



# Financial results Q1 2022

## Outstanding performance in a turbulent environment

President and CEO Annica Bresky  
CFO Seppo Parvi

28 April 2022



# Our purpose

Do good  
for people and  
the planet



Replace  
non-renewable  
materials with  
renewable  
products





## Outstanding performance in a turbulent environment

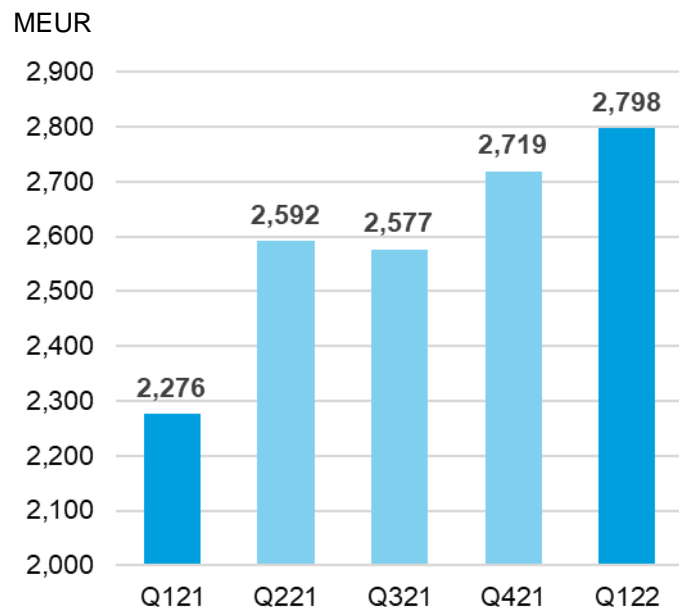
- All-time high operational EBIT margin at 18%
- Accelerated commercial momentum and higher prices
- Successful mitigation of higher variable costs and sourcing
- Streamlining the business portfolio by divesting Paper
- All-time high dividend of €0.55 per share

# Accelerating our performance trend

## Strong underlying demand across all segments

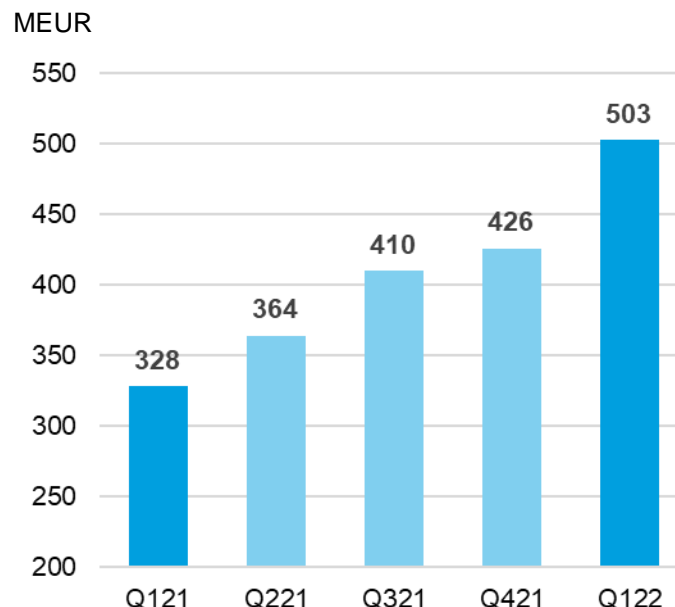


### Sales



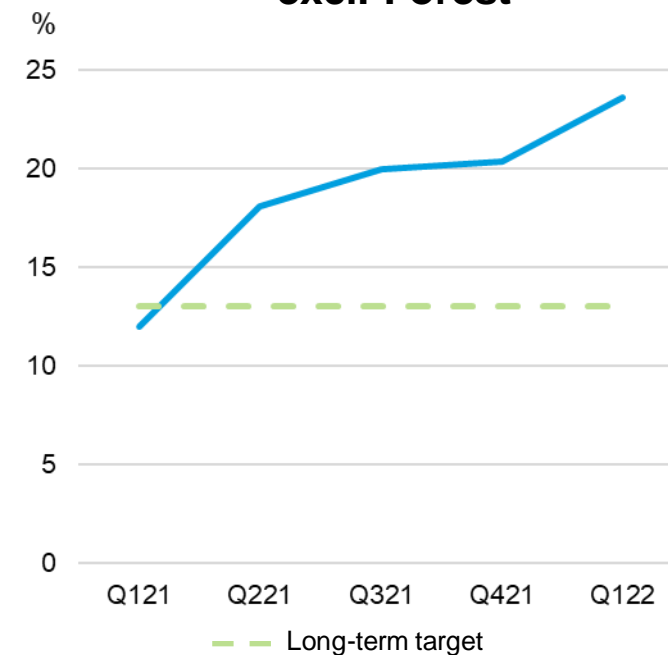
Sales increased by 23% YoY

### Operational EBIT



OpEBIT +53% YoY

### Operational ROCE excl. Forest



OpROCE excl. Forest 23.6%,  
above long-term target of >13%



# Divestment of Paper assets supports our accelerated growth



- Our Paper business is not a strategic growth area for us and today represents ~15% of sales (~70% in 2006)
- Four of our five paper production sites will be divested while one site will be retained for a potential conversion
- We look for responsible owners to provide a sustainable future for the sites and their people
- Resources are freed up to further focus on growth in our key segments: Renewable packaging, Building materials and Biomaterials innovations
- The sales process has no immediate effect on our paper operations which continue to serve their respective customers

