

Financial results for Q3 2020

Solid performance continues in challenging business environment

President and CEO Annica Bresky
CFO Seppo Parvi

20 October 2020

Disclaimer



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Focus on cash flow and profit protection

Strong performance from Packaging Materials, Wood Products and Forest

Q3 2020 year-on-year

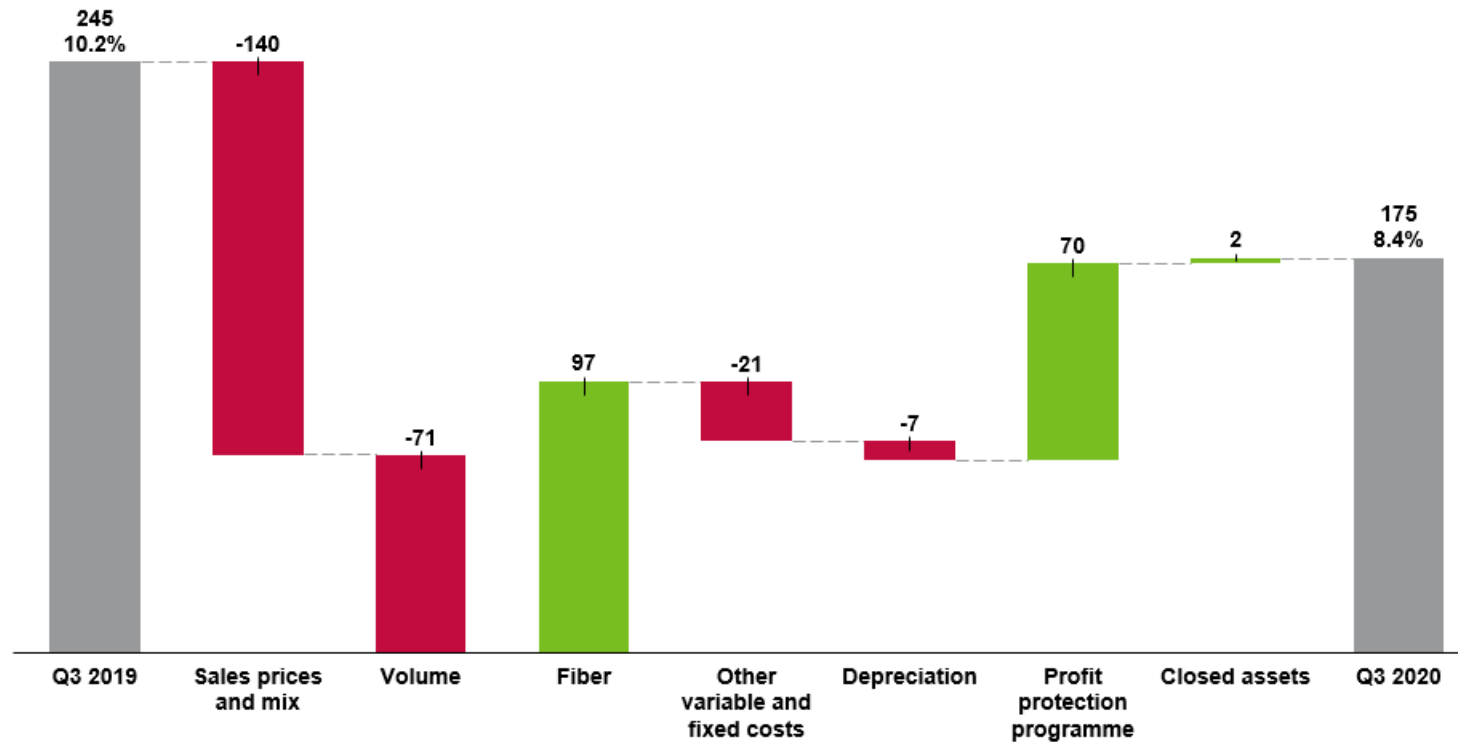


- Sales decreased by 13% and by 6% excl. Paper
- Operational EBIT decreased to 175 (245) MEUR, excl. Paper, 191 (195) MEUR, remained at the same level as a year ago
- Operational EBIT margin 8.4% (10.2%), excl. Paper 11.8% (11.3%)
- Cash flow from operations amounted to 399 (493) MEUR. Cash flow after investing activities was 250 (347) MEUR
- Net debt to operational EBITDA at 2.4x (2.1x), above the target <2.0x. Net debt was reduced by over 700 MEUR
- Strong liquidity at 2.2 BEUR, including cash and committed credit facilities and good access to funding sources
- Operational ROCE at 6.7% (9.2%), below the strategic target of 13%
- Increase of profit protection programme to 400 MEUR for continuous savings. Target for one-time savings remains at 85 MEUR



Active cost management continues

Operational EBIT Q3 y-o-y



Mixed market conditions continue



- Health and safety of our employees continues to be a key priority
- Extensive precautions for the upcoming seven mill maintenance stops in Q4
- Divisional overview:
 - Consumer Board was strong, Containerboard remained weak
 - Clear recovery in corrugated volumes sequentially
 - Low market pulp prices and global high inventory levels persist. High deliveries for Biomaterials but division negatively impacted by prices and planned maintenance.
 - Strong US and European market for Wood Products
 - Solid and stable result continued for Forest, record low operating working capital supported cash flow
 - Paper returned to positive cash flow, capacity adjustments to adapt to demand decline



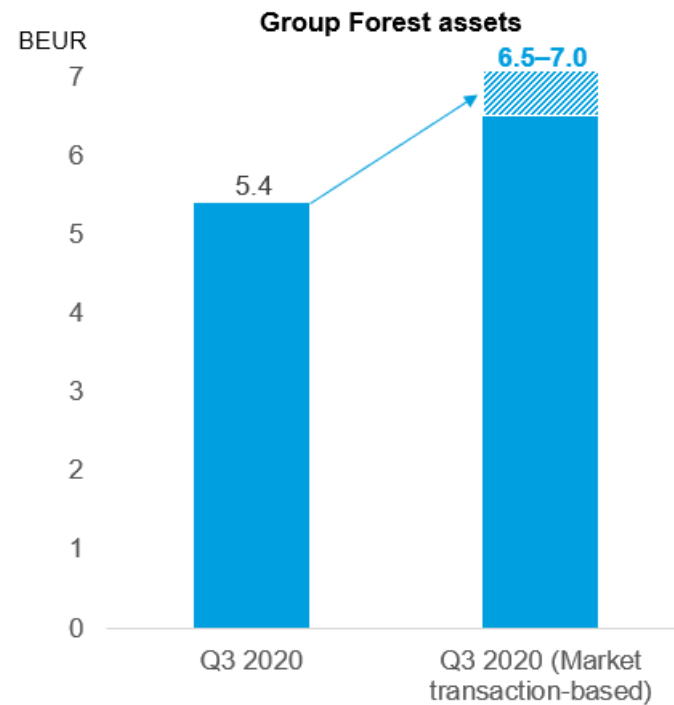
Forest asset value increase to reflect market value



- Natural time to review our valuation method
 - Forest as separate division was started in 2020
 - Increased significance of forest assets in the balance sheet
 - Market practice of valuating forest assets changing in the Nordics based on better transactional data
- As of Q4 2020, forest assets combined value will be determined using market transaction-based valuation method
 - Applies to Nordic forest assets
 - Nordic forest land, currently held at cost, will be revalued
 - Plantations, different asset class, excluded due to lack of sufficient market transaction data and shorter harvesting cycles (6–12 years vs 60–100 years)
 - Transparent and less subjective valuation method

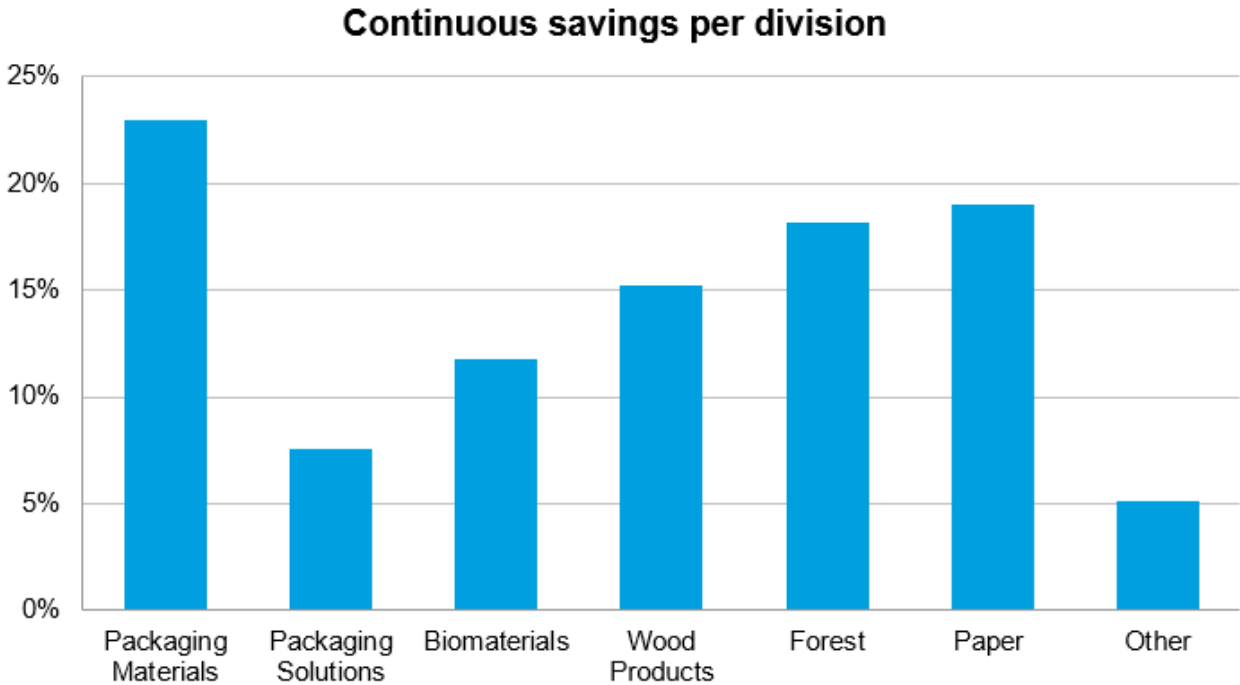
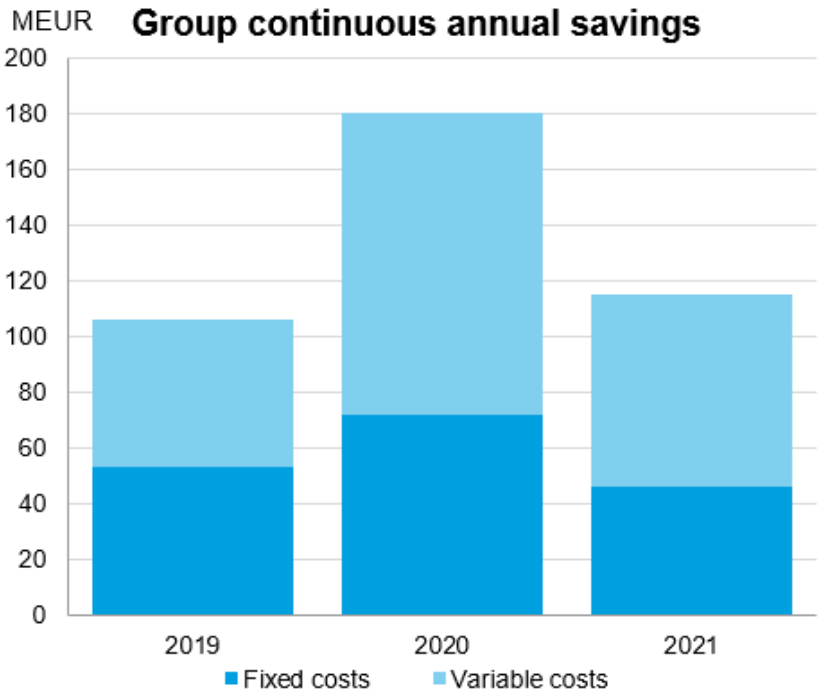


