

Financial results for Q1 2021

Back on track

President and CEO Annica Bresky
CFO Seppo Parvi

23 April 2021

Disclaimer



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.

Back on track



- Improving performance and market conditions
- 14% growth of core businesses
- Operational EBIT improved by 82%
- Plan of two paper mill closures significantly improves profitability and long-term competitiveness of Paper business
- Close to 90% of group sales would come from core businesses after planned closures
- Oulu Mill is reaching operational EBITDA break-even already in Q3 2021
- Operational EBIT in 2021 is expected to be higher than in 2020



Improving performance and market conditions

Q1 2021 year-on-year

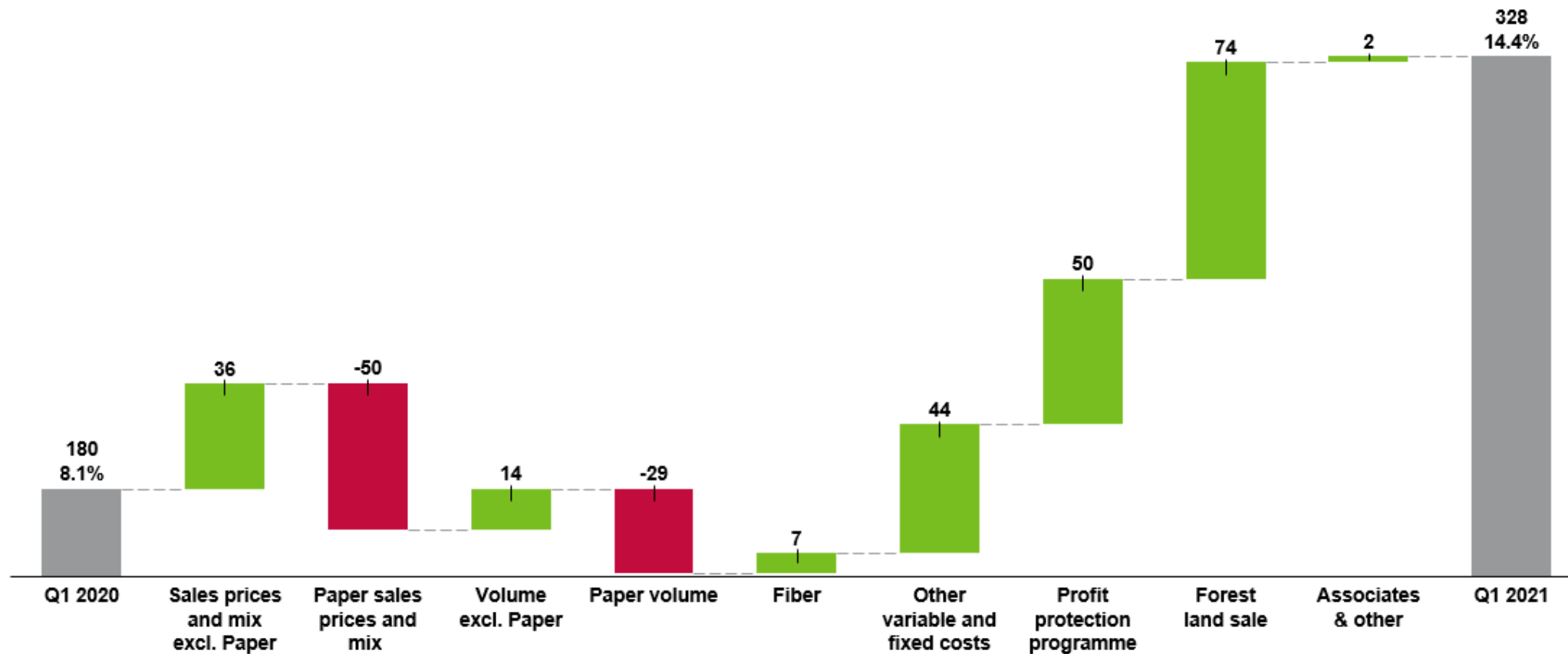


- Sales increased by 3%, 14% excl. Paper
- Operational EBIT increased to 328 (180) MEUR, excl. Paper to 362 (158) MEUR
 - Impact of 74 MEUR from forest sales in Sweden
- Operational EBIT % increased to 14.4% (8.1%), excl. Paper 19.4% (9.7%)
- Cash flow from operations 185 (146) MEUR and after investments -9 (-32) MEUR
- Net debt to operational EBITDA at 2.3x (2.3x)
- Operational ROCE excl. Forest division increased to 12.0% (7.8%)



Result improvement driven by performance in growth businesses and good cost management

Operational EBIT Q1 y-o-y



Strong market conditions for the growth businesses



- Robust performance continues for Packaging Materials
 - Capacity sold-out for the division
 - Market situation in China continued to improve
- Solid e-commerce demand supports corrugated packaging, prices yet to catch-up with raw material price increases
- Classic sawn as well as CLT and LVL strong in Wood Products
- Continued healthy performance for Forest
- Excellent market conditions for Biomaterials
- Paper demand decline continued





Strategy execution intensifies further



- Paper restructuring plans announced
- Shut down of US-based Virdia operations in Q1 2021
- TreeToTextile, joint venture where Stora Enso holds 25% share, invests in demonstration plant for sustainable textile fiber in Nymölla Mill
- Dissolving pulp production at Enocell Mill to be discontinued during 2021. Mill will increase production of other pulp grades
- Ramp-up of the converted kraftliner mill in Oulu is proceeding ahead of plan. Operational EBITDA break-even to be reached already Q3 2021.
- Investment in CLT production at Ždírec Mill proceeding as planned
- Feasibility study ongoing at Skoghall Mill, decision by end 2021
- Agreement with OX2 to lease land in Sweden for the construction of a 170 MW wind power park

Plans to permanently close down pulp and paper production at Kvarnsveden and Veitsiluoto mills



- Decision is subject to completed co-determination negotiations
- Kvarnsveden Mill, Sweden
 - 565 000/a tonnes of SC magazine paper and improved news (two machines)
 - 900 000/a tonnes of thermomechanical pulp
- Veitsiluoto Mill, Finland
 - 790 000/a tonnes of woodfree uncoated office paper and coated magazine paper (three paper machines)
 - 360 000/a tonnes chemical pulp
 - Groundwood mill and sheeting plant
 - Sawmill operations continue
- Potential personnel impact of max 1 110 persons



Financial impact of potential paper mill closures



- Plans would reduce paper capacity by 35% or ~1.3 million tonnes/a
- Annual sales would decrease by approximately 600 MEUR
- Paper sales would be reduced to slightly above 10% of Group sales
- Operational EBITDA would improve by 35 MEUR annually
- 127 MEUR non-cash impairment costs as IAC in Q1 2021 results
- 104 MEUR cost as IAC in Q2 2021 results
 - Of which 96 MEUR cash impact



Strong margin recovery

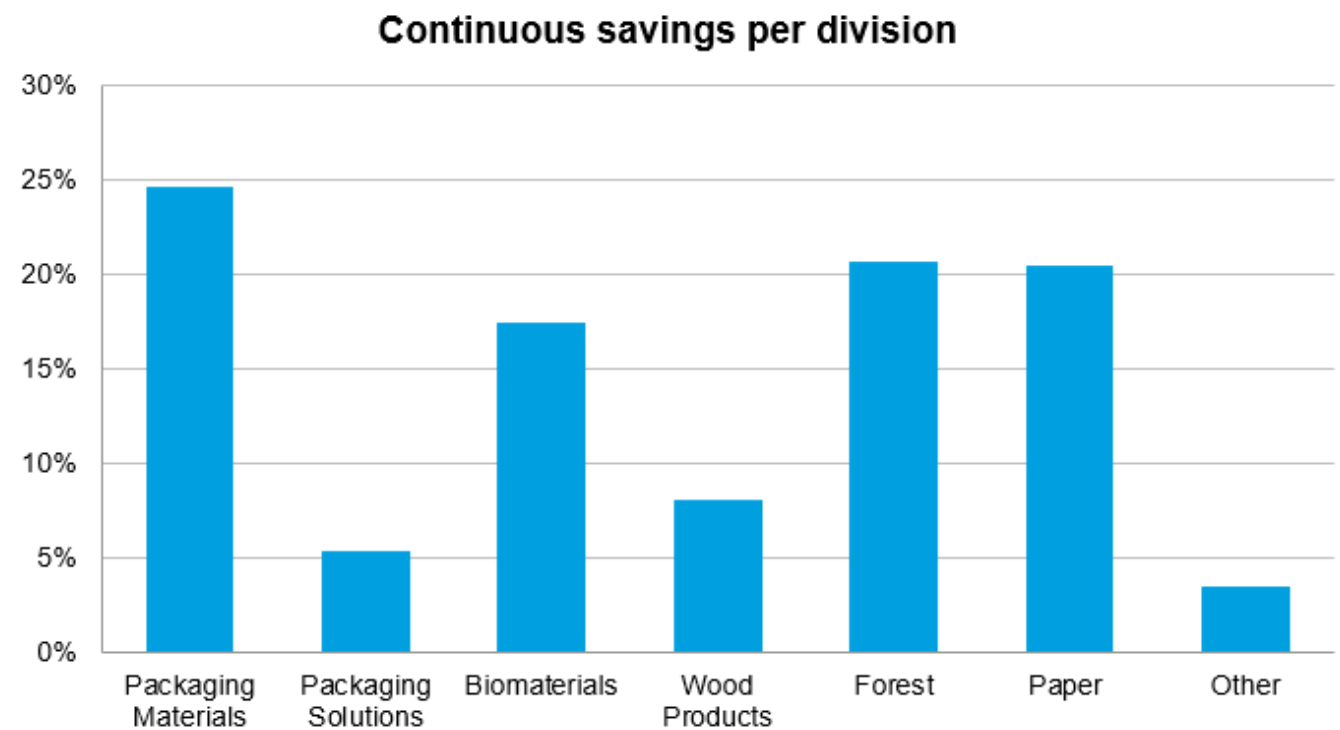
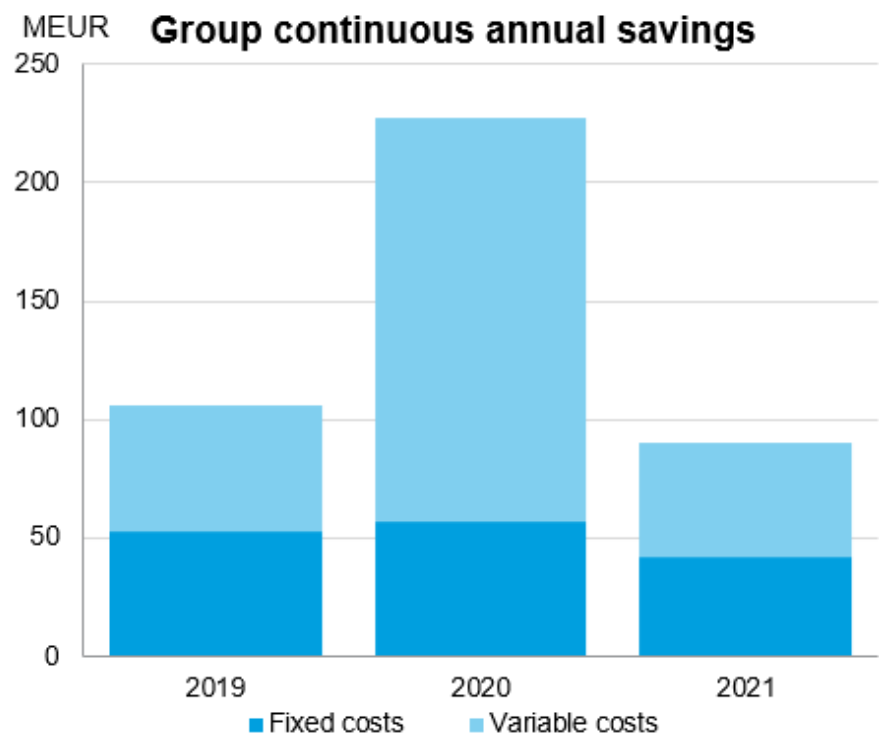
Summary financials Q1 2021



