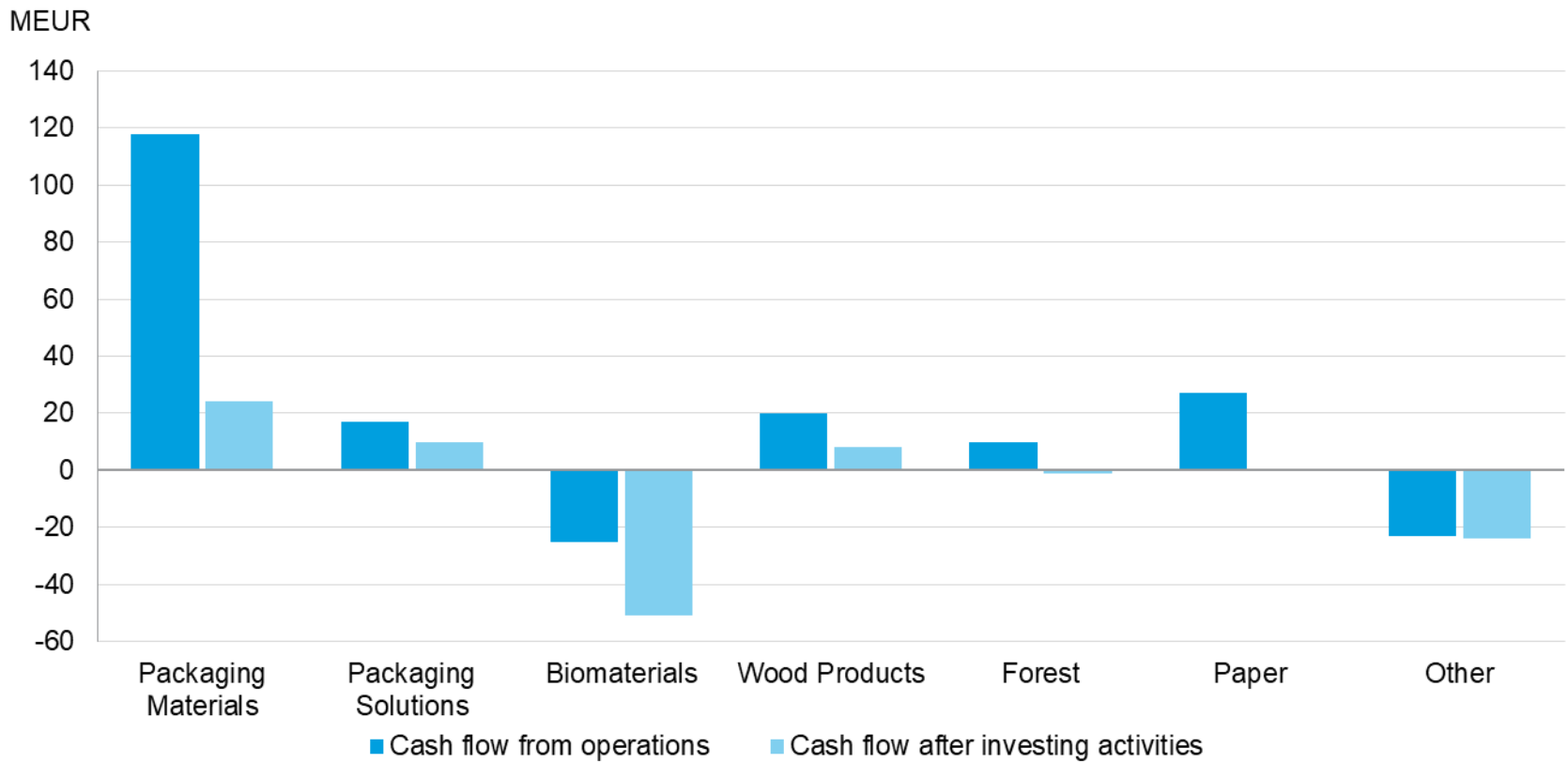


Net debt to operational EBITDA for periods before 2018 not restated

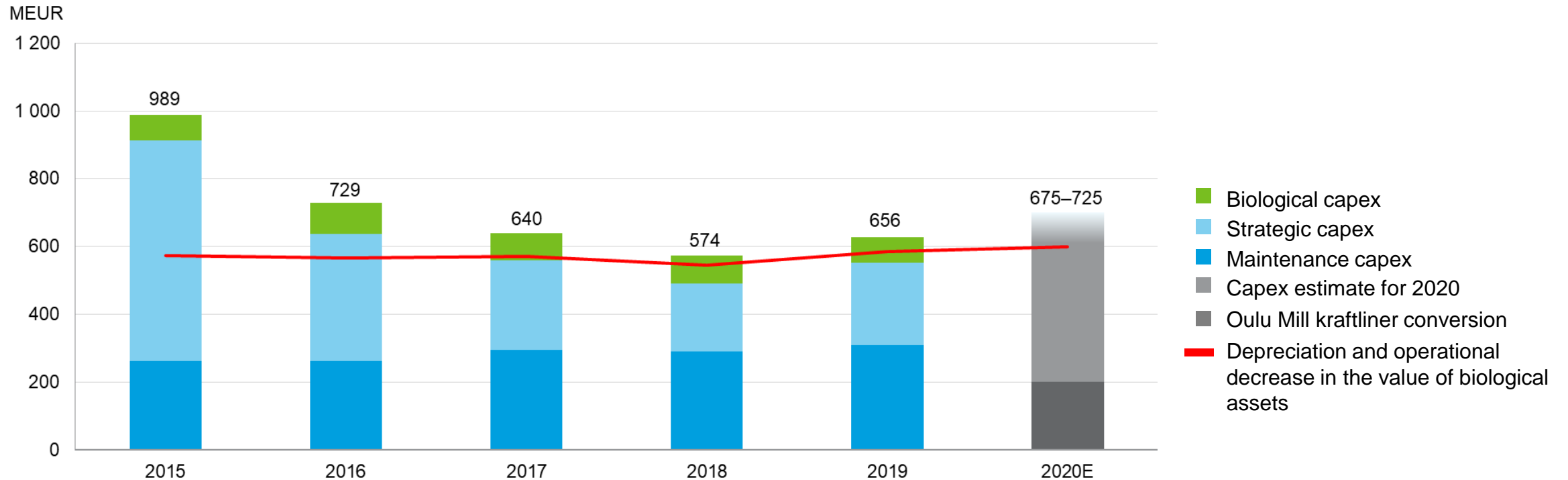
Cash flow development



Cash flow by divisions in Q1



Capex raised temporarily above depreciation



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

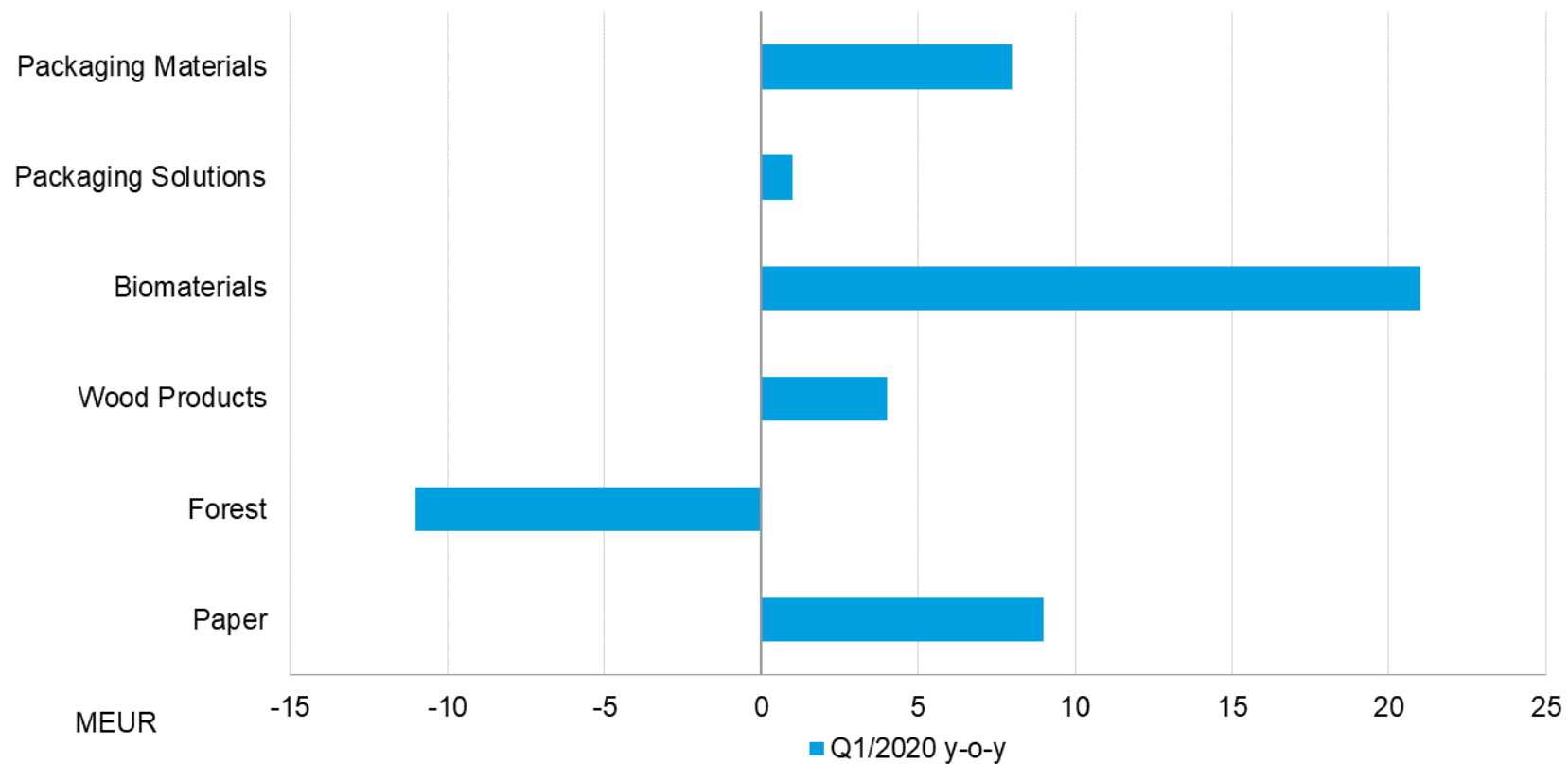
Net Financial Items



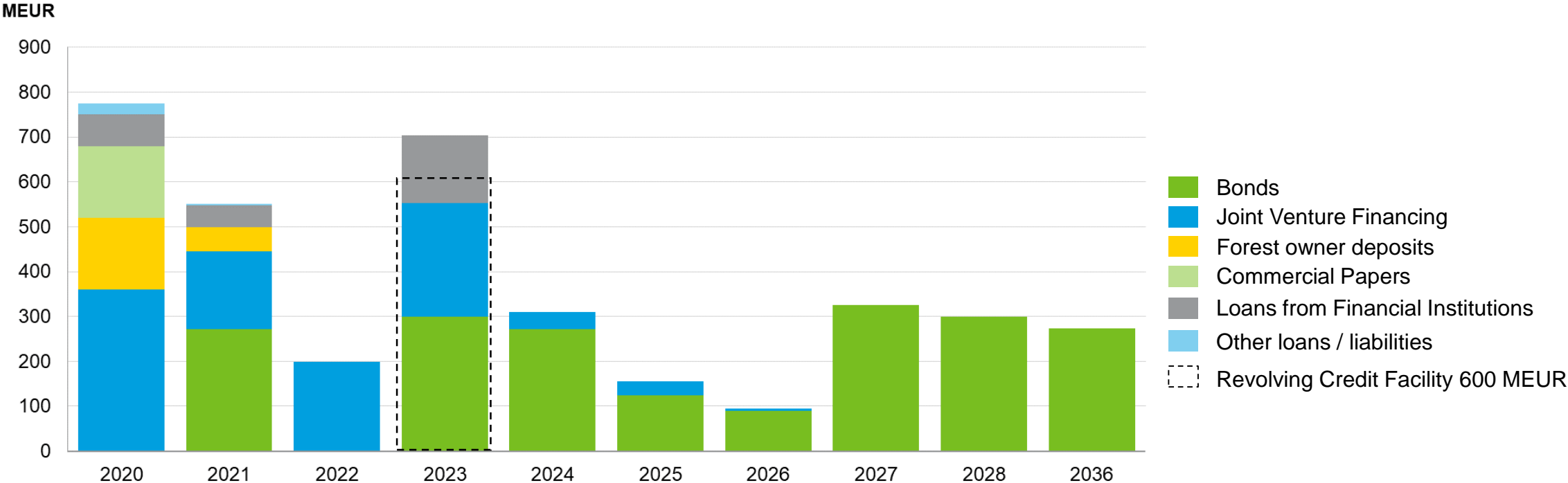
EUR million	Q1 2020	Q1 2019	Change MEUR Q120/ Q119	Q4 2019	Change MEUR Q120/ Q419
Net interest expense	-34	-38	4	-37	3
Average interest rate*	3.5%	4.3%		3.5%	
Foreign exchange gains and losses	-19	12	-31	8	-27
Other financial items, of which	-	-5	5	-5	5
Pension costs (IAS 19R)	-1	-2	1	-2	1
Other items	1	-3	4	-3	4
Total net financial items	-53	-31	-22	-34	-19

* Quarterly gross interest expense divided by average gross debt

Net FX by division



Maturity profile Q1 2020



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

Transaction risk and hedges Q1 2020



EUR Million	USD	SEK	GBP
Estimated annual operating cash flow exposure	1 371	-169	293
Transaction hedges as at 31 March 2020	-619	91	-123
Hedging percentage as at 31 March 2020 for the next 12 months	45%	54%	42%

Operational EBIT: Currency strengthening of +10%*	EUR million
USD	137
SEK	-17
GBP	29

*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 6 MEUR
Wood prices	Positive 170 MEUR
Chemical and filler prices	Positive 41 MEUR
10% increase in	Impact*
Market pulp price, total	Positive 120 MEUR
10% strengthening against Euro in the value of**	Impact*
US dollar	Positive 137 MEUR
Swedish krona	Negative 17 MEUR
British pound	Positive 29 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



