

Financial results for Q2 2020

Resilient in the headwinds

President and CEO Annica Bresky
CFO Seppo Parvi

21 July 2020

Disclaimer



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Solid profitability and cash flow

Strong performance from Packaging Materials and Forest divisions

Q2 2020 year-on-year

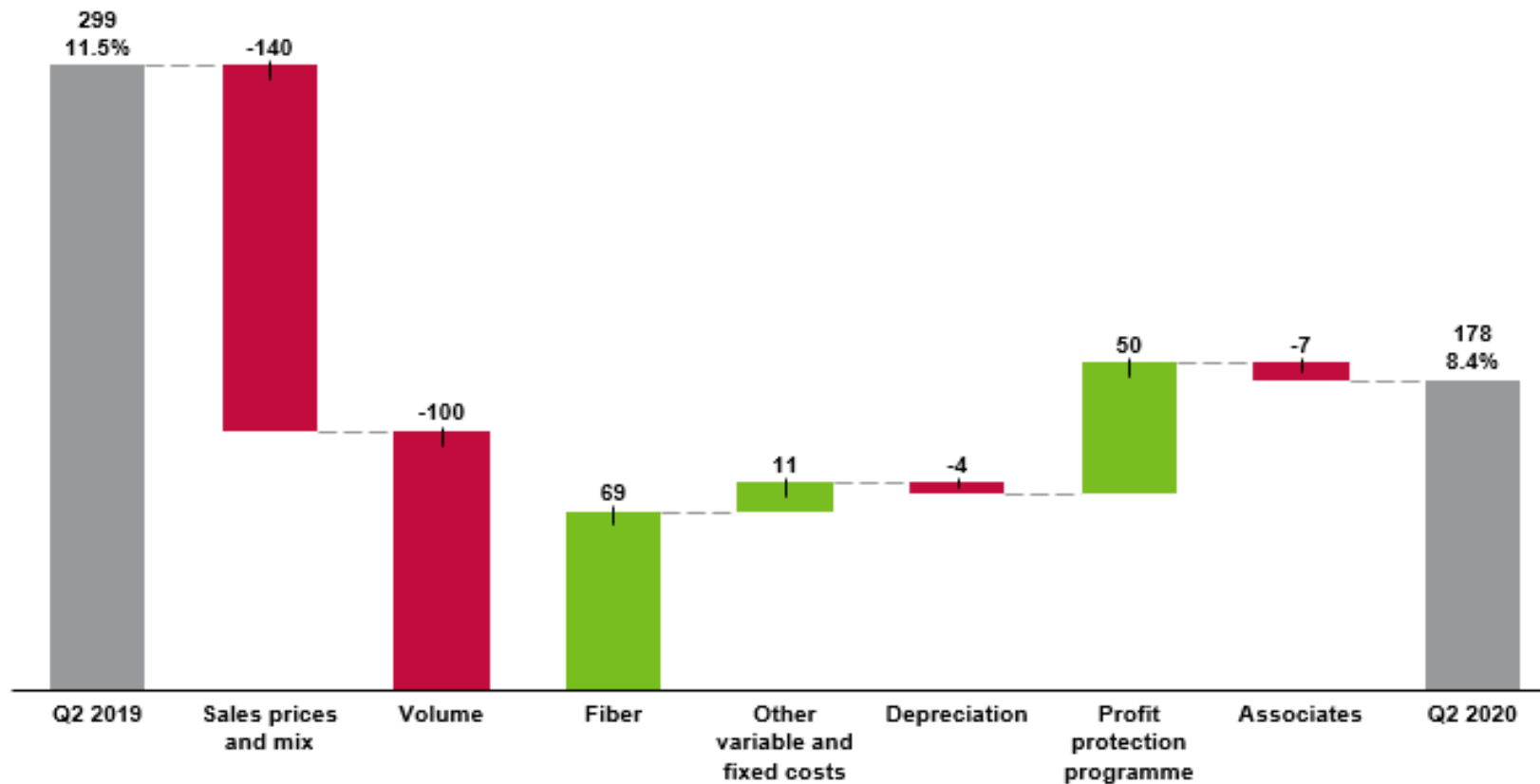


- Sales decreased by 19% to 2 114 (2 608) MEUR and decreased by 12% excluding Paper
- Operational EBIT decreased to 178 (299) MEUR, excluding Paper to 217 (249) MEUR
- FV of biological assets +272 MEUR in Q2/20 compared to Q1/20, +990 MEUR from Q2/19 to Q2/20
- Cash flow from operations amounted to 363 (550) MEUR. Cash flow after investing activities was 239 (428) MEUR
- Net debt to operational EBITDA at 2.5x (2.1x), above the target level of <2.0x
- Strong liquidity at 2.1 BEUR, including cash and committed credit facilities and good access to funding sources
- Operational ROCE at 6.8% (11.8%), below the strategic target of 13%



Active cost management and lower variable costs had positive impact

Operational EBIT Q2 y-o-y



Staying resilient as uncertainty continues

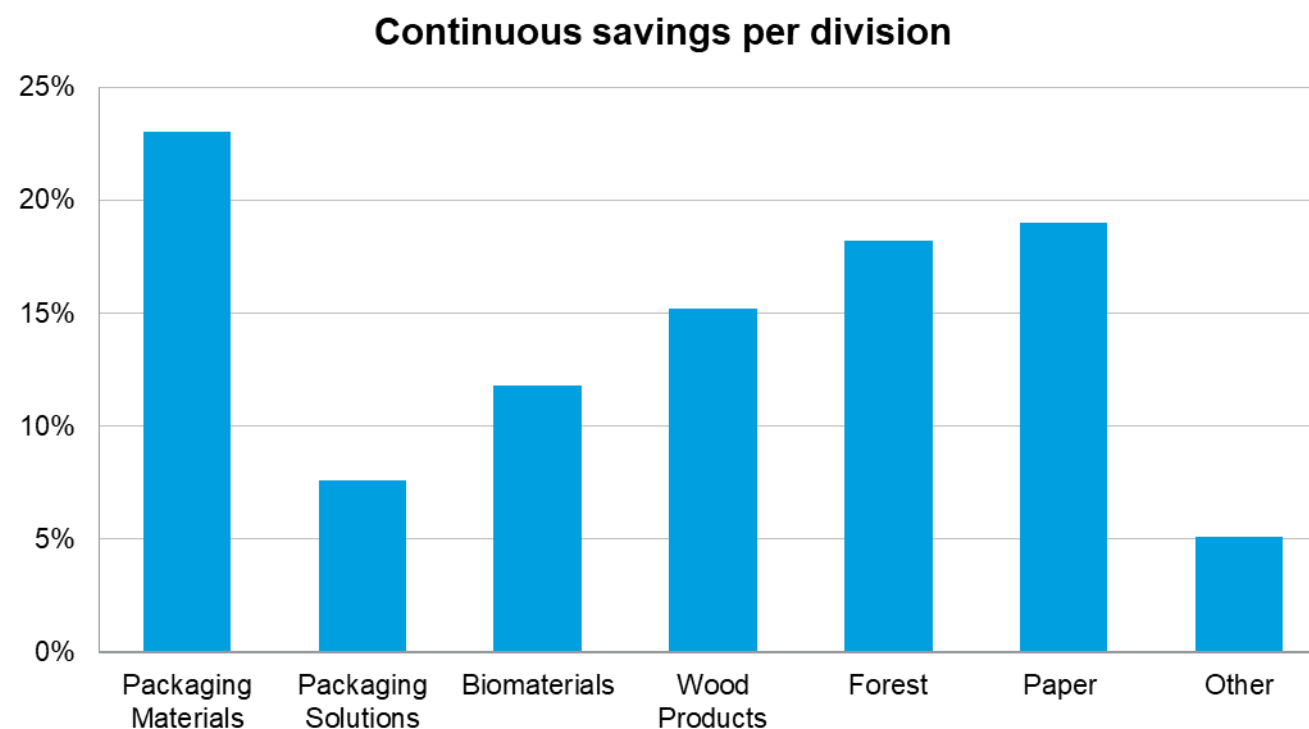
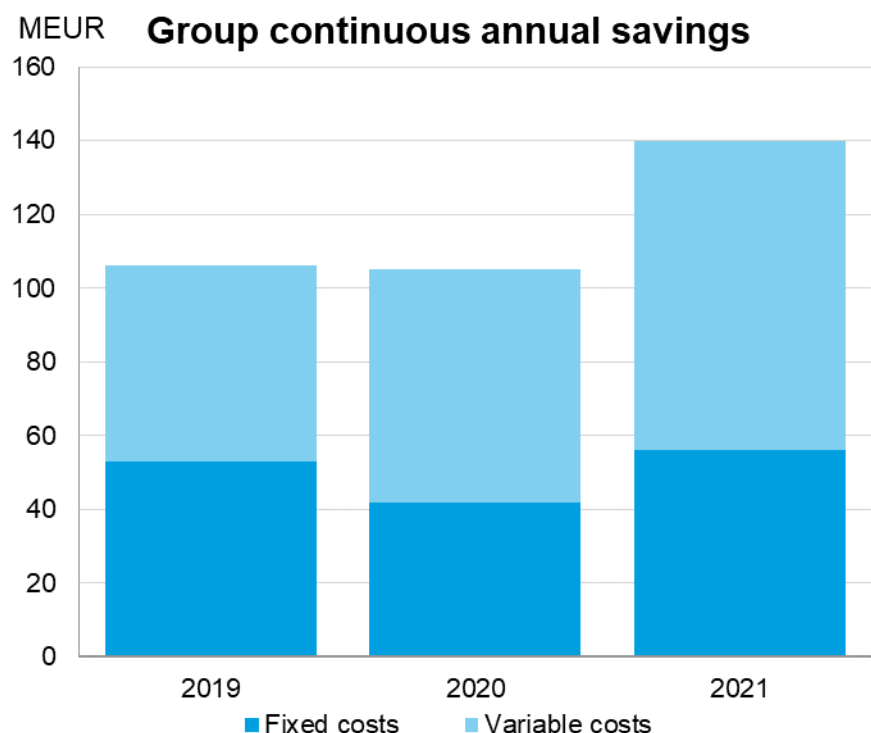


- Health and safety of our employees continues to be a key priority
- Proactive and extensive measures taken
 - Secured business continuity and ability to serve our customers
 - Minimal impact on operations, adapt according to demand
 - Extensive precautions for the upcoming mill maintenance stops
 - Secured liquidity and execution on profit protection programme
 - Active management of cash, costs and working capital
- Exceptional uncertainty and poor demand visibility for the rest of the year
 - Mixed conditions for divisions depending on end use
 - Accelerated structural demand decline for paper
 - All divisions adapt operations to match demand
 - Q3 negative maintenance impact estimate is 45 MEUR more than in Q2, but similar to Q3 last year



