

# Financial results for Q2 2021

## Strong performance and solid growth continue

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CFO Seppo Parvi

21 July 2021

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# Profitable growth driven by own actions and good market conditions



- Healthy demand for all core businesses
- Market conditions improving for paper
- Result driven by Biomaterials, Wood Products, and Packaging Materials
- Majority of financial targets reached
  - Delivering on profit protection programme
- Strategy execution at good speed
  - Oulu kraftliner investment ahead of the schedule
  - High speed in new business innovation
  - Restructuring and investing to improve Paper
- Operational EBIT in 2021 is expected to be higher than in 2020



# Strong performance and solid growth continue

Q2 2021 year-on-year

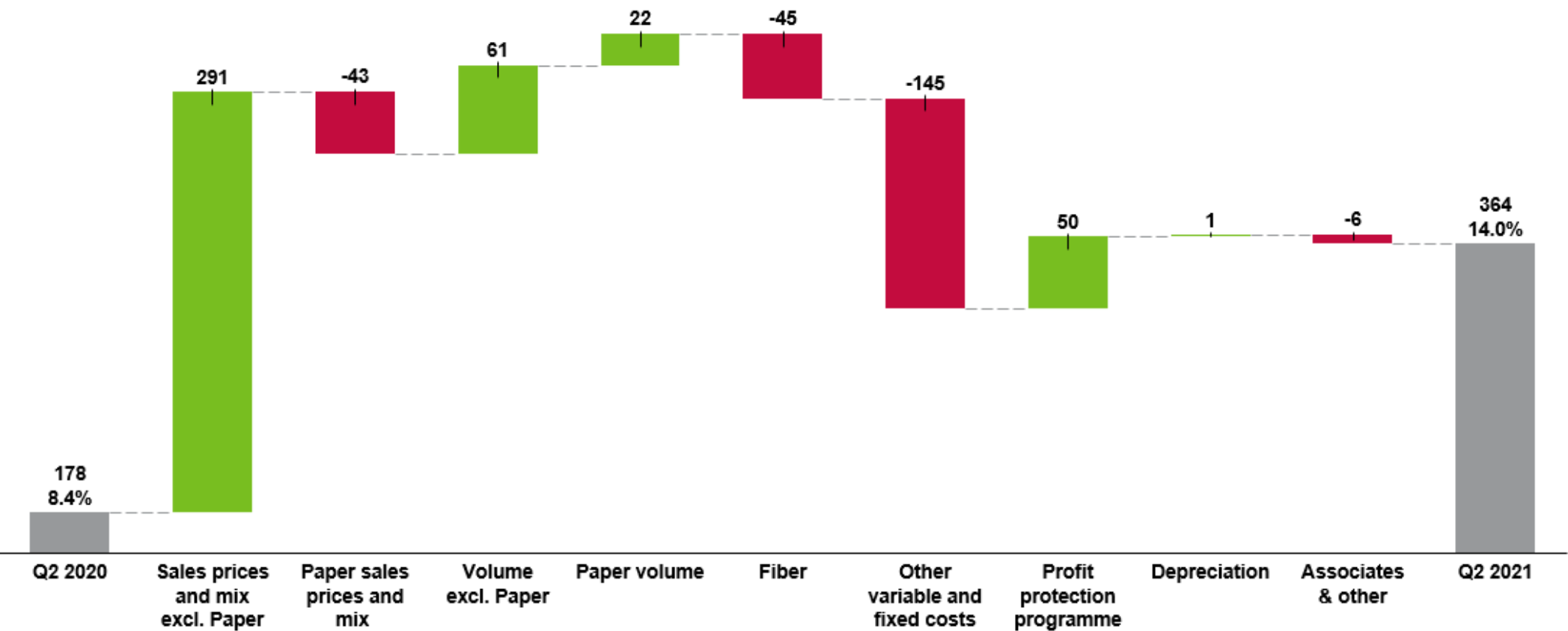


- Sales increased by 23%, 28% excl. Paper
- Operational EBIT increased to 364 (178) MEUR, excl. Paper to 413 (216) MEUR
- Operational EBIT % increased to 14.0% (8.4%), excl. Paper 19.1% (12.9%)
- Forest assets value increased further QoQ by 229 MEUR to 7.4 BEUR
- Strong cash flow from operations 463 (363) MEUR and after investments 339 (239) MEUR
- Net debt to operational EBITDA at 1.8x (2.5x). Net debt decreased by more than 300 MEUR
- Operational ROCE excl. Forest division increased to 18.1% (7.8%)



# Strong result driven by higher prices and volumes

Operational EBIT Q2 y-o-y







# Strategy execution at good speed



- Ramp-up of kraftliner production line at Oulu proceeds ahead of schedule
- Ongoing commercialisation of products utilising new barrier technologies
- Joint investment with TetraPak in recycling of used beverage cartons
- Partnering with packaging technology company Pulpex to industrialise production of eco-friendly fiber based bottles and containers
- Feasibility study at Skoghall ongoing, decision by end 2021
- Production of Lignode (carbon for energy storage) has started in our pilot plant at Sunila
- Investment in CLT production at Ždírec proceeding as planned
- After ongoing restructuring, paper sales will be slightly above 10% of Group sales



# The EU's climate and forest policies



- Sustainably managed forests and renewable, circular products are part of the solution in reaching the EU's ambitious climate targets
- Stora Enso supports the EU's Green Deal as an opportunity to transition to a low-carbon society
- Active engagement in policy development, promoting ambitious climate targets, which our renewable products can help to achieve
- The EU Taxonomy was published in April
  - Well positioned to fulfil the proposed criteria related to sustainable forestry
- The “Fit for 55” package and EU Forest Strategy were published in July
  - Evaluate the initiatives and constructively engage with the EU
  - Ensure that it advocates for both industry and the climate to support a circular bioeconomy



# Lignode, wood-based carbon for batteries



- The market for carbons for batteries is growing by +30% annually
- Driven by electrification of vehicles, consumer electronics and large-scale energy storage systems
- More than 450 000 tonnes of carbon material needed in Europe by 2025
- Strategic material for which Europe does not have local supply
- 1 BEUR sales potential already by 2025
- Ramping up production of Lignode in our pilot plant in Sunila
  - Replacing conventionally used graphite from coal mines
  - Bio-based with lower carbon footprint, cost-competitive and high-performing
- Exploring strategic partnerships to accelerate scale-up and commercialisation





# Taking the lead with TetraPak in recycling of beverage cartons



- Joint investment to triple beverage cartons' recycling capacity in Poland by 2023
- Significantly improving recycling infrastructure in Central and Eastern Europe
- 29.1 MEUR joint investment in a new repulping line at Ostrołęka in Poland
  - 17 MEUR by StoraEnso to recover carton fibers and integrate into the recycled board
  - 12.1 MEUR by TetraPak and Plastigram to recover and separately recycle polymers and aluminium and produce new products such as pellets and foils
  - Annual recycling capacity to increase to 75 000 tonnes in Poland
- Actively contribute to the development of a circular economy
- Supporting the ambitions with the European Green Deal

# Strong profitable growth

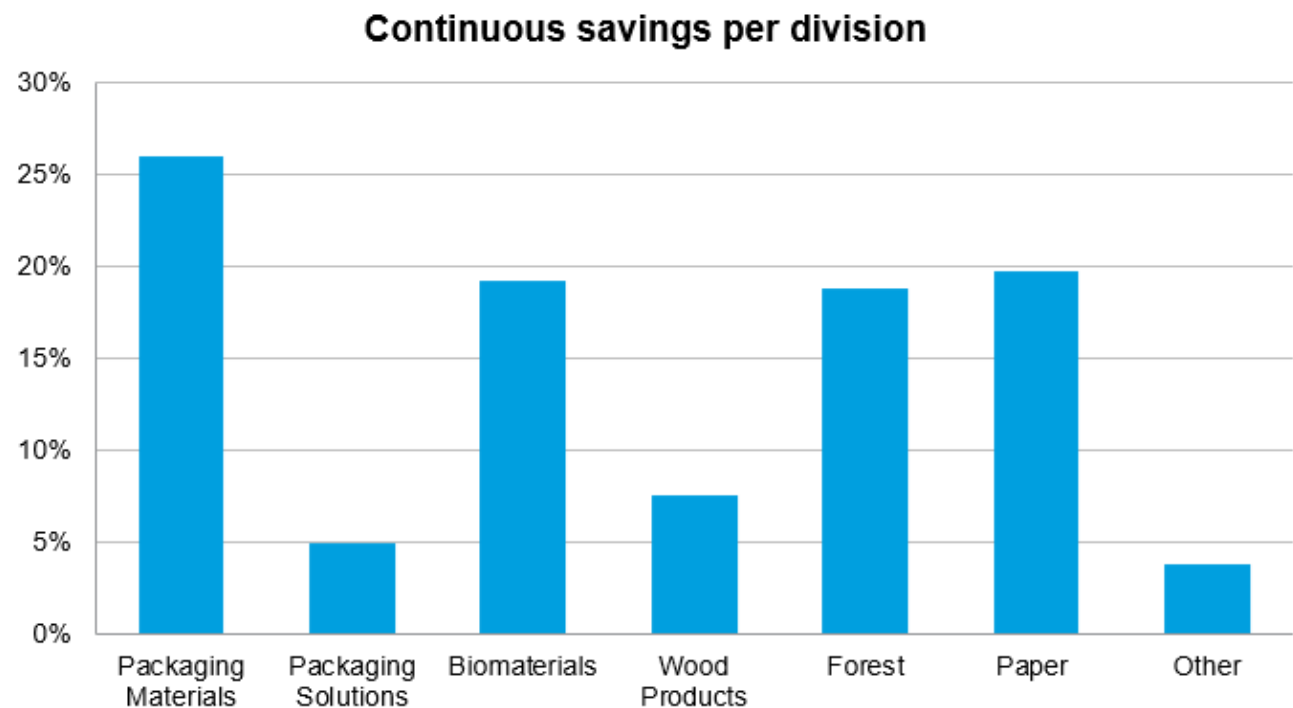
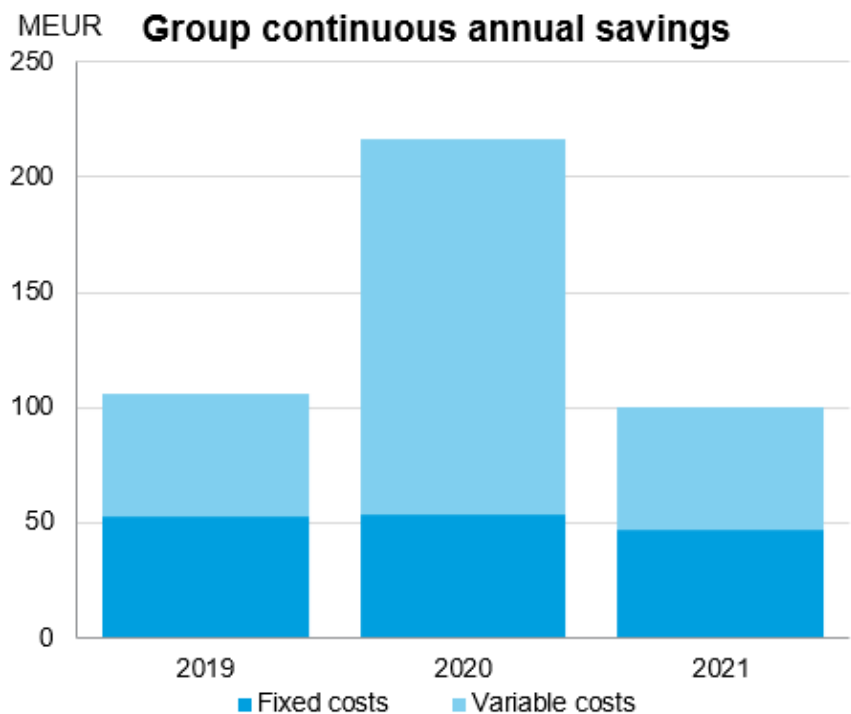
## Summary financials Q2 2021