MEUR	Q1/21	Q1/20	Change% Q1/21- Q1/20	Q4/20	Change% Q1/21- Q4/20
Sales	2 276	2 207	3.1%	2 154	5.7%
Operational EBITDA	488	335	45.8%	274	78.3%
Operational EBITDA margin	21.4%	15.2%		12.7%	
Operational EBIT	328	180	82.4%	118	178.7%
Operational EBIT margin	14.4%	8.1%		5.5%	
Profit before tax excl. IAC and FV	292	126	131.3%	88	232.5%
Net profit for the period (IFRS)	145	149	-2.5%	237	-38.8%
EPS excl. FV, EUR	0.22	0.11	106.5%	0.09	145.1%
EPS (basic), EUR	0.18	0.19	-5.7%	0.30	-40.1%
Operational ROCE excluding Forest	12.0%	7.8%		4.7%	
Cash Flow from Operations	185	146	27.0%	436	-57.5%
Net debt/last 12 months' operational EBITDA	2.3	2.3		2.3	

The 400 MEUR profit protection programme target will be reached ahead of plan

50 MEUR continuous savings achieved in Q1

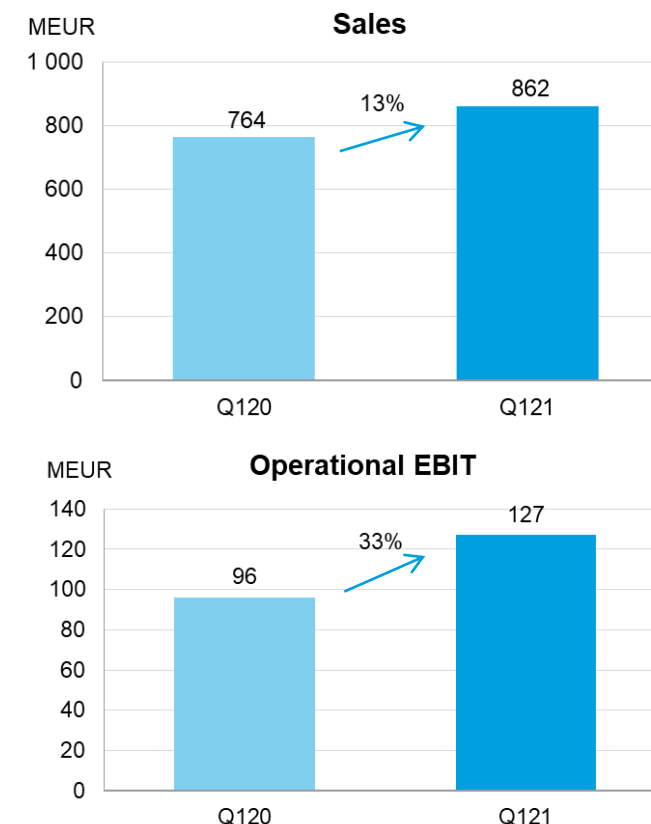


Packaging Materials

Strong performance continues, Oulu Mill ramp-up proceeding ahead of the plan Q1 y-o-y



- Sales increased by 13% to 862 MEUR
 - Higher deliveries and prices
- Operational EBIT increased by 31 MEUR to 127 MEUR despite Oulu ramp-up costs of 23 MEUR
 - Lower variable and fixed costs
 - Last year Q1 was negatively impacted by strike in Finland
- Operational ROOC improved to 16.7% (13.5%)
- Oulu Mill operational EBITDA break-even expected to be reached in Q3 2021. Previously it was estimated to be Q1 2022.

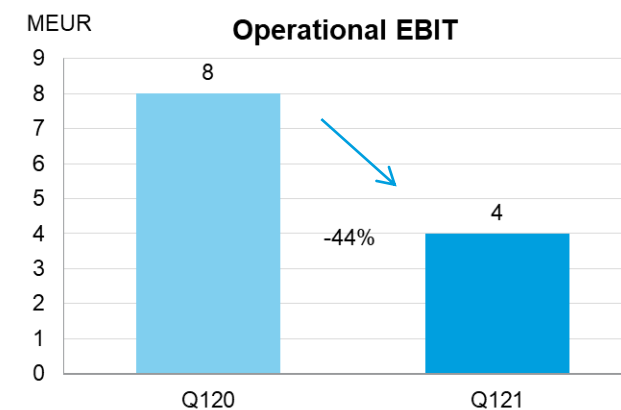
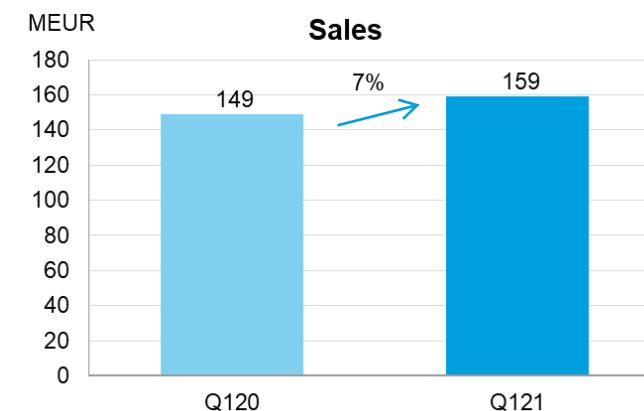


Packaging Solutions

Solid growth, operational EBIT challenged by higher raw material costs Q1 y-o-y



- Sales increased by 7% to 159 MEUR
 - Higher sales in China Packaging
 - Higher European corrugated deliveries
- Operational EBIT decreased by 4 MEUR to 4 MEUR
 - Higher raw material prices and negative FX impact not yet fully compensated by higher selling prices
 - New businesses impacted operational EBIT negatively (biocomposites, formed fiber and Box Inc.)
 - Partly offset by higher volumes
- Operational ROOC at 7.5% (13.8%)

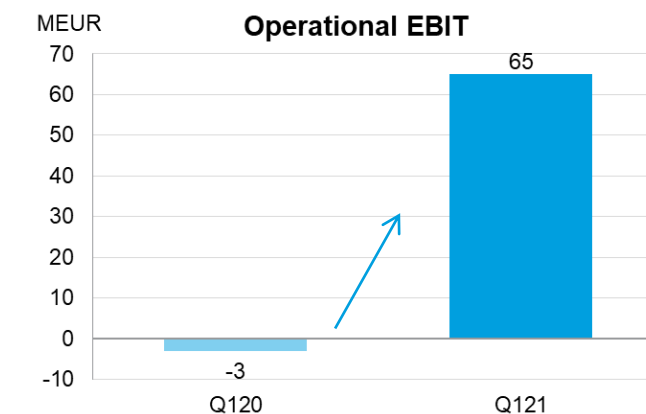
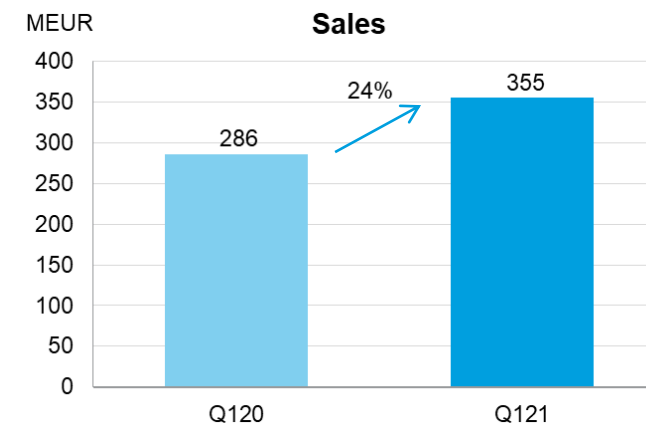


Biomaterials

Excellent market conditions and solid performance improved profitability Q1 y-o-y



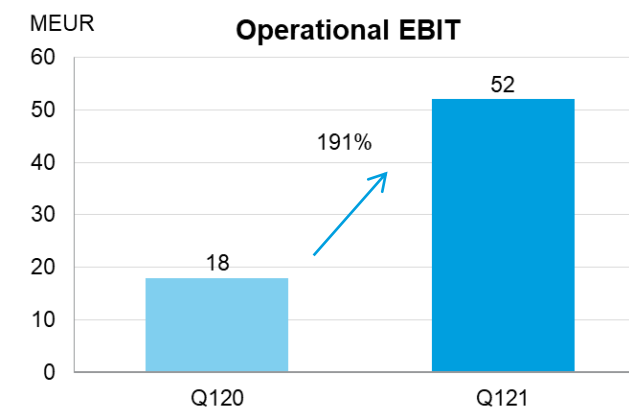
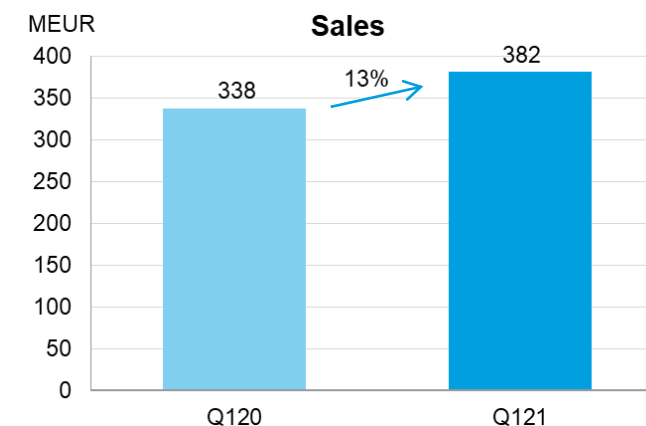
- Sales increased by 24% to 355 MEUR
 - Higher pulp prices
 - Higher deliveries, partly due to Finnish strike in the comparison period Q1 2020
- Operational EBIT increased by 68 MEUR to 65 MEUR
 - Higher sales and lower variable costs
- Operational ROOC increased to 11.2% (-0.4%)