6.5–7.0 BEUR of Forest asset value after revaluation



New target of 400 MEUR for profit protection programme

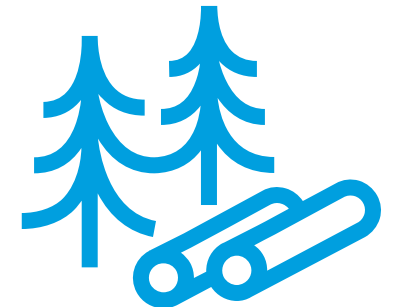
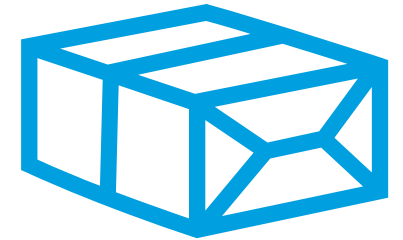
65 MEUR continuous and 5 MEUR one-time savings in Q3



Key events during Q3



- The conversion to packaging board has started in Oulu Mill. Paper production stopped end of September and packaging board production will start around the New Year.
- 79 MEUR investment in a new CLT production line at Ždírec sawmill in the Czech Republic, to capture growth in wooden construction market. Production will begin during Q3 2022
- Shut down of one newsprint paper machine by end of 2020 at Hylte Mill in Sweden and the deinking plant at latest in Q2 2021 to adjust for declining market demand
- 10 MEUR investment in dispersion barrier technology at Forshaga site in Sweden. Products with barriers adapted for a circular bio-economy will be commercially available during Q2 2021.
- PureFiber™ by Stora Enso, the next generation of eco-products to replace plastics in food service applications are now commercially available. To capture the growth, investments in capacity increases will continue in Hylte, Sweden and Qian'an, China.
- A pilot facility for producing biofoam will be built at Fors Mill in Sweden. Biofoam is a renewable and easily recyclable foam material for protective packaging and cushioning.
- The investment in saw, plane and pellet production in Launkalne sawmill, Latvia has been fully ramped up



Continued focus on cash flow and profit protection

Summary financials Q3 2020



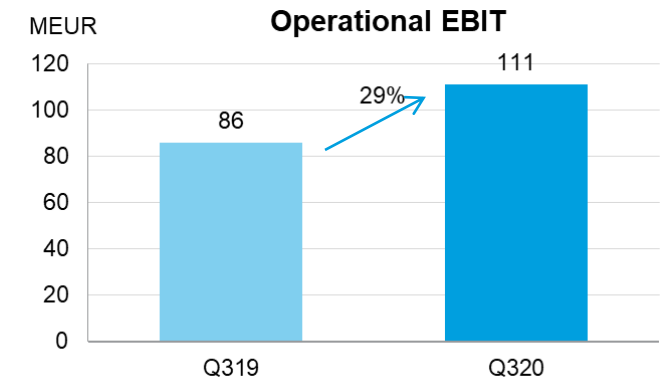
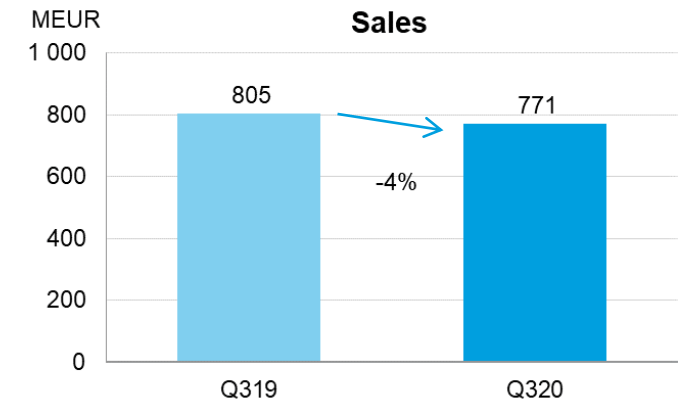
MEUR	Q3/20	Q3/19	Change% Q3/20- Q3/19	Q2/20	Change% Q3/20- Q2/20
Sales	2 079	2 402	-13.5%	2 114	-1.7%
Operational EBITDA	330	397	-17.0%	332	-0.7%
Operational EBITDA margin	15.9%	16.5%		15.7%	
Operational EBIT	175	245	-28.6%	178	-1.5%
Operational EBIT margin	8.4%	10.2%		8.4%	
Profit before tax excl. IAC and FV	144	191	-24.3%	142	1.7%
Net profit for the period (IFRS)	86	59	46.9%	144	-40.1%
EPS excl. IAC and FV, EUR	0.14	0.18	-19.3%	0.14	2.2%
EPS (basic), EUR	0.11	0.09	26.1%	0.19	-40.3%
Operational ROCE	6.7%	9.2%		6.8%	
Operational ROCE excluding Forest	8.0%	11.7%		7.8%	
Cash Flow from Operations	399	493	-19.2%	363	9.9%
Net debt/last 12 months' operational EBITDA	2.4	2.1		2.5	

Packaging Materials

Good cost control resulting in improved profitability Q3 y-o-y



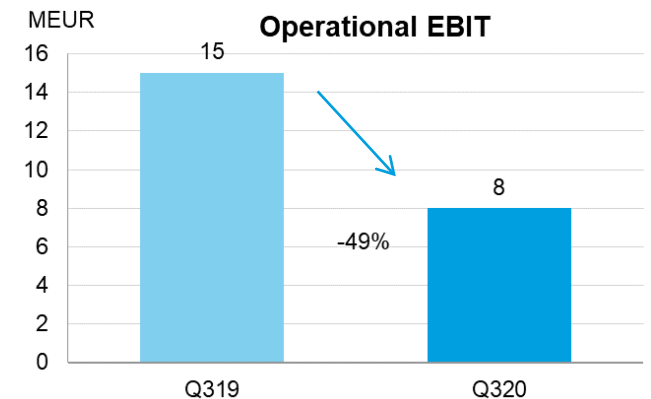
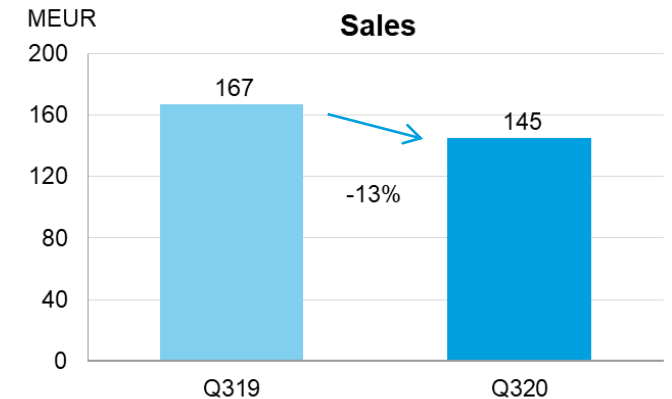
- Sales decreased by 4% to 771 MEUR
 - Clearly lower containerboard prices
 - Closure of a small packaging paper machine at Imatra Mills in Finland
- Operational EBIT increased by 25 MEUR to 111 MEUR
 - Clearly lower variable costs especially pulp, chemicals and energy
 - Positive impact through profit protection programme actions
 - Clearly lower containerboard prices
- Operational ROOC improved to 15.6% (11.9%)
- Conversion of Oulu Mill to kraftliner production is according to plan
 - Production is planned to start around the New Year
 - Designed capacity is expected to be reached by end Q2 2021
 - Commercialisation of product portfolio is expected to be reached by end of 2021
 - Oulu Mill results included in Packaging Materials from Q4 2020 onwards



Packaging Solutions

Competitive market situation affecting sales and margins Q3 y-o-y

- Sales decreased by 13% to 145 MEUR from last year's record high Q3 level
 - Lower box prices in Europe due to decreased raw material prices
 - Negative sales FX
 - Lower deliveries in China Packaging
- Operational EBIT decreased by 7 MEUR to 8 MEUR from last year's record high Q3 level
 - Lower sales due to lower box prices, negative sales FX and lower deliveries in China Packaging
 - Accelerated efforts in new businesses impacted operational EBIT negatively (formed fiber, biocomposites and Box Inc.)
 - Lower variable costs due to low containerboard market prices
 - Lower fixed costs mainly due to profit protection programme actions
- Operational ROOC decreased to 13.2% (23.1%) mainly due to lower profitability

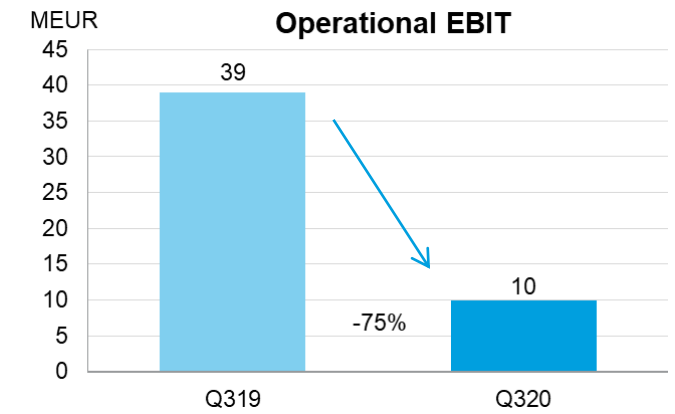
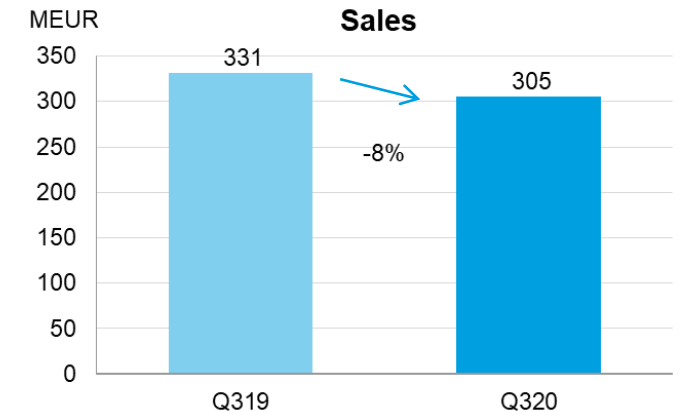