MEUR	Q2/21	Q2/20	Change% Q2/21- Q2/20	Q1/21	Change% Q2/21- Q1/21
Sales	2 592	2 114	22.6%	2 276	13.9%
Operational EBITDA	524	332	57.6%	488	7.3%
Operational EBITDA margin	20.2%	15.7%		21.4%	
Operational EBIT	364	178	104.9%	328	11.0%
Operational EBIT margin	14.0%	8.4%		14.4%	
Profit before tax excl. IAC and FV	334	142	135.1%	292	14.2%
Net profit for the period (IFRS)	207	144	43.8%	145	42.6%
EPS excl. FV, EUR	0.27	0.13	106.8%	0.22	22.4%
EPS (basic), EUR	0.26	0.19	40.3%	0.18	43.4%
Operational ROCE excluding Forest	18.1%	7.8%		12.0%	
Cash Flow from Operations	463	363	27.9%	185	149.9%
Net debt/last 12 months' operational EBITDA	1.8	2.5		2.3	

# Profit protection programme completed

## Total 510 MEUR savings including 410 MEUR continuous savings achieved



**50 MEUR continuous savings achieved in Q2**

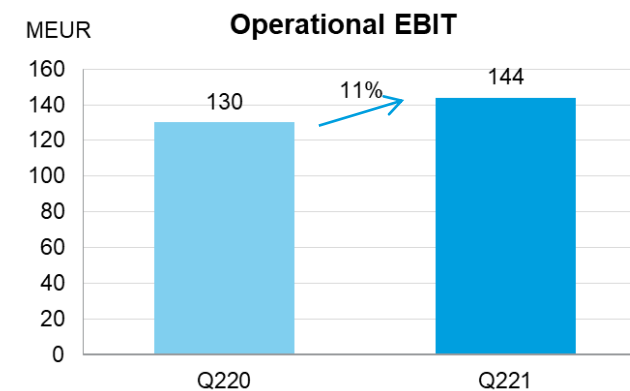
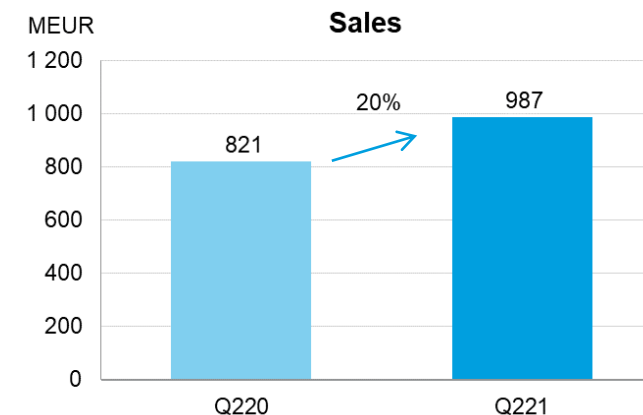


# Packaging Materials

**Profitable growth continues, healthy demand for all products**  
**Q2 y-o-y**



- Sales increased by 20% to 987 MEUR
  - Clearly higher prices and deliveries
- Operational EBIT increased by 14 MEUR to 144 MEUR
  - Higher sales partly offset by higher production costs
- Operational ROOC improved slightly to 18.4% (18.1%)
- The ramp-up of kraftliner production at Oulu is proceeding ahead of plan
  - Operational EBITDA break-even reached in Q2 2021, three quarters ahead of the initial target
- Trayforma, a new wood-fibre based, low-carbon material for microwavable ready-meal trays introduced

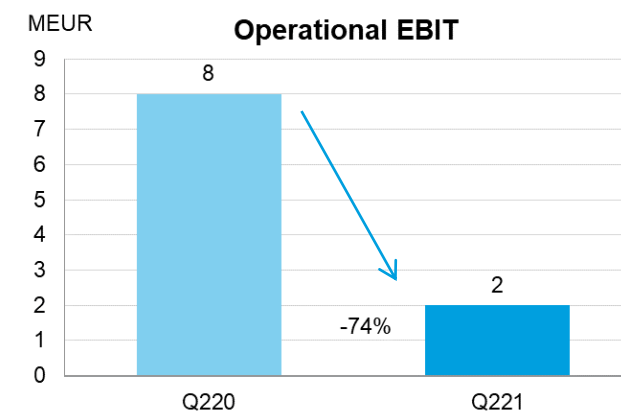
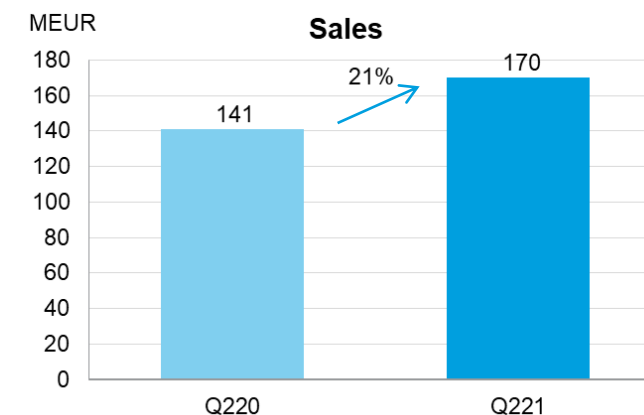


# Packaging Solutions

Very strong growth, profitability challenged by continued increase in raw material costs

## Q2 y-o-y

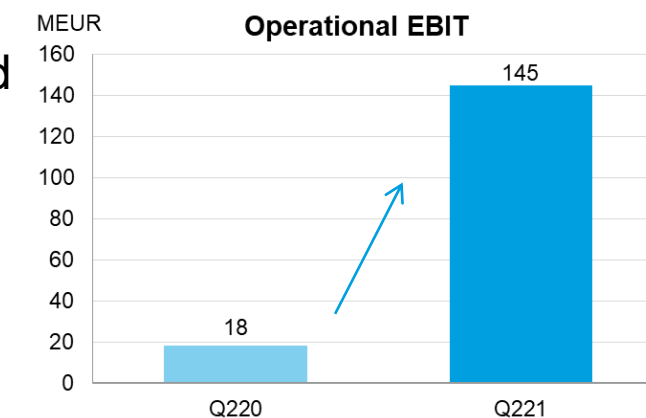
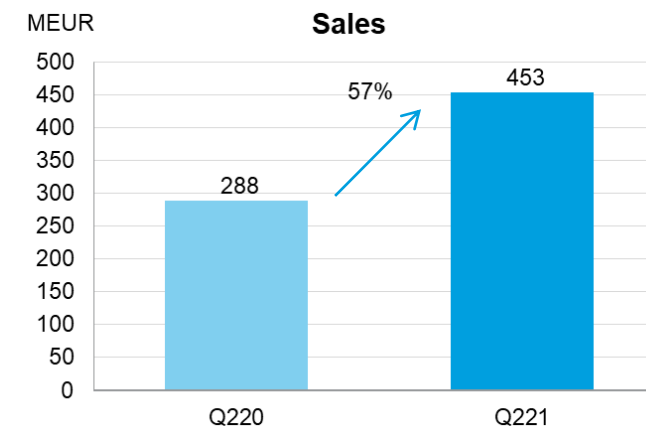
- Sales increased by 21% to 170 MEUR
  - Higher European corrugated prices and deliveries
  - Slower business activity in China
- Operational EBIT decreased by 6 MEUR to 2 MEUR
  - Continued sales price increases to mitigate high raw material costs
  - Accelerated new business impacted operational EBIT negatively by 4 MEUR
  - Temporarily higher costs in China
- Operational ROOC at 3.6% (14.3%)



# Biomaterials

## Record results in a strong market Q2 y-o-y

- Sales increased by 57% to 453 MEUR
  - Clearly higher pulp prices and deliveries
- Operational EBIT increased by 127 MEUR to an all-time high of 145 MEUR
  - Higher sales supported by lower variable and fixed costs
- Operational ROOC exceeded clearly the long-term target of 15% at 24.4% (2.9%)
- Launch of NeoLigno, a fully bio-based binder, to provide healthier indoor and working environments

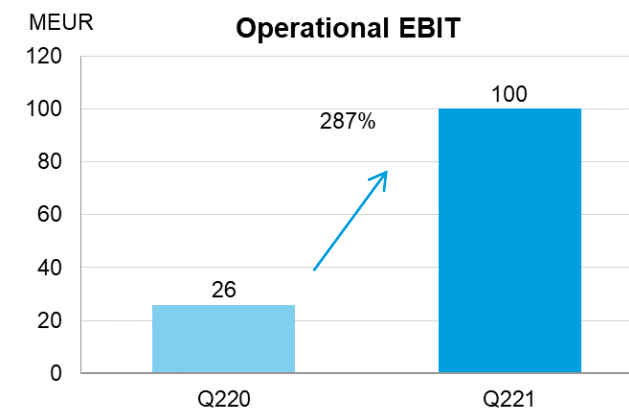
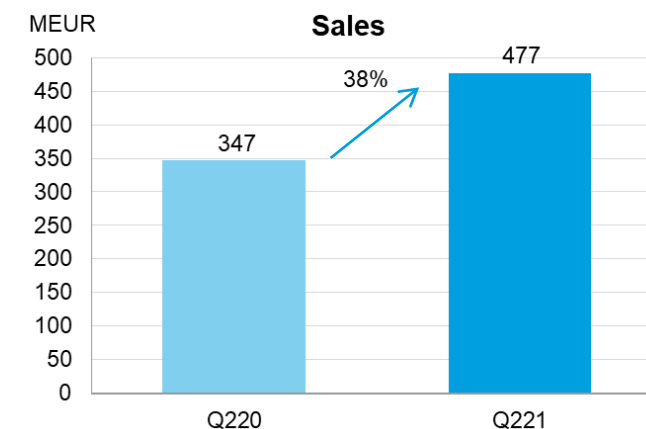