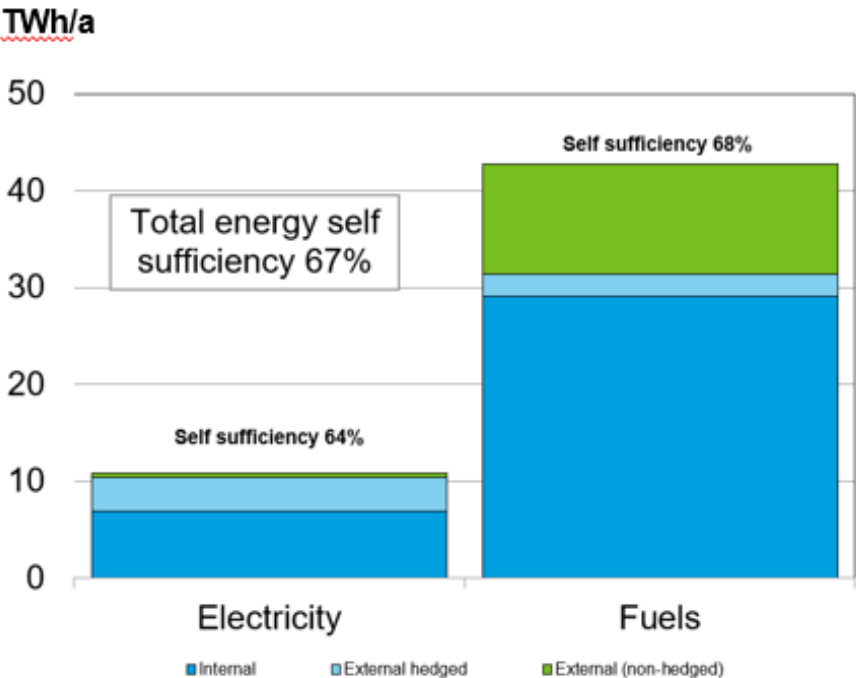
10% increase in	Impact*
Hardwood pulp** prices	Positive 50 MEUR
Softwood pulp prices	Positive 30 MEUR
Fluff pulp prices	Positive 20 MEUR
Dissolving pulp prices	Positive 20 MEUR
Market pulp price, total	Positive 120 MEUR

* 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

Stora Enso energy balance Q1 2020

Pulp, paper and board mills

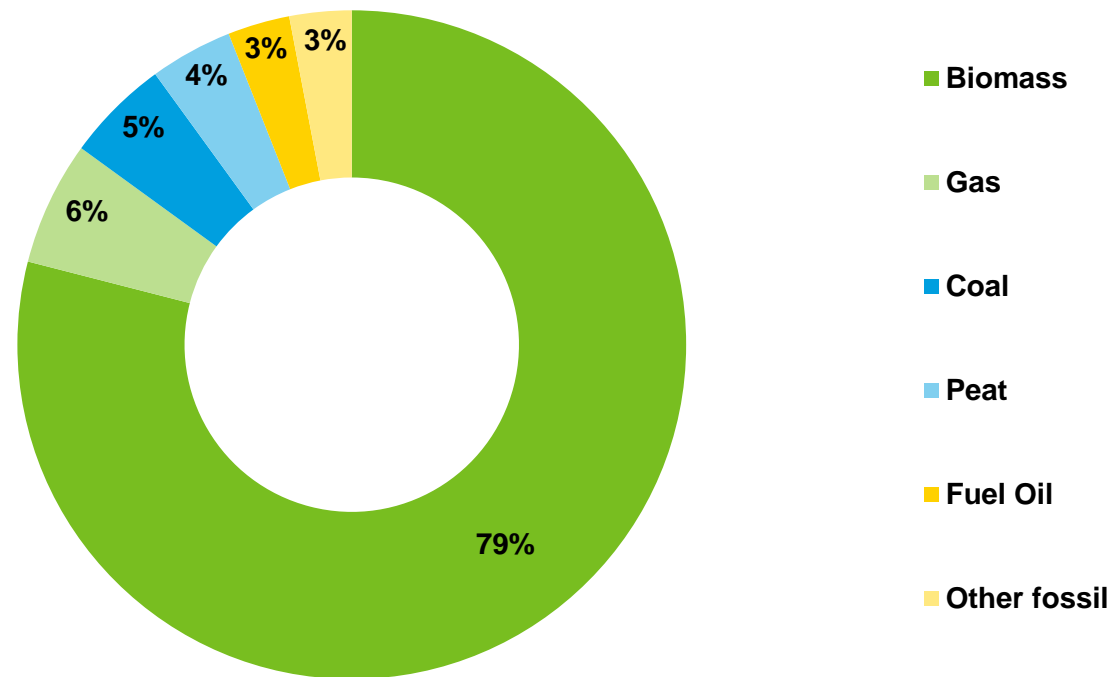


Impact on non-hedged volume on operating profit from 10% change in:	EUR million p.a.
Electricity market price	~2.5
Fossil fuel price	~3.7

External hedged volumes are secured from energy price risk exposure

Stora Enso fuels Q1 2020

Pulp, paper and board mills in Europe and overseas



Total Q1 fuel consumption was 10.2 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