Profit protection programme of 350 MEUR continuous and 85 MEUR one-time savings

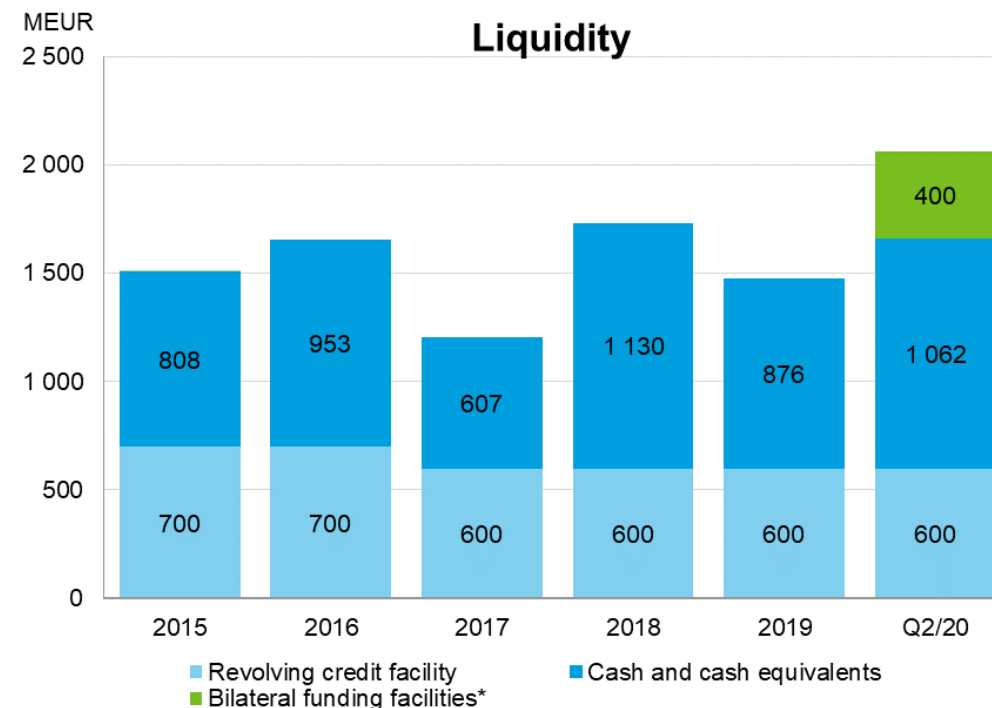
40 MEUR continuous and 10 MEUR one-time savings in Q2



Strong liquidity and good access to funding sources



- Actions to secure liquidity:
 - 1 062 MEUR cash and cash equivalents at the end of Q2 2020
 - 600 MEUR committed revolving credit facility fully undrawn
 - 400 MEUR additional committed funding facilities through bilateral arrangements signed and undrawn
 - 950 MEUR statutory pension premium loans available
- Limited debt maturities in 2020 and next bond maturity in Q3 2021
- No financial covenants on Stora Enso Oyj's debt
- Net debt to operational EBITDA for the last 12 months at 2.5x and gearing at 45%



At the end of the period

* Signed and undrawn at the end of Q2 2020

Key events during Q2



- Box Inc™, a digital B2B marketplace for corrugated packaging launched
- Partnership with Cordenka to develop bio-based carbon fiber materials for high performance carbon fiber in transportation, construction and power generation
- Intelligent Packaging introduced sustainable ECO RFID tags in clothing hangtags for fashion retail and live solutions for unmanned "New Retail" stores
- New packaging products include PerformaLight™ by Stora Enso, with very light board and improved strength due to MFC in its structure, and AvantForte™ by Stora Enso, a food-safe kraftliner
- Formed fiber commissioning was completed and production started
- Provider of wooden materials for more than 500 building projects around the world



Continued focus on margin and cash flow

Summary financials Q2 2020

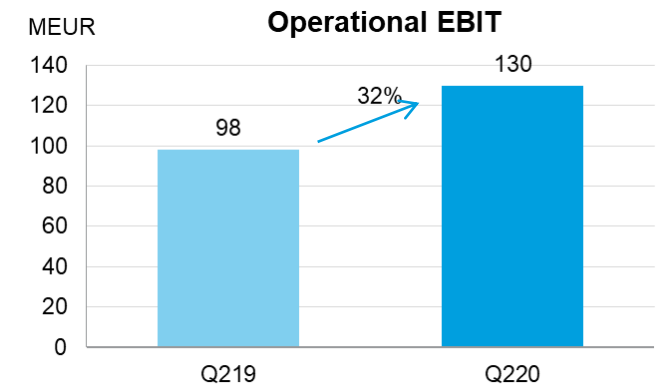
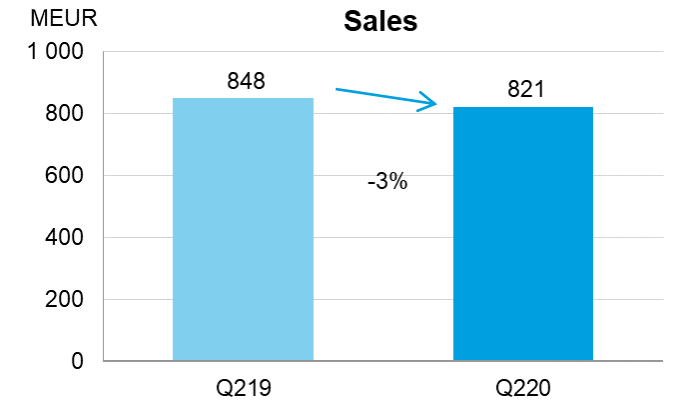


MEUR	Q2/20	Q2/19	Change% Q2/20- Q2/19	Q1/20	Change% Q2/20- Q1/20
Sales	2 114	2 608	-18.9%	2 207	-4.2%
Operational EBITDA	332	455	-27.0%	335	-0.7%
Operational EBITDA margin	15.7%	17.5%		15.2%	
Operational EBIT	178	299	-40.5%	180	-1.2%
Operational EBIT margin	8.4%	11.5%		8.1%	
Profit before tax excl. IAC and FV	142	250	-43.3%	126	12.4%
Net profit for the period (IFRS)	144	52	177.2%	149	-3.3%
EPS excl. IAC and FV, EUR	0.14	0.27	-47.9%	0.12	14.9%
EPS (basic), EUR	0.19	0.08	148.0%	0.19	-3.6%
Operational ROCE	6.8%	11.8%		6.8%	
Operational ROCE excluding Forest	7.8%	15.2%		7.6%	
Cash Flow from Operations	363	550	-34.0%	146	148.6%
Net debt/last 12 months' operational EBITDA	2.5	2.1		2.3	

Packaging Materials

Consumer board very strong, weaker in containerboard Q2 y-o-y

- Sales decreased by 3% to 821 MEUR
 - Significantly lower containerboard prices
 - Higher prices in consumer board
- Operational EBIT increased by 32 MEUR to record-high Q2 of 130 MEUR due to good cost control
 - Clearly lower variable costs especially pulp and chemicals
 - Lower fixed costs due to profit protection programme actions
 - Effect of postponed maintenance from Q2 to Q3
- Operational ROOC improved to 18.2% (13.2%)
- The conversion of Oulu Mill to kraftliner production is proceeding as planned, production starts in Q4 2020 and ramp-up in Q1 2021

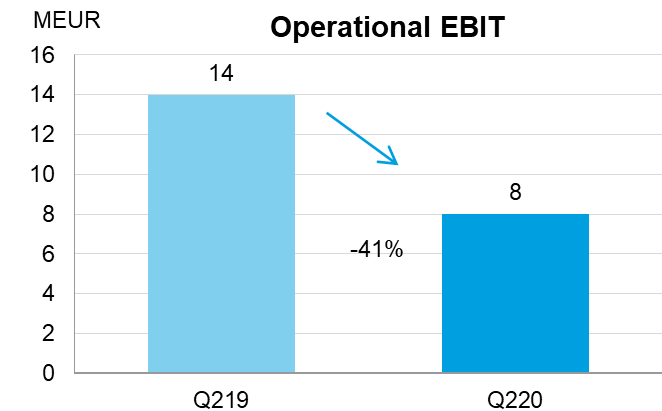
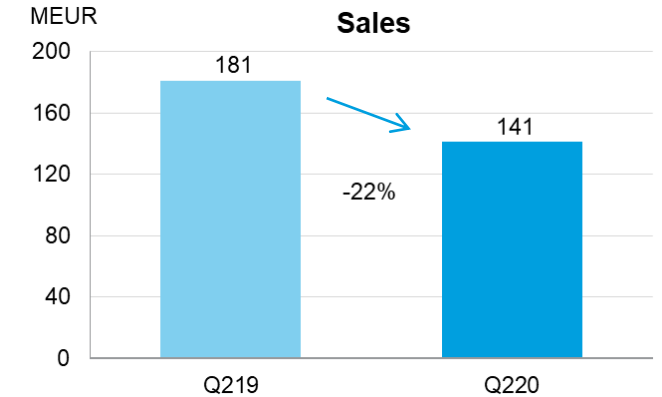


Packaging Solutions

Mixed development in various end uses, e-commerce strong
Q2 y-o-y



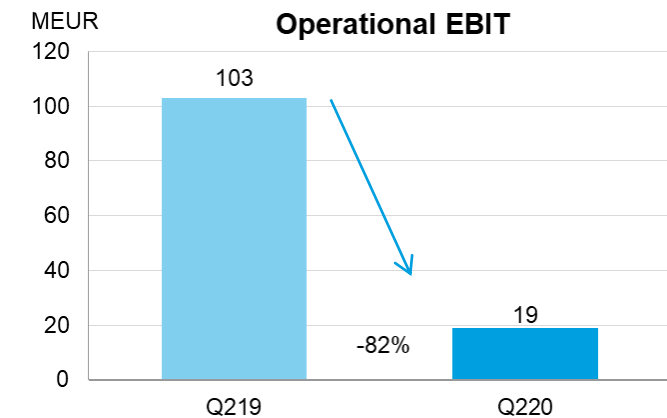
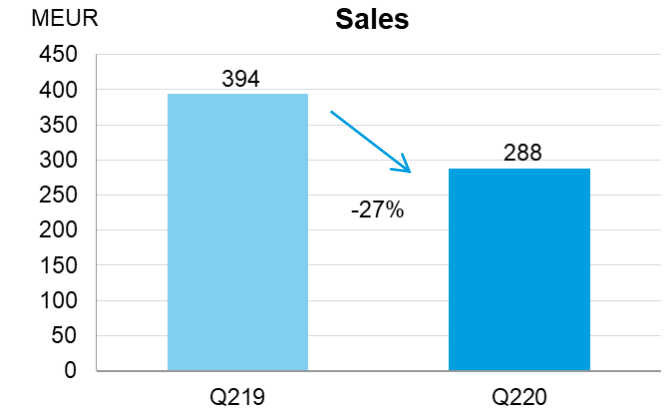
- Sales decreased by 22% to 141 MEUR from last year's record high Q2 level
 - Lower deliveries, mainly from China Packaging, and box prices in Europe
- Operational EBIT decreased by 6 MEUR to 8 MEUR
 - Lower sales and increased innovation activities
 - Lower fixed costs mainly due to profit protection programme actions
 - Lower variable costs due to containerboard costs
 - Lower volumes in China Packaging due to the delays in customer launches
- Operational ROOC decreased to 14.3% (20.5%) mainly due to lower profitability
- Biocomposites business including its development costs moved from Wood Products to Packaging Solutions as of 1 July 2020