# Wood Products

## Strong sales with record high profitability and operational ROOC Q2 y-o-y

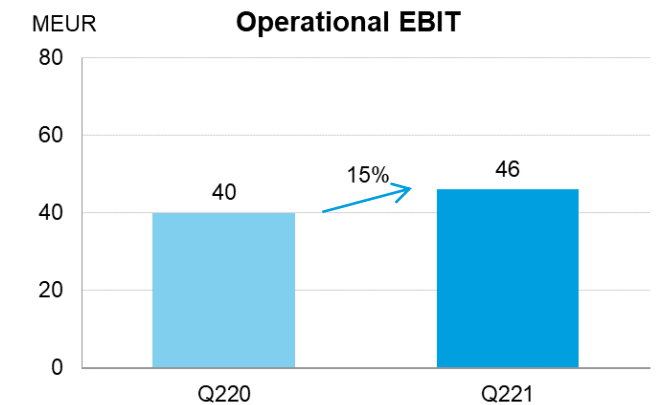
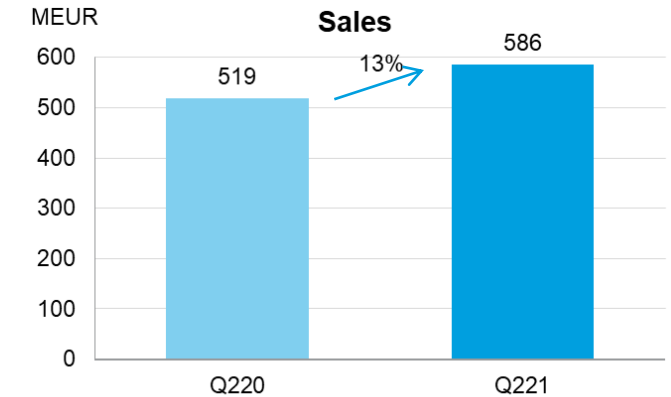
- Sales increased by 38% to 477 MEUR
  - All-time high prices
  - Strong global demand, especially classic sawn
- Operational EBIT increased by 74 MEUR to an all-time high of 100 MEUR
  - Higher prices and volumes partly offset by higher raw material costs
- Record high operational ROOC at 65.8% (16.7%), exceeded significantly long-term target of 20%



# Forest

## Solid financial and operational performance Q2 y-o-y

- Sales increased by 13% to 586 MEUR
  - Higher wood deliveries in Finland, Sweden and Baltics
- Operational EBIT increased by 6 MEUR to 46 MEUR
  - Higher sawlog prices partly offset higher variable and fixed costs
- Operational ROCE above long-term target of 3.5% at 3.7% (4.7%)
- Joined the new WWF platform, Forests Forward

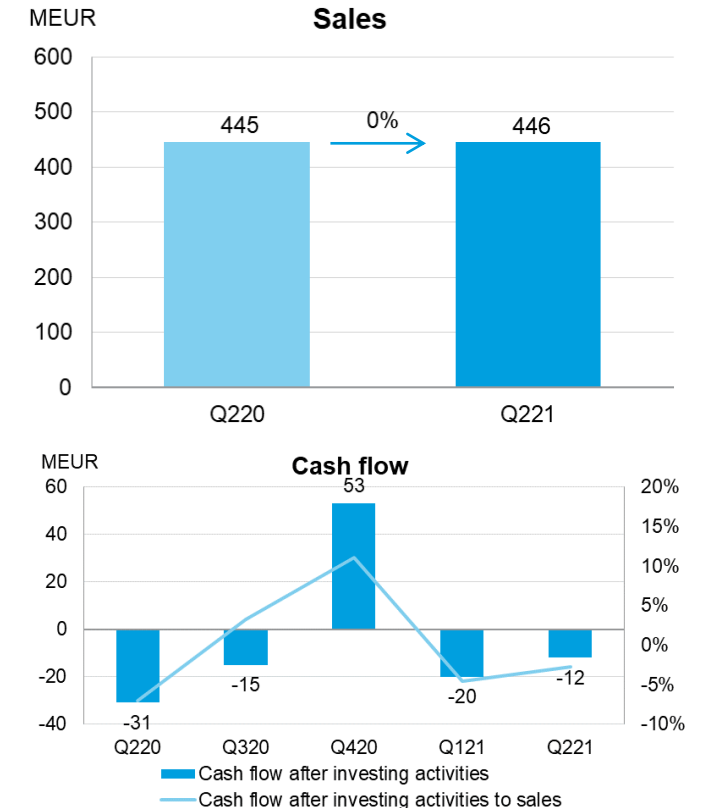


# Paper

## Restructuring and improving market triggering a turn-around Q2 y-o-y



- Sales flat at 446 MEUR
  - Clearly lower prices offset by higher delivers
- Operational EBIT decreased by 10 MEUR to -49 MEUR
  - Global paper market demand improving
  - High variable costs not yet mitigated through price increases and lower fixed costs
- Cash flow after investing activities to sales ratio at -2.7% (-7.0%)
- Restructuring and investments for competitive Paper
  - Agile and more independent organisation
  - Restructuring of Hylte finalised
  - Closures of Veitsiluoto and Kvarnsveden during Q3 2021
  - Divestment of Sachsen site announced
  - 47 MEUR investment in competitiveness at Anjala-Ingerois and Nymölla





# Development of long-term financial targets



Group long-term financial targets		Q2 20	Q2 21	
Dividend*	To distribute 50% of EPS excluding fair valuation over the cycle	0.30	0.30	●
Growth**	> 5%	-11.9% (YoY)	28.4% (YoY)	●
Net debt to operational EBITDA	< 2.0x	2.5	1.8	●
Net debt to equity	< 60%	45%	32%	●
Operational ROCE excl. Forest	> 13%	7.8%	18.1%	●

Divisional long-term financial targets		Q2 20	Q2 21	
Packaging Materials	Operational ROOC > 20%	18.1%	18.4%	●
Packaging Solutions	Operational ROOC > 25%	14.3%	3.6%	●
Biomaterials	Operational ROOC > 15%	2.9%	24.4%	●
Wood Products	Operational ROOC > 20%	16.7%	65.8%	●
Forest	Operational ROCE > 3.5%	4.7%	3.7%	●
Paper	Cash flow after investing activities to sales > 7%	-7.0%	-2.7%	●

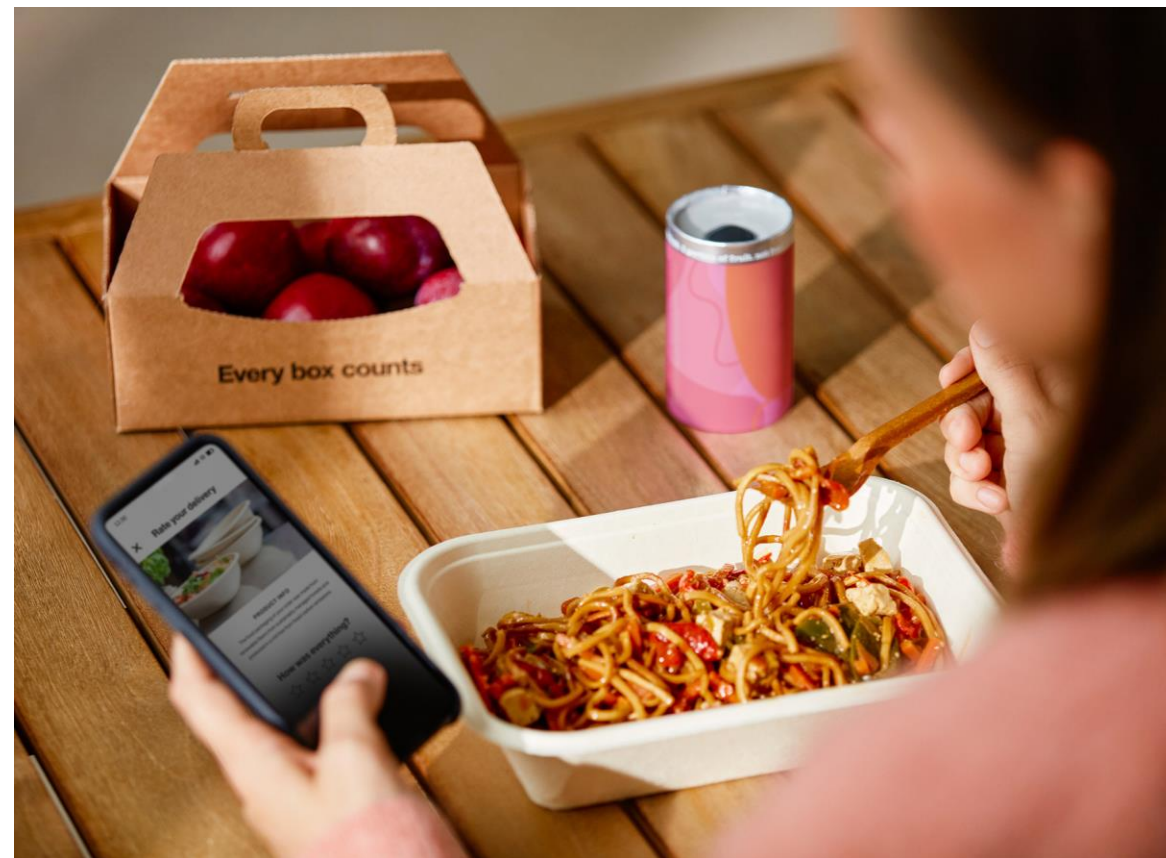
\* Annual dividend. \*\* Excluding Paper

# Annual outlook for 2021 remains unchanged

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



- Global economy recovering strongly from the impacts of pandemic
- Demand continues to be very healthy for our core products, market for paper improving
  - H2 2021 maintenance heavy, costs impacted by inflation
- The profit protection programme exceeded the targets and is now completed
- Oulu kraftliner unit reached operational EBITDA break-even three quarters ahead of initial target
  - 20-25 MEUR of estimated total negative impact on operational EBIT for 2021, below previous estimate of 40-50 MEUR
  - The separate reporting will be discontinued



# Profitable growth driven by own actions and good market conditions



- Healthy demand for all our core businesses, market improving for paper
- Majority of our financial targets reached
- Strategy execution at good speed
  - Oulu kraftliner investment ahead of the schedule
  - Exceeding targets on profit protection programme
  - High speed in innovations
  - Restructuring and investing to improve Paper
- Operational EBIT in 2021 is expected to be higher than in 2020