Biomaterials

Profitability affected by challenging markets and planned maintenance stops Q3 y-o-y



- Sales decreased by 8% to 305 MEUR
 - Significantly lower pulp prices
 - Negative sales FX
 - Higher pulp deliveries
- Operational EBIT decreased by 29 MEUR to 10 MEUR
 - Significantly lower pulp prices but high deliveries
 - Lower production impacted by increased maintenance activity and additional costs related to Covid-19 precautionary measures
 - Partly offset by clearly lower variable costs and positive net FX impact
- Operational ROOC decreased to 1.6% (5.9%) driven by clearly lower profitability

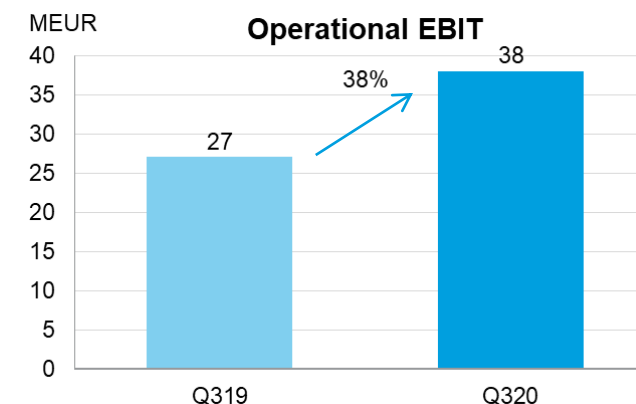
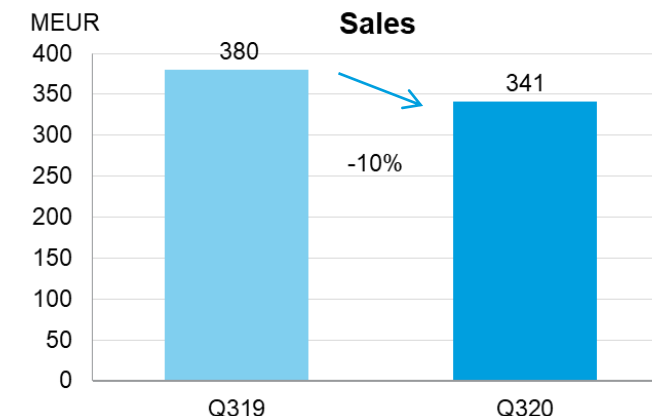


Wood Products

Second highest Q3 profitability Q3 y-o-y



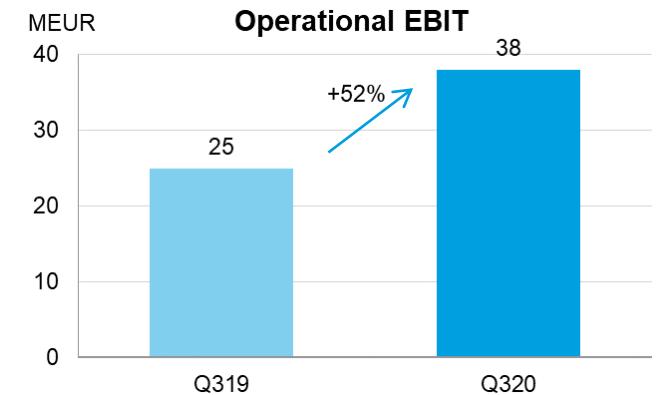
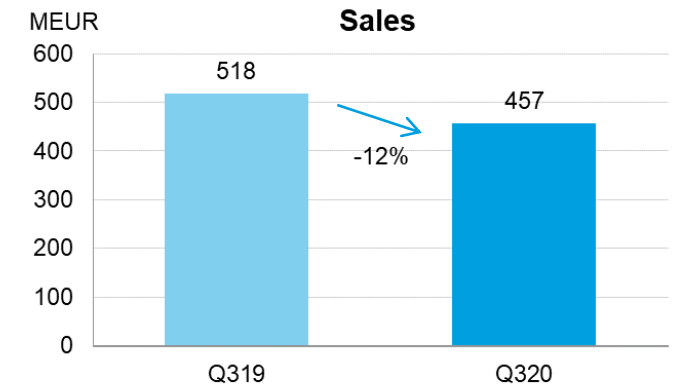
- Sales decreased by 10% to 341 MEUR
 - Covid-19 related delivery restrictions in Europe
 - Lower classic sawn prices
 - Partly offset by improved mix and especially very strong US market
 - Structural changes at Pfarrkirchen, Uimaharju and Kitee sawmills reduced sales by 32 MEUR
- Operational EBIT increased by 11 MEUR to 38 MEUR
 - Lower sales more than offset by improved margins especially in US
 - Lower net raw material costs and good fixed cost control
- Operational ROOC increased clearly above the long-term target to 25.2% (15.8%)



Forest

Expected efficiency improvements coming through Q3 y-o-y

- Sales decreased by 12% to 457 MEUR
 - Lower wood prices
 - Clearly lower deliveries in Finland as a result of lower production volumes. The reason is maintenance activity and Covid-19 pandemic market impact
- Operational EBIT increased by 13 MEUR to record high Q3 level of 38 MEUR
 - Improved profitability from own forest holdings and Tornator
 - Profitability in the Finnish and Swedish wood sourcing units improved due to increased efficiency and inventory management
- Operational ROOC increased to 3.6% (2.7%)

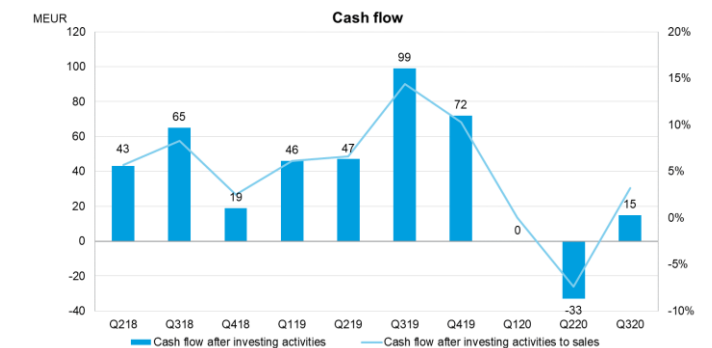
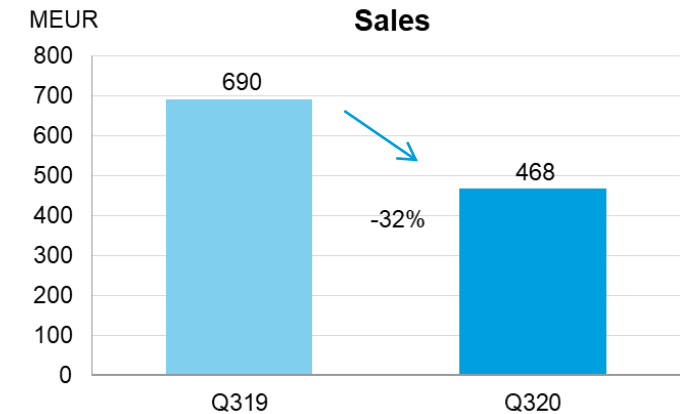


Paper

Positive cash flow in continuously difficult market conditions Q3 y-o-y



- Sales decreased by 32% to 468 MEUR
 - Covid-19 pandemic accelerated demand decline in all paper grades
 - Divestment of Dawang Mill, China and discontinuation of paper production in Oulu Mill, Finland, with a total impact of -21 MEUR
- Operational EBIT decreased by 66 MEUR to -16 MEUR
 - Lower sales partly offset by lower fiber costs and good fixed costs management
- Cash flow after investing activities to sales ratio decreased to 3.2% (14.4%) driven by lower profitability
- One newsprint machine at Hylte Mill, Sweden to be shut down by end of 2020 and the deinking plant latest in Q2 2021
 - Stora Enso is committed to support the employees who will be affected by the closure



Development of strategic financial targets



Group strategic financial targets		Q3 19	Q3 20	
Dividend*	To distribute 50% of EPS over the cycle	0.50	0.15/0.35**	
Growth***	To grow faster than the relevant market	-5.2% (YoY)	-6.0% (YoY)	●
Net debt to operational EBITDA	<2.0x	2.1	2.4	●
Fixed costs to sales	<20%	24.2%	26.8%	●
Net debt to equity	<60%	55%	42%	●
Operational ROCE	>13%	9.2%	6.7%	●
<i>Operational ROCE excl. Forest</i>		11.7%	8.0%	

Divisional strategic financial targets		Q3 19	Q3 20	
Packaging Materials	Operational ROOC > 20%	11.9%	15.6%	●
Packaging Solutions	Operational ROOC > 30%	23.1%	13.2%	●
Biomaterials	Operational ROOC > 15%	5.9%	1.6%	●
Wood Products	Operational ROOC > 20%	15.8%	25.2%	●
Forest	Operational ROOC > 5%	2.7%	3.6%	●
Paper	Cash flow after investing activities to sales > 7%	14.4%	3.2%	●

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

Q4 key events

Guidance and outlook discontinued due to exceptional uncertainty caused by the Covid-19 pandemic



- Oulu Mill conversion planned to be completed by end of quarter
 - 30–40 MEUR negative impact to the operational EBIT of Packaging Materials in Q4 2020
- Extensive precautions to limit impact of Covid-19 in our operations and during annual maintenance shuts
 - Seven mills have maintenance shuts during quarter
 - Total negative impact of maintenance is estimated to be 10 MEUR less compared to Q3 2020 and 15 MEUR less compared to Q4 2019
- Oulu inventories sales result in 5–10 MEUR negative impact on operational EBIT for Paper division

Annual maintenance	Q4 2020	Q3 2020	Q4 2019
Packaging Materials	Fors Ingerois Skoghall Ostrołęka	Beihai Imatra Varkaus	Fors Ingerois Skoghall Varkaus
Biomaterials	Montes del Plata Skutskär	Sunila Veracel	Montes del Plata Skutskär
Paper	Nymölla	Veitsiluoto	-

Solid performance continues in challenging business environment



- Solid result for the quarter with focus on cash flow and profit protection
- Strong performance from Packaging Materials, Wood Products and Forest
- Paper division delivered positive cash flow
- Forest assets value of 6.5–7.0 BEUR
- Market conditions continue to be mixed