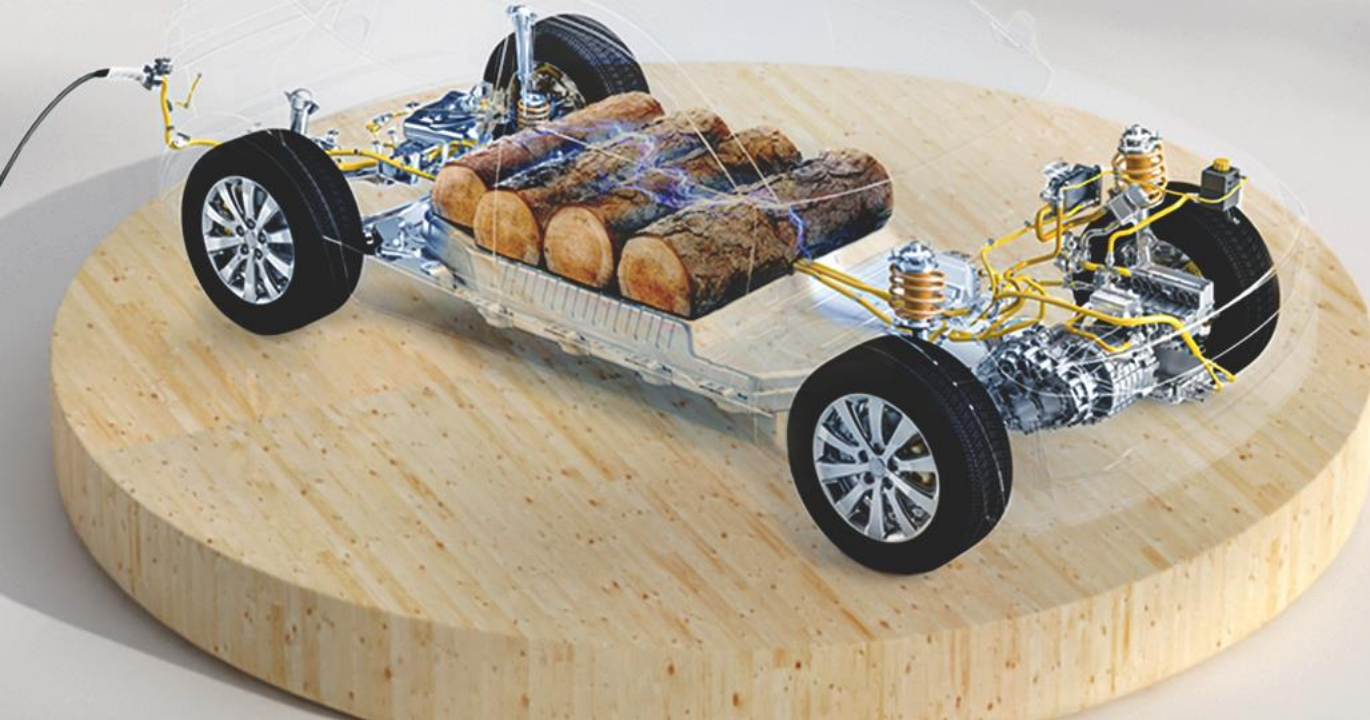




## Growth strategy: Investing in renewable packaging

### Strong long-term demand for high-quality, low carbon packaging

- Feasibility study to explore expansion in renewable packaging board at our Oulu site
- Targeted growing customer segments such as frozen and chilled food, beverages, pharma, and cosmetics
- Potential sales of €800m, capacity of 750kt of Folding Box Board and Coated Unbleached Kraft
- Conclusion in H2 2022, production start in H1 2025
- Capex €900 – 1,000m in 2023 – 2026



## Growth strategy: Investing in Biomaterial Innovations

**Lignode: A novel fossil-free anode material for a renewable battery market**

- Creating a €1bn new business of European supply
- Strong interest from potential customers/partners
- Lignode samples are being provided for testing
- The timeline of partnership constellation is reassessed due to the current very turbulent market environment
- Initiated a feasibility study for the first industrial scale production site at Sunila, Finland
- Initiated a pre-feasibility study for the extraction of lignin at Skutskär, Sweden

THE RENEWABLE MATERIALS COMPANY





# Finding solutions for our Russian operations and sourcing



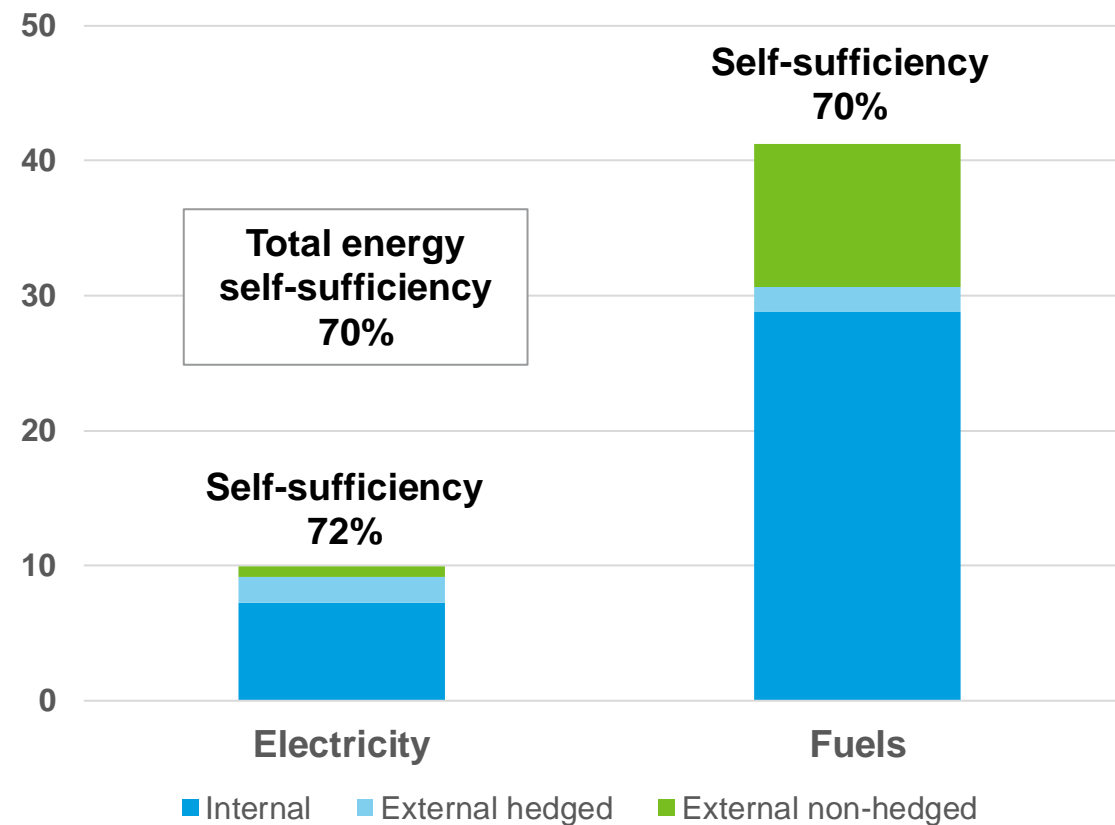
- Our two sawmills in Russia and our Russian forest operation are being divested to local management
- We are in a process to find a sustainable solution for the future of our three packaging plants in Russia
- Stora Enso employs around 1,100 people in Russia, their safety is a key priority
- Sales in Russia ~3% of Group sales, no material impact on sales and EBIT
- Own wood supply in Sweden and Finland enables flexible sourcing
- Wood sourcing from Russia to our Finnish sites was stopped in Q1 2022
  - Russian wood represented ~10% of wood supply in Finland in 2021
  - Mitigation and rerouting plans in place to manage supply and risk