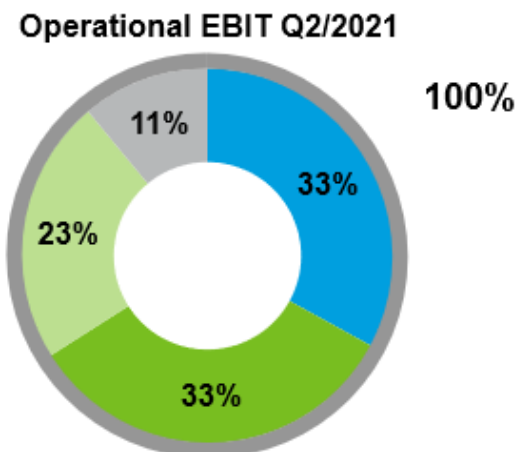
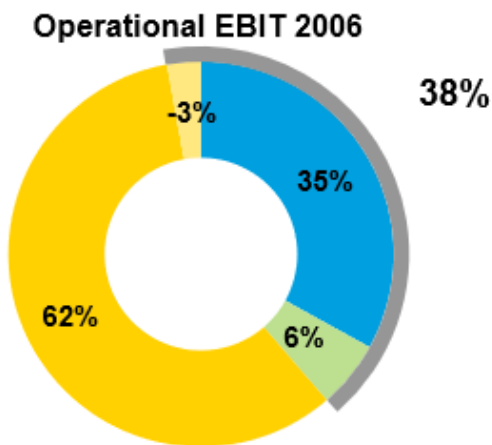
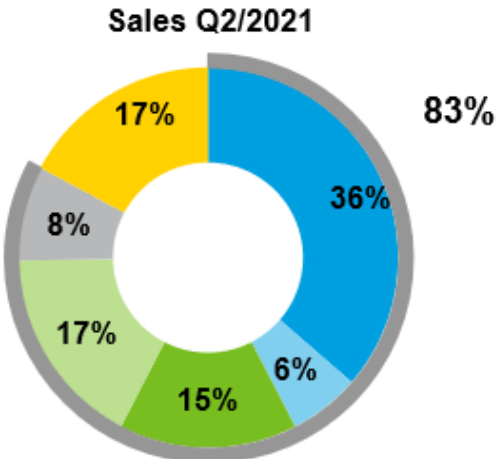
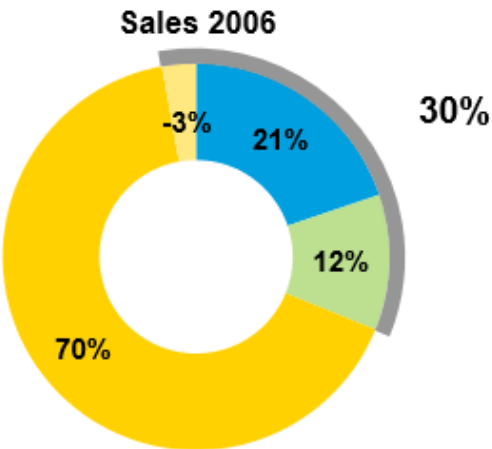






## THE RENEWABLE MATERIALS COMPANY

# Growth businesses 83% of sales and 100% of operational EBIT



- Packaging Materials
- Packaging Solutions<sup>1</sup>
- Biomaterials
- Wood Products
- Forest
- Paper<sup>2</sup>
- Other & eliminations<sup>3</sup>

<sup>1</sup> In 2006 included in Packaging Materials

<sup>2</sup> In 2006 includes merchants

<sup>3</sup> In 2006 includes Forest

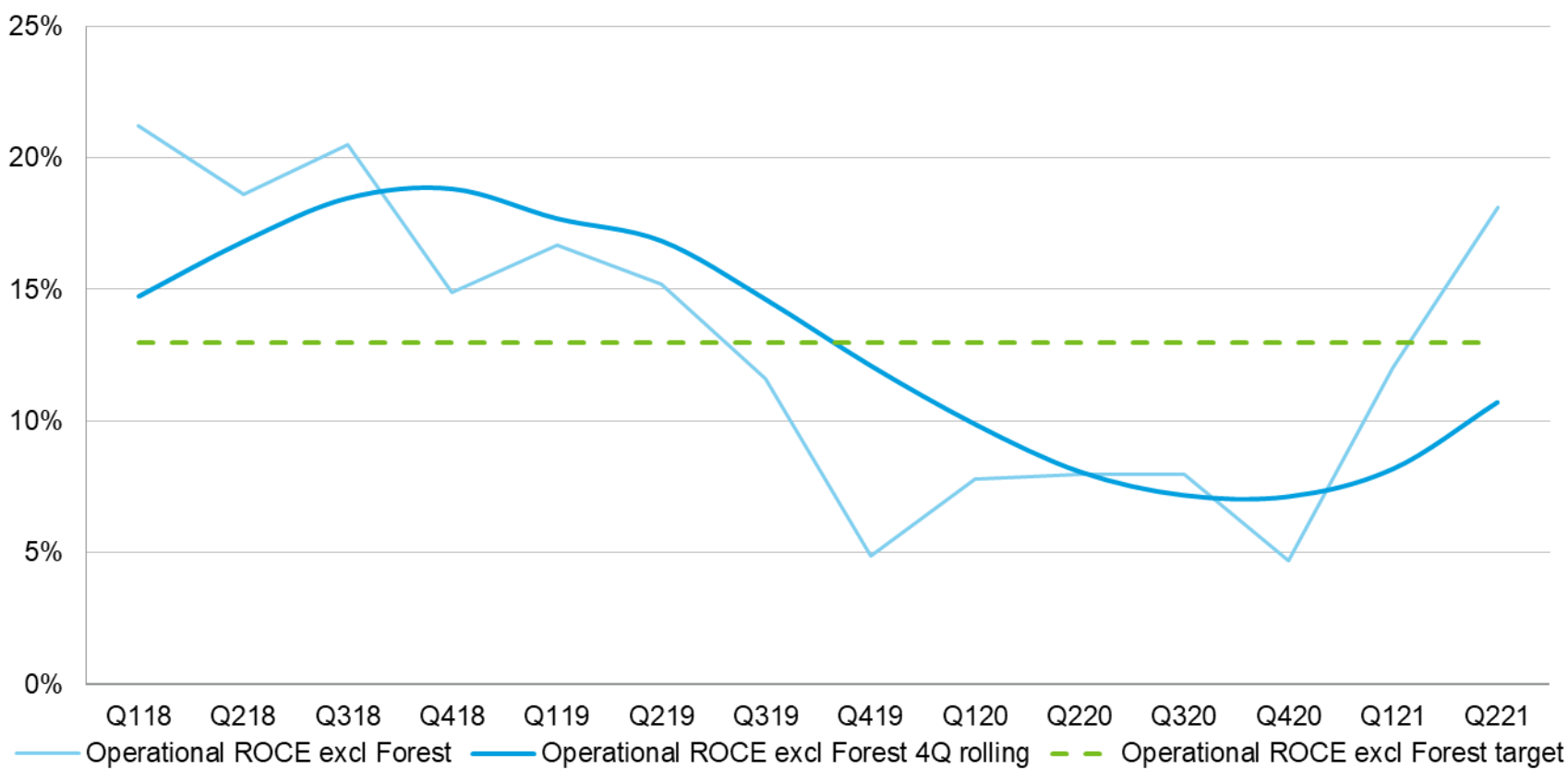
# Operational EBIT by segments



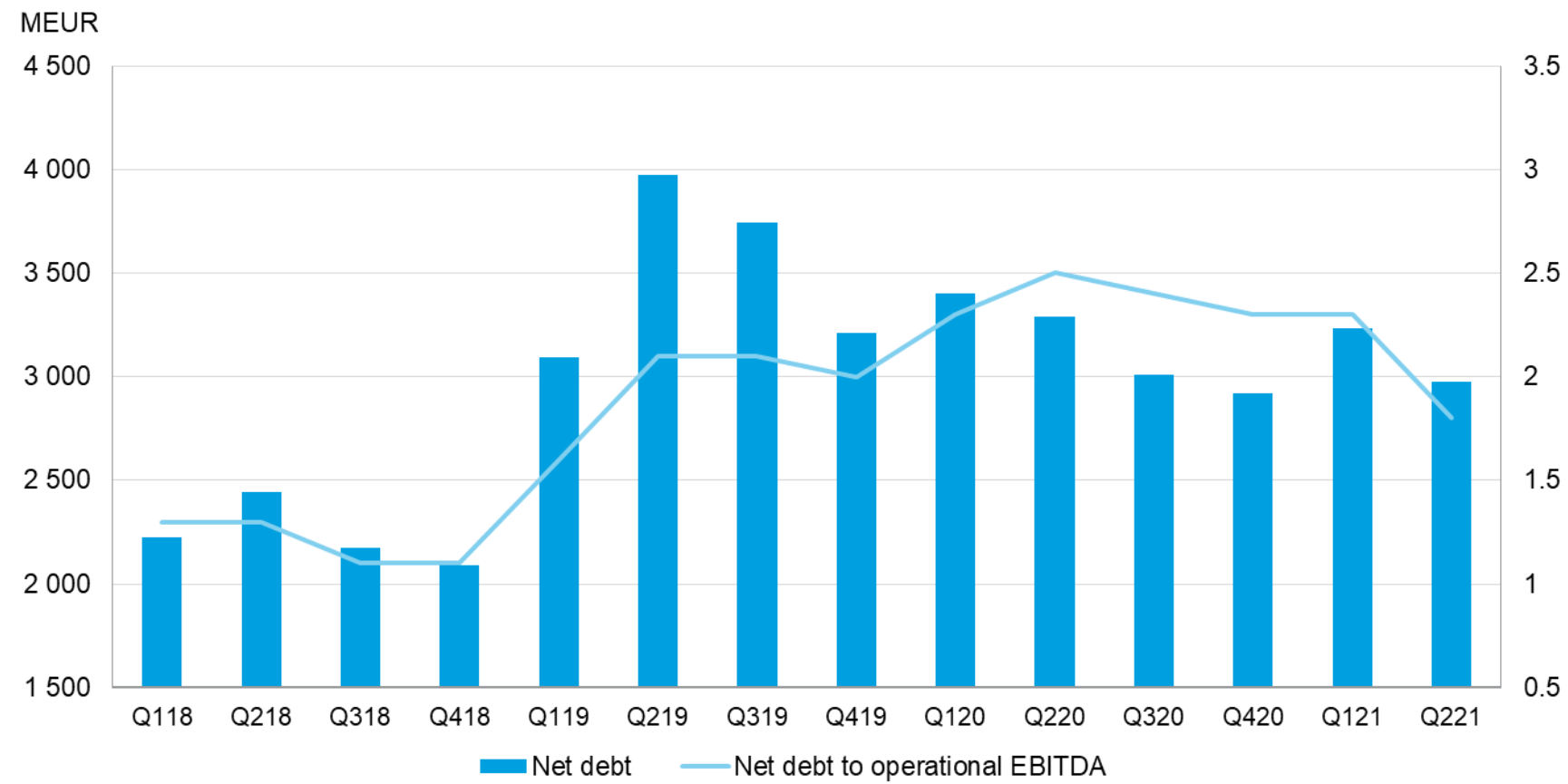
MEUR	Q221	Q220	Change % Q221-Q220	Q121	Change % Q221-Q121
Packaging Materials	144	130	10.8%	127	13.3%
% of sales	14.6%	15.8%		14.7%	
Packaging Solutions	2	8	-73.6%	4	-51.8%
% of sales	1.3%	5.7%		2.8%	
Biomaterials	145	18	n/m	65	124.8%
% of sales	32.1%	6.2%		18.2%	
Wood Products	100	26	286.5%	52	90.2%
% of sales	20.9%	7.4%		13.7%	
Forest	46	40	15.1%	123	-62.5%
% of sales	7.9%	7.7%		21.2%	
Paper	-49	-39	-27.9%	-34	-44.8%
% of sales	-11.1%	-8.7%		-8.0%	
Other	-16	-7	-142.8%	-11	-47.2%
% of sales	-6.1%	-3.0%		-4.6%	