Wood Products

Record high quarterly operational EBIT margin Q1 y-o-y

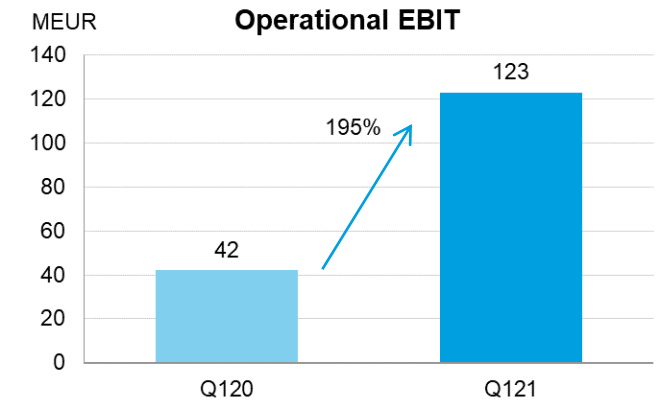
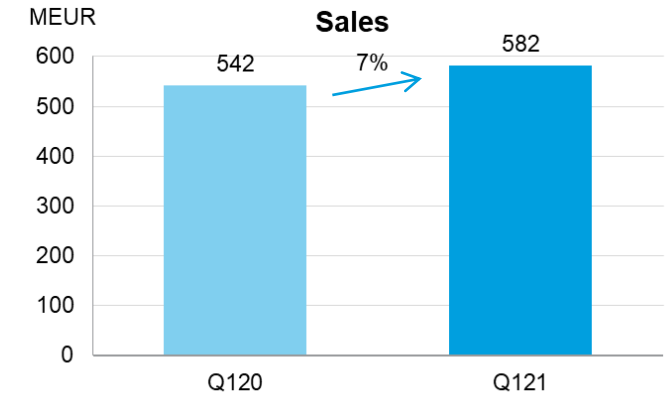
- Sales increased by 13% to 382 MEUR
 - Strong demand, especially classic sawn
- Operational EBIT increased by 34 MEUR to 52 MEUR
 - 2nd highest Q1 ever
 - Higher sales prices and volumes partly offset by higher raw material costs
- Highest ever operational ROOC at 36.9% (11.3%)



Forest

Solid operational performance on top of gain from land divestment Q1 y-o-y

- Sales increased by 7% to 582 MEUR
 - Higher wood deliveries in Finland and Baltics
- Operational EBIT increased by 82 MEUR to record high Q1 level of 123 MEUR
 - Impact of 74 MEUR from forest land sales in Sweden
 - Solid wood supply performance
- Operational ROCE clearly above long-term target at 9.9% (4.9%)

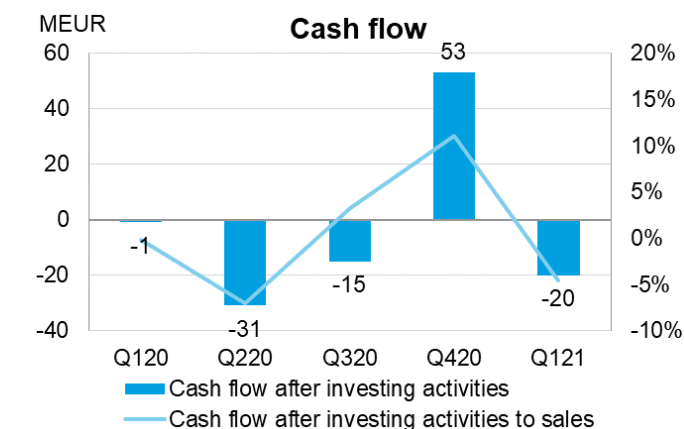
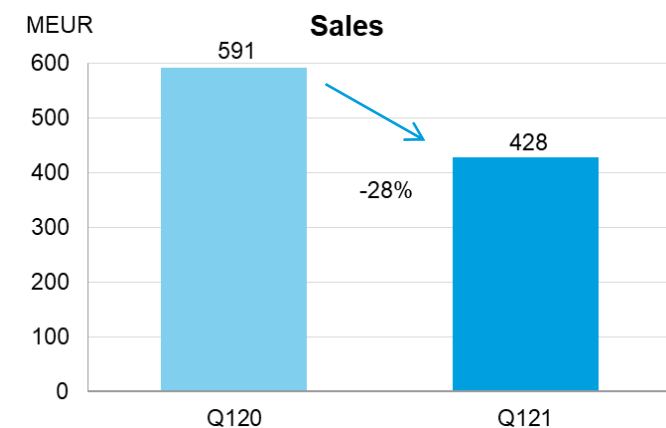


Paper

Planned closures would improve profitability and long-term competitiveness

Q1 y-o-y

- Sales decreased by 28% to 428 MEUR
 - Lower deliveries due to accelerated structural demand decline
 - Oulu Mill conversion decreased sales significantly
- Operational EBIT decreased by 55 MEUR to -34 MEUR
 - Global paper market challenges
 - Higher variable costs partly offset by lower fixed costs
 - Last year Q1 was negatively impacted by strike in Finland
- Cash flow after investing activities to sales ratio at -4.6% (-0.2%)



Development of long-term financial targets



Group long-term financial targets		Q1 20	Q1 21	
Dividend*	To distribute 50% of EPS excluding fair valuation over the cycle	0.30	0.30	●
Growth**	> 5%	-13.8% (YoY)	14.3% (YoY)	●
Net debt to operational EBITDA	< 2.0x	2.3	2.3	●
Net debt to equity	< 60%	48%	37%	●
Operational ROCE excl. Forest	> 13%	7.8%	12.0%	●

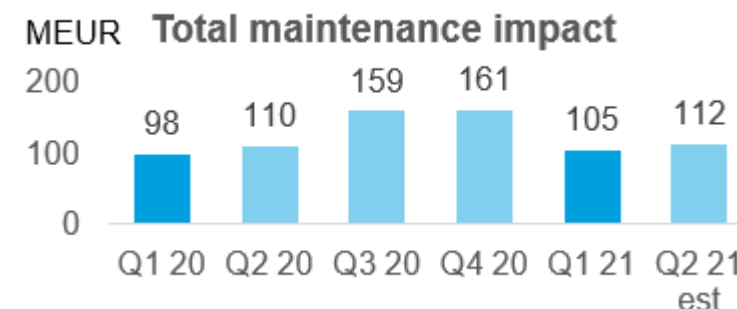
Divisional long-term financial targets		Q1 20	Q1 21	
Packaging Materials	Operational ROOC > 20%	13.5%	16.7%	●
Packaging Solutions	Operational ROOC > 25%	13.8%	7.5%	●
Biomaterials	Operational ROOC > 15%	-0.4%	11.2%	●
Wood Products	Operational ROOC > 20%	11.3%	36.9%	●
Forest	Operational ROCE > 3.5%	4.9%	9.9%	●
Paper	Cash flow after investing activities to sales > 7%	-0.2%	-4.6%	●

* Annual dividend. ** Excluding Paper

Operational EBIT in 2021 is expected to be higher than in 2020, as guided earlier



- Global economy recovering from the pandemic
- Demand for our products healthy except for graphic paper
- In Packaging Materials Oulu Mill operational EBITDA break-even in Q3 2021. Previously it was estimated to be Q1 2022
 - Approx. 10-15 MEUR negative impact of ramp-up on operational EBIT in Q2
 - Approx. 40-50 MEUR total negative impact of ramp-up on operational EBIT in 2021
 - Design capacity reached by the end of Q2
 - Commercialisation of product portfolio by the end of 2021
- The 400 MEUR profit protection programme will be concluded ahead of plan by end of Q2 2021



Back on track



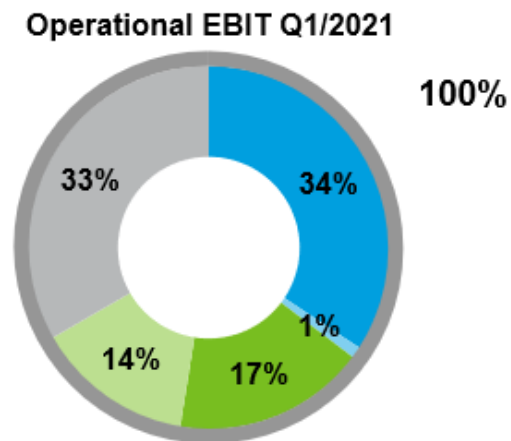
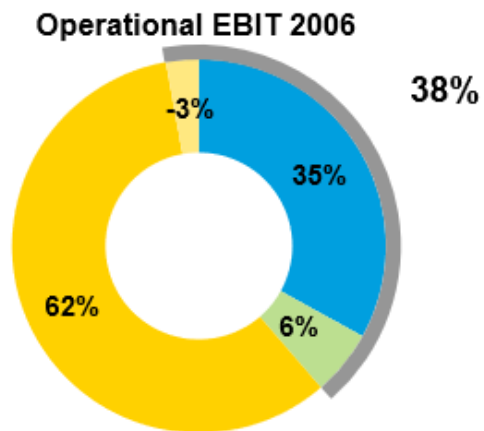
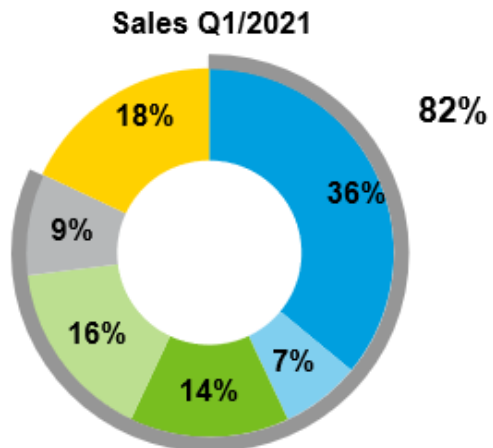
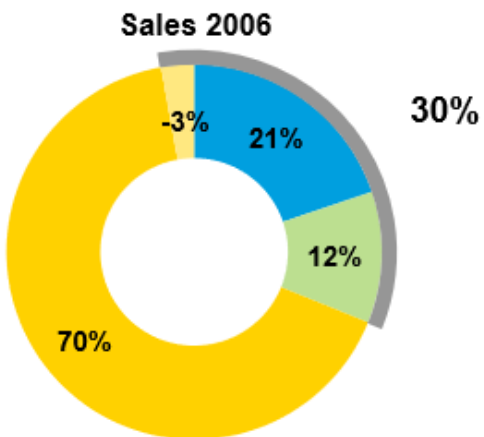
- Improving performance and market conditions
- 14% growth of core businesses
- Operational EBIT improved by 82%
- Plan of two paper mill closures significantly improves profitability and long-term competitiveness of Paper business
- Close to 90% of group sales would come from core businesses after planned closures
- Oulu Mill is reaching operational EBITDA break-even already in Q3 2021
- Operational EBIT in 2021 is expected to be higher than in 2020