Biomaterials

Uncertainty in the pulp market continues Q2 y-o-y

- Sales decreased by 27% to 288 MEUR
 - Significantly lower pulp prices
 - Weak demand for graphical paper end uses
 - High global market pulp inventory levels
- Operational EBIT decreased by 84 MEUR to 19 MEUR
 - Lower sales partly offset by positive net FX and slightly lower variable costs
- Operational ROOC decreased to 3.0% (15.6%) driven by clearly lower profitability

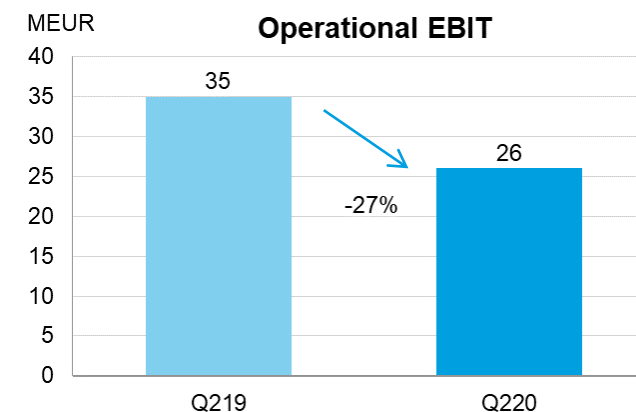
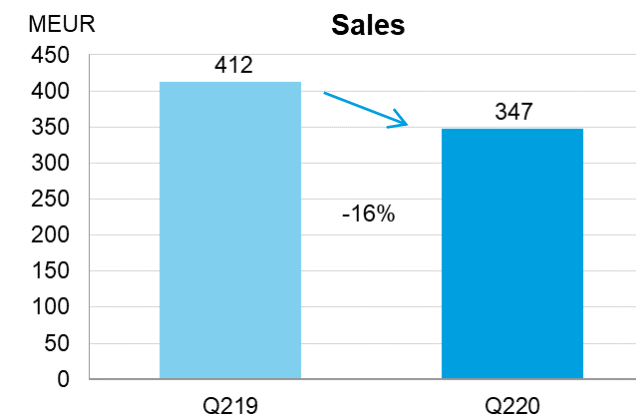


Wood Products

Better than expected market conditions, good traction in building solutions
Q2 y-o-y



- Sales decreased by 16% to 347 MEUR
 - Lower deliveries
 - Lower classic sawn prices
 - Structural changes at Pfarrkirchen, Uimaharju and Kitee sawmills reduced sales by 36 MEUR
- Operational EBIT decreased by 9 MEUR to 26 MEUR
 - Lower sales partly offset by lower fixed costs supported by profit protection programme actions
- Operational ROOC decreased to 16.7% (20.3%)

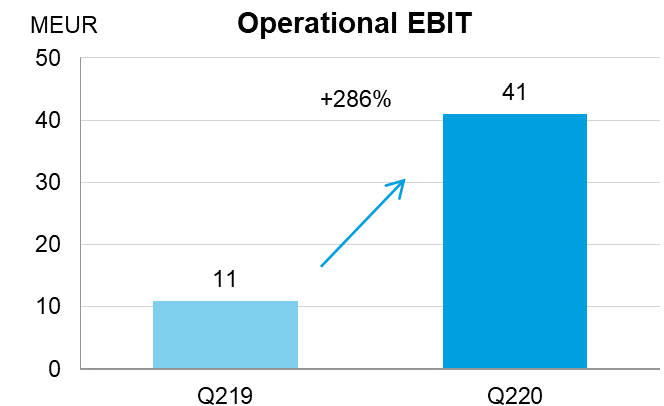
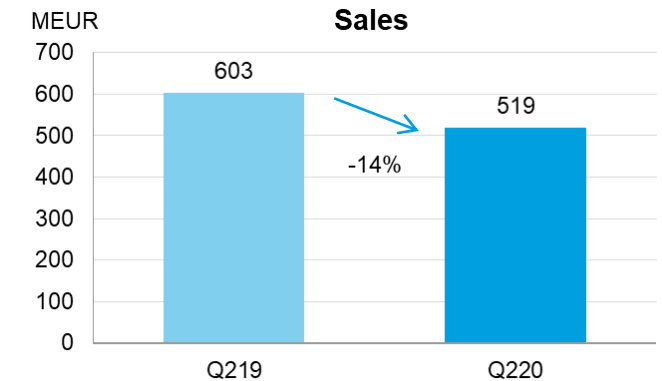


Forest

Forests bring stability during uncertain times

Q2 y-o-y

- Sales decreased by 14% to 519 MEUR
 - Clearly lower deliveries due to lower production volumes
 - Wood prices lower especially in Sweden and Finland
- Operational EBIT increased by 30 MEUR to record high Q2 level of 41 MEUR, despite lower sales
 - Improved profitability from own forest holdings and Wood Supply Finland
- Operational ROOC increased to 3.9% (1.5%), because higher profitability more than offset clearly higher operating capital after Bergvik Skog restructuring
- Fair value of biological assets, including plantations and Tornator, increased by 990 MEUR. The total biological asset fair value was 4 607 (3 617) MEUR at the end of June

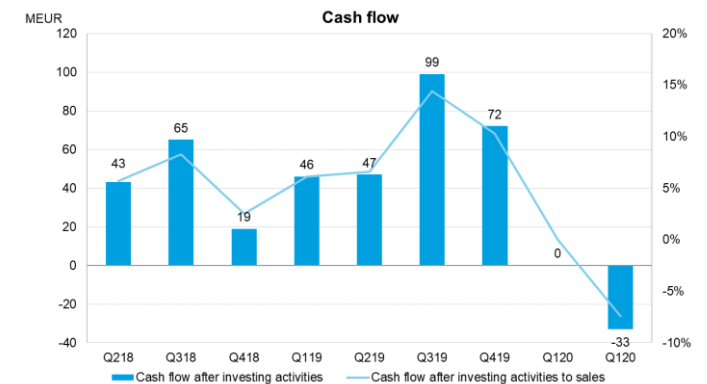
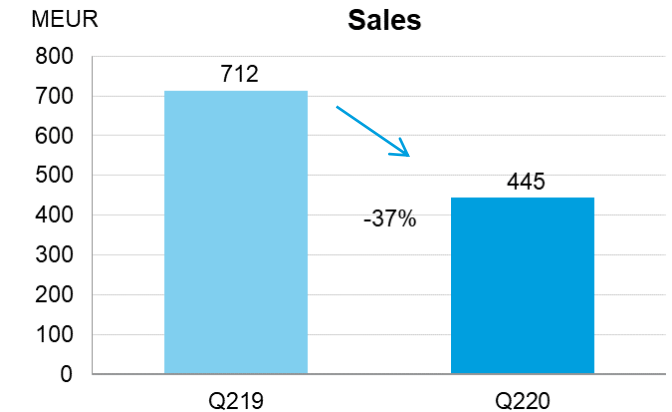


Paper

Significant drop in demand due to Covid-19 Q2 y-o-y



- Sales decreased by 37% to all-time low level of 445 MEUR
 - Accelerated structural demand decline in all paper grades
 - Dawang paper mill divestment impact -24 MEUR
- Operational EBIT decreased by 89 MEUR to -39 MEUR
 - Lower sales partly offset by lower fiber costs and good fixed costs management
- Cash flow after investing activities to sales ratio decreased to -7.4% (6.6%) driven by lower profitability
- Paper division's share of Group sales will be below 20% after the Oulu Mill conversion
 - Coated fine paper capacity to be reduced by approximately 1.1 million tonnes



Development of strategic financial targets



Group strategic financial targets		Q2 19	Q2 20	
Dividend*	To distribute 50% of EPS over the cycle	0.50	0.15/0.35**	
Growth***	To grow faster than the relevant market	-0.9% (YoY)	-11.9% (YoY)	●
Net debt to operational EBITDA	<2.0x	2.1	2.5	●
Fixed costs to sales	<20%	23.3%	26.3%	●
Net debt to equity	<60%	59%	45%	●
Operational ROCE	>13%	11.8%	6.8%	●
<i>Operational ROCE excl. Forest</i>		15.2%	7.8%	

Divisional strategic financial targets		Q2 19	Q2 20	
Packaging Materials	Operational ROOC > 20%	13.2%	18.2%	●
Packaging Solutions	Operational ROOC > 30%	20.5%	14.3%	●
Biomaterials	Operational ROOC > 15%	15.6%	3.0%	●
Wood Products	Operational ROOC > 20%	20.3%	16.7%	●
Forest	Operational ROOC > 5%	1.5%	3.9%	●
Paper	Cash flow after investing activities to sales > 7%	6.6%	-7.4%	●

* Annual dividend. **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 has discontinued its quarterly guidance and annual outlook until further notice, due to the uncertainty in the global economy.

The Covid-19 crises has accelerated the decline in demand for European paper, and the market conditions for the Group's other products continue to be mixed.

During Q3/2020 there will be annual maintenance shutdowns at six mills. The total negative impact of maintenance is estimated to be 45 MEUR more compared to Q2/2020 and similar to Q3/2019.