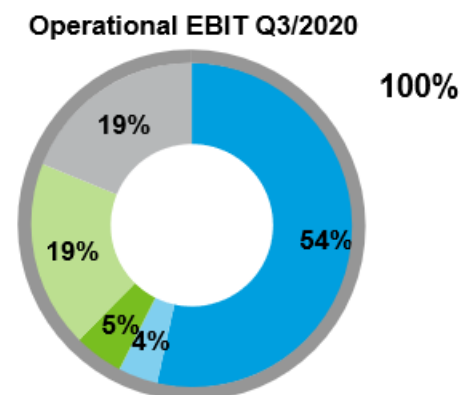
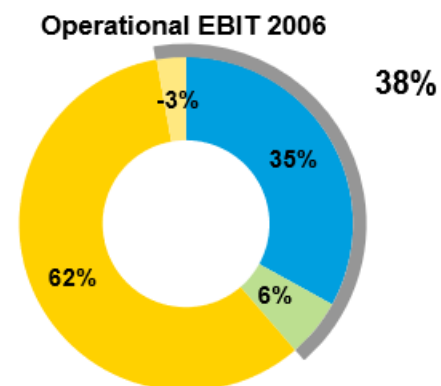
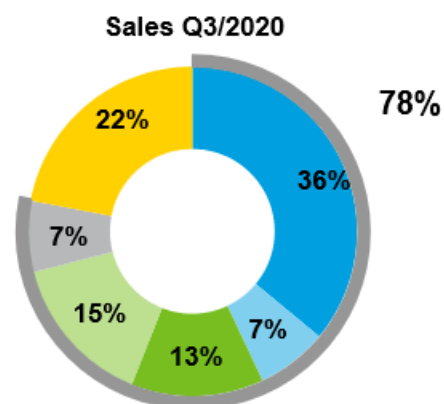
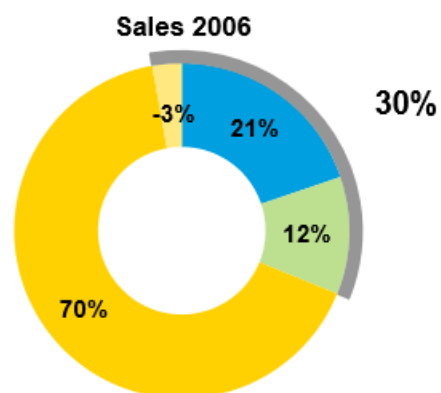


Welcome to Stora Enso virtual CMD on 11 November 2020



THE RENEWABLE MATERIALS COMPANY

Growth businesses 78% 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

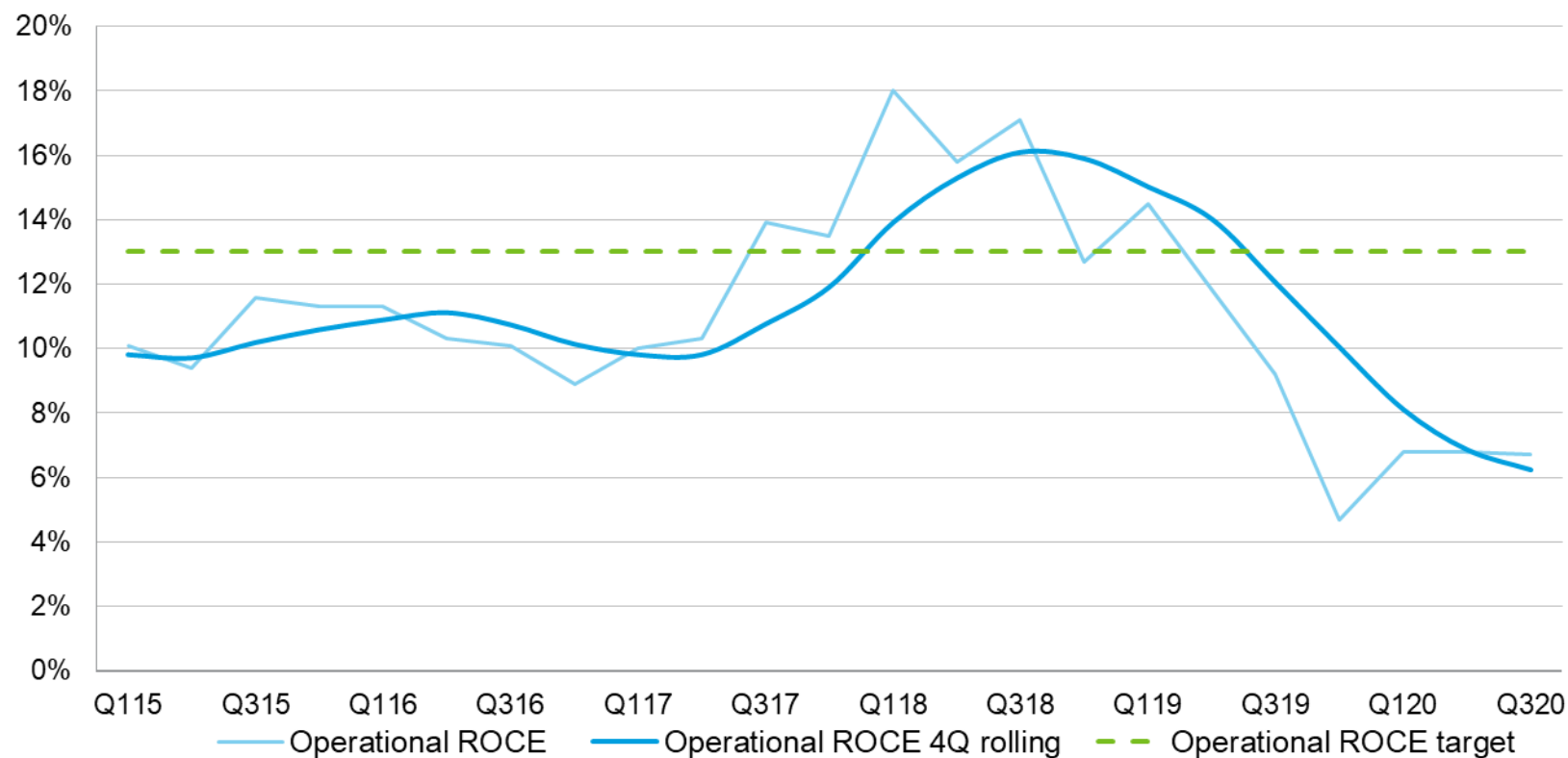
³ In 2006 includes Forest

Operational EBIT by segments



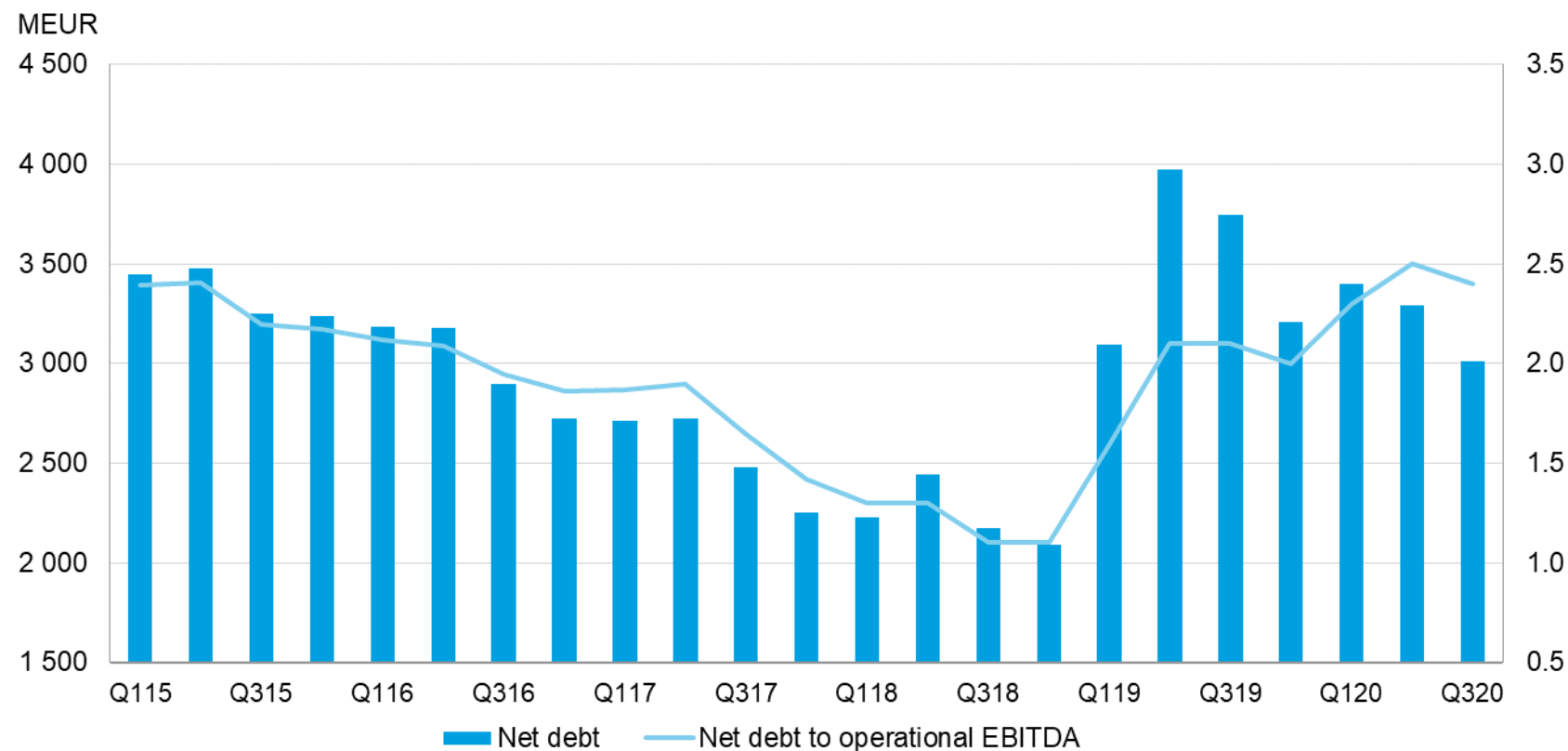
MEUR	Q320	Q319	Change % Q320-Q319	Q220	Change % Q320-Q220
Packaging Materials	111	86	29.2%	130	-14.3%
% of sales	14.4%	10.7%		15.8%	
Packaging Solutions	8	15	-48.6%	8	-4.9%
% of sales	5.3%	9.0%		5.7%	
Biomaterials	10	39	-74.9%	19	-47.3%
% of sales	3.2%	11.7%		6.4%	
Wood Products	38	27	37.9%	26	45.7%
% of sales	11.0%	7.2%		7.4%	
Forest	38	25	51.6%	41	-7.0%
% of sales	8.3%	4.8%		7.8%	
Paper	-16	50	-132.4%	-39	-57.8%
% of sales	-3.5%	7.3%		-8.7%	
Other	-13	2	n/m	-7	-93.1%
% of sales	-5.6%	0.9%		-3.0%	