THE RENEWABLE MATERIALS COMPANY

Growth businesses 82% 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

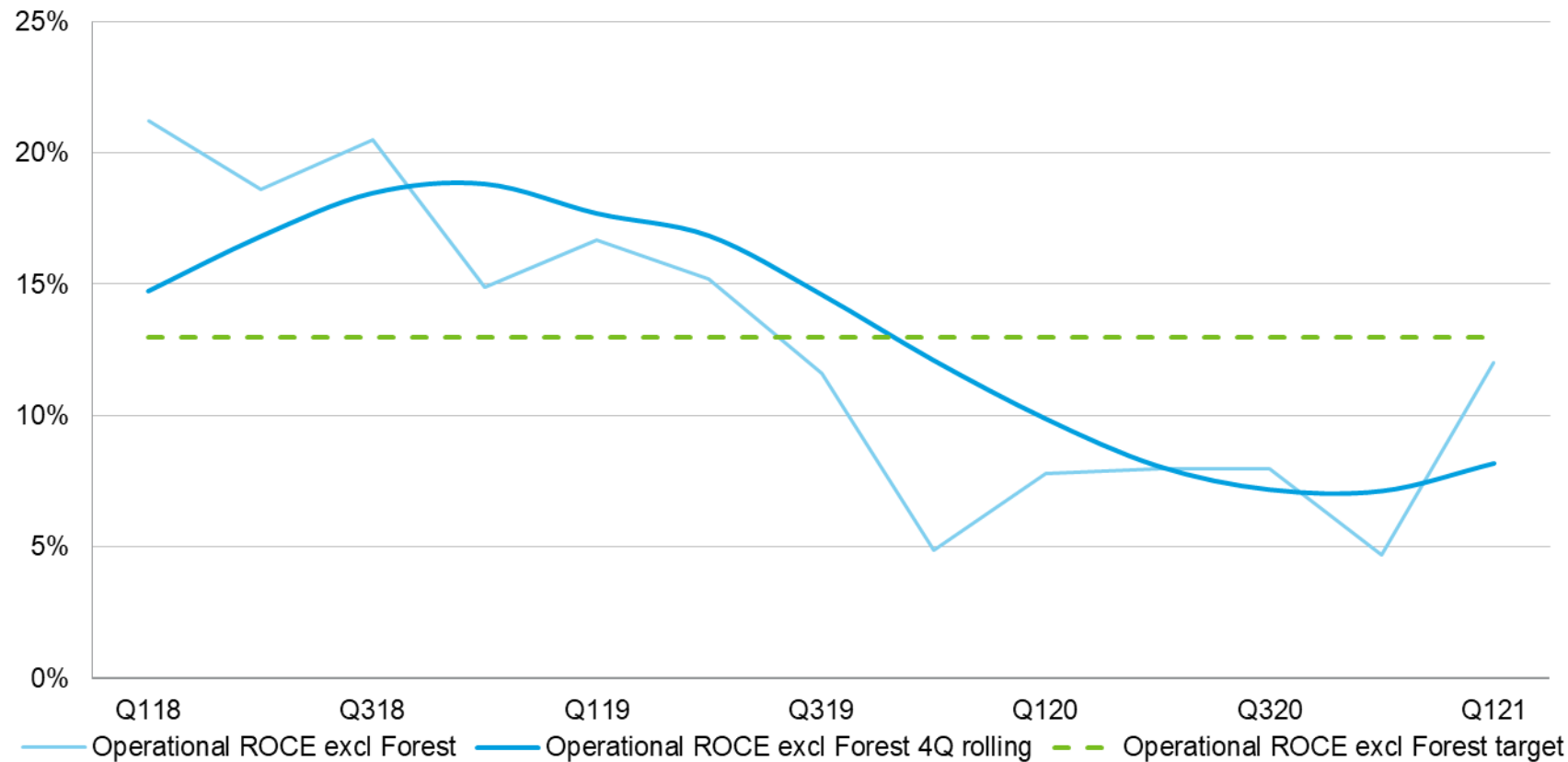
³ In 2006 includes Forest

Operational EBIT by segments

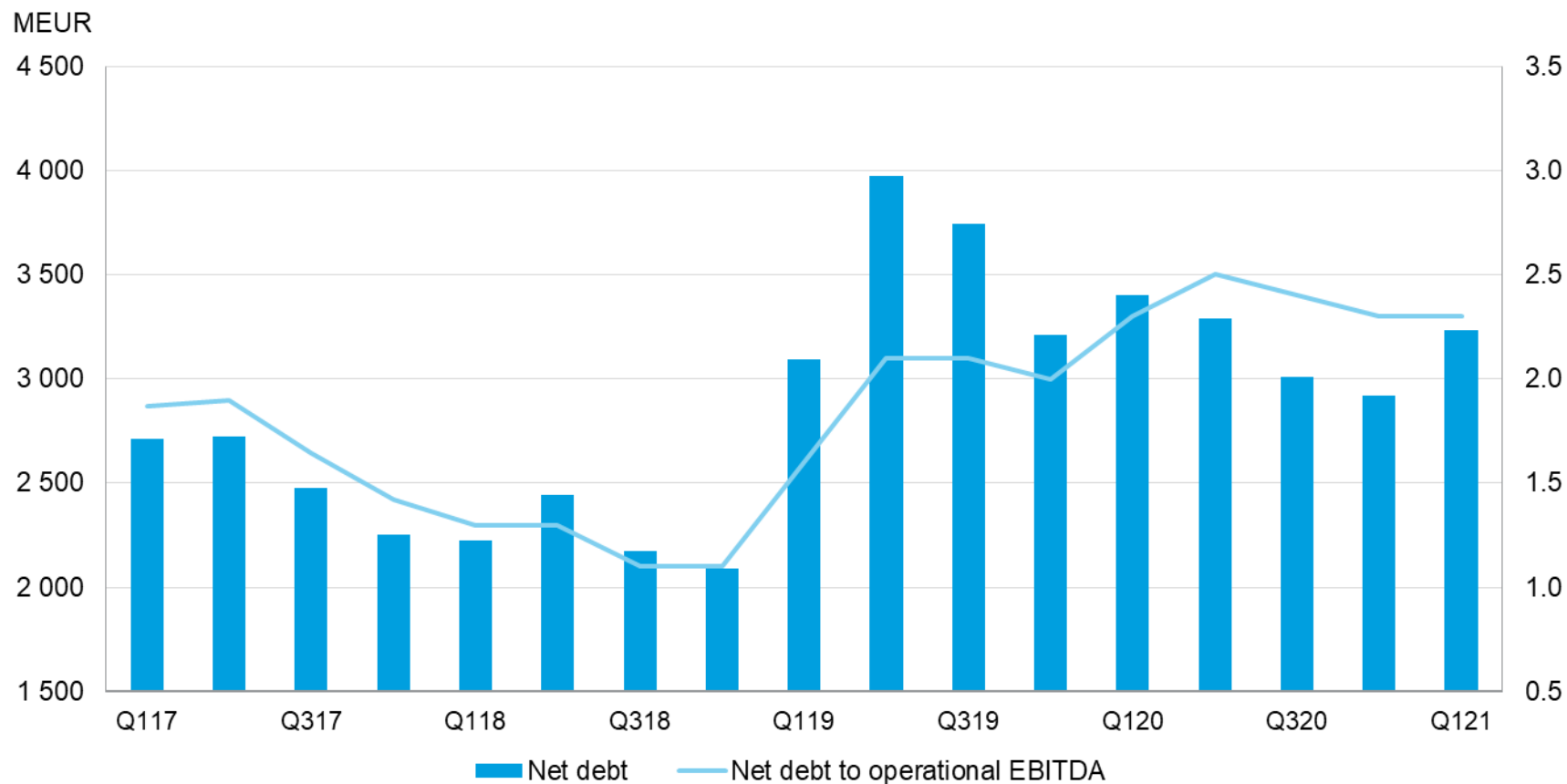


MEUR	Q121	Q120	Change % Q121-Q120	Q420	Change % Q121-Q421
Packaging Materials	127	96	32.7%	66	90.9%
% of sales	14.7%	12.5%		8.8%	
Packaging Solutions	4	8	-44.4%	10	-53.5%
% of sales	2.8%	5.4%		6.0%	
Biomaterials	65	-3	n/m	-14	n/m
% of sales	18.2%	-1.0%		-4.3%	
Wood Products	52	18	191.3%	33	59.2%
% of sales	13.7%	5.3%		9.2%	
Forest	123	42	195.2%	39	213.9%
% of sales	21.2%	7.7%		7.5%	
Paper	-34	21	-260.5%	-5	n/m
% of sales	-8.0%	3.6%		-1.0%	
Other	-11	0	n/m	-16	29.4%
% of sales	-4.6%	-0.1%		-6.7%	