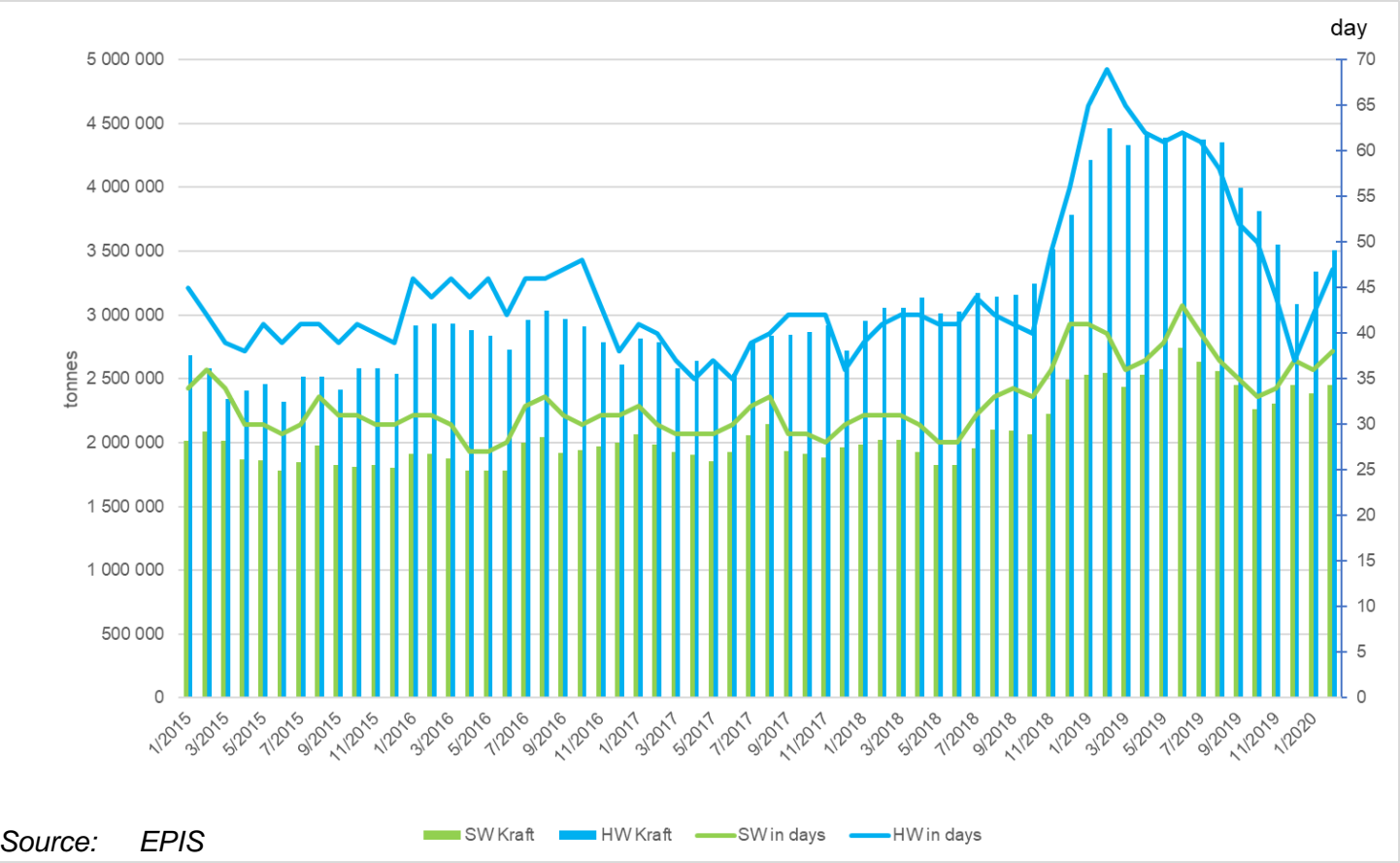
Mill	Date	Grade	Capacity reduction, t
Maxau PM 7	Nov 2010	Newsprint	195 000
Hylte PM1	Dec 2012	Newsprint	180 000
Ostroleka PM2	Jan 2013	Containerboard	85 000
Hylte PM2	May 2013	Newsprint	205 000
Kvarnsveden PM11	May 2013	Newsprint	270 000
Veitsiluoto PM1	Apr 2014	Coated magazine	190 000
Corbehem Mill	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