Operational ROCE development



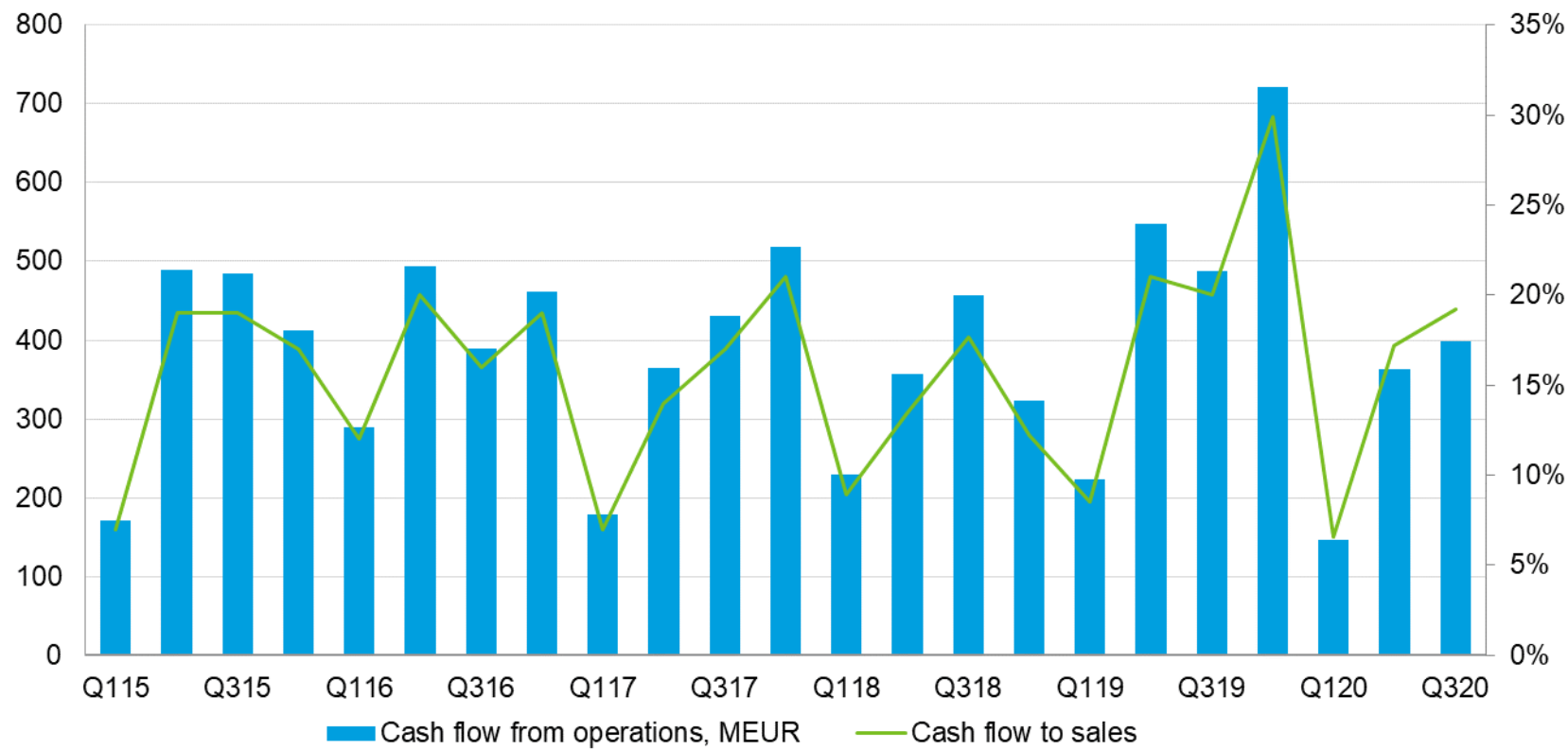
Operational ROCE for periods before 2018 not restated

Year-on-year net debt/EBITDA

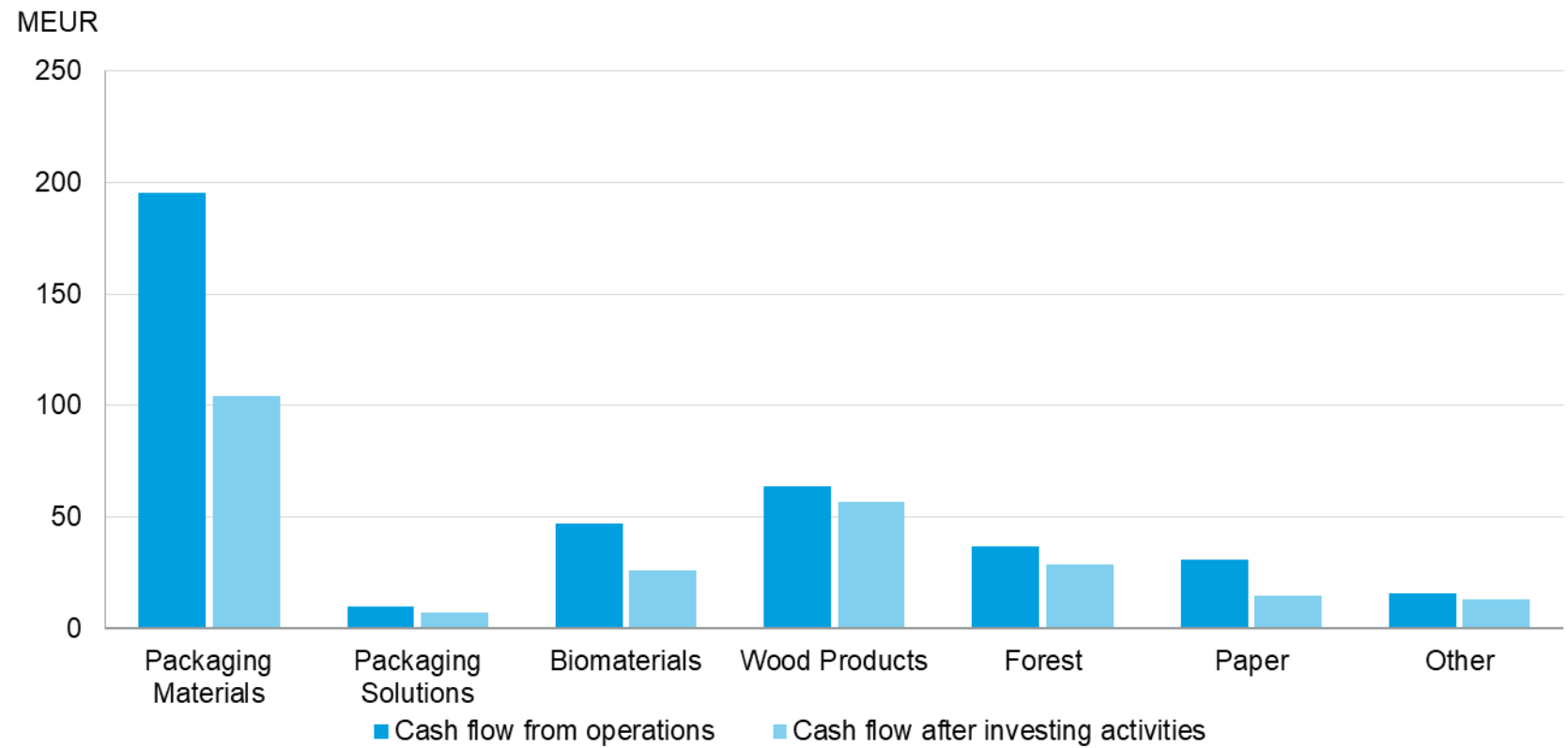


Net debt to operational EBITDA for periods before 2018 not restated

Cash flow development



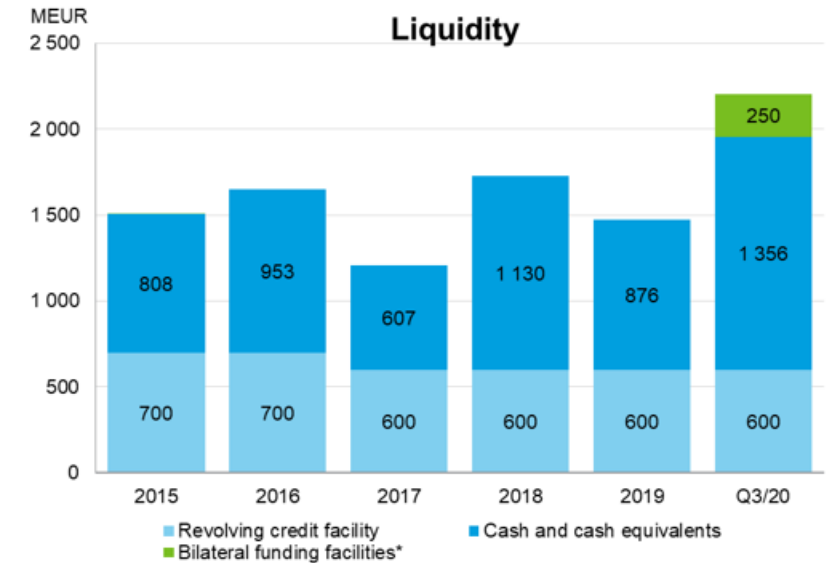
Cash flow by divisions in Q3



Continued focus on strong liquidity



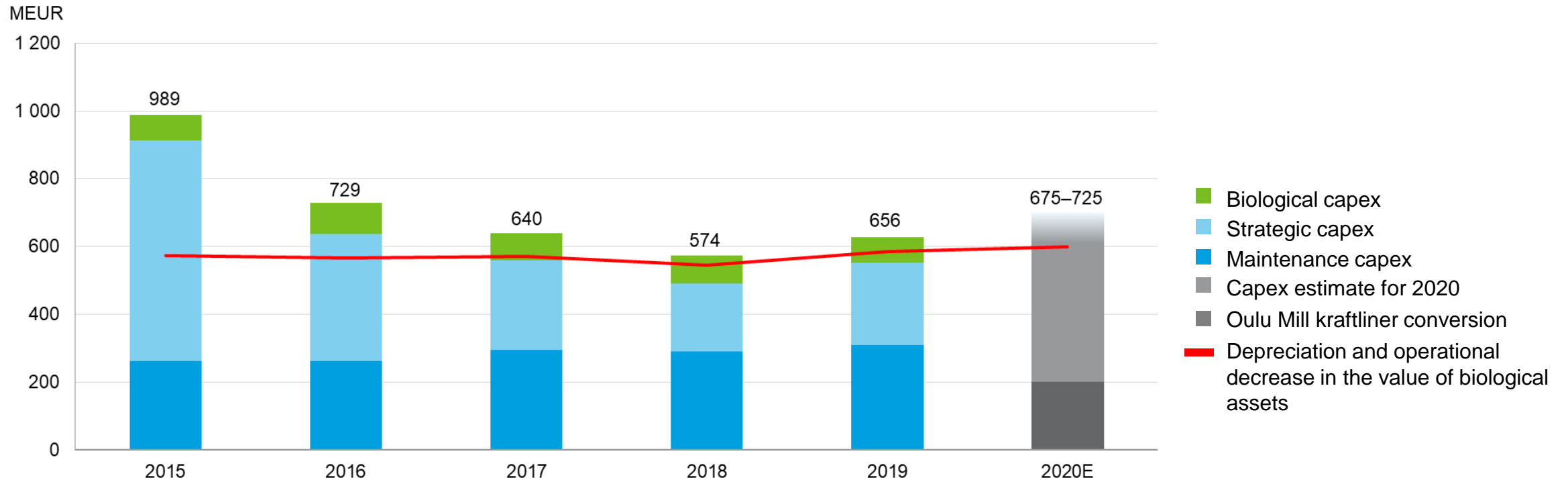
- Actions to secure liquidity:
 - 1 356 MEUR cash and cash equivalents at the end of Q3 2020
 - 600 MEUR committed revolving credit facility fully undrawn
 - 250 MEUR additional committed funding facilities through bilateral arrangements signed and undrawn
 - 950 MEUR statutory pension premium loans available (requires bank guarantee)
- 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 2.4x and gearing at 45%