Annual maintenance	Q3 2020	Q2 2020	Q3 2019
Packaging Materials	Beihai Imatra Varkaus	Heinola	Beihai Imatra Heinola Ostrołęka
Biomaterials	Sunila Veracel	-	Enocell
Paper	Veitsiluoto	-	Veitsiluoto

Resilient in the headwinds and well prepared for recovery



- Proactive and extensive precautions to protect the health and safety of our employees and secure business continuity
- Solid profitability and cash flow under current circumstances
 - Strong performance by Packaging Materials and Forest
 - Wood Products better than expected
 - Accelerated structural decline of Paper business
 - Challenging market conditions for Biomaterials
- Exceptional uncertainty and poor visibility continues
 - Mixed demand for our different products
 - Adjust our operations according to demand
 - Upcoming maintenance shutdowns are well prepared
- Staying resilient and well prepared for recovery
 - Secured strong liquidity
 - Active management of cash, costs and capex
 - Continue innovation and our strategic projects

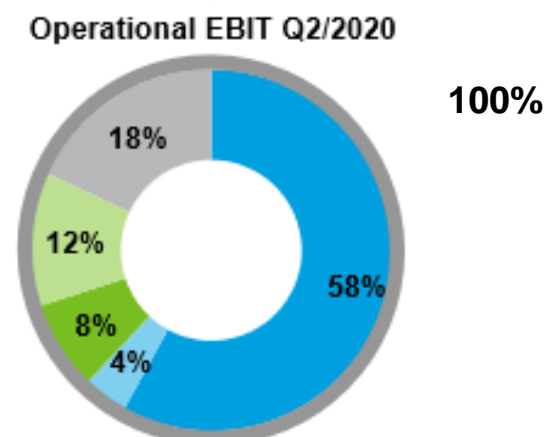
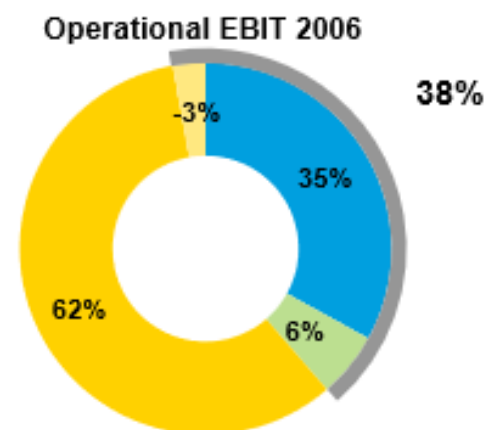
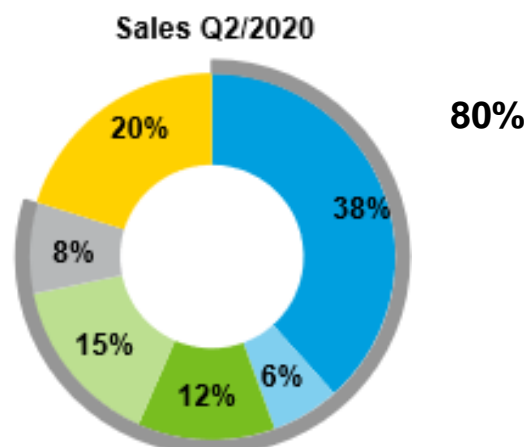
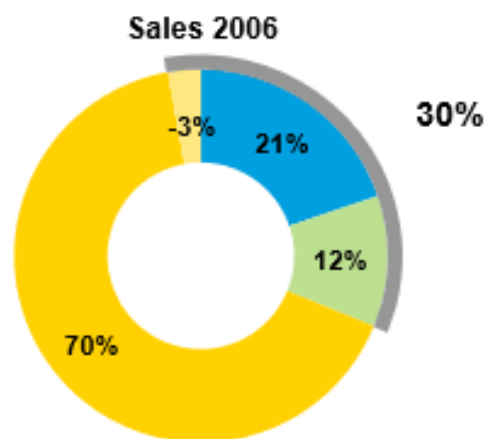


Welcome to Stora Enso virtual CMD on 11 November 2020



THE RENEWABLE MATERIALS COMPANY

Growth businesses 80% of sales and 100% of operational EBIT



- Packaging Materials
- Packaging Solutions¹
- Biomaterials
- Wood Products
- Forest
- Paper²
- Other & eliminations³

¹ In 2006 included in Packaging Materials

² In 2006 includes merchants

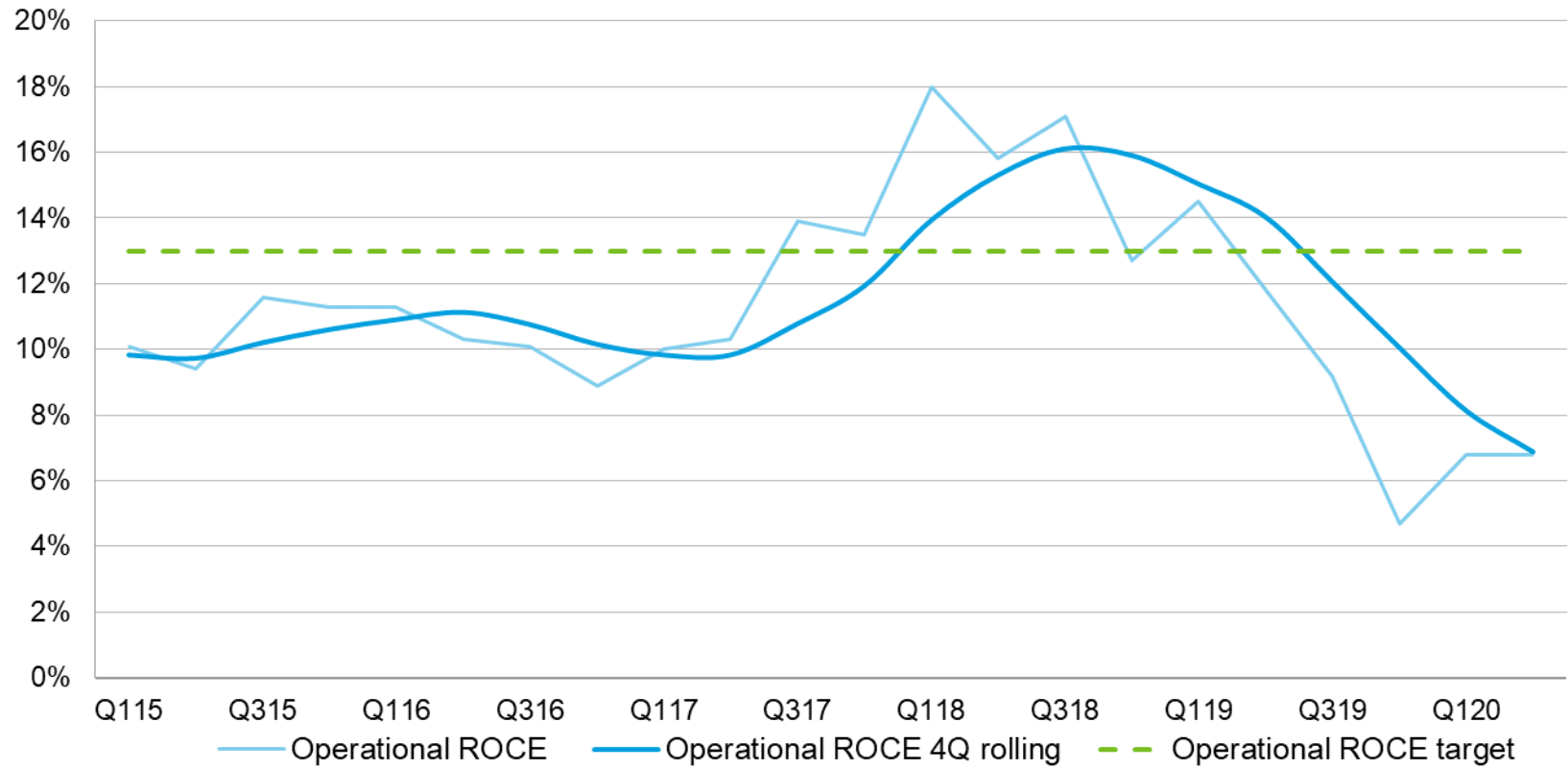
³ In 2006 includes Forest

Operational EBIT by segments



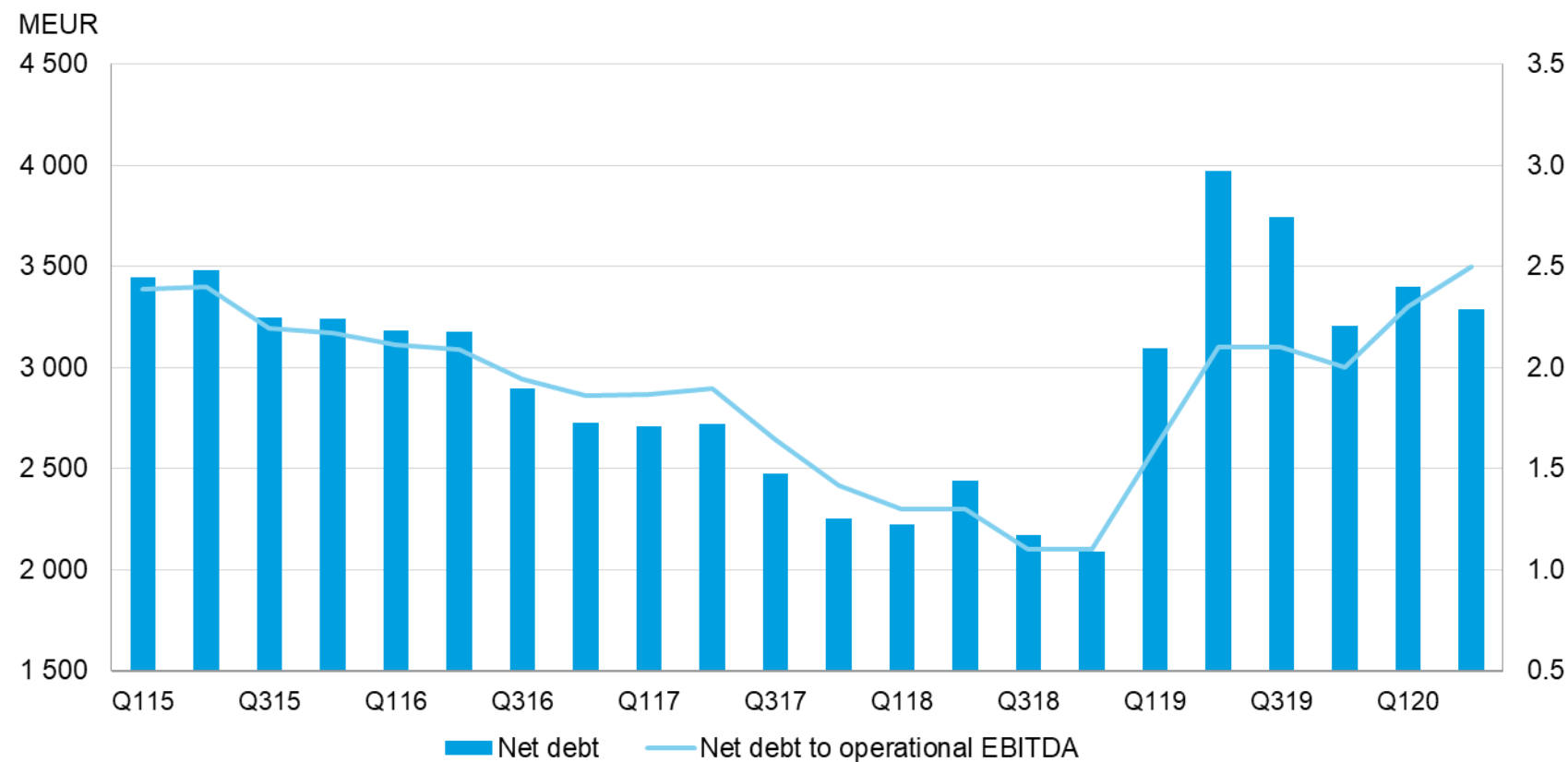
MEUR	Q220	Q219	Change % Q220-Q219	Q120	Change % Q220-Q120
Packaging Materials	130	98	32.3%	95	36.2%
% of sales	15.8%	11.6%		12.5%	
Packaging Solutions	8	14	-40.6%	8	-3.3%
% of sales	5.7%	7.5%		5.6%	
Biomaterials	19	103	-82.0%	-7	n/m
% of sales	6.4%	26.1%		-2.5%	
Wood Products	26	35	-27.2%	18	42.6%
% of sales	7.4%	8.6%		5.3%	
Forest	41	11	286.4%	44	-7.6%
% of sales	7.8%	1.7%		8.1%	
Paper	-39	50	-177.4%	21	-281.3%
% of sales	-8.7%	7.0%		3.6%	
Other	-7	-11	39.0%	0	n/m
% of sales	-3.0%	-4.1%		-0.1%	