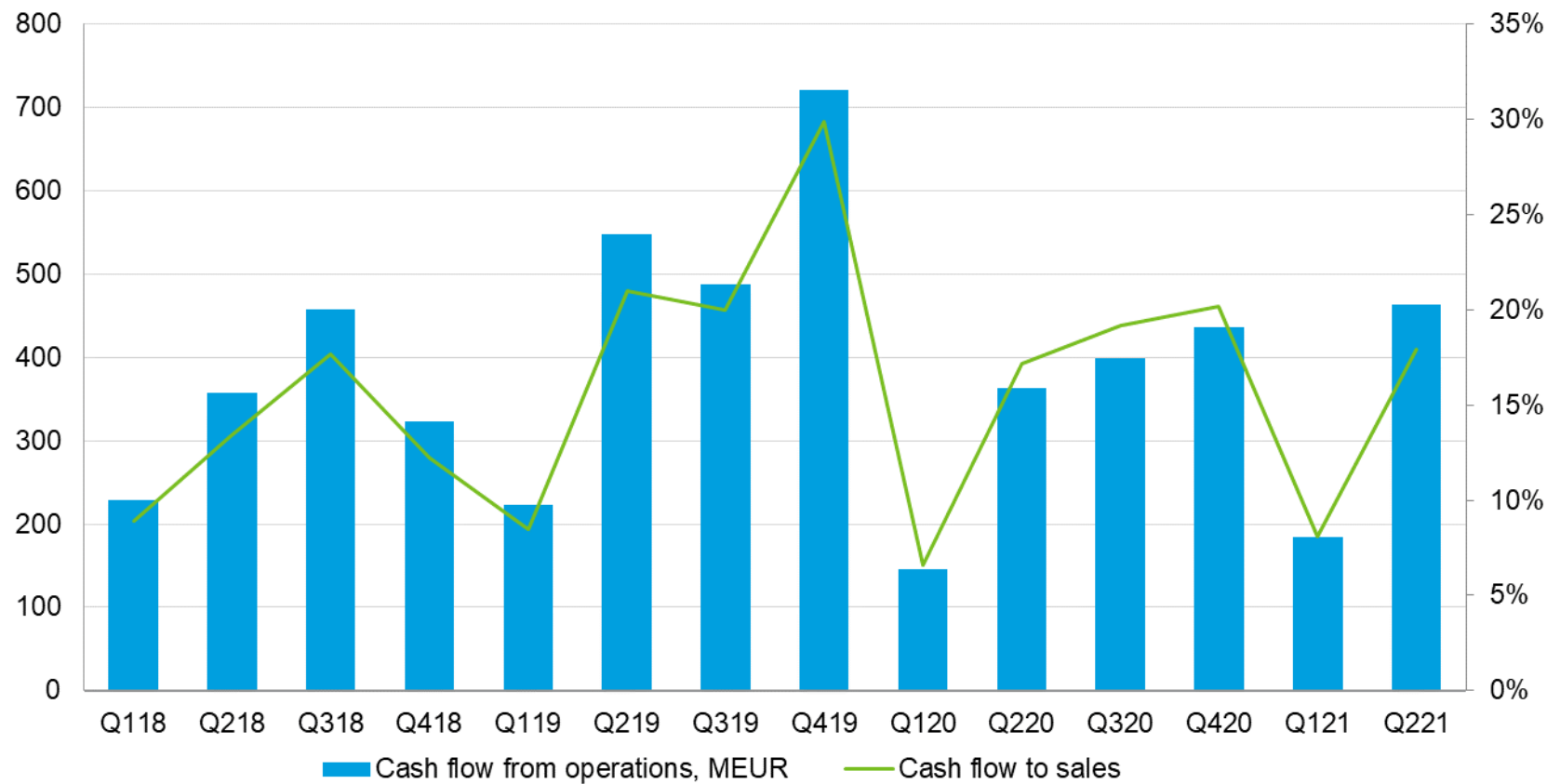
# Development of operational ROCE excluding Forest



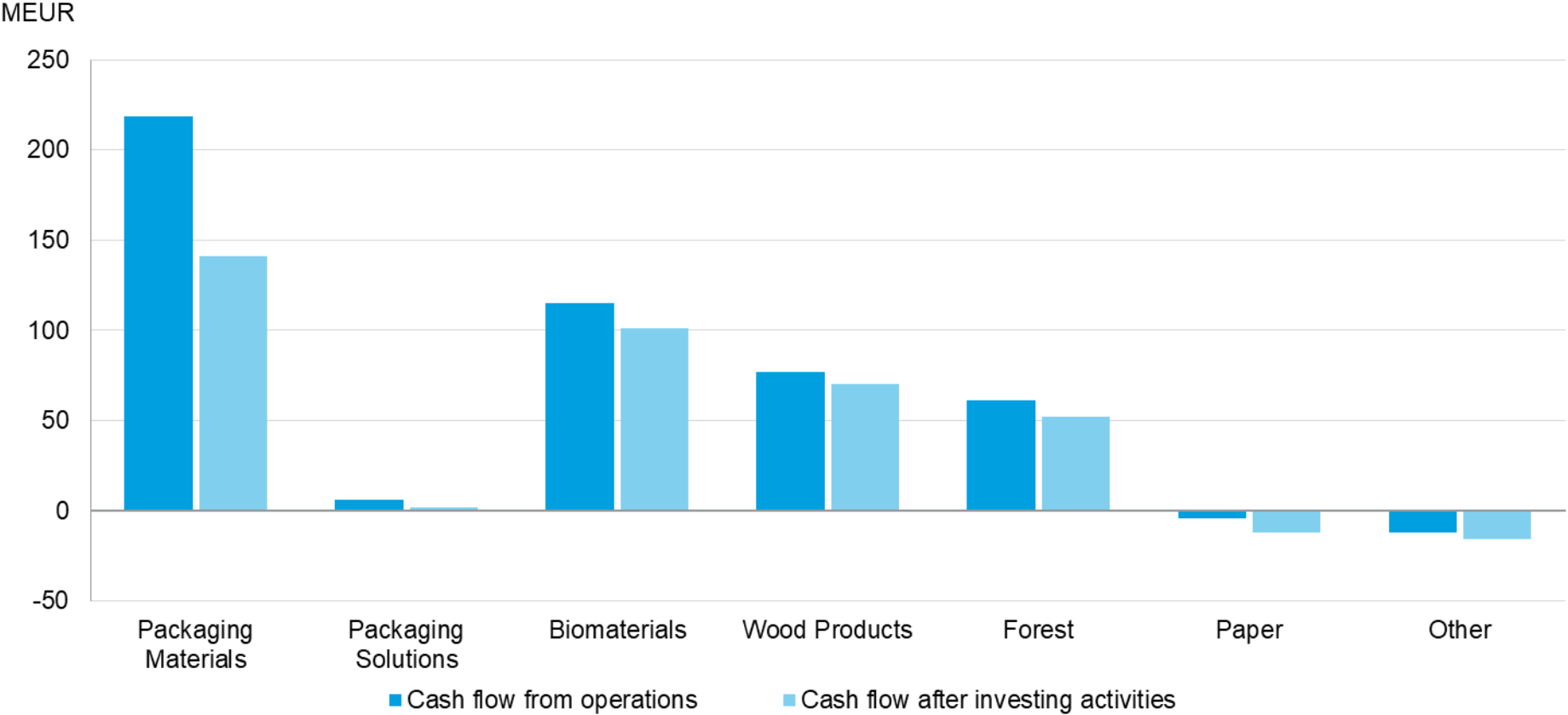
# Year-on-year net debt/EBITDA



# Cash flow development



# Cash flow by divisions in Q2

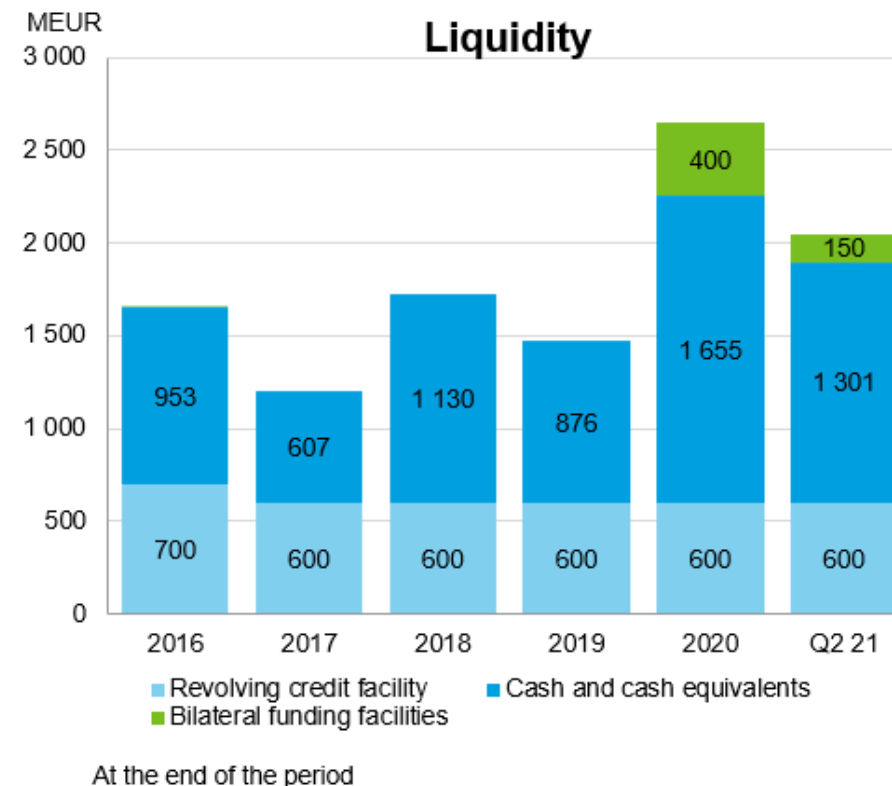




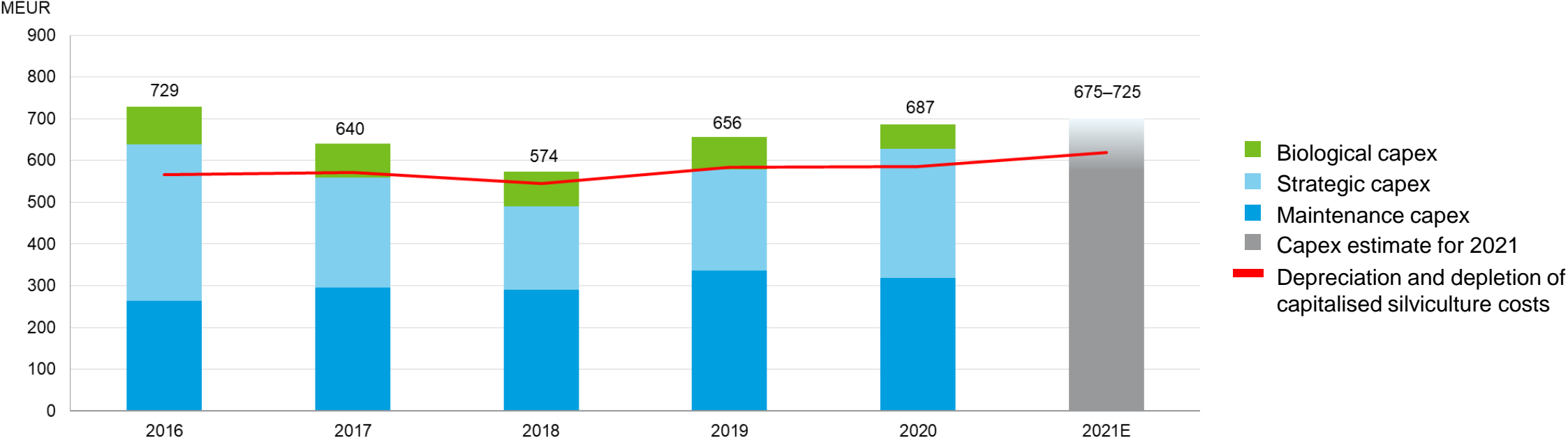
# Continued focus on strong liquidity



- Liquidity at the end of Q2 2021:
  - 1 301 MEUR cash and cash equivalents
  - 600 MEUR committed revolving credit facility fully undrawn
  - 150 MEUR undrawn committed credit arrangement
  - 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 1.8x and gearing at 32%