# Resilient business to energy price fluctuations through high self-sufficiency and hedging

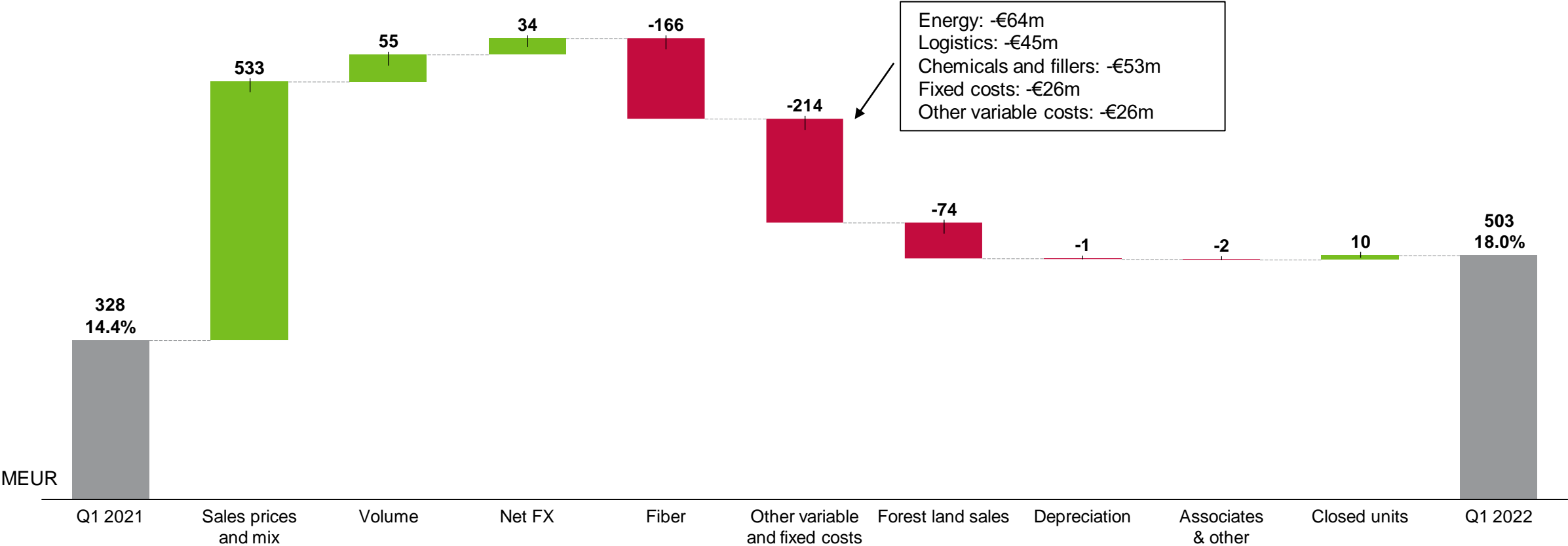


TWh/a     Stora Enso energy balance estimate 2022



Impact on non-hedged volume on operating profit from 10% change in:	EUR million p.a.
Electricity market price	~14.2
Fossil fuel price	~17.6
Energy hedging in 2022	~80%
Energy costs of total costs in 2021	~7%

# Proactivity in mitigating variable cost increases has improved profitability





# Well above long-term financial targets in most segments



Group long-term financial targets		Q1 21	Q1 22	
Dividend*	To distribute 50% of EPS excluding fair valuation over the cycle	0.30	<b>0.55</b>	●
Growth** YoY	> 5%	14%	<b>29%</b>	●
Net debt to operational EBITDA	< 2.0x	2.3	<b>1.1</b>	●
Net debt to equity	< 60%	37%	<b>24%</b>	●
Operational ROCE excl. Forest	> 13%	12.0%	<b>23.6%</b>	●

Divisional long-term financial targets		Q1 21	Q1 22	
Packaging Materials	Operational ROOC > 20%	16.7%	<b>24.0%</b>	●
Packaging Solutions	Operational ROOC > 25%	7.5%	<b>1.3%</b>	●
Biomaterials	Operational ROOC > 15%	11.2%	<b>18.2%</b>	●
Wood Products	Operational ROOC > 20%	36.9%	<b>67.8%</b>	●
Forest	Operational ROCE > 3.5%	9.9%	<b>3.6%</b>	●
Paper	Cash flow to sales after investing activities > 7%	-4.6%	<b>-3.0%</b>	●

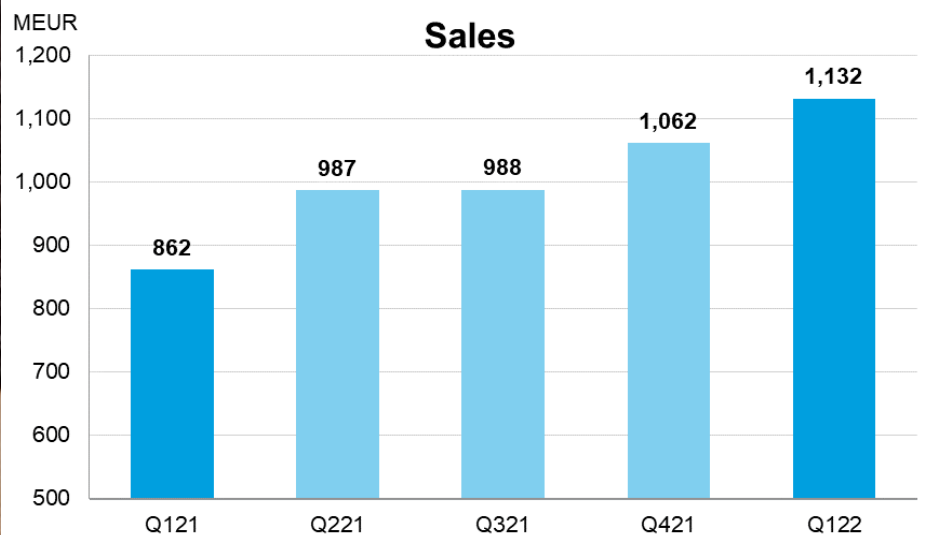
\* Annual dividend. \*\* Excluding Paper

# Packaging Materials

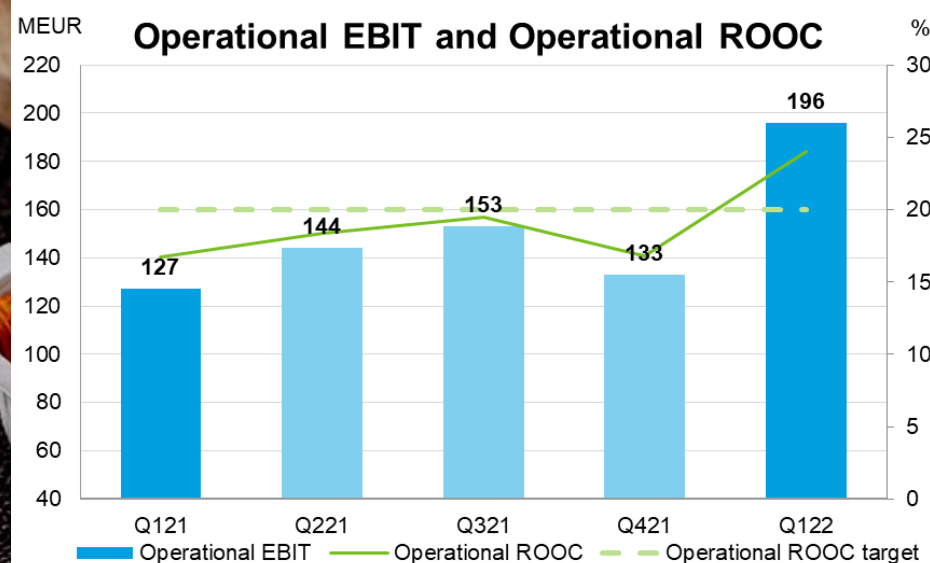
All-time high performance driven by higher prices and added capacity



storaenso



- Sales +31% YoY, all-time high
- Driven by higher board prices and higher deliveries, supported by the containerboard site ramp-up at Oulu, Finland