Development of operational ROCE excluding Forest

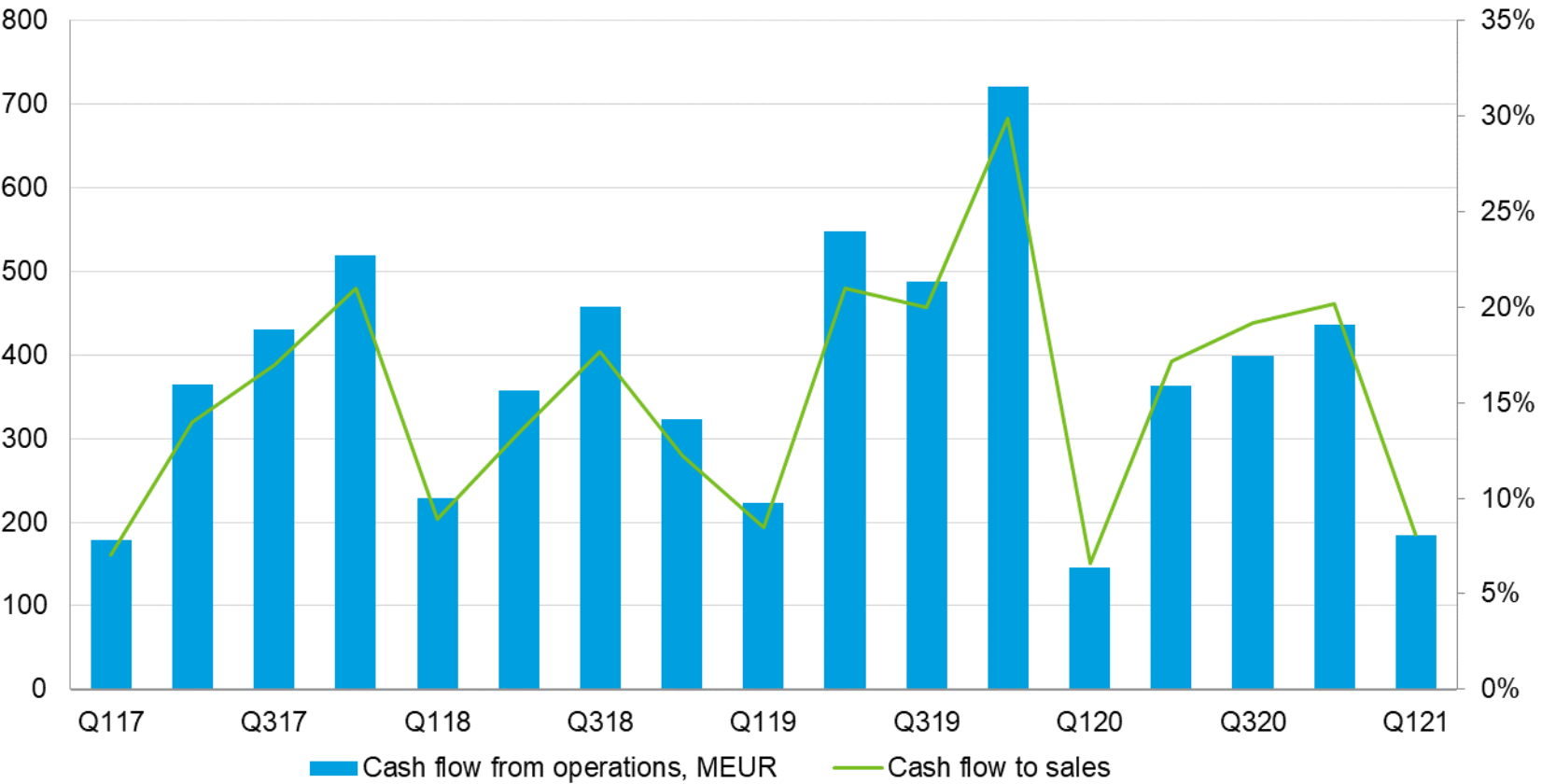


Year-on-year net debt/EBITDA

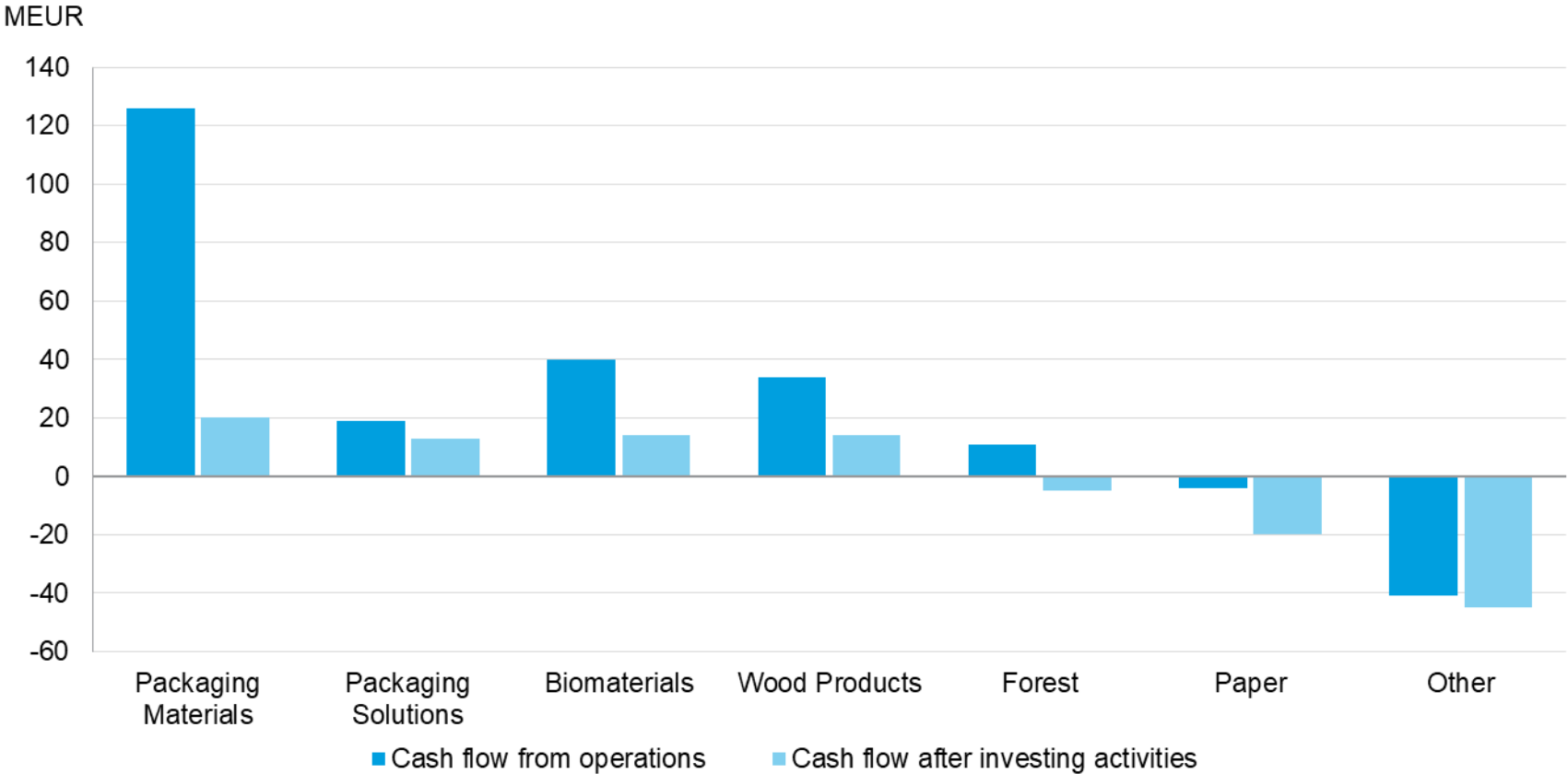


Net debt to operational EBITDA for periods before 2018 not restated

Cash flow development



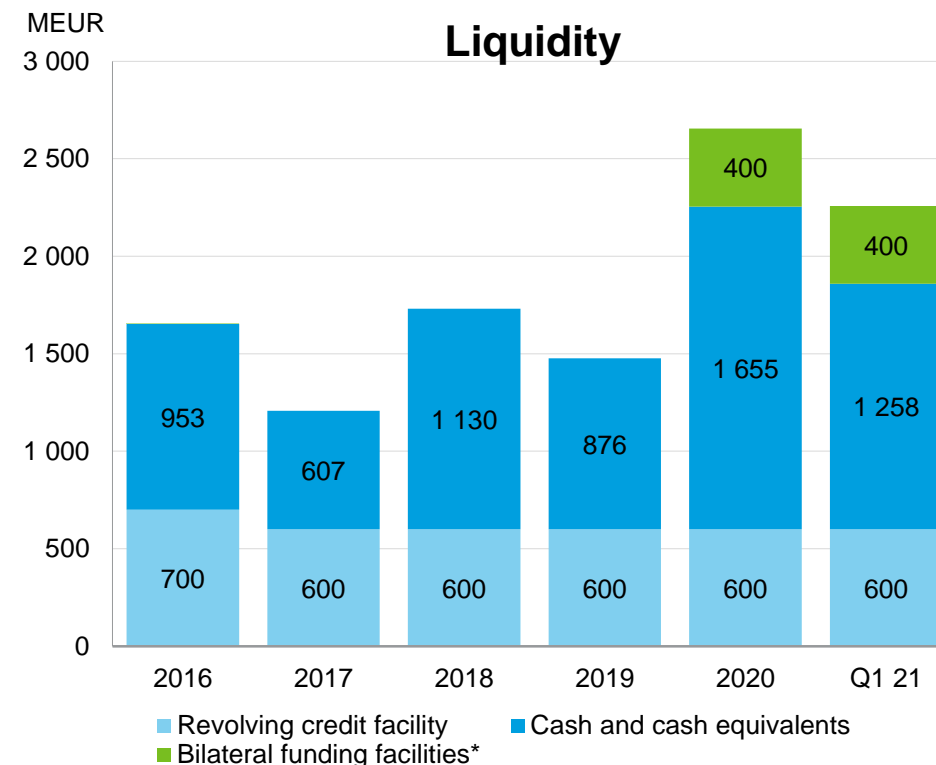
Cash flow by divisions in Q1



Continued focus on strong liquidity



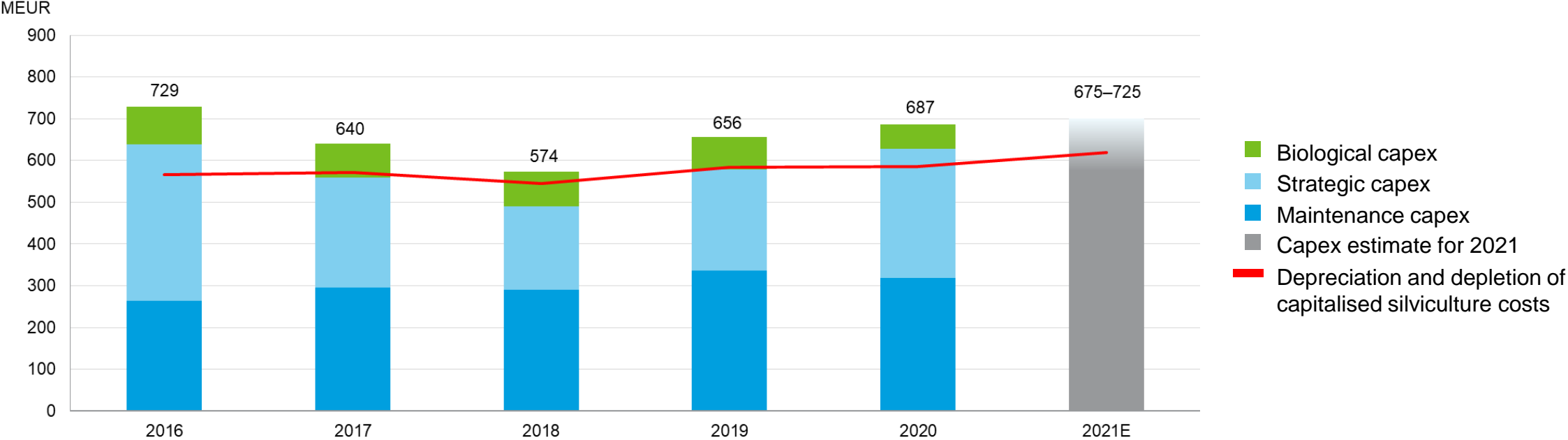
- Actions to secure liquidity:
 - 1 258 MEUR cash and cash equivalents at the end of Q1 2021
 - 600 MEUR committed revolving credit facility fully undrawn
 - 400 MEUR additional committed funding facilities through bilateral arrangements signed and undrawn
 - 950 MEUR statutory pension premium loans available
- Next bond (approx. 300 MEUR) maturing in Q3 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 37%



At the end of the period

* Signed and undrawn at the end of Q1 2021

Selective capex to support growth



Capex for 2019-2020 and estimate for 2021 include the capitalised leasing contracts according to IFRS 16 Leases standard