# Selective capex to support growth



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

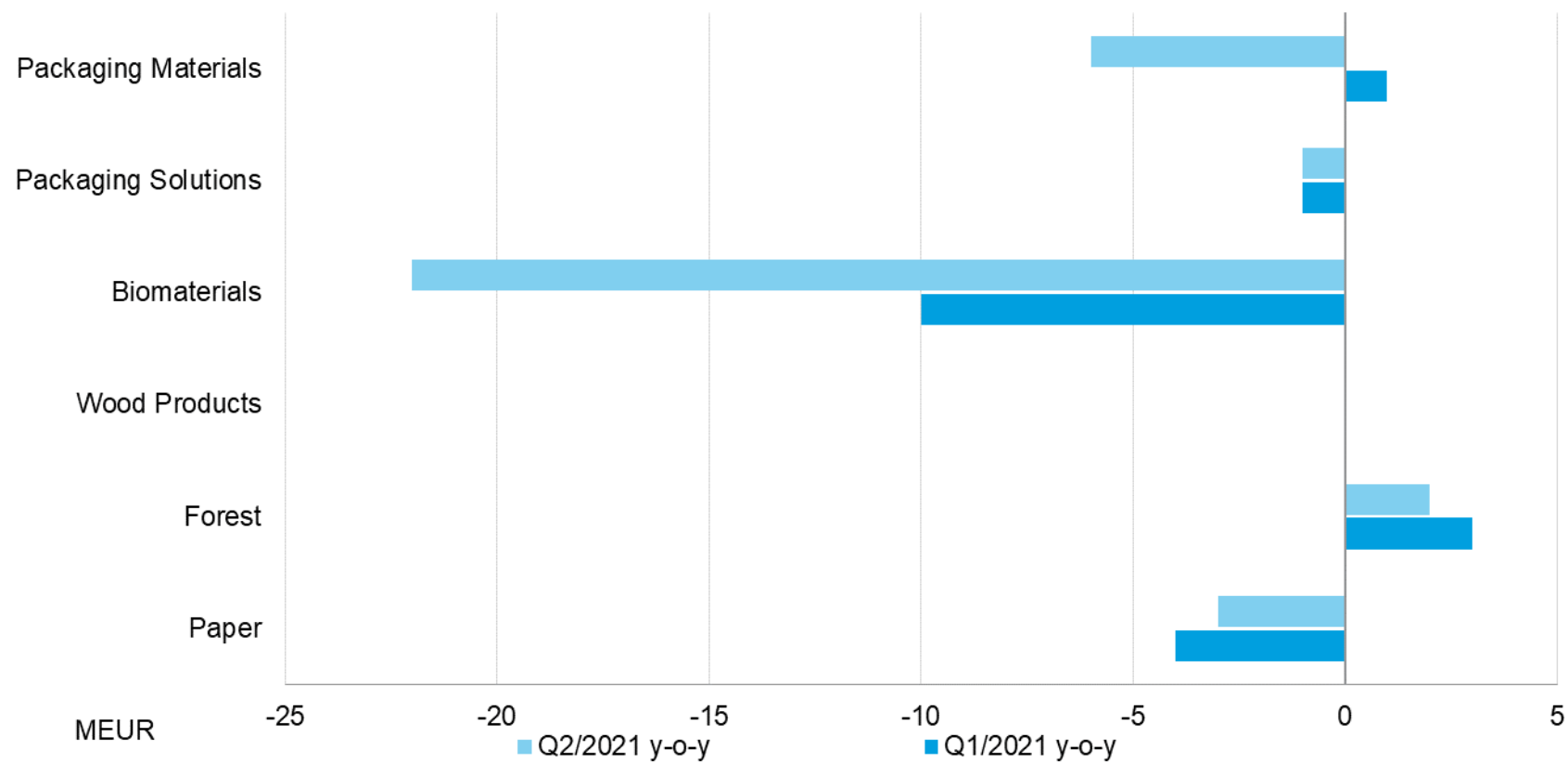
# Net Financial Items



EUR million	Q2 2021	Q2 2020	Change MEUR Q221/ Q220	Q1 2021	Change MEUR Q221/ Q121
<b>Net interest expense</b>	<b>-32</b>	<b>-33</b>	<b>1</b>	<b>-32</b>	<b>-</b>
Average interest rate*	2.9%	3.2%		2.9%	
<b>Foreign exchange gains and losses</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>
<b>Other financial items, of which</b>	<b>-2</b>	<b>-4</b>	<b>2</b>	<b>-5</b>	<b>3</b>
Pension costs (IAS 19R)	-1	-1	-	-1	-
Other items	-1	-3	2	-4	3
<b>Total net financial items</b>	<b>-30</b>	<b>-36</b>	<b>6</b>	<b>-36</b>	<b>6</b>

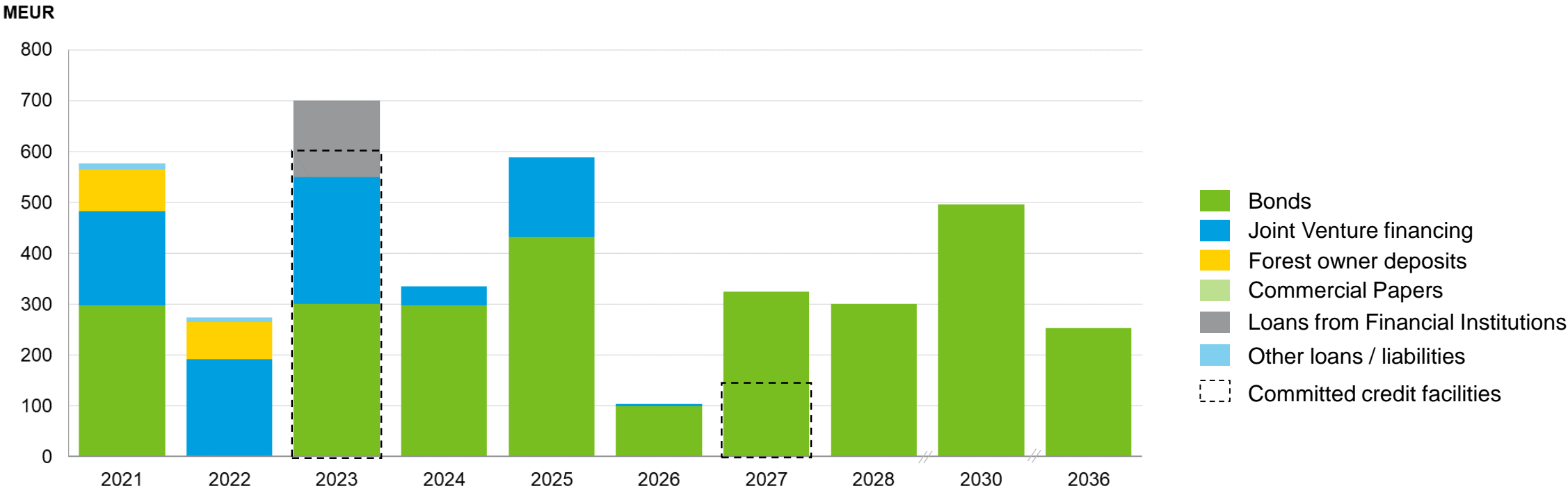
\* Quarterly gross interest expense divided by average gross debt

# Net FX by division





# Maturity profile Q2 2021



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

# Transaction risk and hedges Q2 2021



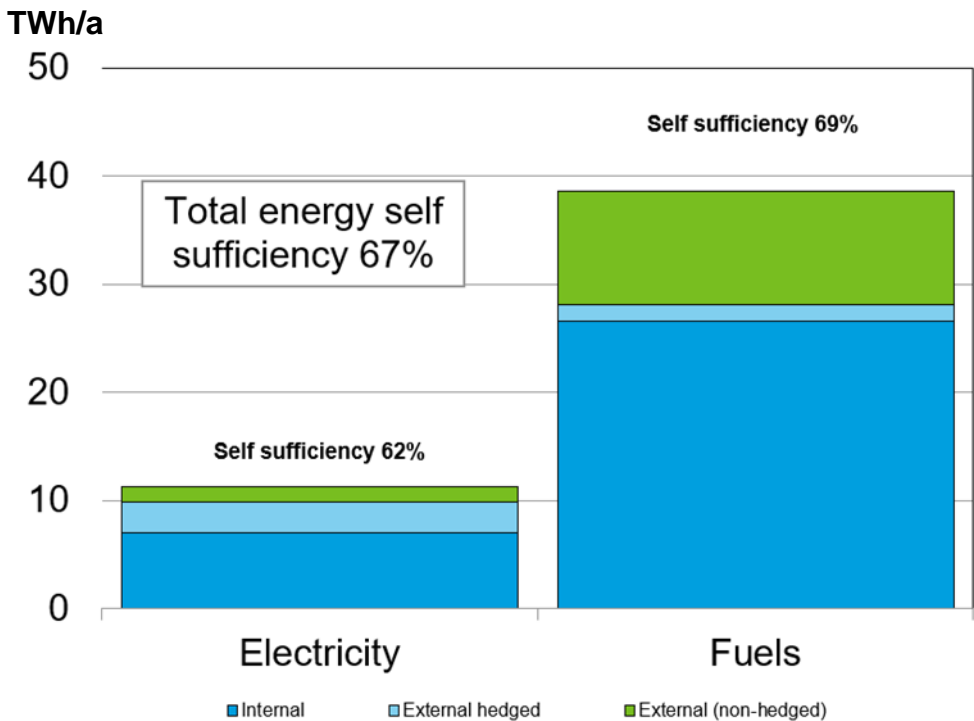
EUR Million	USD	EUR	GBP	SEK
Estimated annual operative transaction risk exposure from cash flows for the next 12 months*	1 767	1 014	321	-195
Cash flow hedges for the next 12 months as at 30 June 2021	-775	-505	-66	97
<b>Hedge ratio for the next 12 months as at 30 June 2021</b>	<b>44%</b>	<b>50%</b>	<b>20%</b>	<b>50%</b>
Effect of 10% currency strengthening on Operational EBIT**	177	101	32	-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 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.