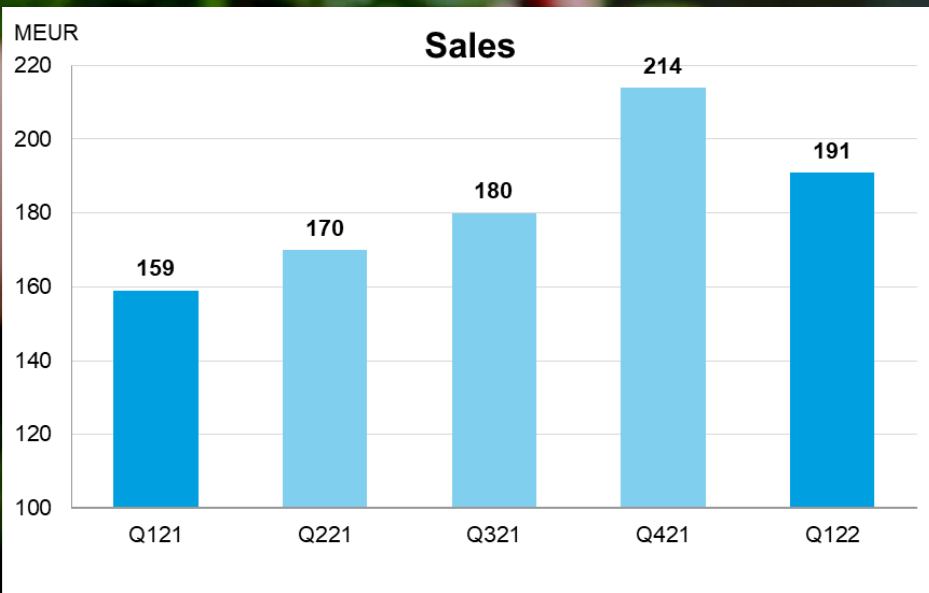


- OpEBIT +55% YoY, record high
- Driven by improved containerboard performance
- Higher board volumes and prices more than offset higher variable costs
- OpROOC at 24.0% (16.7%), long-term target >20%

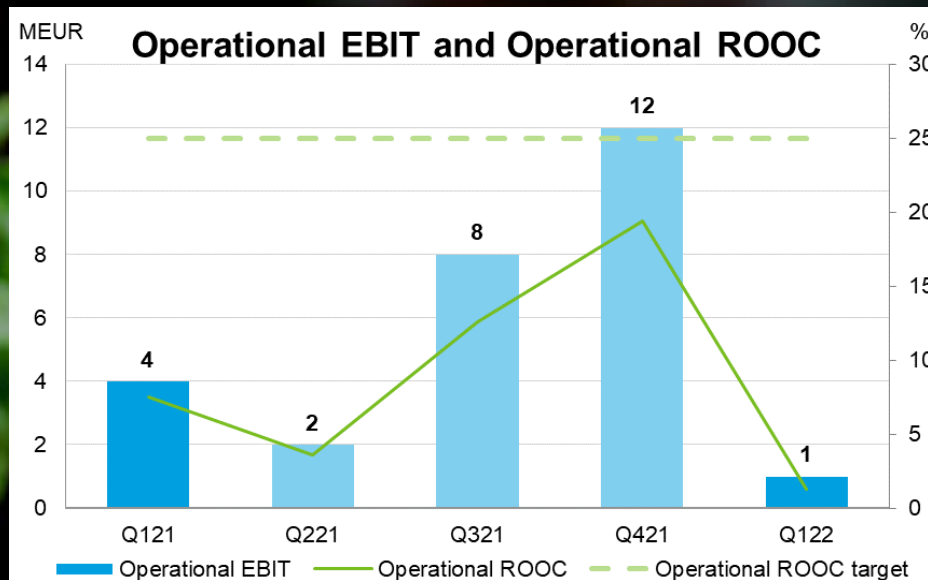


# Packaging Solutions

## Low profitability impacted by Russian operations



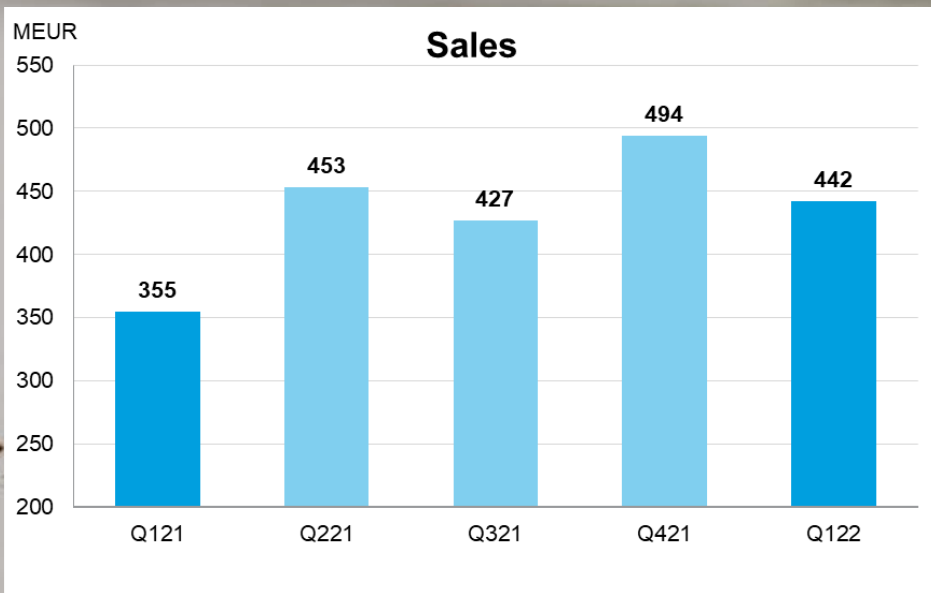
- Sales +20% YoY, record-high first-quarter
- Negative impact from Russian operations compensated by increasing box prices and growth in innovation and services



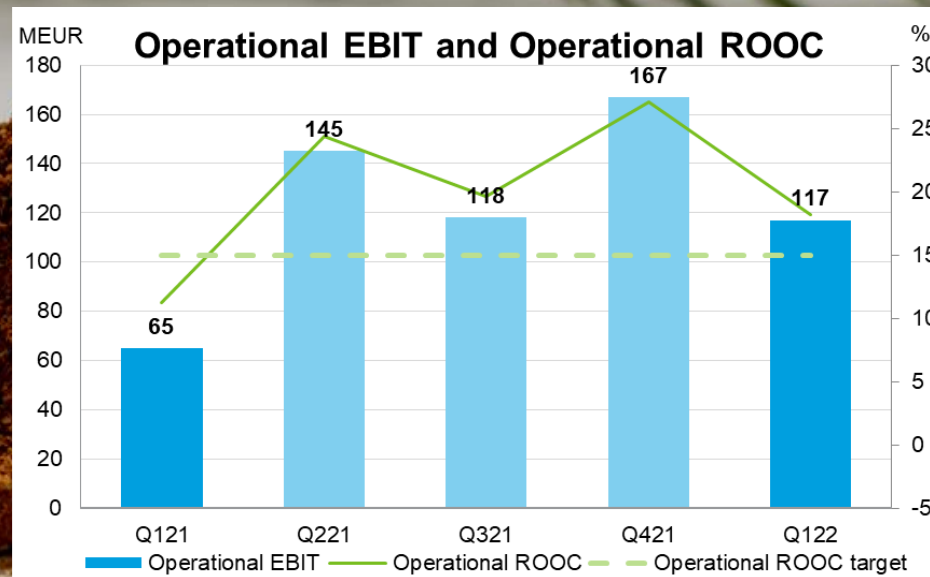
- OpEBIT -€3m YoY
- Mainly due to Russian operations, cost inflation and increased investments to accelerate growth in the new businesses
- OpROOC at 1.3%, long-term target >25%