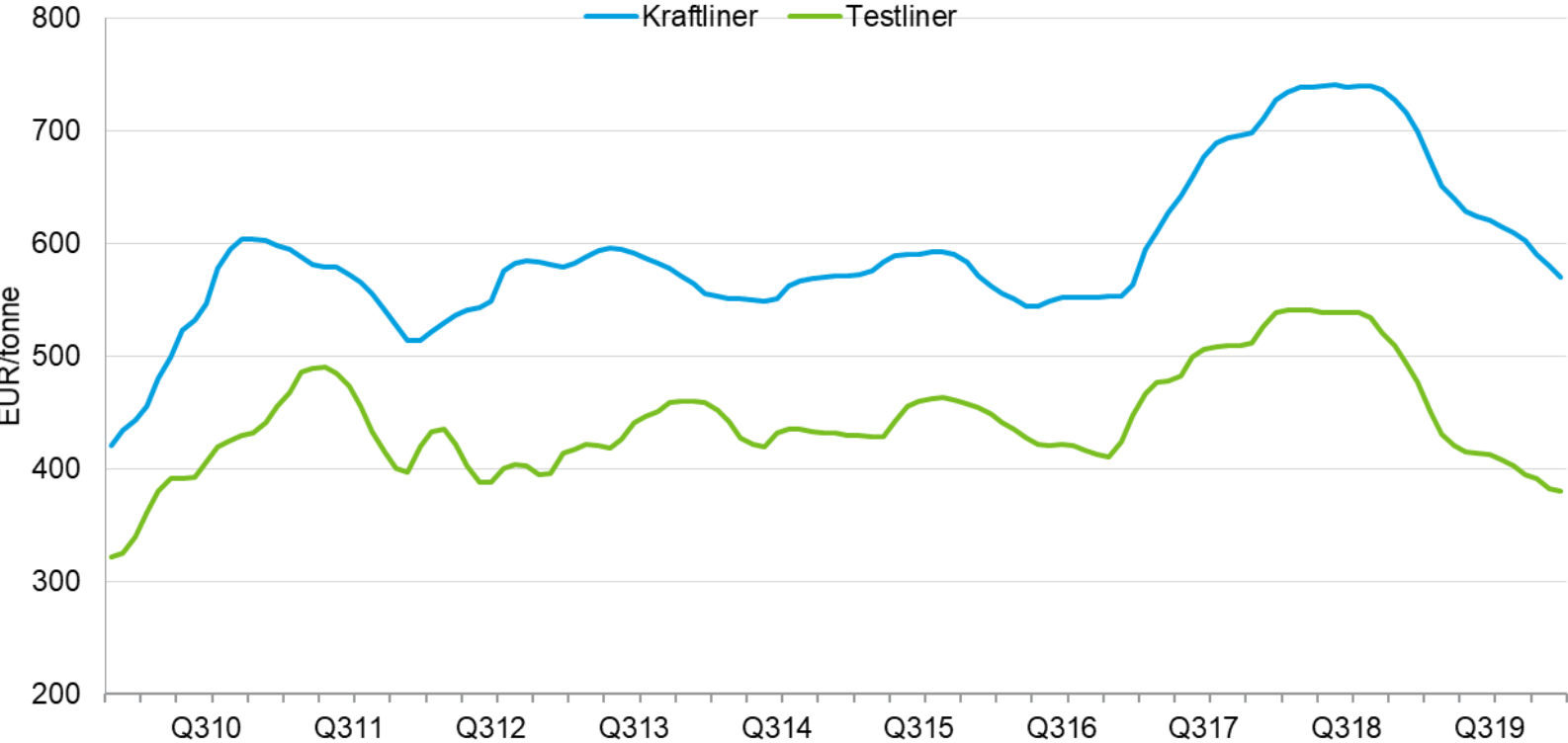


Mill	Date	Capacity reduction, m ³
Veitsiluoto Sawmill	2006	100 000
Honkalahti Sawmill	2006	90 000
Sauga Sawmill	2007	130 000
Sollenau Sawmill	2007	110 000
Näpi Sawmill	2007-2008	100 000
Kotka Sawmill	2007-2008	70 000
Paikuse Sawmill	2008	220 000
Zdirec Sawmill	2008	120 000
Ybbs Sawmill	2008 & 2009	200 000
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