# Stora Enso energy balance Q2 2021

## Pulp, paper and board mills in Europe and overseas

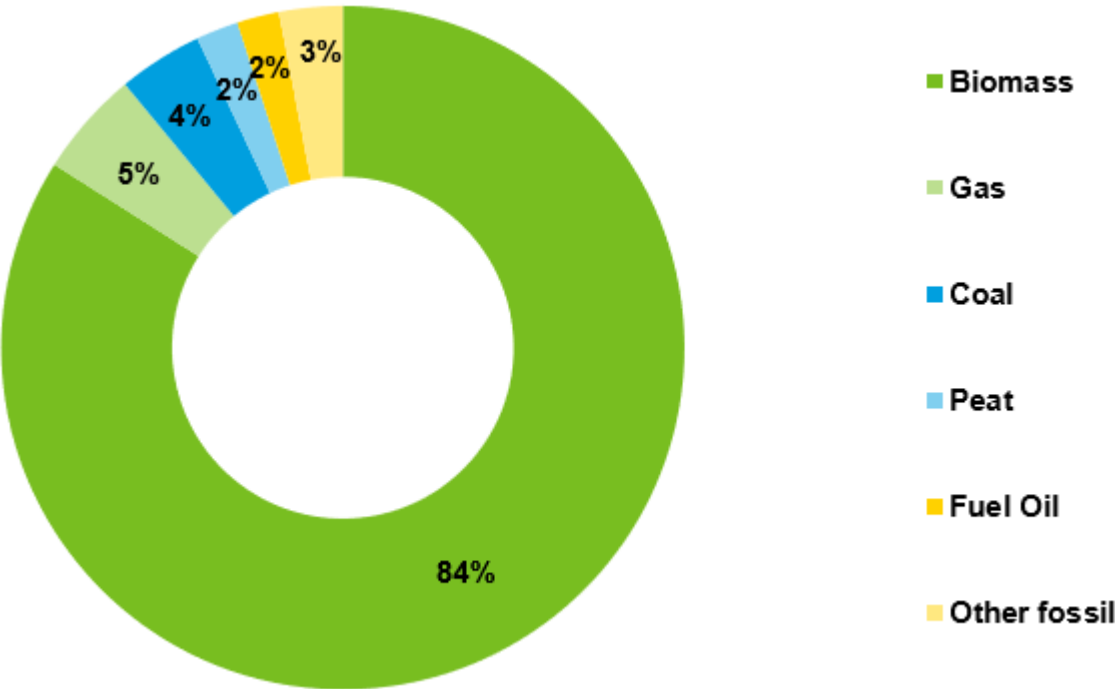


Impact on non-hedged volume on operating profit from 10% change in:	EUR million p.a.
Electricity market price	~10.4
Fossil fuel price	~6.7

External hedged volumes are secured from energy price risk exposure

# Stora Enso fuels Q2 2021

## Pulp, paper and board mills in Europe and overseas



Total Q2 fuel consumption was 19.8 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
Maxau PM 7	Nov 2010	Newsprint	195 000

Mill	Date	Grade	Capacity reduction, t
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
Kvarnsveden site	Q3 2021	SC, impr. News, packaging paper	565 000
Veitsiluoto site	Q3 2021	LWC, MWC, WFU, speciality paper, packaging paper	790 000
<b>Total</b>			<b>7 680 000</b>

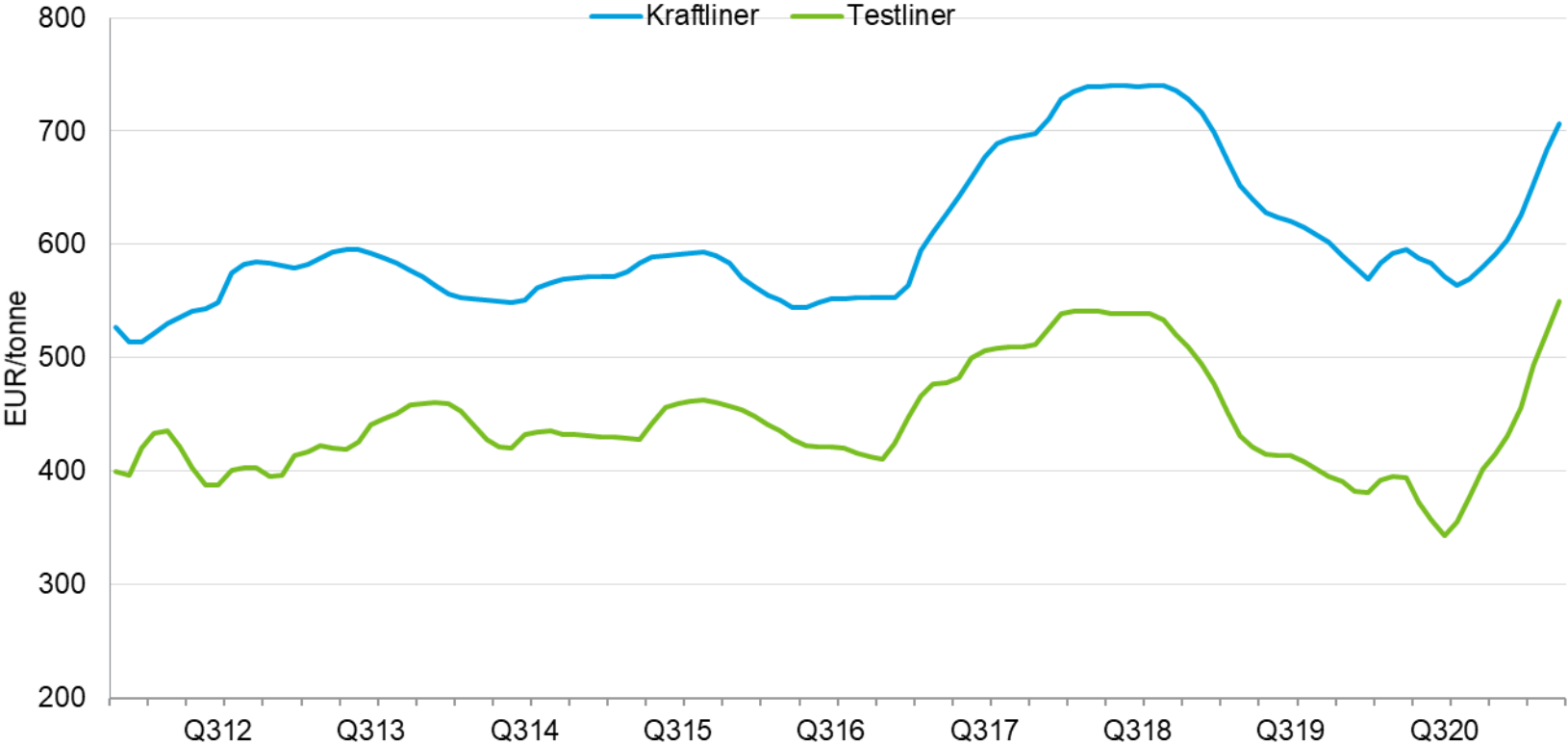


# Permanent sawn wood capacity reductions since 2006



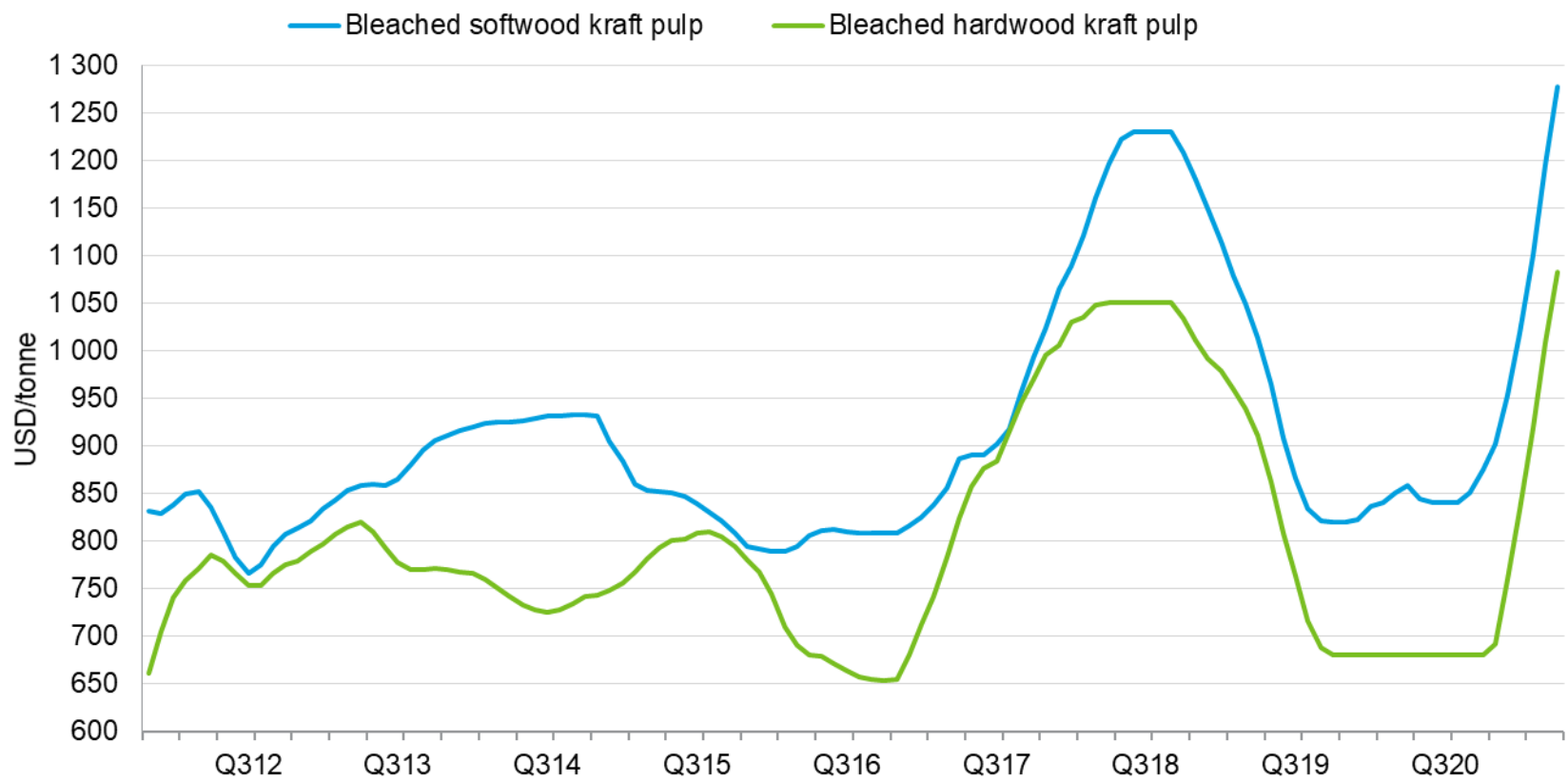
Mill	Date	Capacity reduction, m <sup>3</sup>
Veitsiluoto Sawmill	2006	100 000
Honkalahti Sawmill	2006	90 000
Sauga Sawmill	2007	130 000
Sollenau Sawmill	2007	110 000
Näpi Sawmill	2007-2008	100 000
Kotka Sawmill	2007-2008	70 000
Paikuse Sawmill	2008	220 000
Zdirec Sawmill	2008	120 000
Ybbs Sawmill	2008 & 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
<b>Total</b>		<b>2 560 000</b>