Operational ROCE development



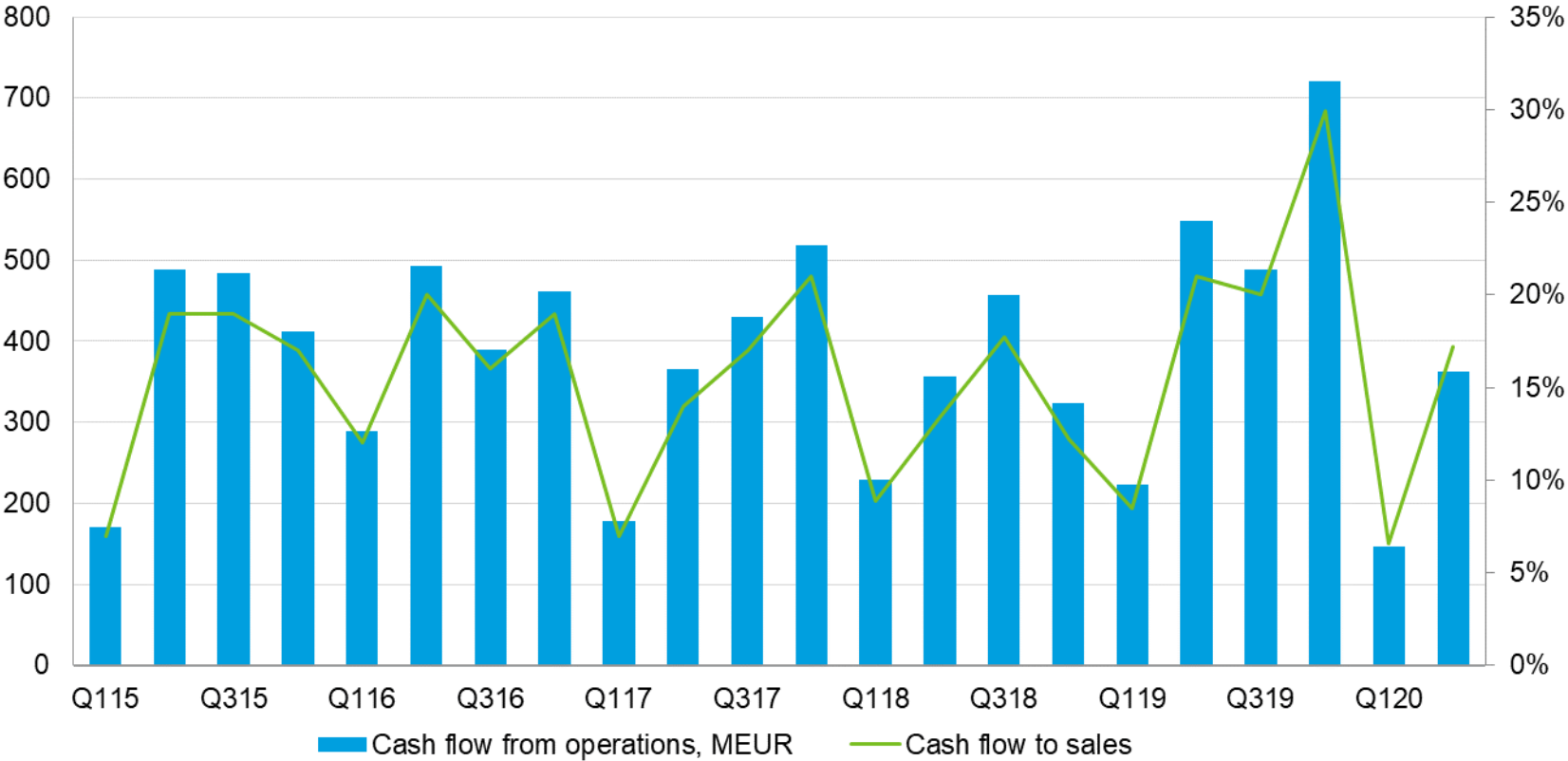
Operational ROCE for periods before 2018 not restated