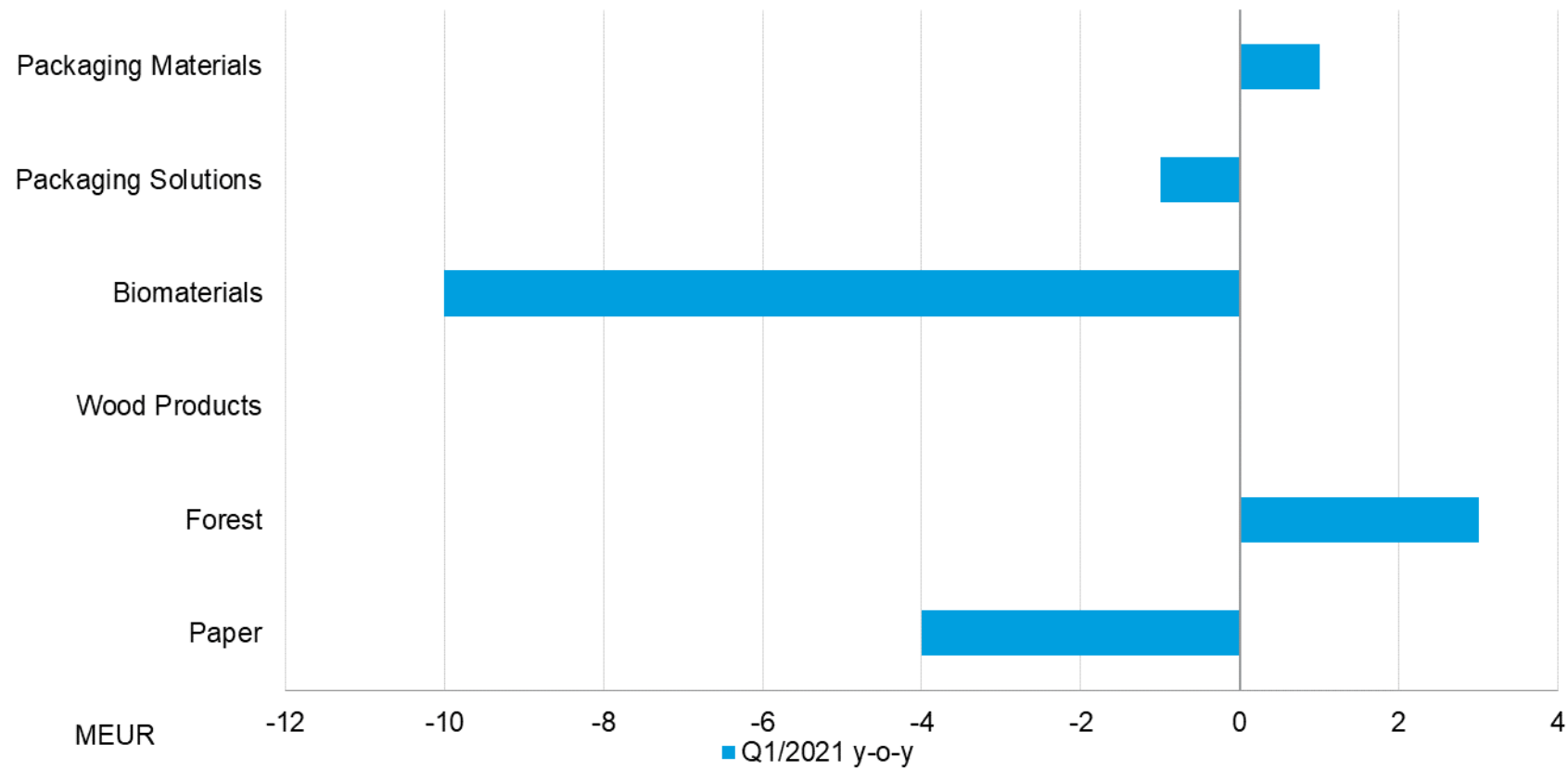
Net Financial Items



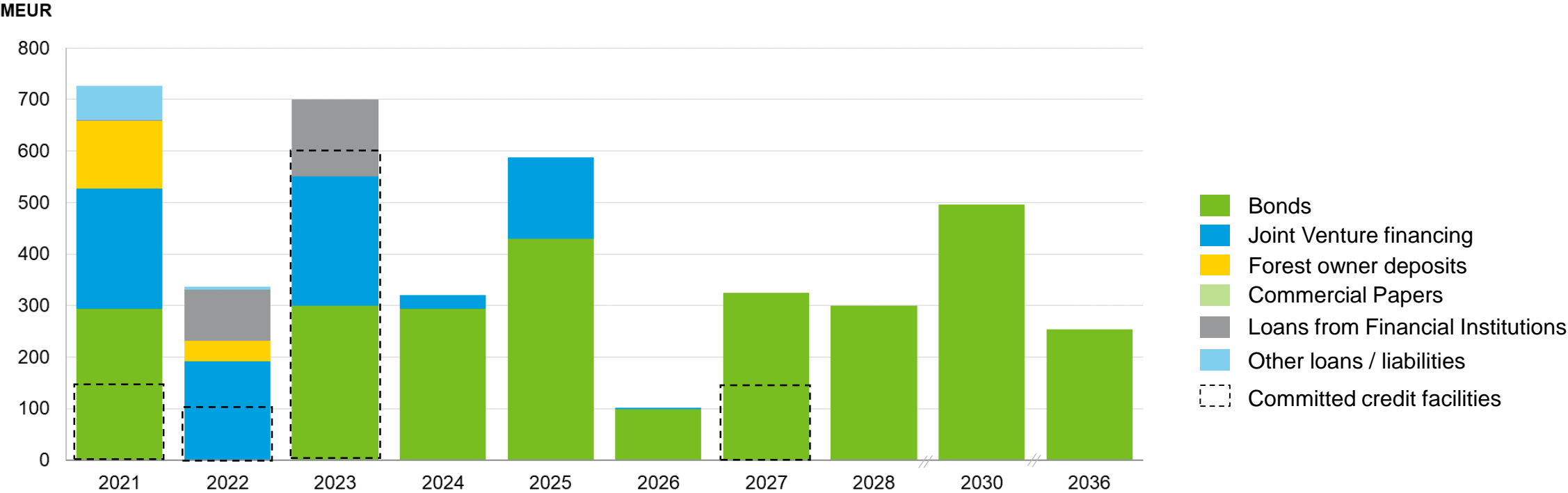
EUR million	Q1 2021	Q1 2020	Change MEUR Q121/ Q120	Q4 2020	Change MEUR Q121/ Q420
Net interest expense	-32	-34	2	-33	1
Average interest rate*	2.9%	3.5%		3.0%	
Foreign exchange gains and losses	1	-19	20	7	-6
Other financial items, of which	-5	-	-5	-4	-1
Pension costs (IAS 19R)	-1	-1	-	-2	
Other items	-4	1	-5	-2	
Total net financial items	-36	-53	17	-30	-6

* Quarterly gross interest expense divided by average gross debt

Net FX by division



Maturity profile Q1 2021



Committed credit facilities are fully undrawn and mature in 2021 (150 MEUR), 2022 (100 MEUR), 2023 (600 MEUR) and 2027 (150 MEUR)

Transaction risk and hedges Q1 2021



EUR Million	USD	EUR	GBP	SEK
Estimated annual operative transaction risk exposure from cash flows for the next 12 months*	1 753	950	270	-192
Cash flow hedges for the next 12 months as at 31 March 2021	-721	-507	-76	95
Hedge ratio for the next 12 months as at 31 March 2021	41%	53%	28%	49%
Effect of 10% currency strengthening on Operational EBIT**	175	95	27	-19

*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 exposing the local units to EUR related transaction risk.

** 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 14 MEUR
Wood prices	Positive 189 MEUR
Chemical and filler prices	Positive 36 MEUR

10% increase in	Impact*
Market pulp price, total	Positive 125 MEUR

10% strengthening against Euro in the value of**	Impact*
US dollar	Positive 175 MEUR
Swedish krona	Negative 19 MEUR
British pound	Positive 27 MEUR
Brazilian real	Negative 12 MEUR
Chinese renminbi	Negative 3 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



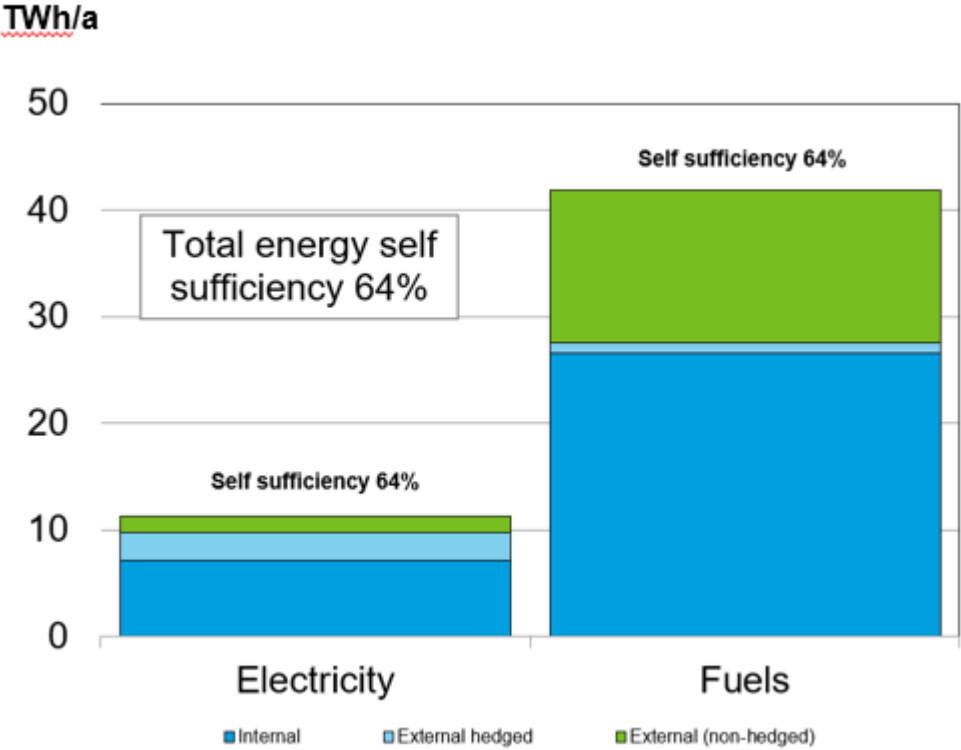
10% increase in	Impact*
Hardwood pulp** prices	Positive 75 MEUR
Softwood pulp prices	Positive 20 MEUR
Unbleached kraft pulp prices	Positive 5 MEUR
Fluff pulp prices	Positive 25 MEUR
Market pulp price, total	Positive 125 MEUR