# Kraftliner and testliner prices



Source: FOEX

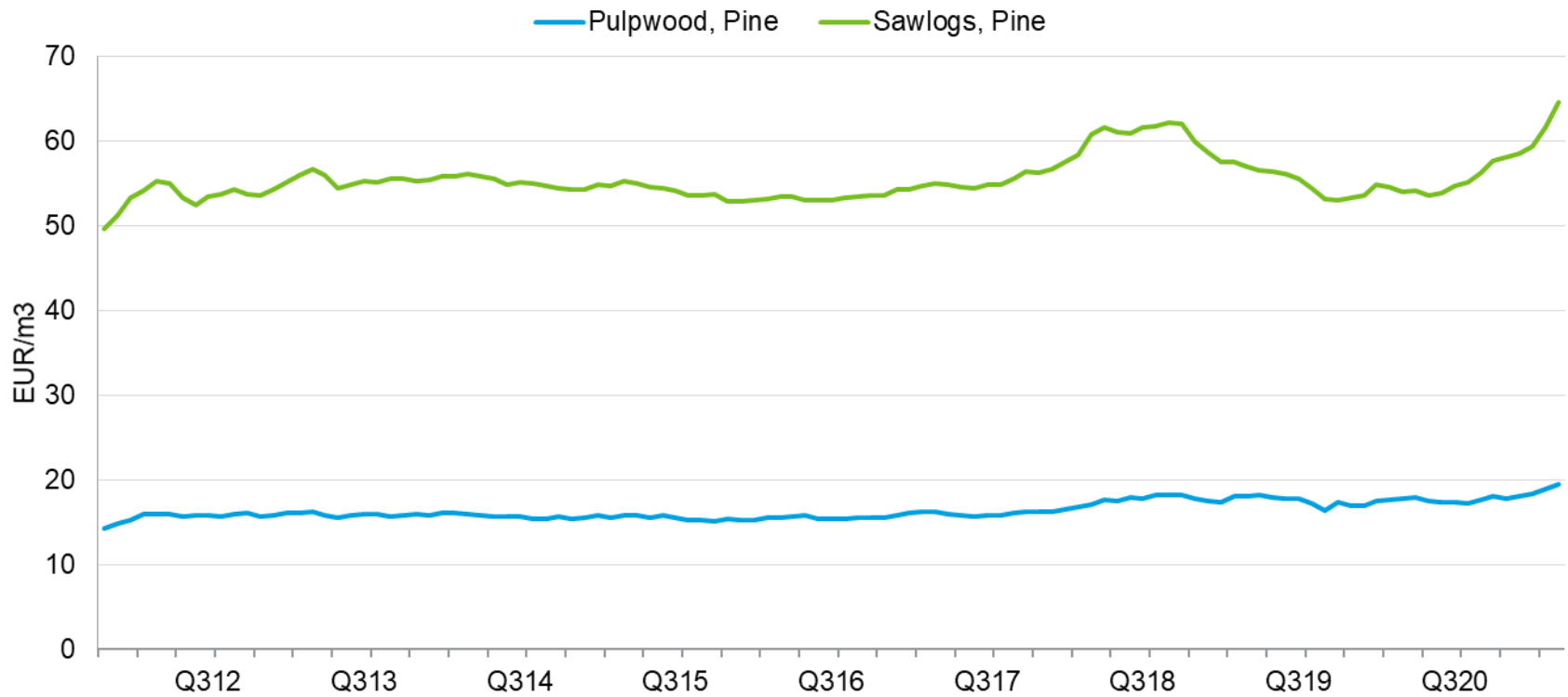
# Pulp price development



Source: FOEX

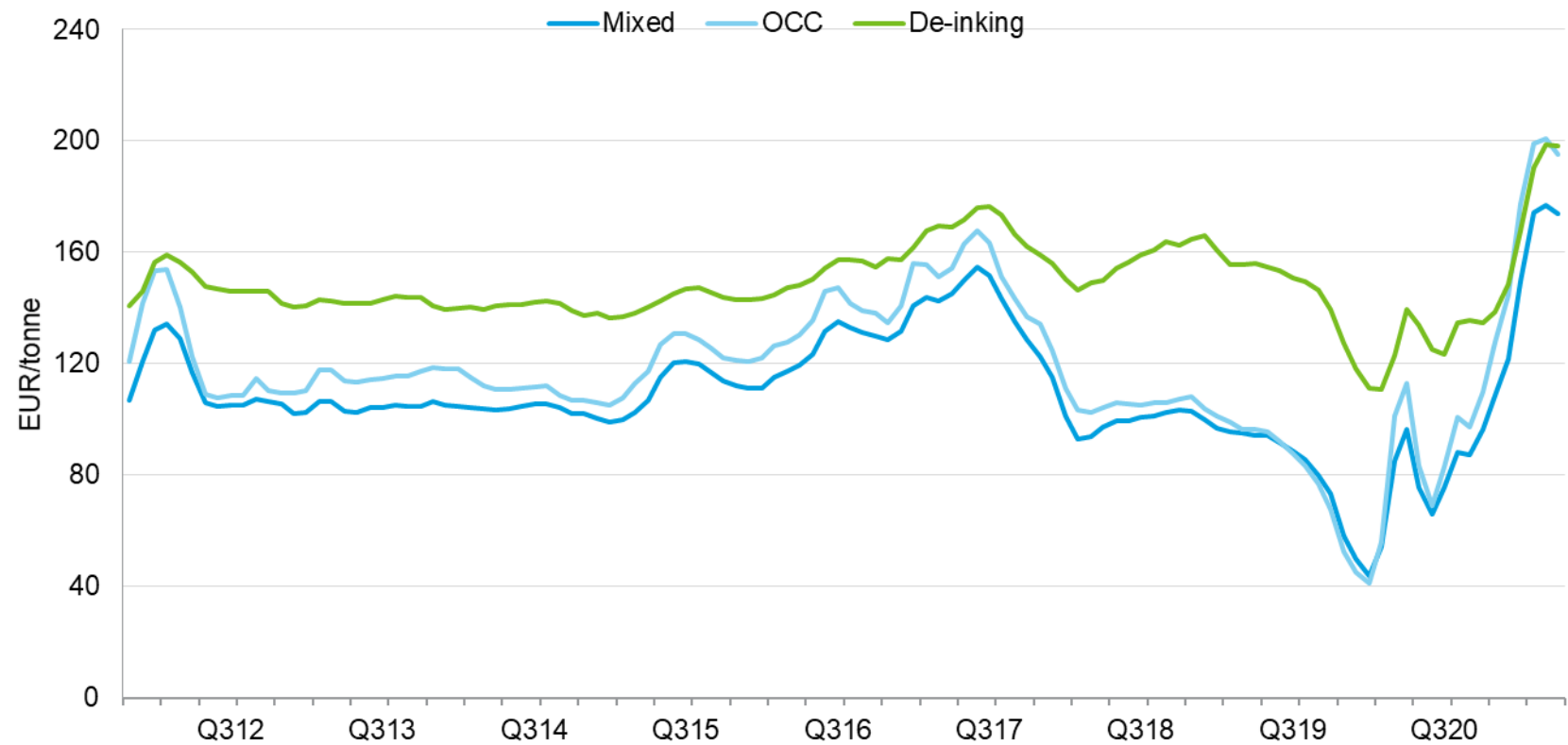
# Pulp wood and saw log prices

## Wood prices in Finland



Source: Luonnonvarakeskus

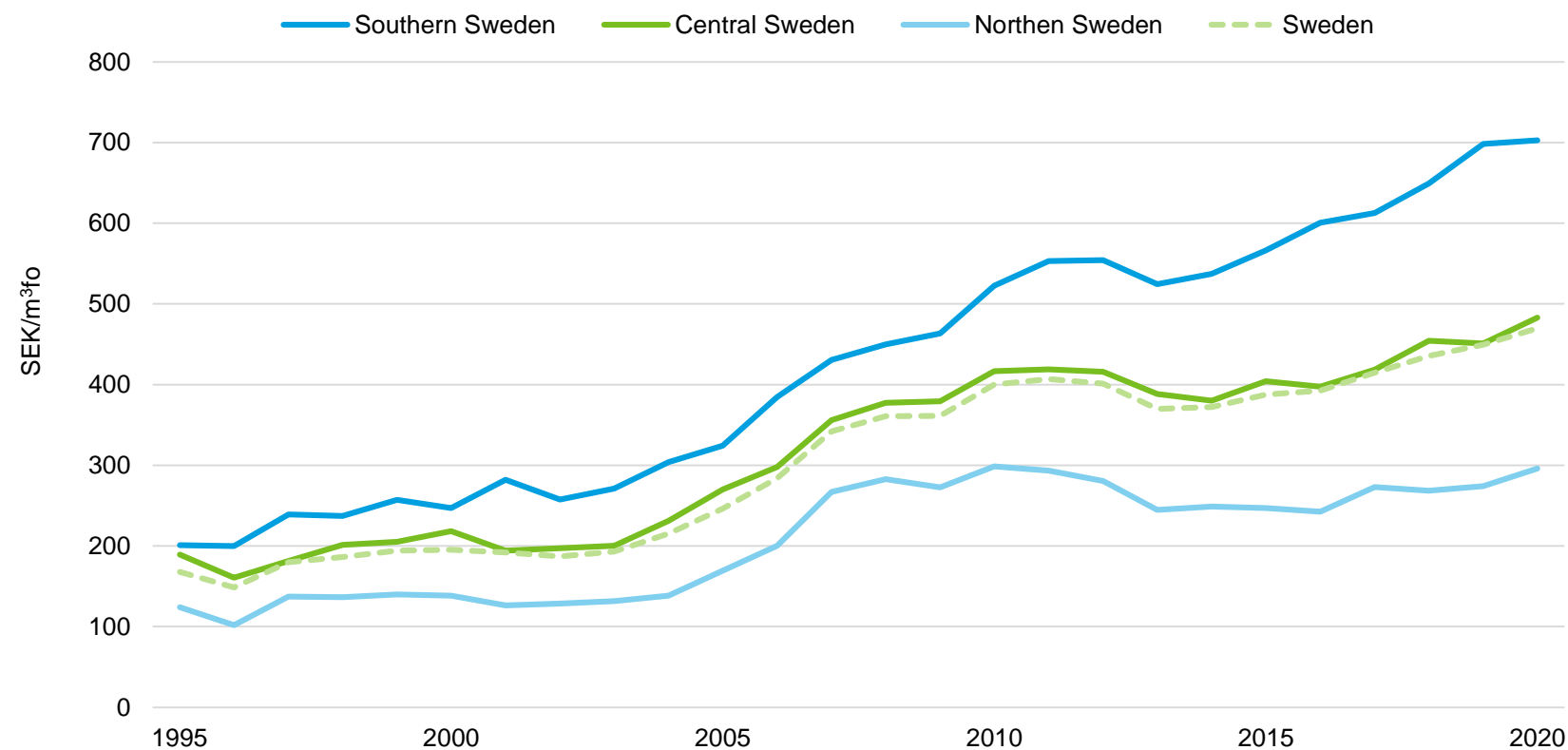
# Paper for recycling prices



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**