At the end of the period

* Signed and undrawn at the end of Q3 2020

Capex raised temporarily above depreciation



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

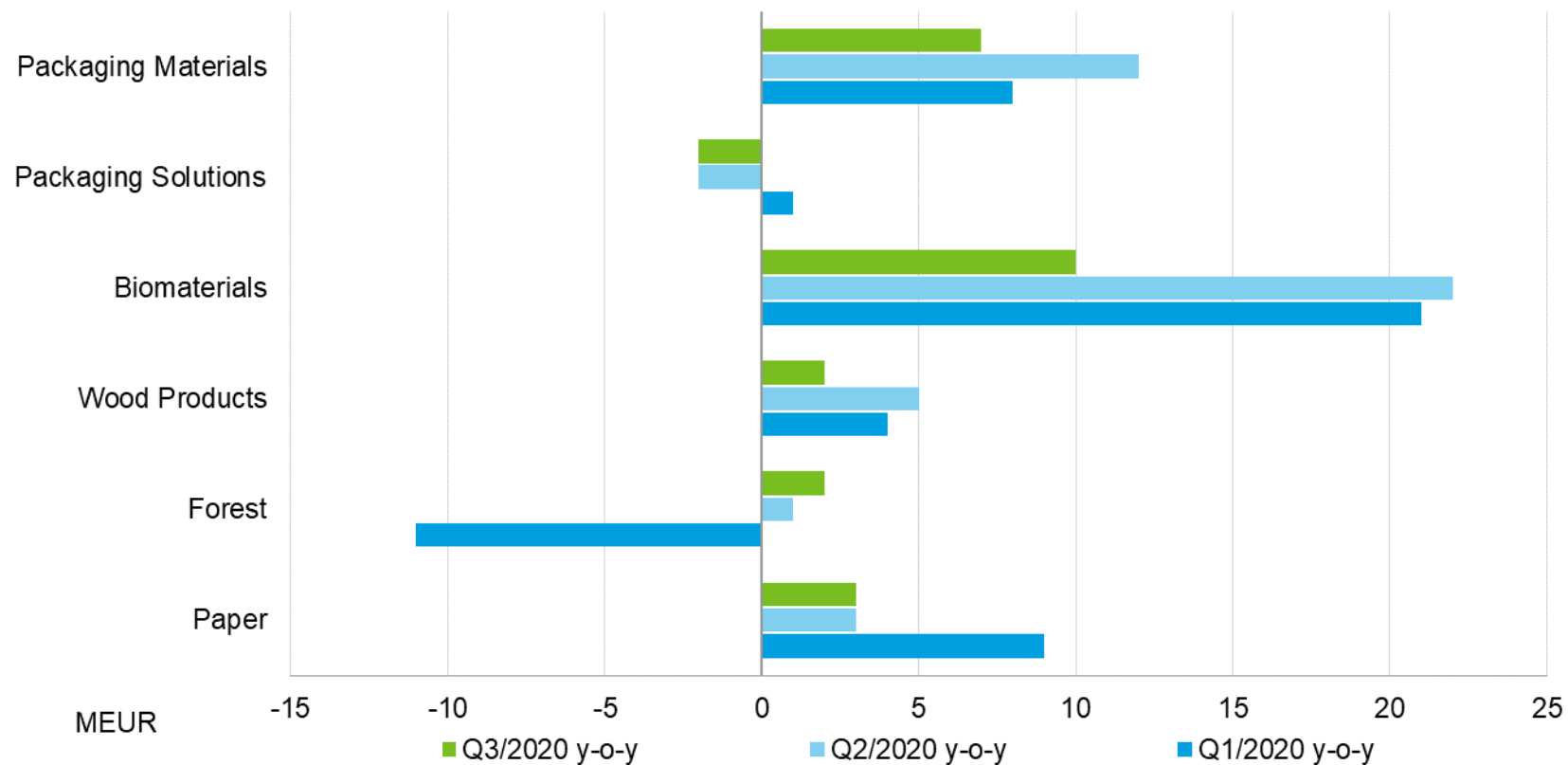
Net Financial Items



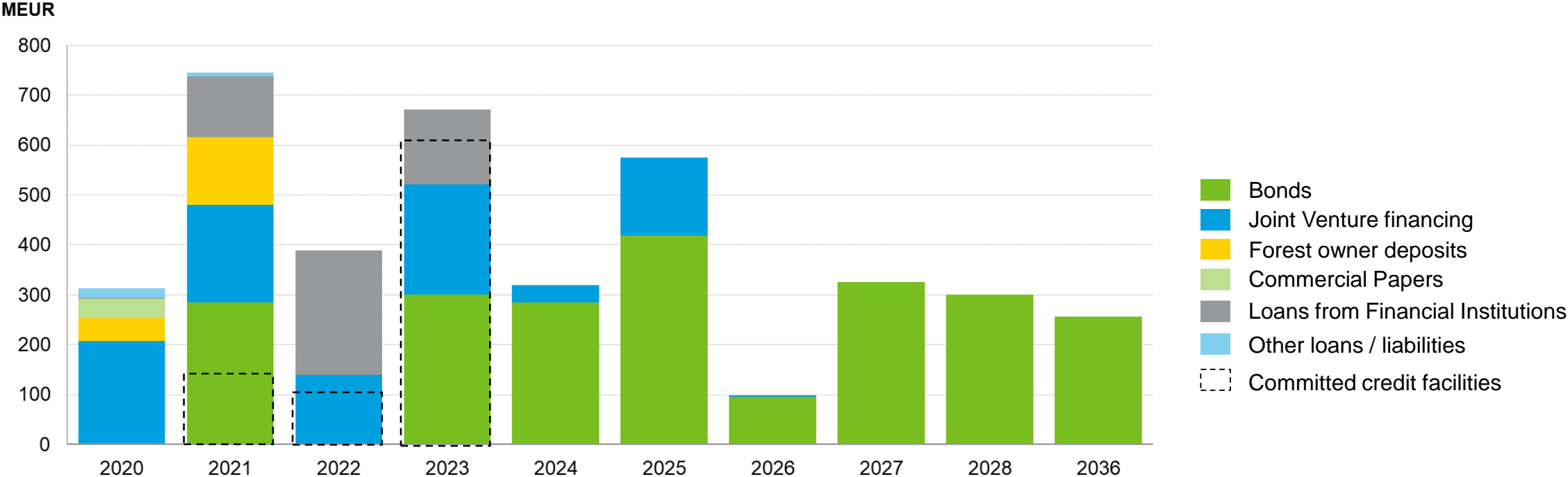
EUR million	Q3 2020	Q3 2019	Change MEUR Q320/ Q319	Q2 2020	Change MEUR Q320/ Q220
Net interest expense	-33	-37	4	-33	-
Average interest rate*	3.1%	3.3%		3.2%	
Foreign exchange gains and losses	4	-17	21	1	3
Other financial items, of which	-2	-1	-1	-4	2
Pension costs (IAS 19R)	-1	-2	1	-1	-
Other items	-1	1	-2	-3	2
Total net financial items	-31	-55	24	-36	5

* Quarterly gross interest expense divided by average gross debt

Net FX by division



Maturity profile Q3 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 Q3 2020



EUR Million	USD	SEK	GBP
Estimated annual operative transaction risk exposure from cash flows for the next 12 months*	1 289	-180	201
Cash flow hedges for the next 12 months as at 30 September 2020	-625	91	-89
Hedging percentage as at 30 September 2020 for the next 12 months	48%	51%	44%
Effect of 10% currency strengthening on Operational EBIT**	129	-18	20

*Cash flows are forecasted highly probable foreign exchange net operating cash flows. The Group has also operative transaction risk exposure from EUR cash flows in Group companies located in Sweden, Czech Republic and Poland with functional currency other than EUR. This additional annual operating cash flow exposure amounted to EUR 810 million and there are outstanding cash flow hedges corresponding to EUR -431 million to hedge that specific risk as at 30 September 2020.

** Before currency hedges assuming no other changes other than a single currency rate movement in an exposure currency occurs. A currency weakening would have the opposite impact.

Sensitivity analysis

Impact on operational EBIT



10% decrease in	Impact*
Energy prices	Positive 9 MEUR
Wood prices	Positive 174 MEUR
Chemical and filler prices	Positive 42 MEUR
10% increase in	Impact*
Market pulp price, total	Positive 120 MEUR
10% strengthening against Euro in the value of**	Impact*
US dollar	Positive 129 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



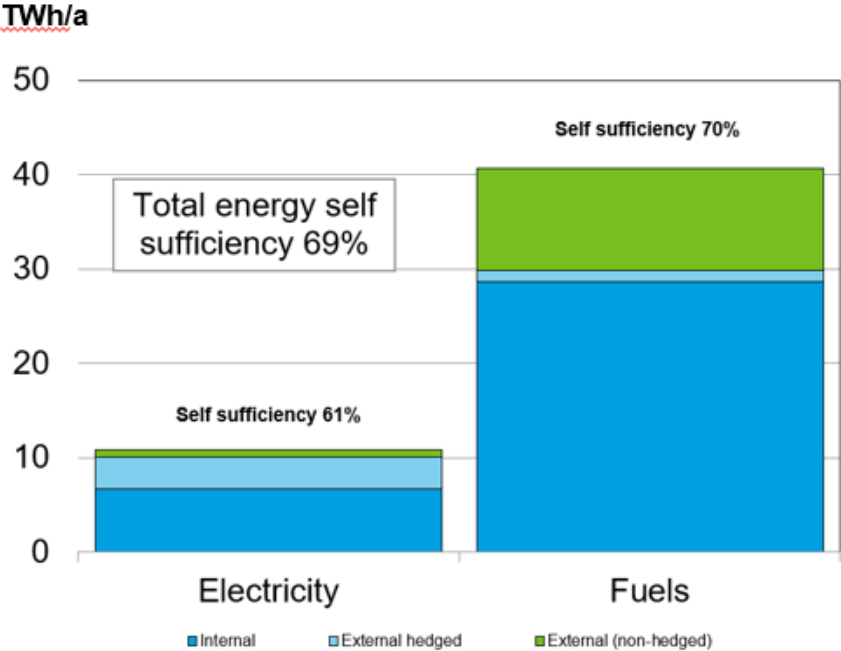
10% increase in	Impact*
Hardwood pulp** prices	Positive 55 MEUR
Softwood pulp prices	Positive 20 MEUR
Unbleached kraft pulp prices	Positive 5 MEUR
Fluff pulp prices	Positive 20 MEUR
Dissolving pulp prices	Positive 20 MEUR
Market pulp price, total	Positive 120 MEUR