# Biomaterials

Record-high first-quarter mainly driven by higher pulp prices



- Sales +24% YoY, record-high first-quarter
- Higher pulp prices in Europe and China

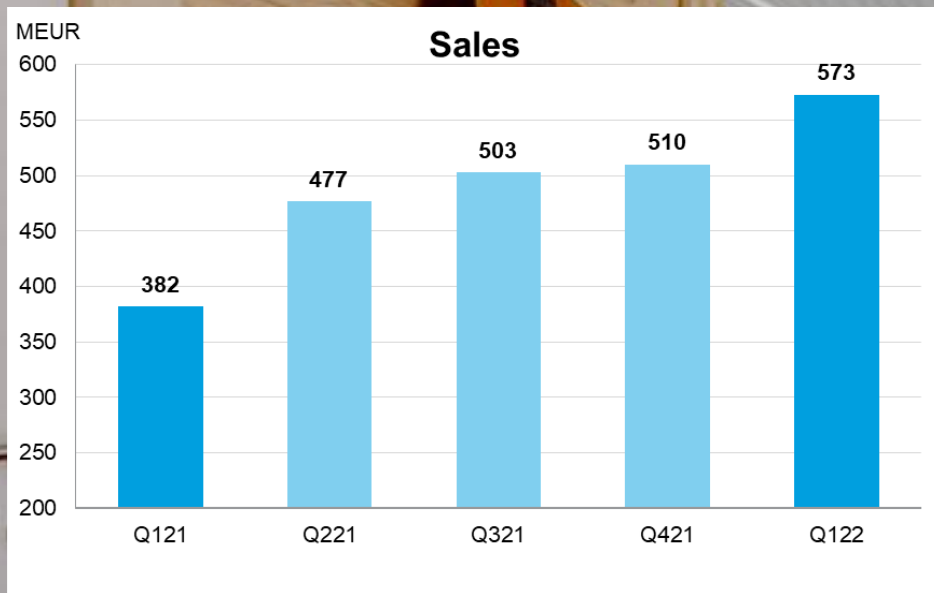


- OpEBIT +81% YoY, record-high first-quarter
- Higher sales prices more than offset increased costs and lower volumes
- MdP maintenance break in Q1/22, none in Q1/21
- OpROOC at 18.2%, long-term target >15%

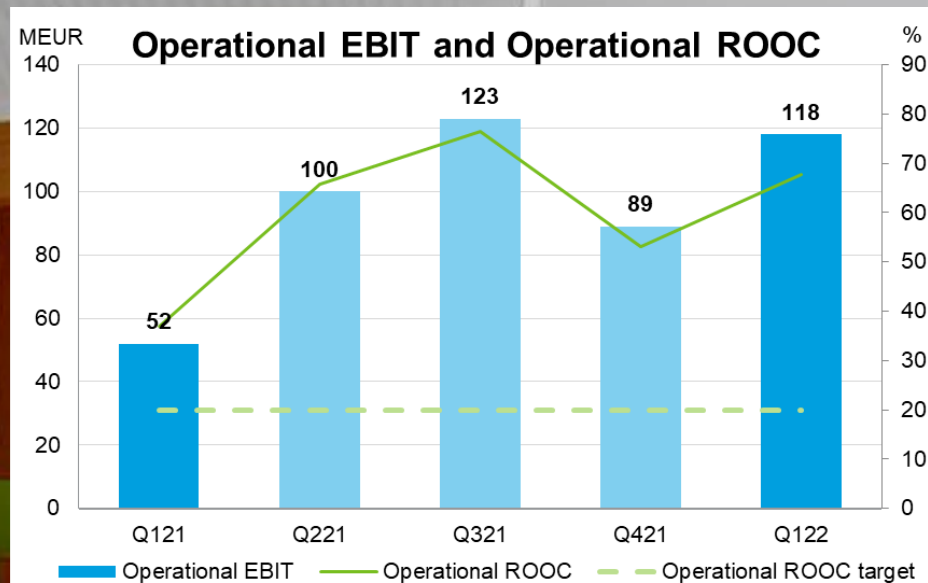


# Wood Products

Record-high first-quarter performance driven by higher prices and deliveries



- Sales +50% YoY, record-high first-quarter
- Higher prices across the division
- Higher deliveries supported by solid demand

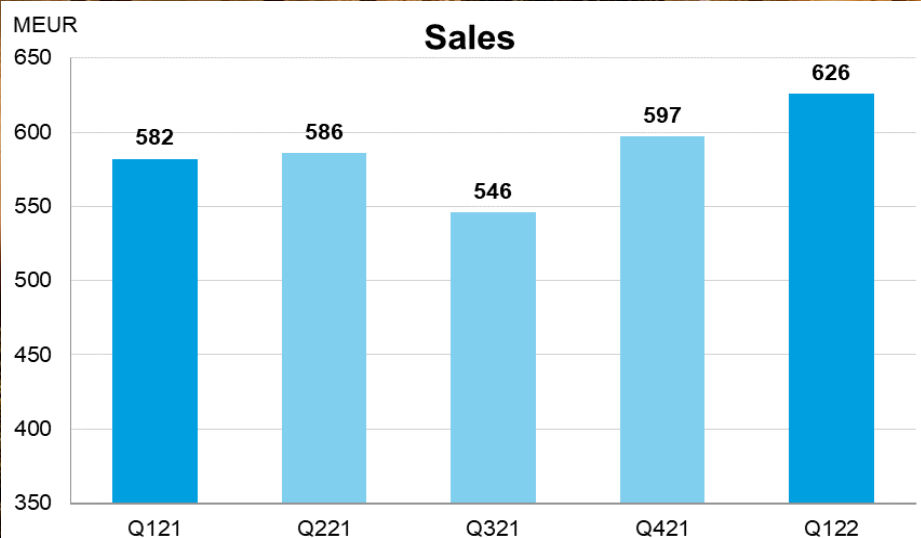


- OpEBIT +125% YoY, record-high first-quarter
- High profitability continued driven by prices, more than offset higher costs
- OpROOC at 67.8%, long-term target >20%

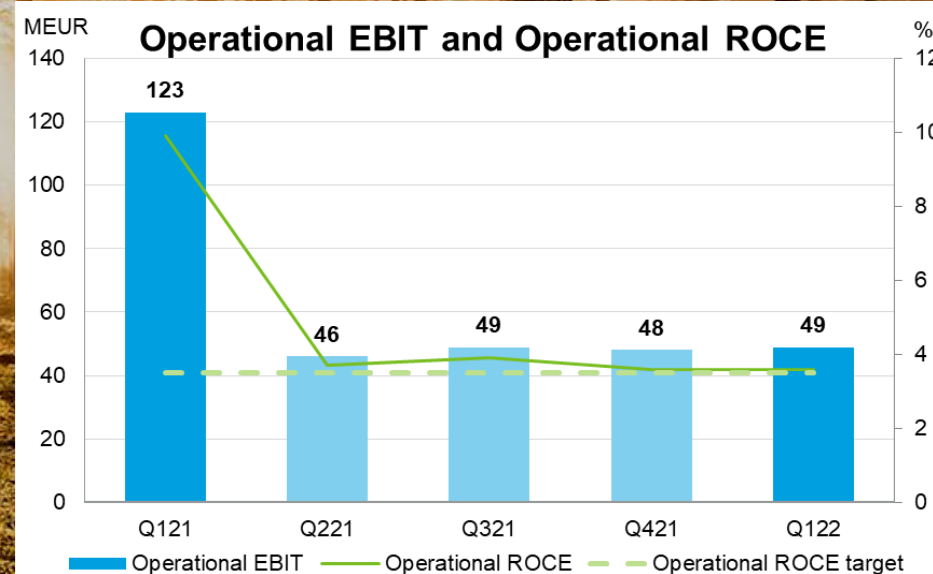


# Forest

Solid profitability driven by higher prices and tight supply



- Sales +8% YoY
- Higher wood prices driven by increased demand for pulpwood and saw logs