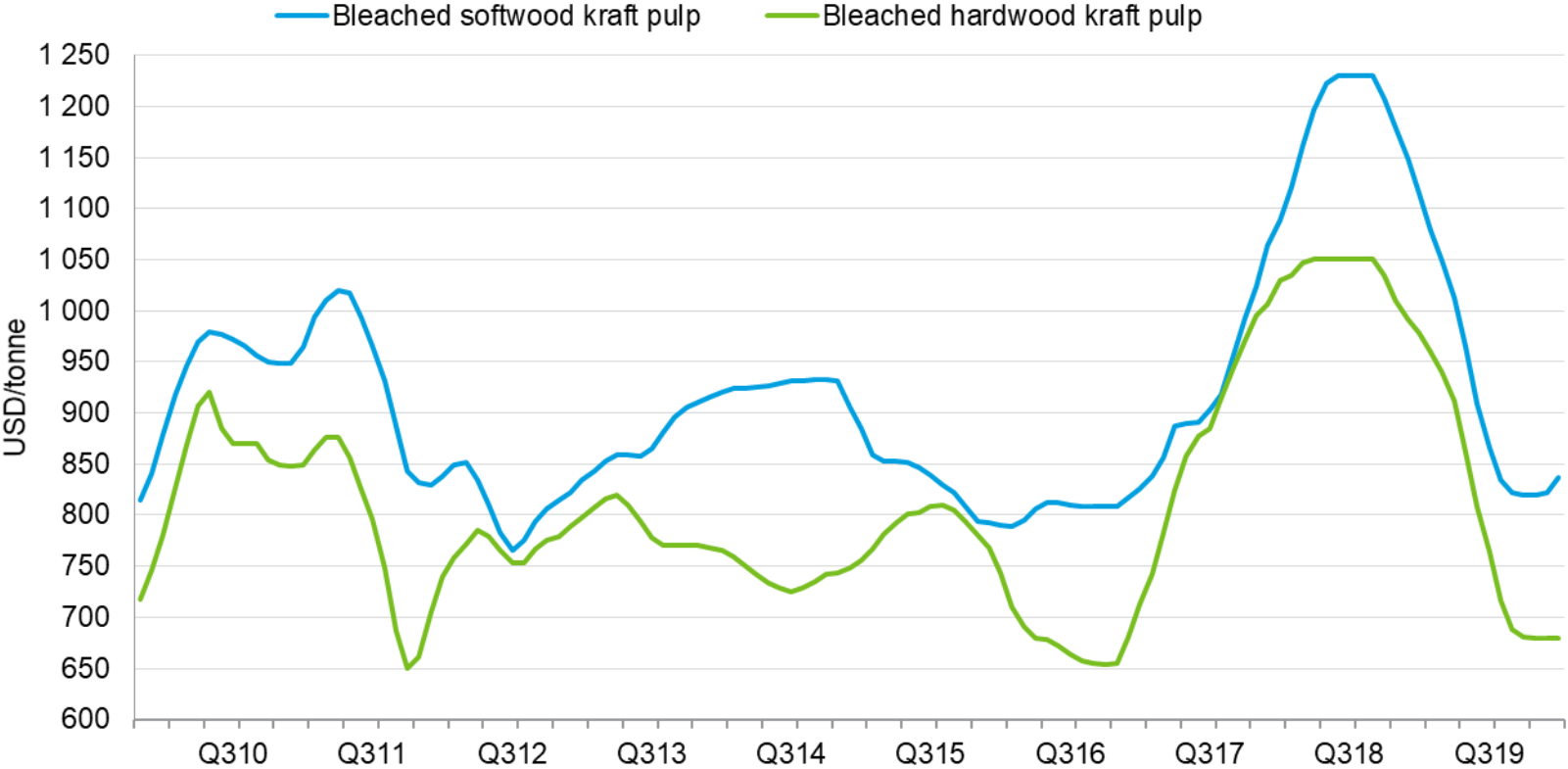


Kraftliner and testliner prices



Source: FOEX

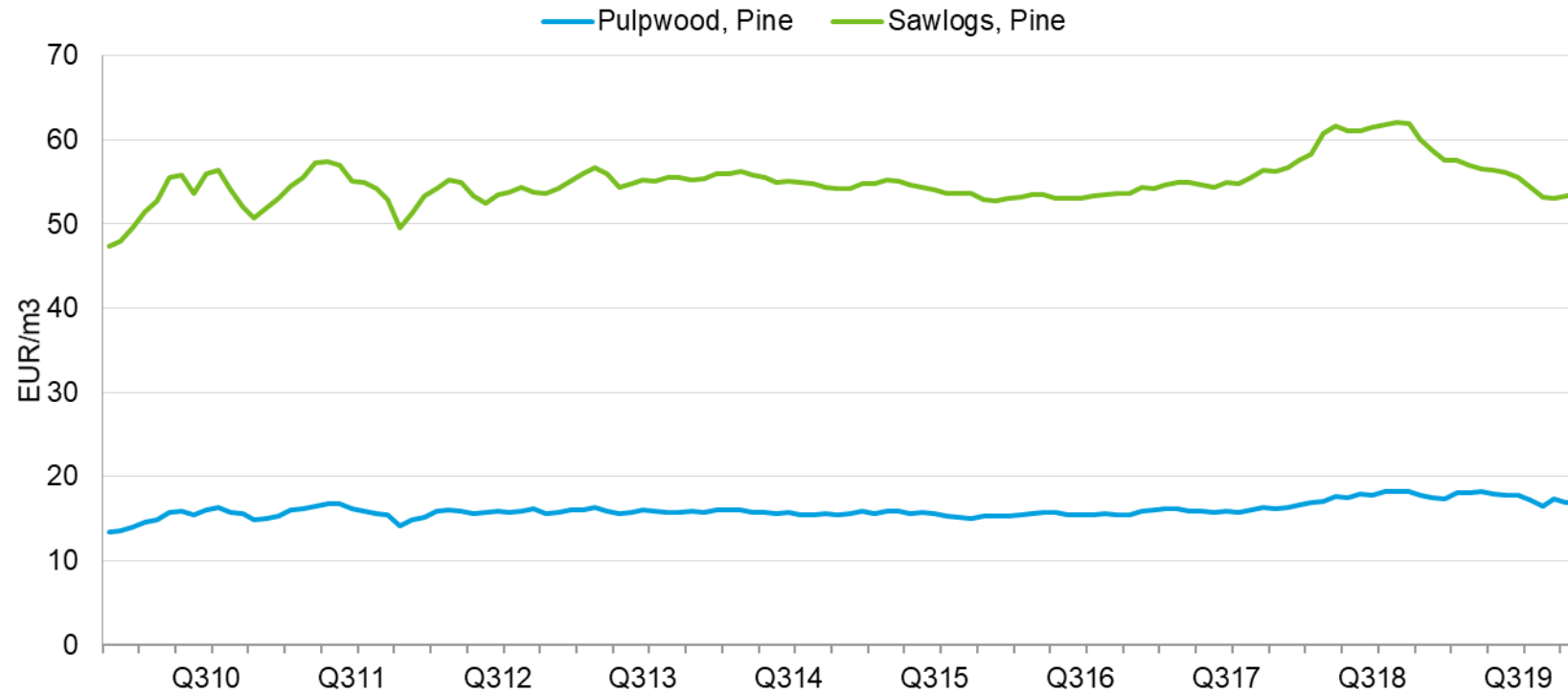
Pulp price development



Source: FOEX