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

** Includes 750 000 tonnes from Montes del Plata

Stora Enso energy balance Q1 2021

Pulp, paper and board mills in Europe and overseas

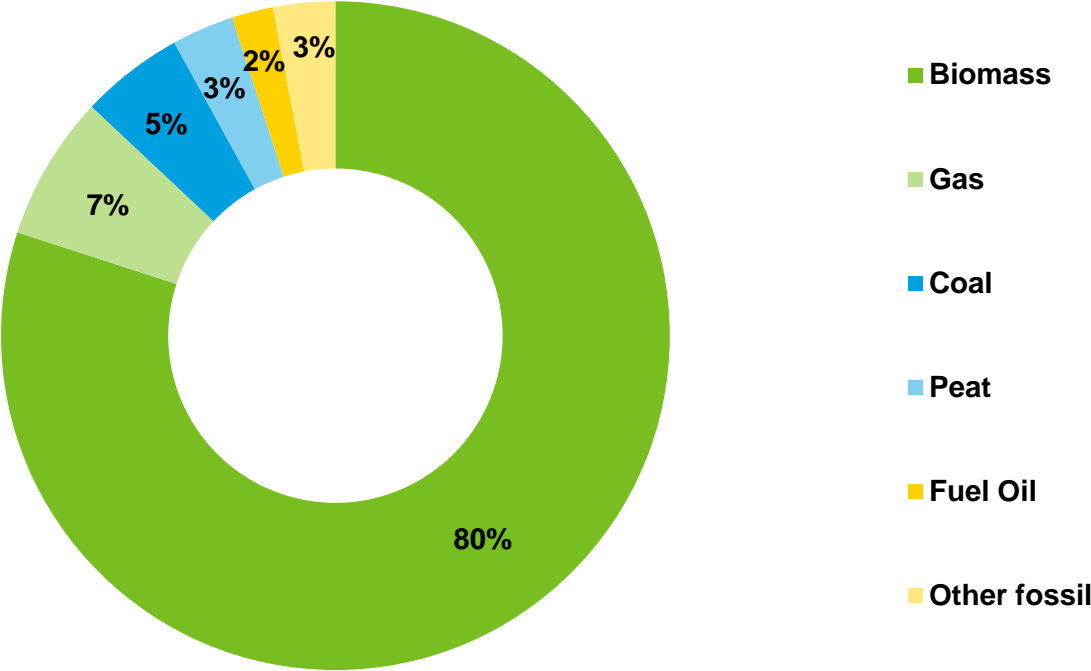


Impact on non-hedged volume on operating profit from 10% change in:	EUR million p.a.
Electricity market price	~8.1
Fossil fuel price	~5.9

External hedged volumes are secured from energy price risk exposure

Stora Enso fuels Q1 2021

Pulp, paper and board mills in Europe and overseas



Total Q1 fuel consumption was 11.2 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
Baiefurt 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

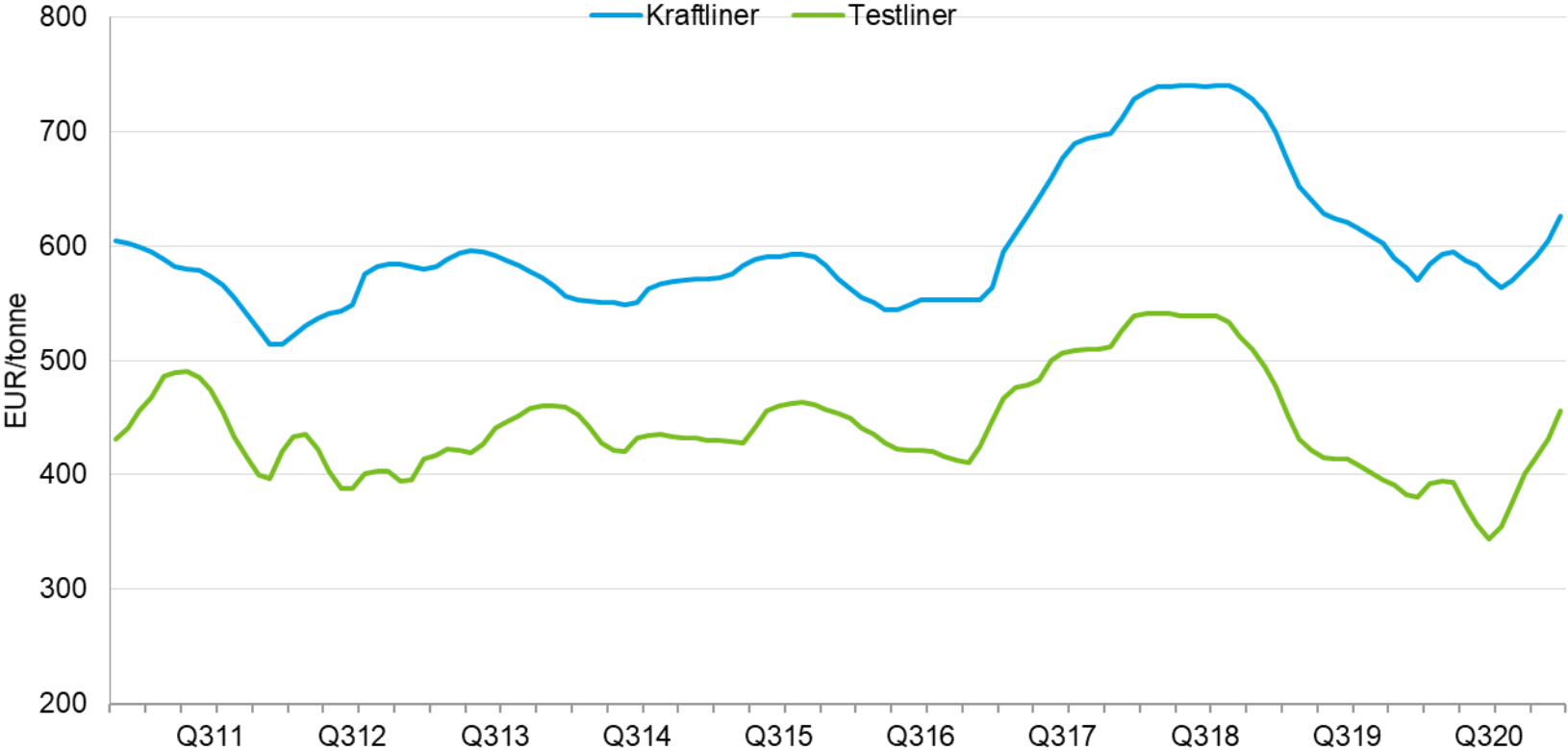
Mill	Date	Grade	Capacity reduction, t
Maxau PM 7	Nov 2010	Newsprint	195 000
Hylte PM1	Dec 2012	Newsprint	180 000
Ostroleka PM2	Jan 2013	Containerboard	85 000
Hylte PM2	May 2013	Newsprint	205 000
Kvarnsveden PM11	May 2013	Newsprint	270 000
Veitsiluoto PM1	Apr 2014	Coated magazine	190 000
Corbehem Mill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



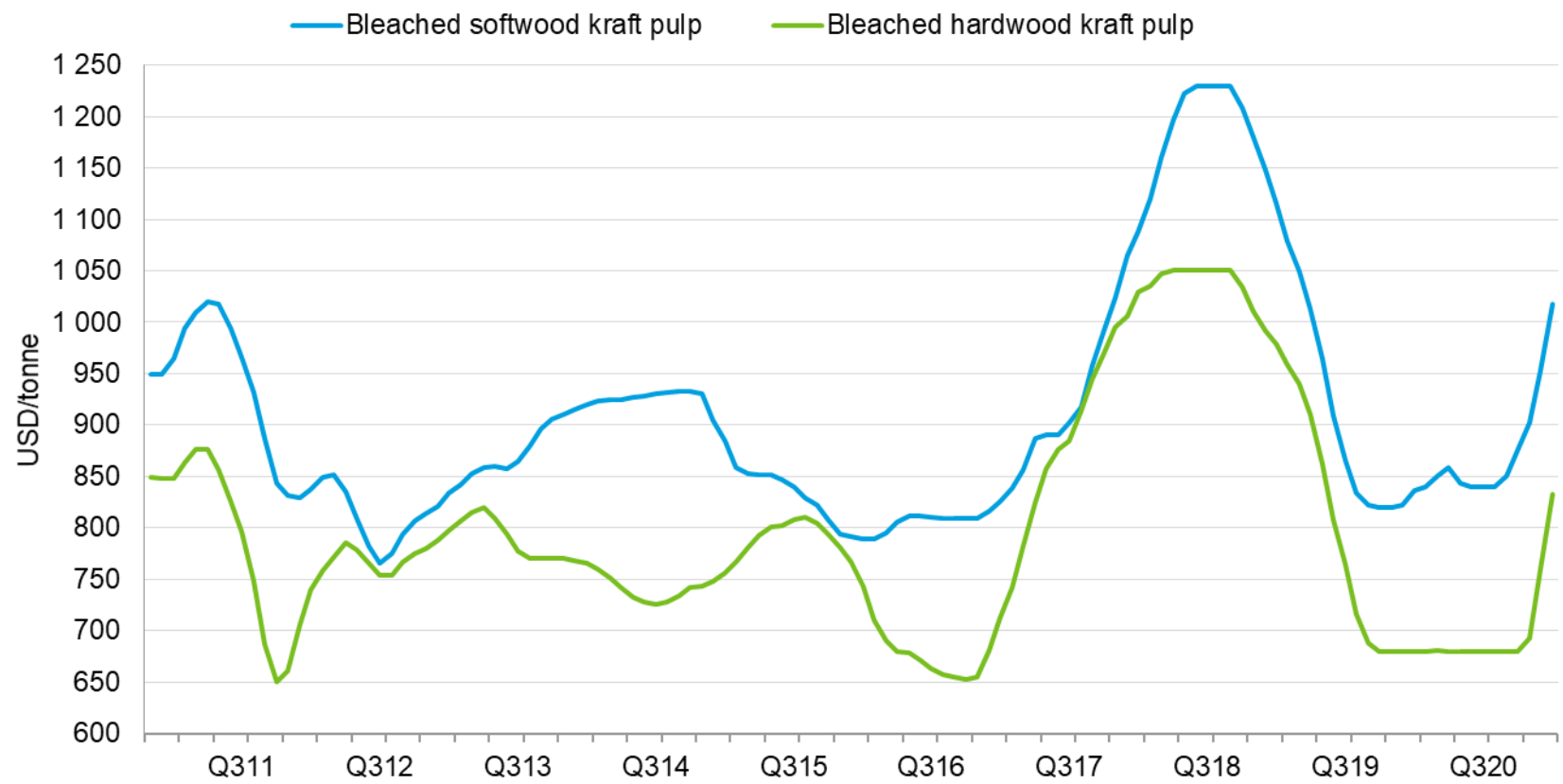
Mill	Date	Capacity reduction, m ³
Veitsiluoto Sawmill	2006	100 000
Honkalahti Sawmill	2006	90 000
Sauga Sawmill	2007	130 000
Sollenau Sawmill	2007	110 000
Näpi Sawmill	2007-2008	100 000
Kotka Sawmill	2007-2008	70 000
Paikuse Sawmill	2008	220 000
Zdirec Sawmill	2008	120 000
Ybbs Sawmill	2008 & 2009	200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