* 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 Q3 2020

Pulp, paper and board mills

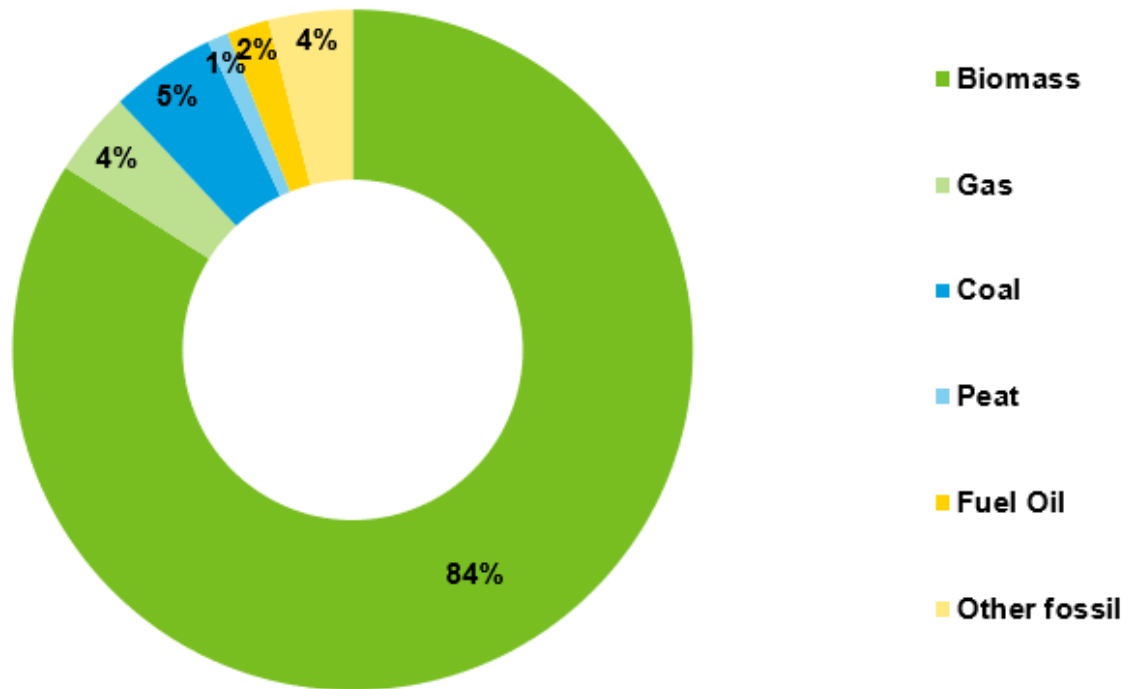


Impact on non-hedged volume on operating profit from 10% change in:	EUR million p.a.
Electricity market price	~5.2
Fossil fuel price	~4.1

External hedged volumes are secured from energy price risk exposure

Stora Enso fuels Q3 2020

Pulp, paper and board mills in Europe and overseas



Total Q3 fuel consumption was 9.0 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

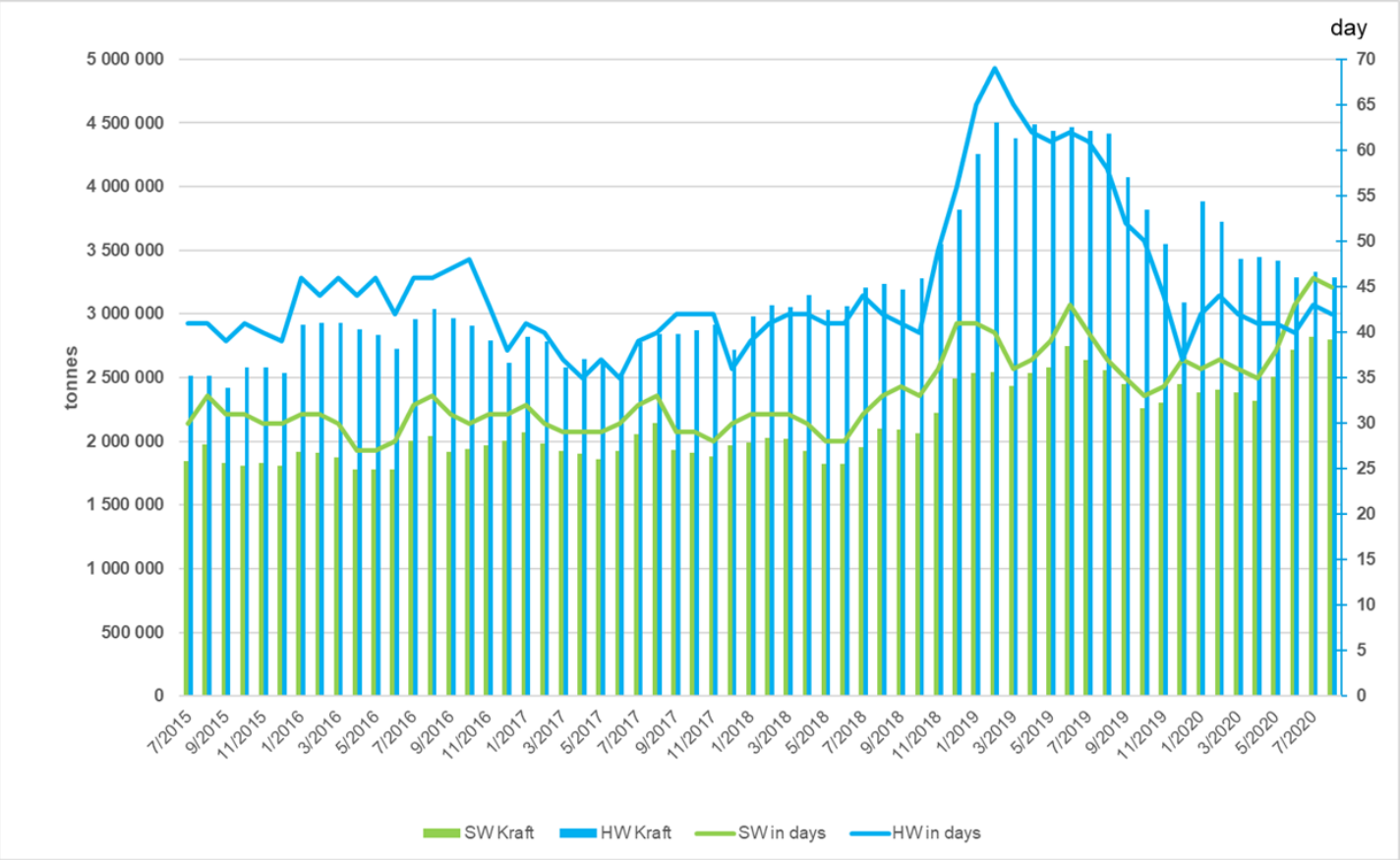
Mill	Date	Grade	Capacity reduction, t
Maxau PM 7	Nov 2010	Newsprint	195 000
Hylte PM1	Dec 2012	Newsprint	180 000
Ostroleka PM2	Jan 2013	Containerboard	85 000
Hylte PM2	May 2013	Newsprint	205 000
Kvarnsveden PM11	May 2013	Newsprint	270 000
Veitsiluoto PM1	Apr 2014	Coated magazine	190 000
Corbehem Mill	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
Hylte PM3	Dec 2020	News	235 000
Total			6 325 000

Permanent sawn wood capacity reductions since 2006



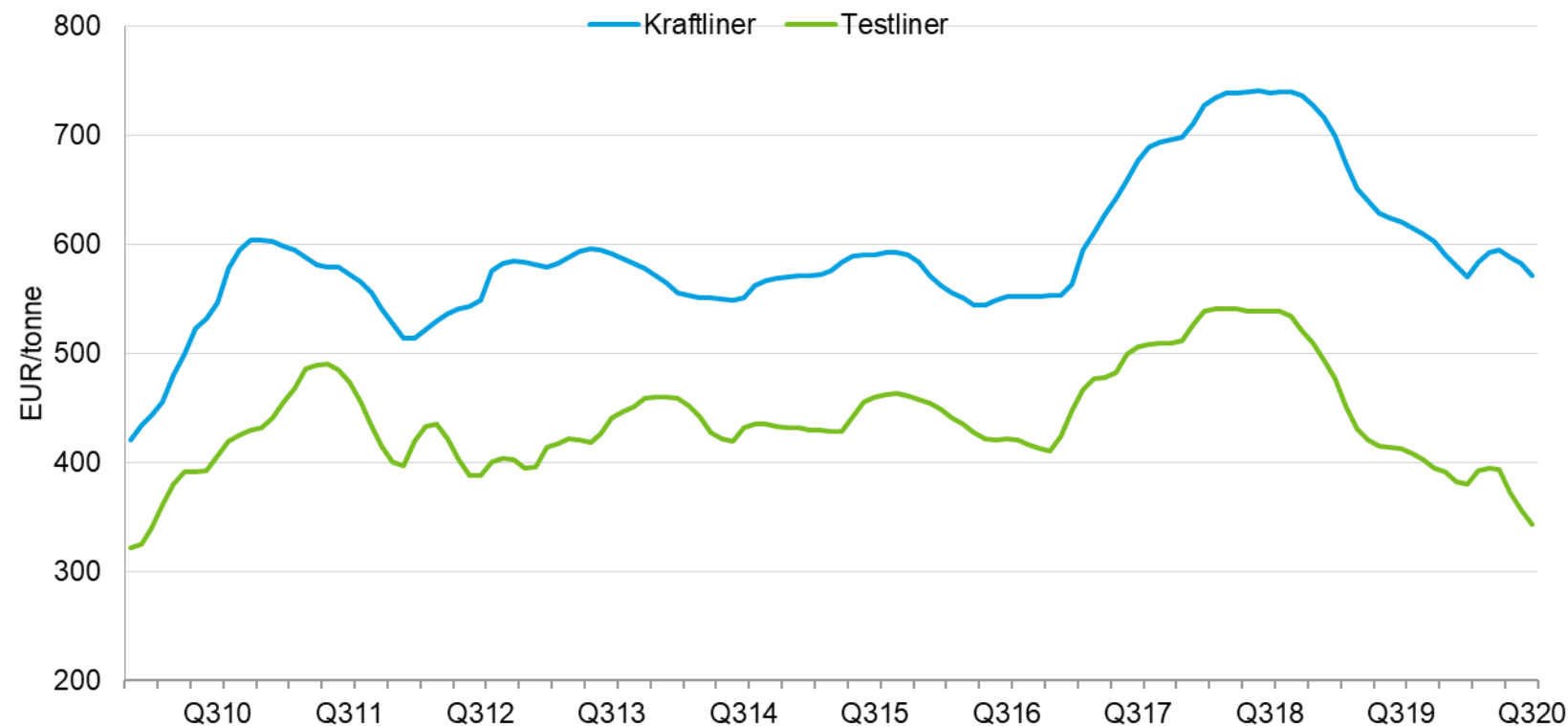
Mill	Date	Capacity reduction, m ³
Veitsiluoto Sawmill	2006	100 000
Honkalahti Sawmill	2006	90 000
Sauga Sawmill	2007	130 000
Sollenau Sawmill	2007	110 000
Näpi Sawmill	2007-2008	100 000
Kotka Sawmill	2007-2008	70 000
Paikuse Sawmill	2008	220 000
Zdirec Sawmill	2008	120 000
Ybbs Sawmill	2008 & 2009	200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