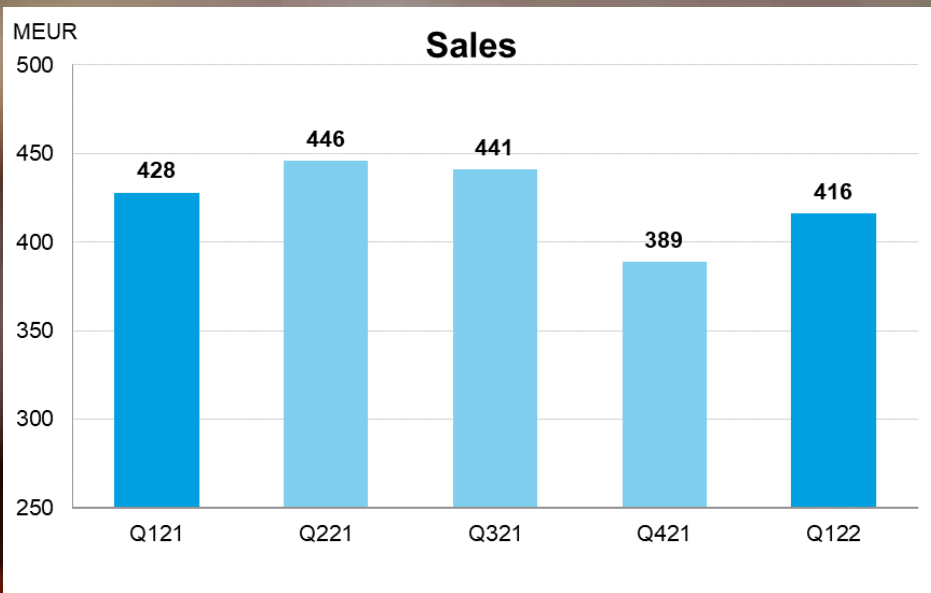


- OpEBIT continued at a stable level
- Good operational performance
- Comparative period included €74m gain from a land area sales in Sweden
- OpROCE at 3.6%, long-term target >3.5%

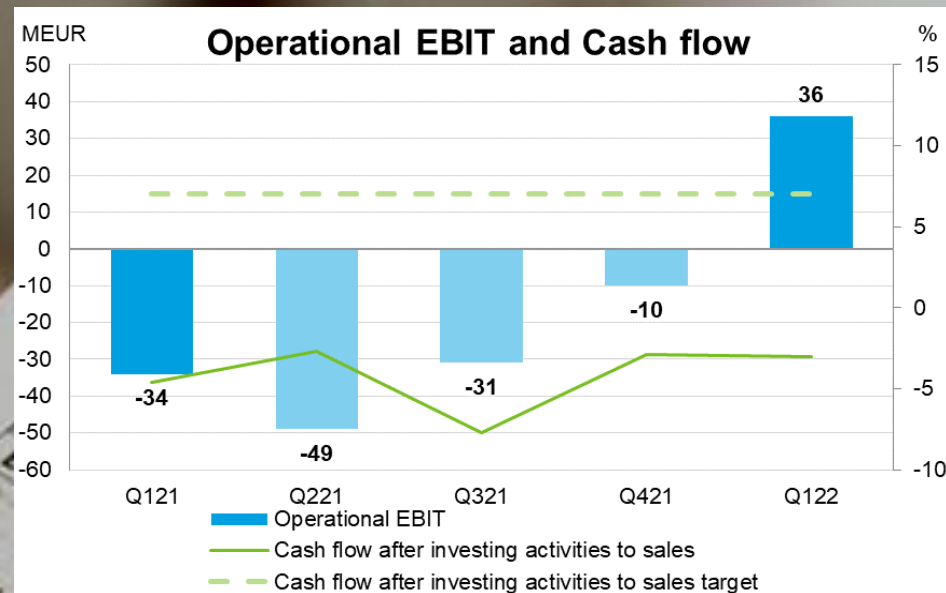


# Paper

Financial turnaround delivered highest quarterly operational EBITDA % since 2009



- Sales -3% YoY
- Caused by Veitsiluoto and Kvarnsveden paper site closures in Q3/2021
- Sales from retained business increased by 50%



- OpEBIT +207% YoY
- Higher prices partly offset by higher variable costs
- Cash flow to sales (after investments) -3.0%, retained business 4.5%, long-term target >7%

# Annual outlook and guidance remain unchanged



## Outlook

- The general macroeconomic environment and the pandemic are persisting uncertainties. However, with Russia's invasion of Ukraine risks have increased across the world
- Sustained commercial momentum is supported by the market demand for Stora Enso's products across all divisions
- To manage volatility measures such as pricing, flexibility in sourcing and logistics, as well as hedging are in place

## Guidance

- Stora Enso's full year 2022 operational EBIT is estimated to be approximately in line with the full year operational EBIT for 2021 (€1,528 million)





## Outstanding performance in a turbulent environment

- Accelerated commercial momentum, strong demand and positive outlook
- Successful mitigation of higher variable costs
- Well positioned to accelerate growth in renewable materials

# Upcoming investor events

## Info session on our Nordic forests and CMD



**Virtual info session on our  
Nordic forests**

**Tuesday 10 May**

**at 15:00-17:00 EEST /  
14:00-16:00 CEST**

Register at  
[storaenso.com/investors](https://storaenso.com/investors)