Kraftliner and testliner prices



Source: FOEX

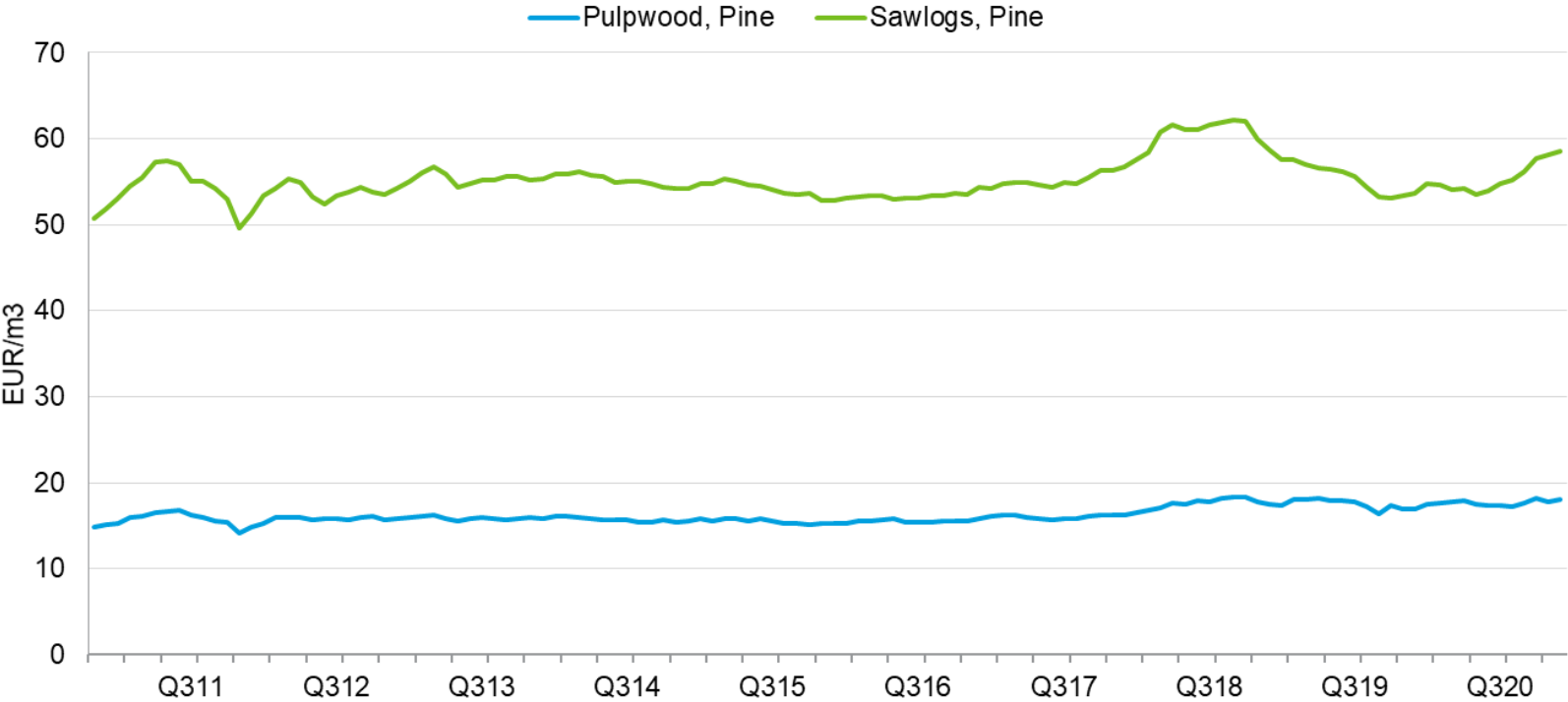
Pulp price development



Source: FOEX

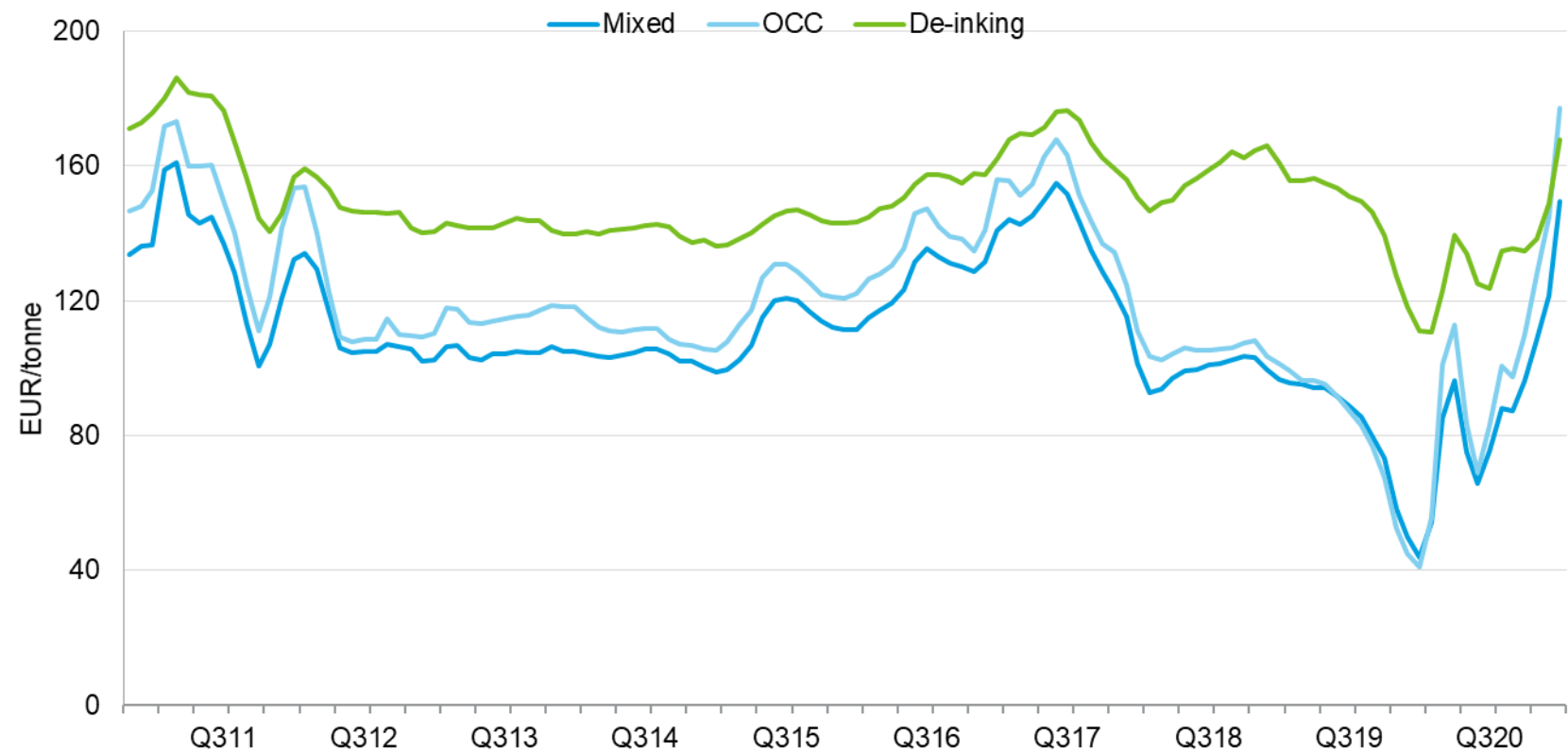
Pulp wood and saw log prices

Wood prices in Finland



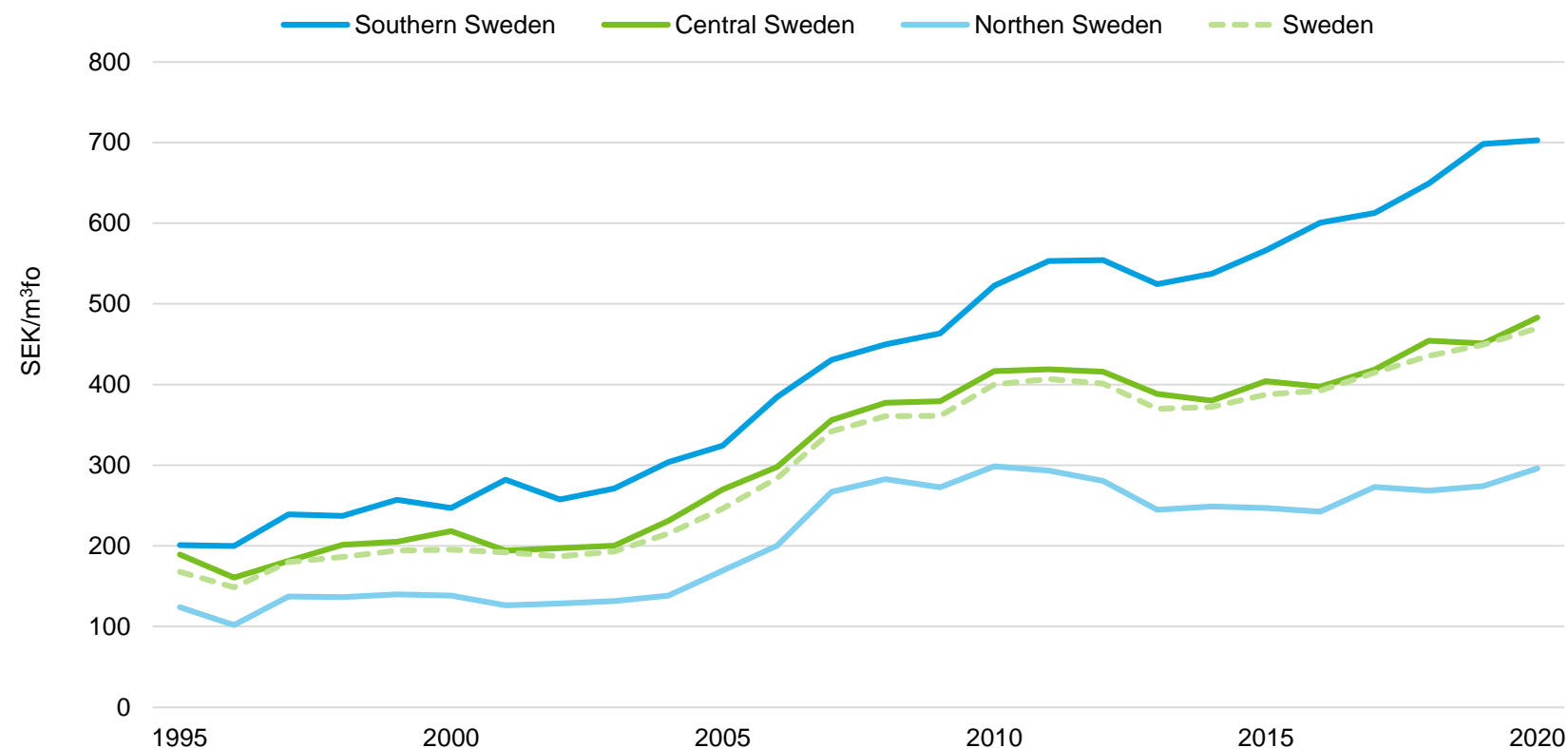
Source: Luonnonvarakeskus

Paper for recycling prices



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

Market transaction based forest prices in Sweden



Source: Ludvig & Co

THE RENEWABLE MATERIALS COMPANY