Year-on-year net debt/EBITDA

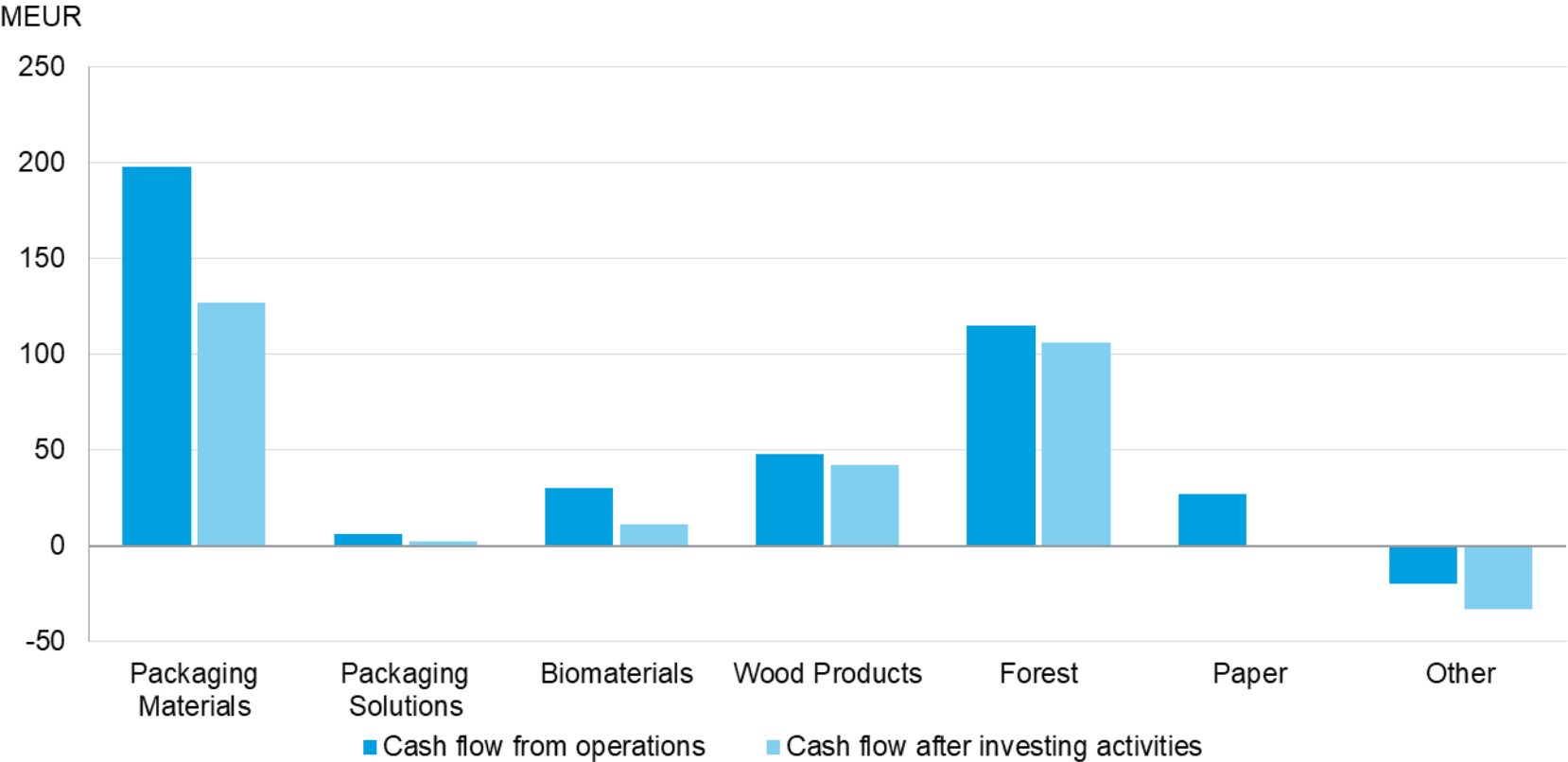


Net debt to operational EBITDA for periods before 2018 not restated

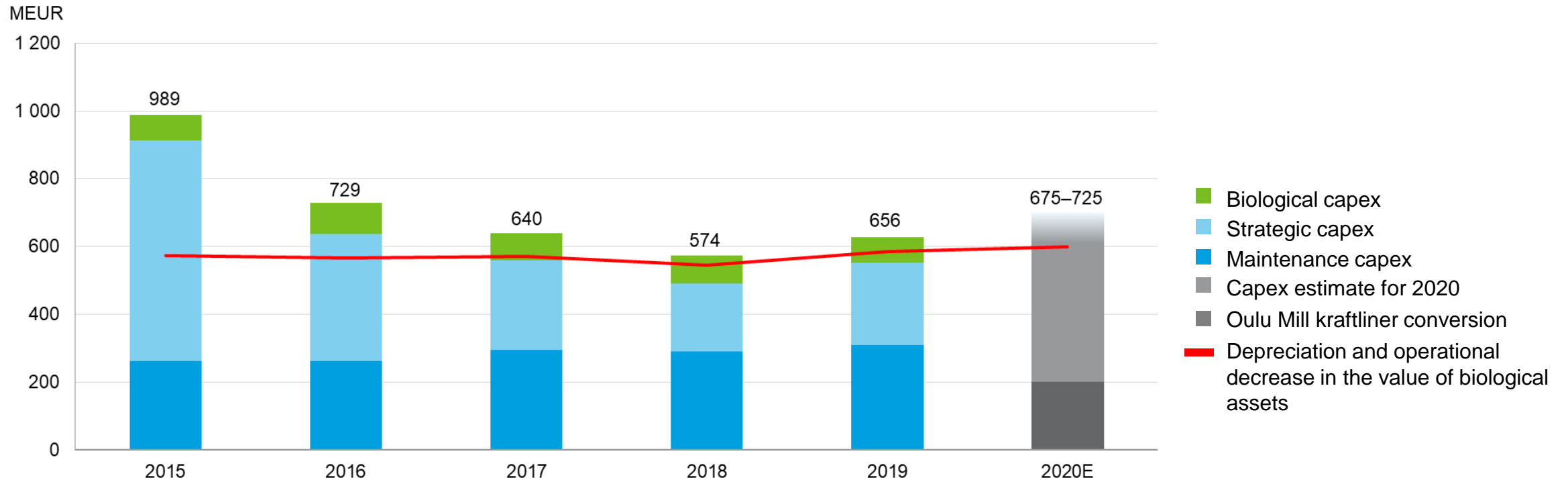
Cash flow development



Cash flow by divisions in Q2



Capex raised temporarily above depreciation



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

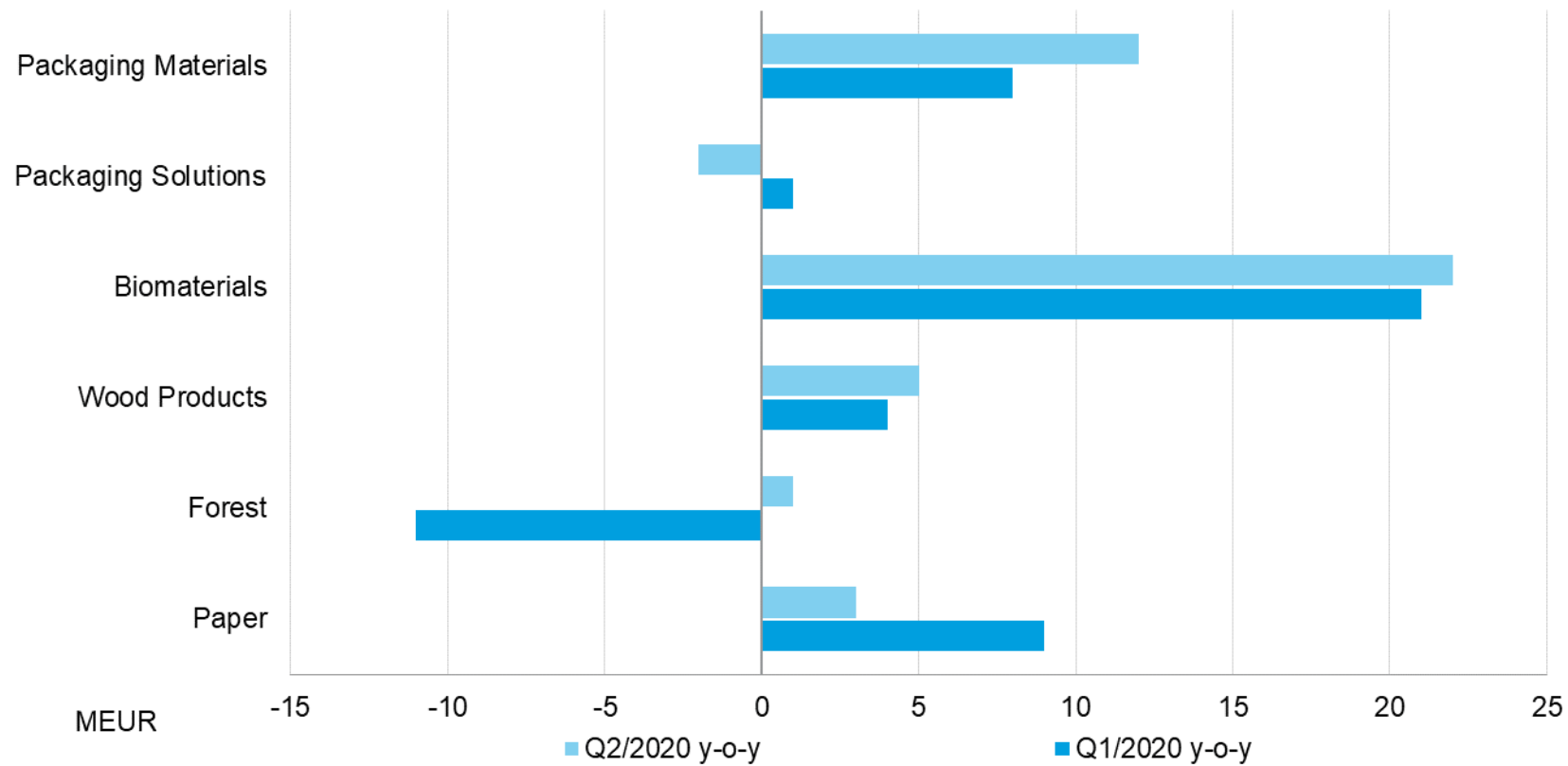
Net Financial Items



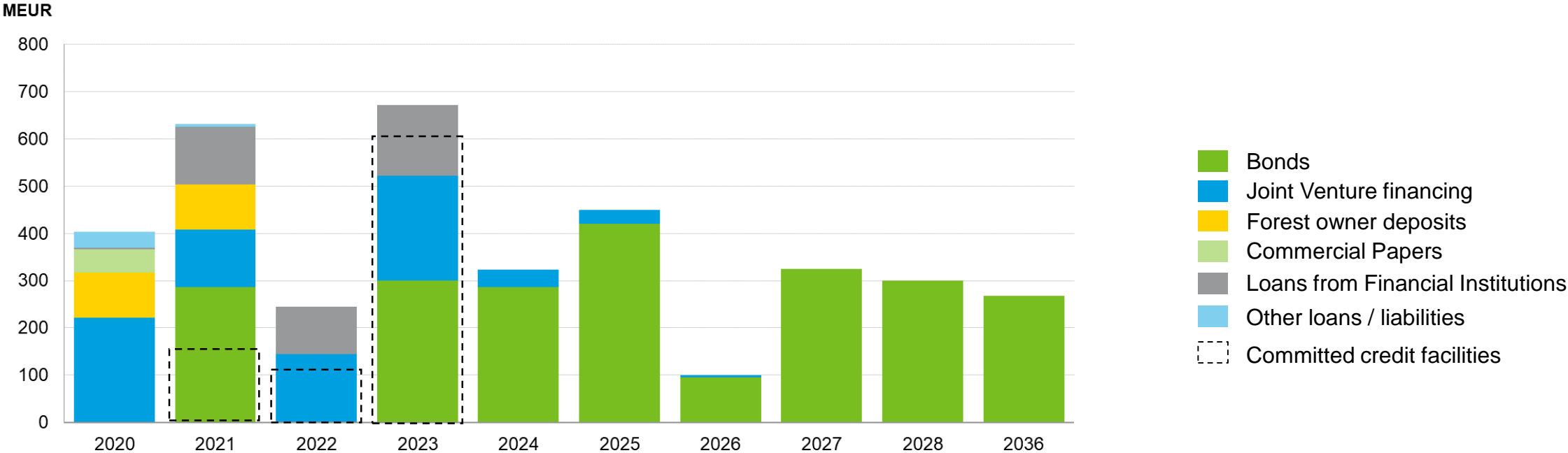
EUR million	Q2 2020	Q2 2019	Change MEUR Q220/ Q219	Q1 2020	Change MEUR Q220/ Q120
Net interest expense	-33	-35	2	-34	1
Average interest rate*	3.2%	3.4%		3.5%	
Foreign exchange gains and losses	1	-9	10	-19	20
Other financial items, of which	-4	-4	-	-	-4
Pension costs (IAS 19R)	-1	-2	1	-1	-
Other items	-3	-2	-1	1	-4
Total net financial items	-36	-48	12	-53	17

* Quarterly gross interest expense divided by average gross debt

Net FX by division



Maturity profile Q2 2020



Committed credit facilities are fully undrawn and mature in October 2021 (150 MEUR), June 2022 (100 MEUR) and January 2023 (600 MEUR)

Transaction risk and hedges Q2 2020



EUR Million	USD	SEK	GBP
Estimated annual operating cash flow exposure	1 282	-178	204
Transaction hedges as at 30 June 2020	-585	94	-96
Hedging percentage as at 30 June 2020 for the next 12 months	46%	53%	47%

Operational EBIT: Currency strengthening of +10%*	EUR million
USD	128
SEK	-18
GBP	20

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

Sensitivity analysis

Impact on operational EBIT



10% decrease in	Impact*
Energy prices	Positive 8 MEUR
Wood prices	Positive 168 MEUR
Chemical and filler prices	Positive 46 MEUR
10% increase in	Impact*
Market pulp price, total	Positive 130 MEUR
10% strengthening against Euro in the value of**	Impact*
US dollar	Positive 128 MEUR
Swedish krona	Negative 18 MEUR
British pound	Positive 20 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



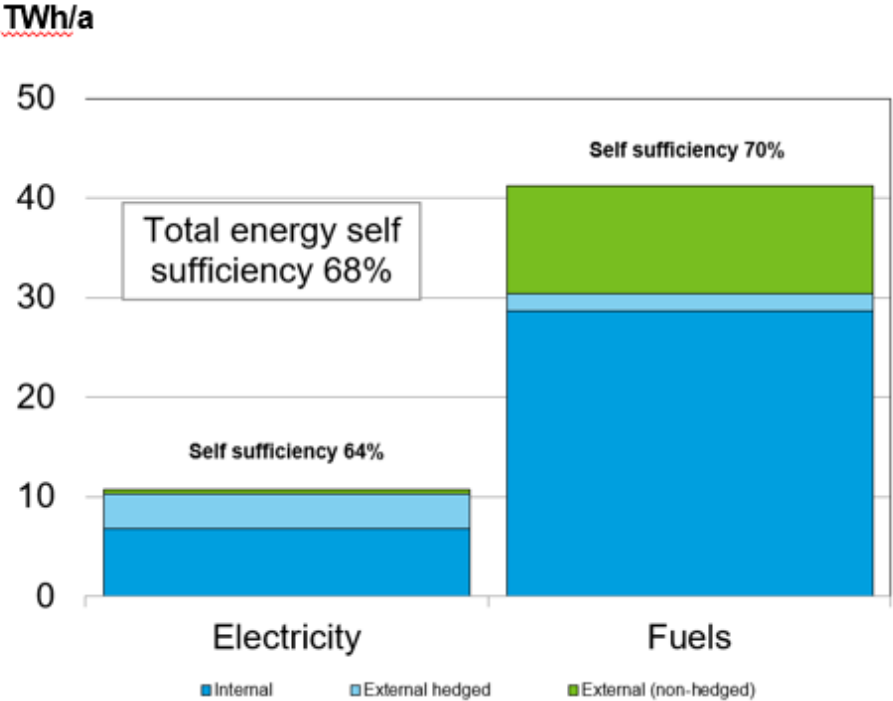
10% increase in	Impact*
Hardwood pulp** prices	Positive 60 MEUR
Softwood pulp prices	Positive 25 MEUR
Fluff pulp prices	Positive 25 MEUR
Dissolving pulp prices	Positive 20 MEUR
Market pulp price, total	Positive 130 MEUR