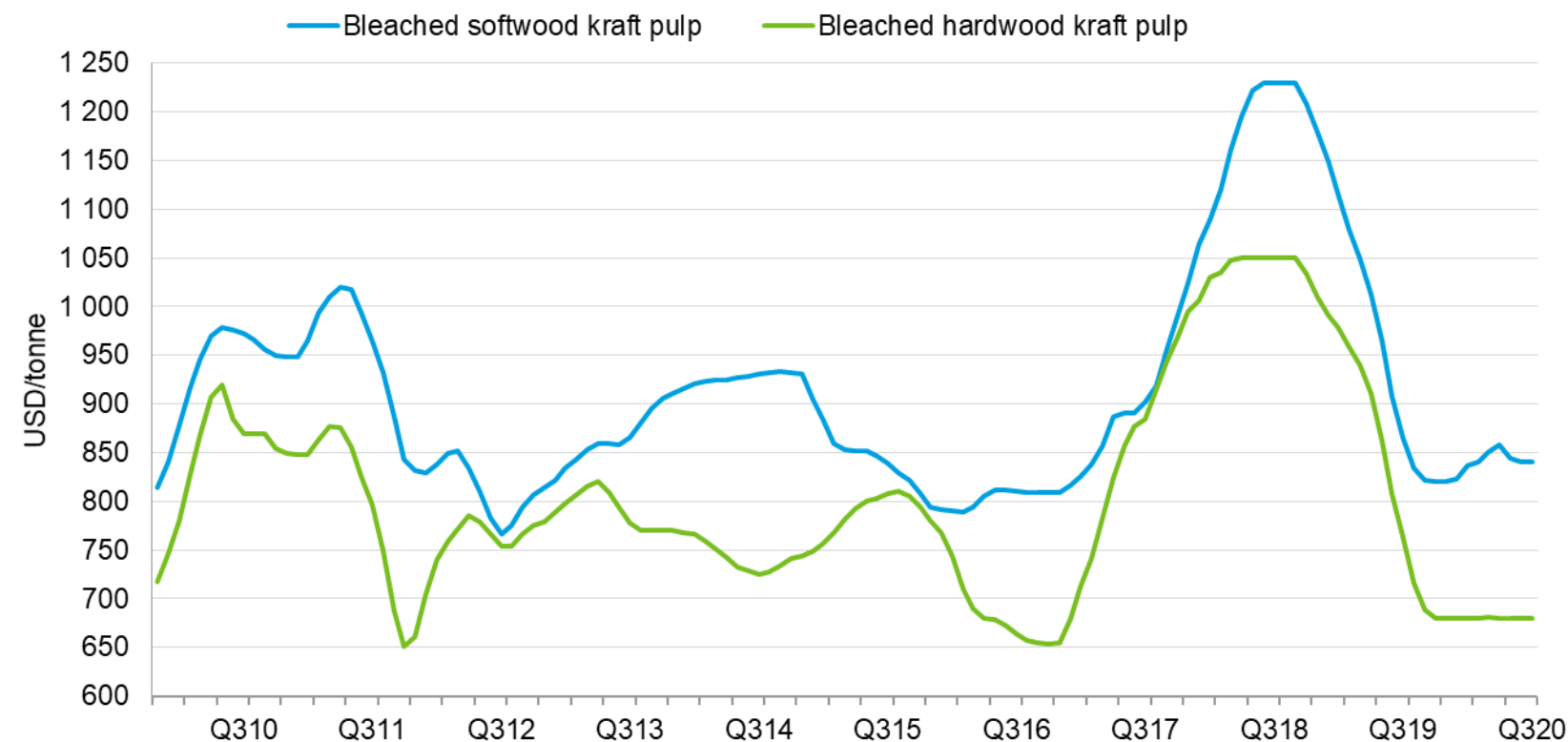
Source: EPIS

Kraftliner and testliner prices



Source: FOEX

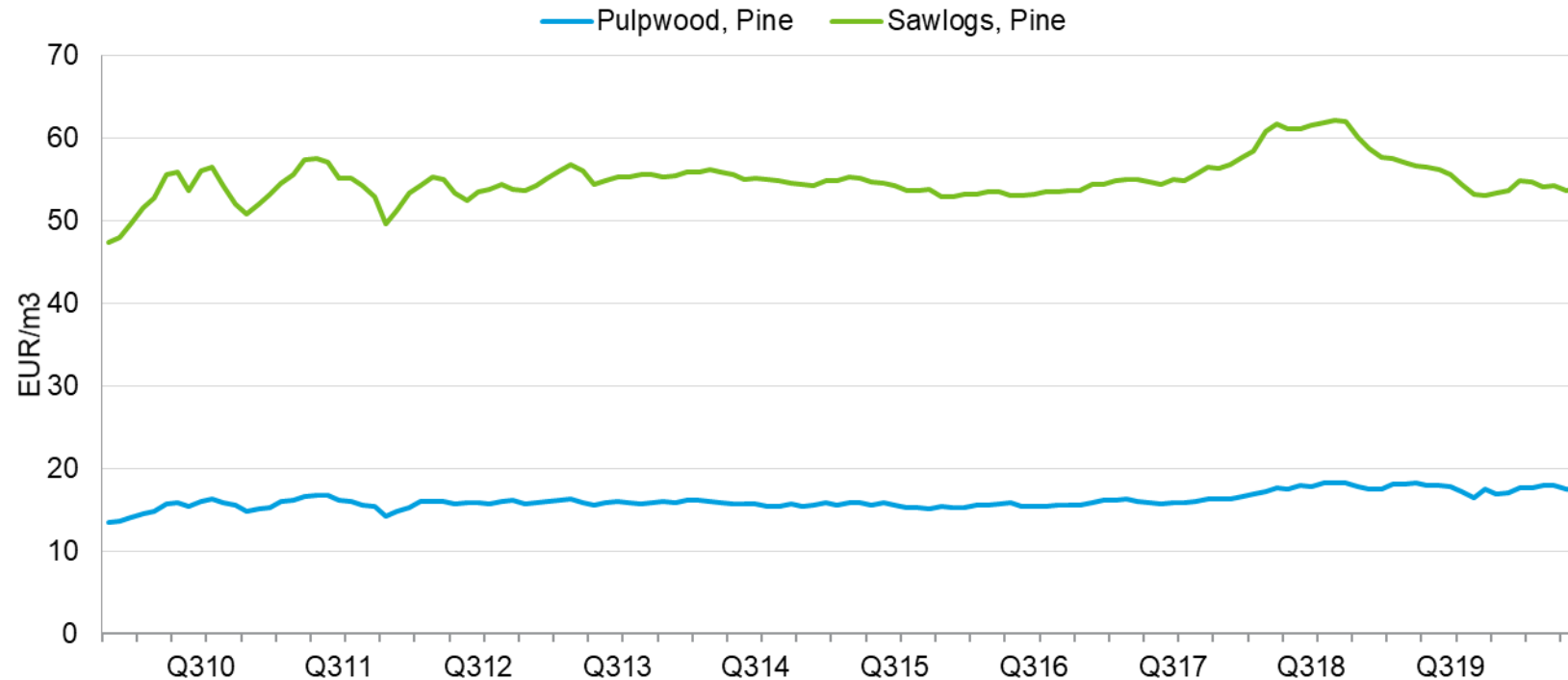
Pulp price development



Source: FOEX

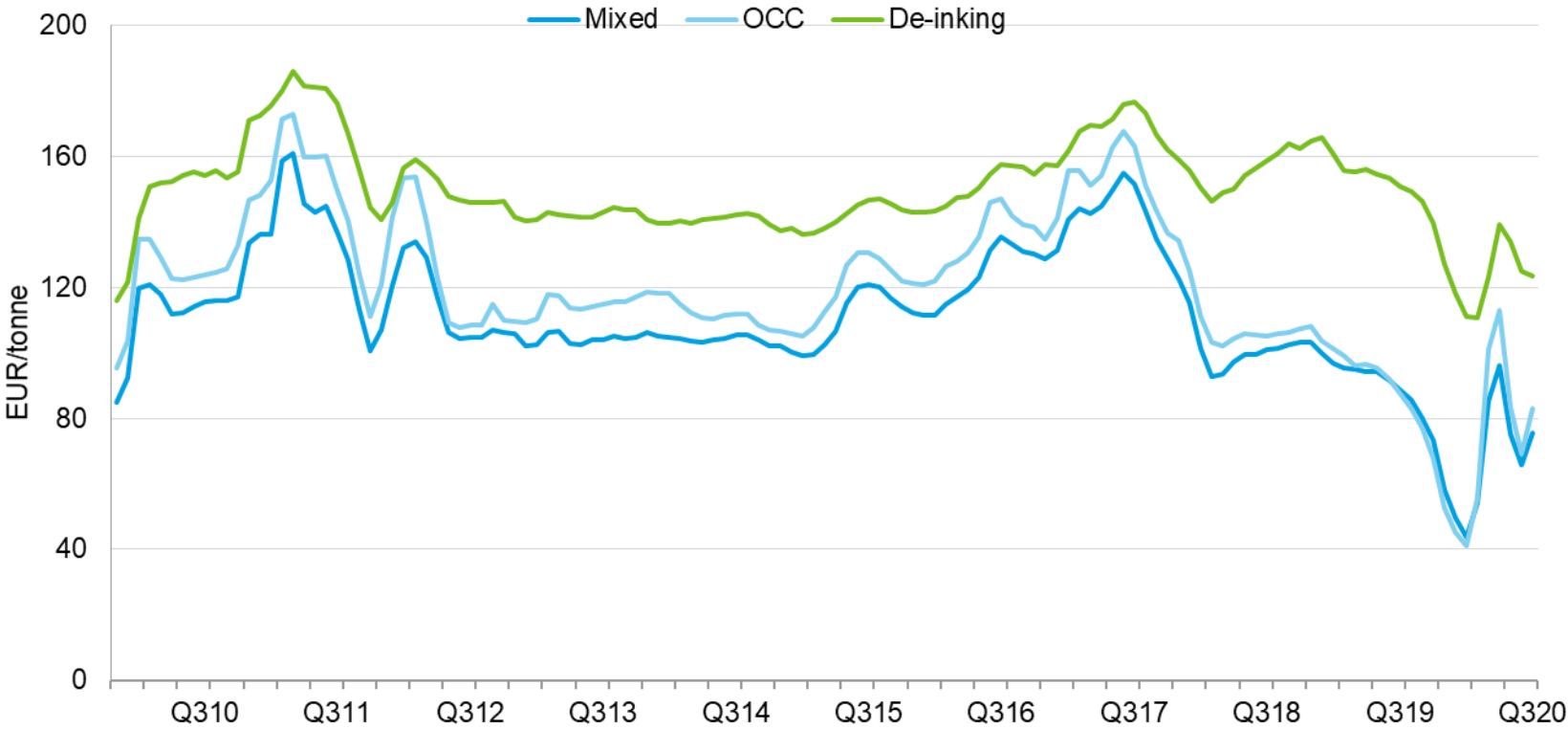
Pulp wood and saw log prices

Wood prices in Finland



Source: Luonnonvarakeskus

Paper for recycling prices



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

THE RENEWABLE MATERIALS COMPANY