**Virtual Capital Markets Day  
Tuesday 13 September  
at 14:00-17:00 EEST /  
13:00-16:00 CEST**

Save the date



# 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.



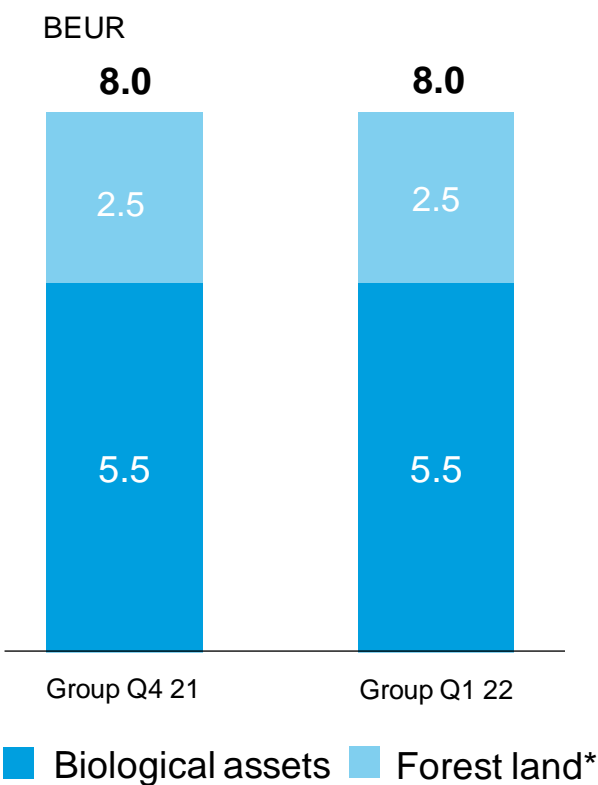
## THE RENEWABLE MATERIALS COMPANY



# Forest assets fair value remained on a par with the previous quarter



## Group forest assets








*\*including leased land*

- Forest assets value €10.10 per share
- Only minor FX related changes in Sweden and plantations
- Small forest land acquisitions in Tornator holding
- Next market transaction-based forest fair valuation in connection with Q2 release

# Our leading performance in ESG is recognised



(ESG rating agencies in alphabetical order)

	Climate A-, Forest A- and Water B		ESG rating AAA (highest possible score)
	Highest recognition level (Platinum) received		ESG rating 15.9* out of 40.0
FTSE Russell	ESG rating 4.2 out of 5.0	Transition Pathway Initiative	Top-ranked in both management quality and carbon
	ESG QualityScore highest possible score in Social & Environment	VigeoEiris**	ESG rating 73 out of 100



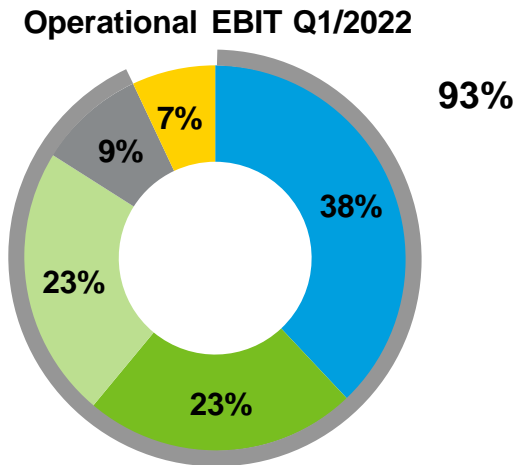
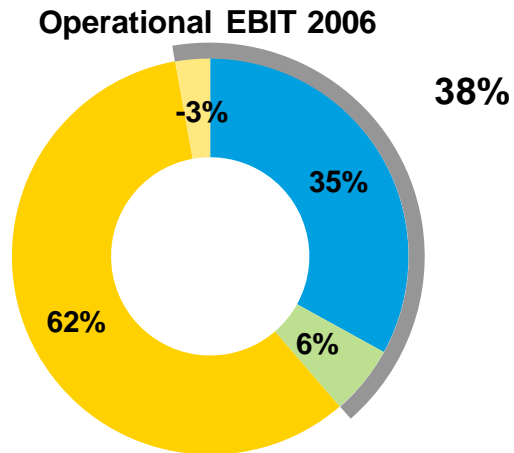
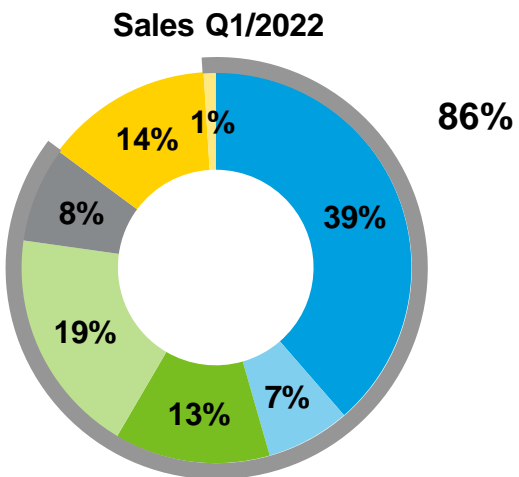
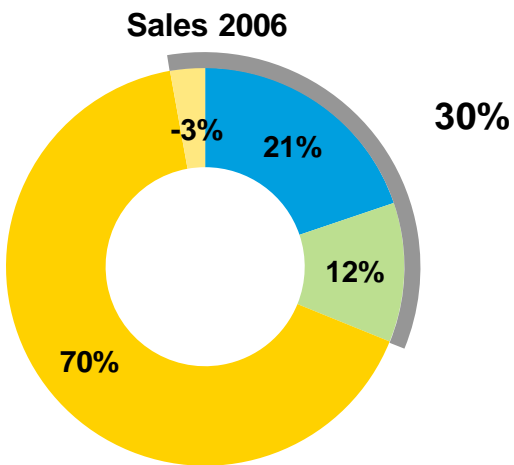
# Development of long-term targets



Key long-term targets		Q1 21	Q1 22
Growth (excl. Paper) YoY	> 5%	14%	29%
Net debt to operational EBITDA	< 2.0x	2.3	1.1
Net debt to equity	< 60%	37%	24%
Operational ROCE excl. Forest	> 13%	12.0%	23.6%

		2020	2021
Dividend per share (EUR)	To distribute 50% of EPS excluding fair valuation over the cycle	0.30	0.55
Climate: Reduction of fossil CO <sub>2</sub> e emissions (scope 1 and 2)	-50% by the end of 2030 from 2019	-13%	-18%
Climate: Reduction of fossil CO <sub>2</sub> e emissions (scope 3)	-50% by the end of 2030 from 2019	-10%	0%
Circularity	100% by 2030	n/a	93%
Biodiversity: Forest certification coverage	≥ 96%	99%	99%