* 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 Q2 2020

Pulp, paper and board mills

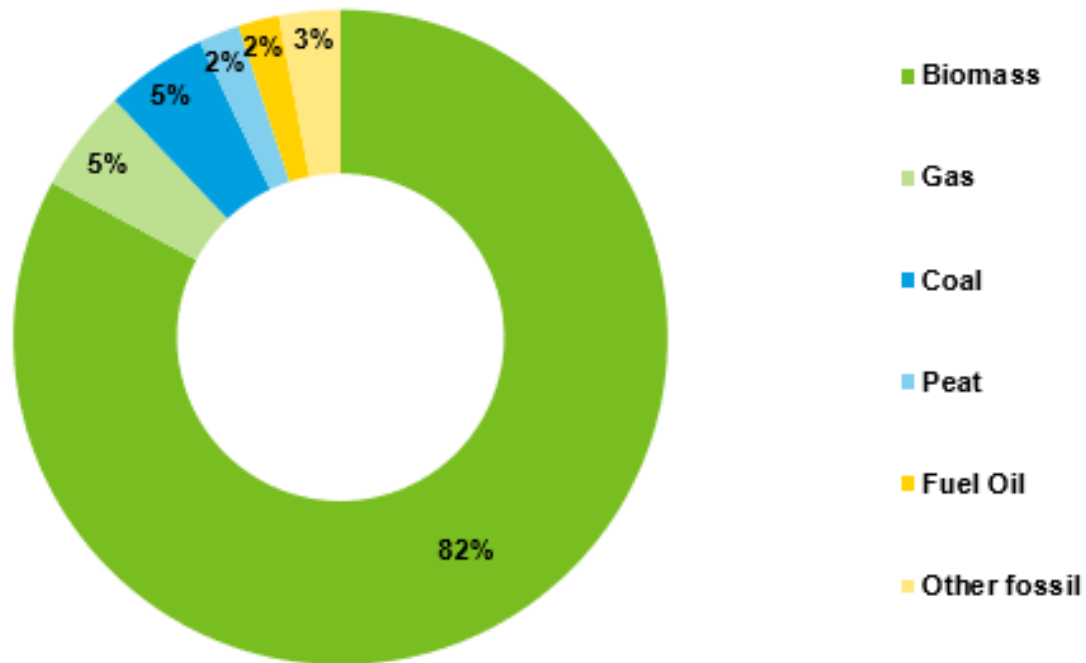


Impact on non-hedged volume on operating profit from 10% change in:	EUR million p.a.
Electricity market price	~3.9
Fossil fuel price	~4.0

External hedged volumes are secured from energy price risk exposure

Stora Enso fuels Q2 2020

Pulp, paper and board mills in Europe and overseas



Total Q2 fuel consumption was 9.6 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

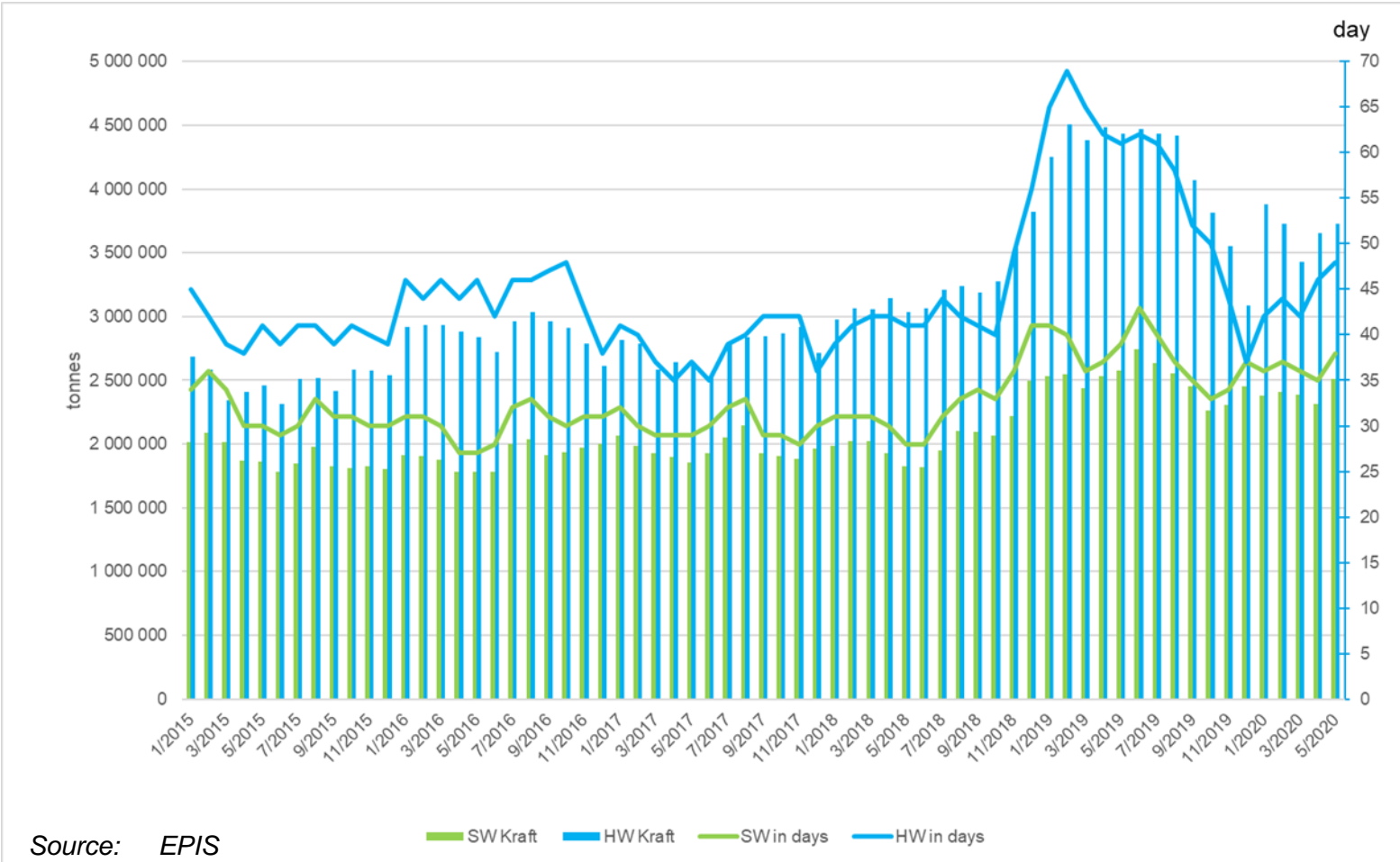
Mill	Date	Grade	Capacity reduction, t
Maxau PM 7	Nov 2010	Newsprint	195 000
Hylte PM1	Dec 2012	Newsprint	180 000
Ostroleka PM2	Jan 2013	Containerboard	85 000
Hylte PM2	May 2013	Newsprint	205 000
Kvarnsveden PM11	May 2013	Newsprint	270 000
Veitsiluoto PM1	Apr 2014	Coated magazine	190 000
Corbehem Mill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

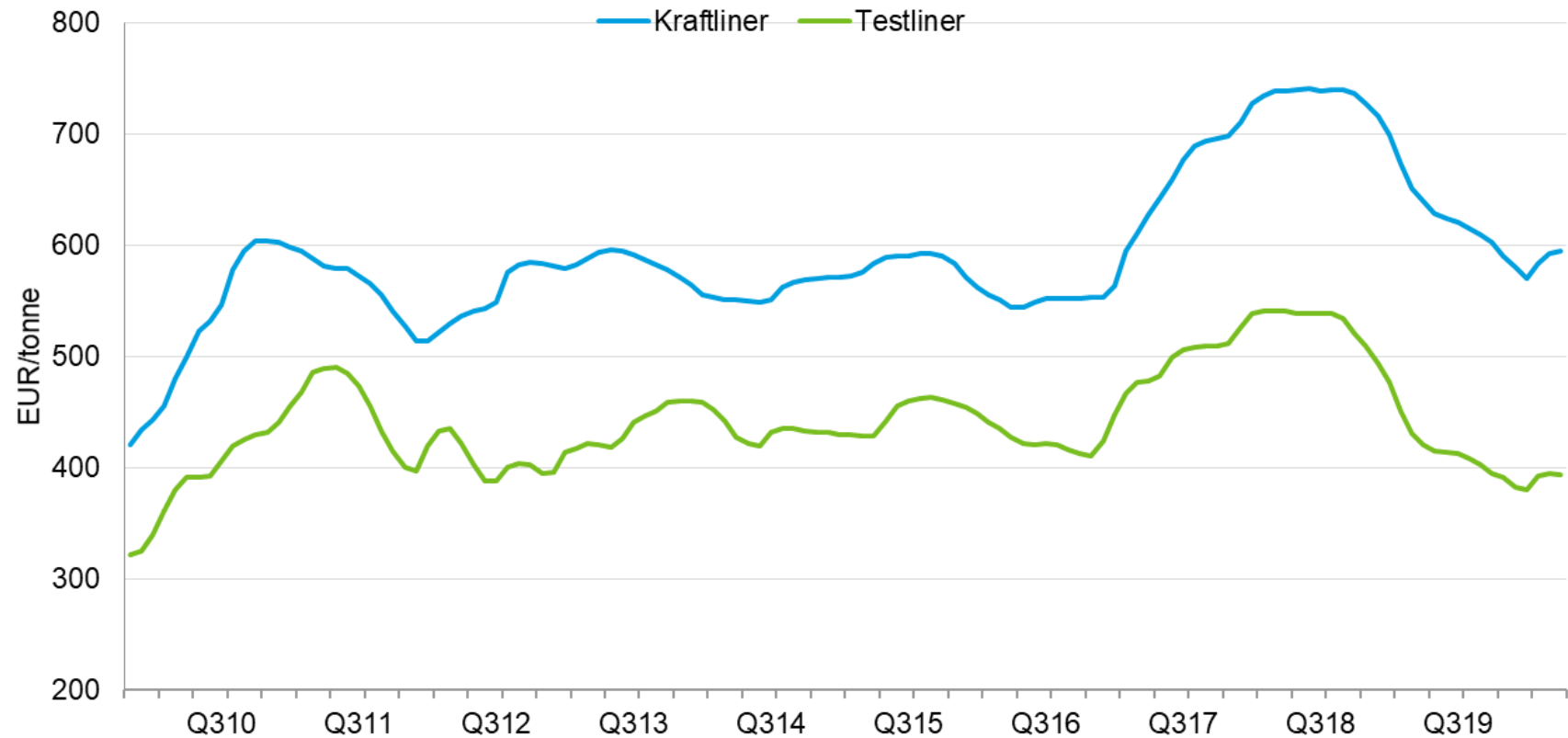


Mill	Date	Capacity reduction, m ³
Veitsiluoto Sawmill	2006	100 000
Honkalahti Sawmill	2006	90 000
Sauga Sawmill	2007	130 000
Sollenau Sawmill	2007	110 000
Näpi Sawmill	2007-2008	100 000
Kotka Sawmill	2007-2008	70 000
Paikuse Sawmill	2008	220 000
Zdirec Sawmill	2008	120 000
Ybbs Sawmill	2008 & 2009	200 000
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	2019	260 000
Total		2 560 000