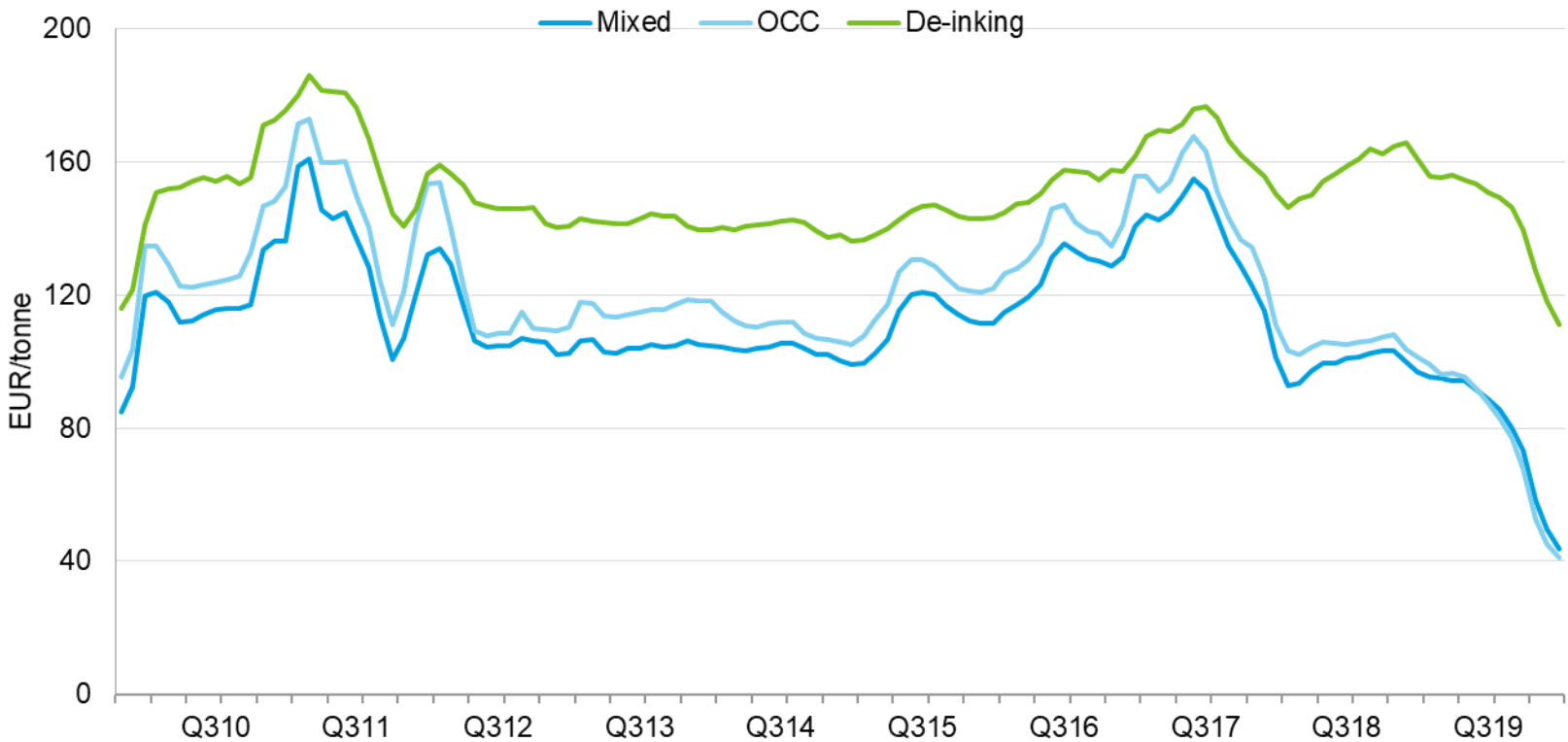
Pulp wood and saw log prices

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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