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

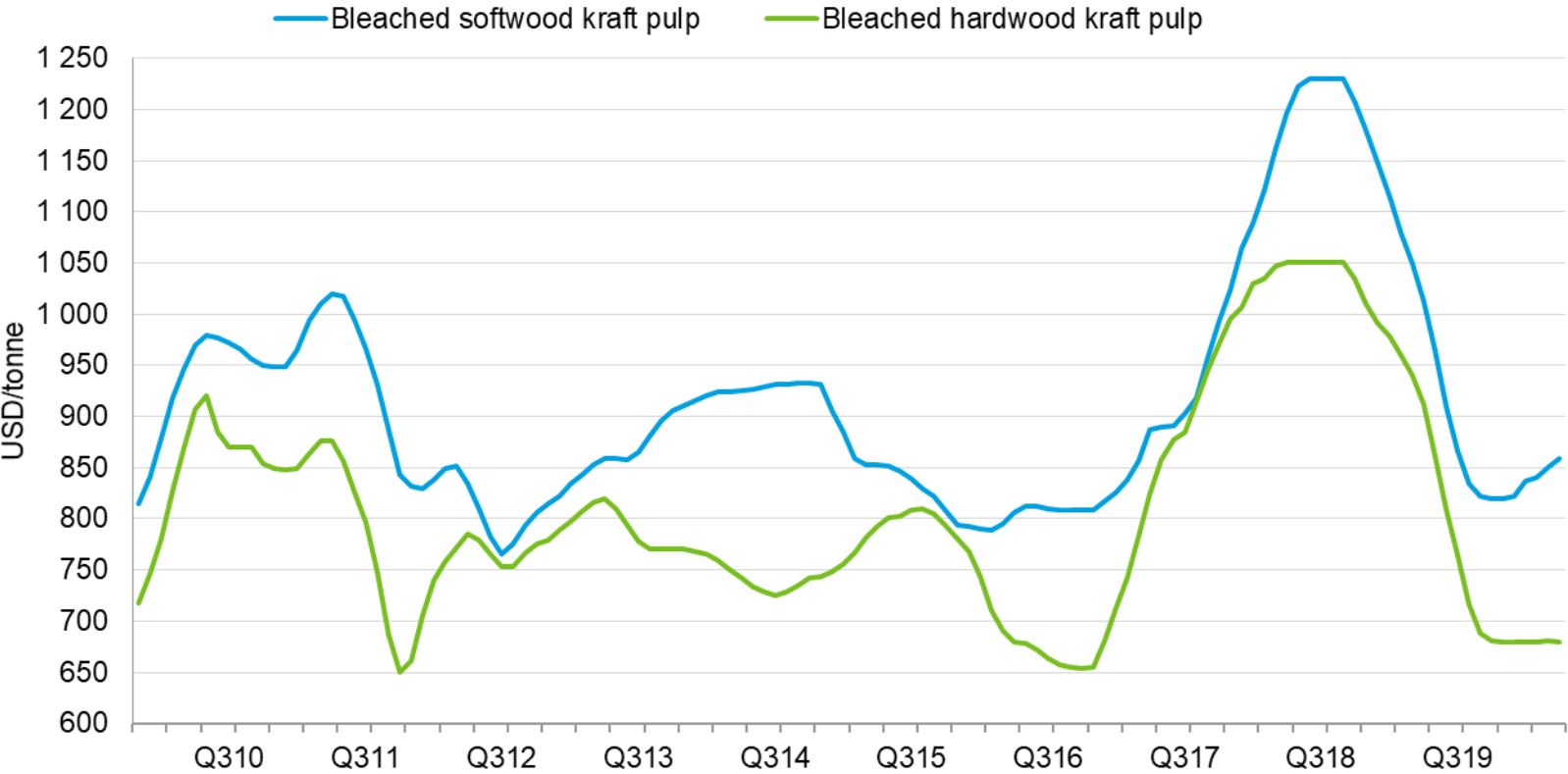


Kraftliner and testliner prices



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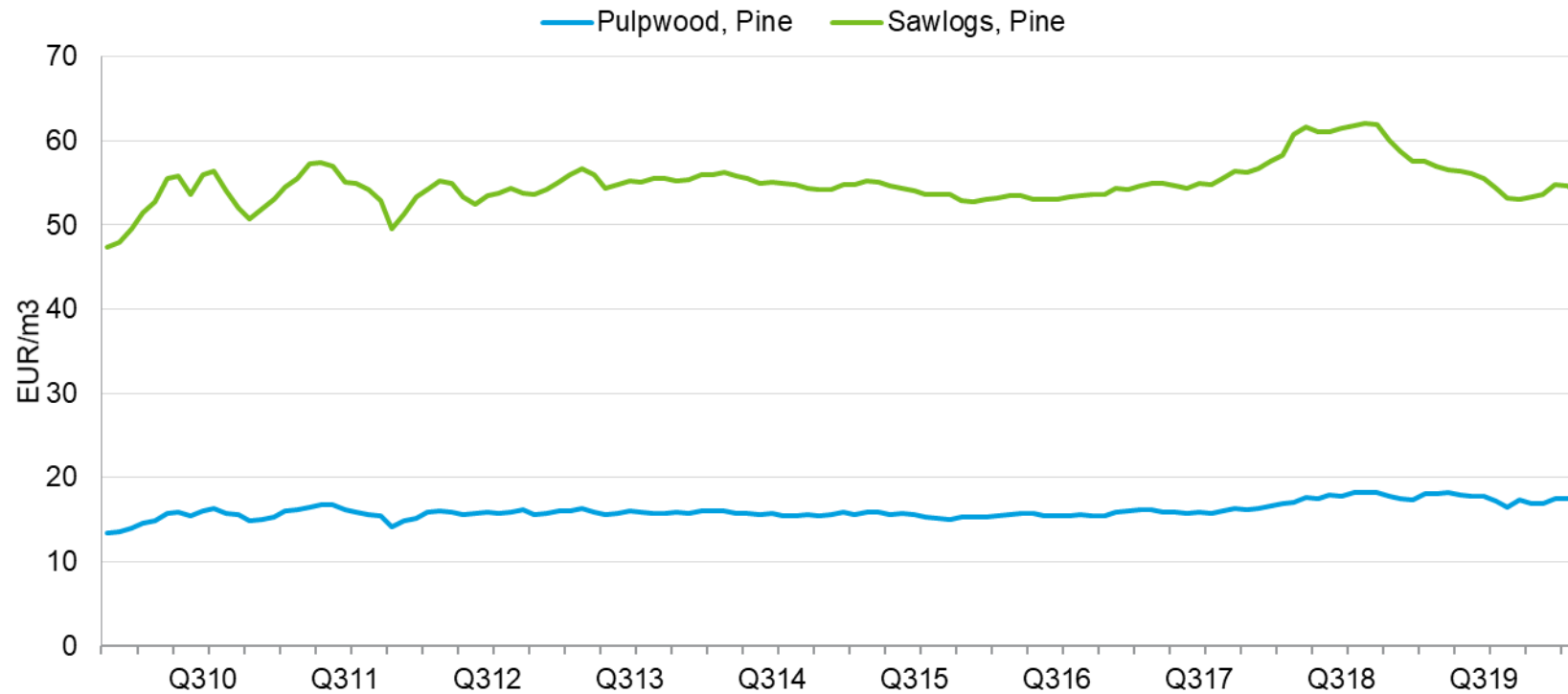
Pulp price development



Source: FOEX

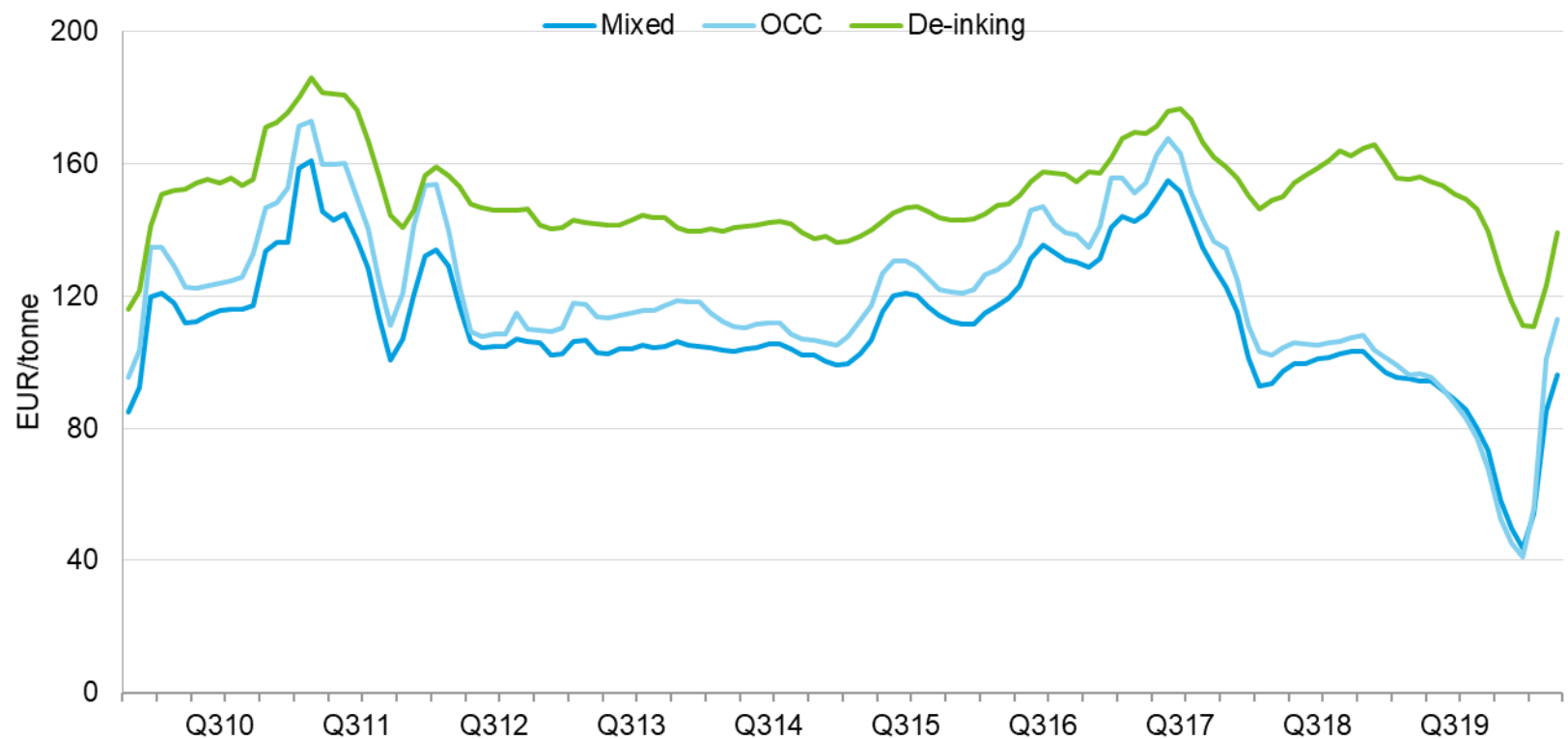
Pulp wood and saw log prices

Wood prices in Finland



Source: Luonnonvarakeskus

Paper for recycling prices



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

THE RENEWABLE MATERIALS COMPANY