# Growth businesses 86% of sales and 93% 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

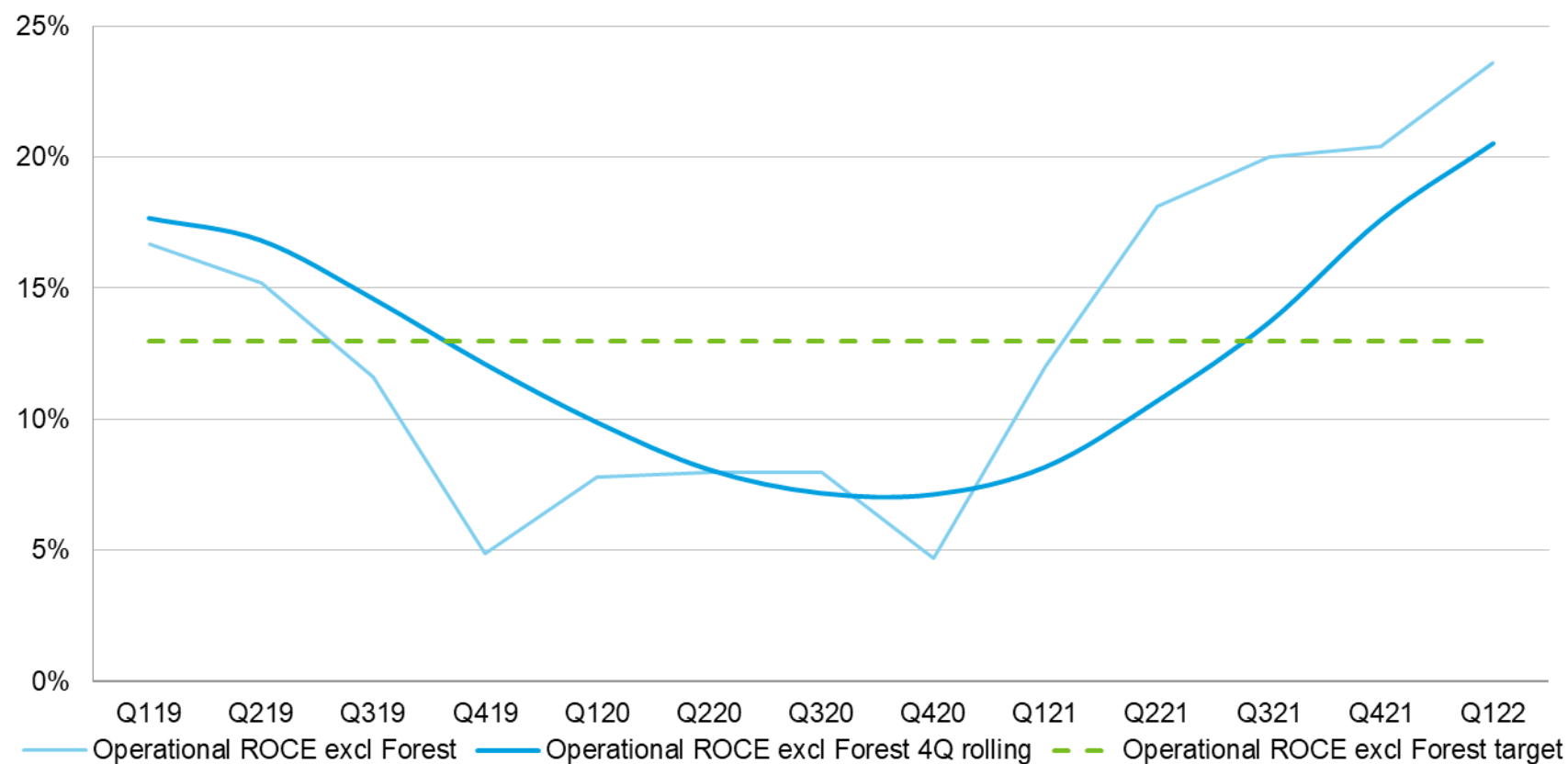


# Operational EBIT by segments



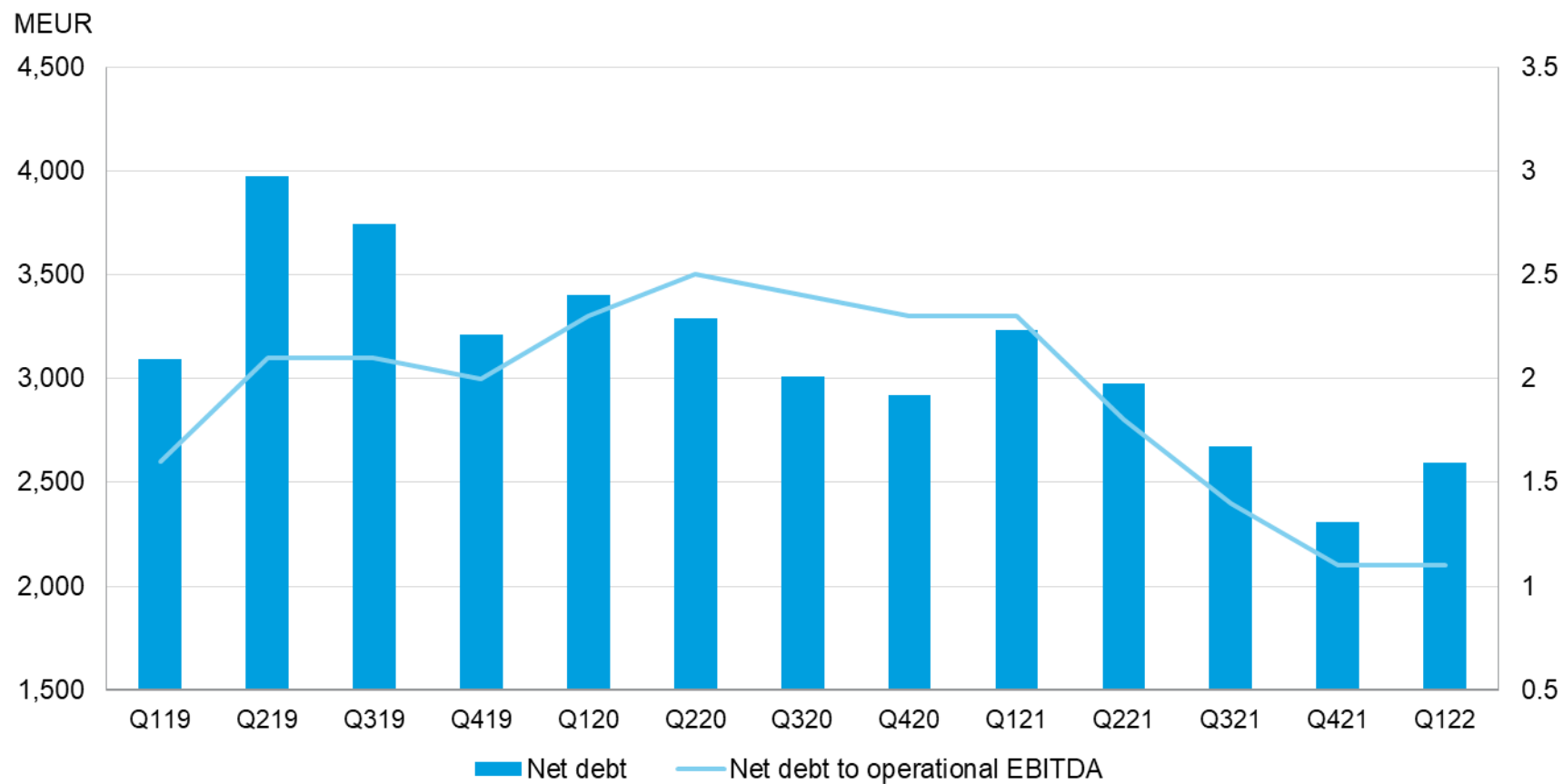
MEUR	Q122	Q121	Change % Q122-Q121	Q421	Change % Q122-Q421
Packaging Materials	196	127	54.9%	133	47.9%
% of sales	17.4%	14.7%		12.5%	
Packaging Solutions	1	4	-82.9%	12	-93.7%
% of sales	0.4%	2.8%		5.6%	
Biomaterials	117	65	80.9%	167	-30.1%
% of sales	26.4%	18.2%		33.9%	
Wood Products	118	52	124.9%	89	32.6%
% of sales	20.6%	13.7%		17.5%	
Forest	49	123	-60.4%	48	2.5%
% of sales	7.8%	21.2%		8.0%	
Paper	36	-34	207.0%	-10	n/m
% of sales	8.8%	-8.0%		-2.6%	
Other	-14	-11	-30.6%	-17	17.7%
% of sales	-6.1%	-4.6%		-6.1%	

# Development of operational ROCE excluding Forest

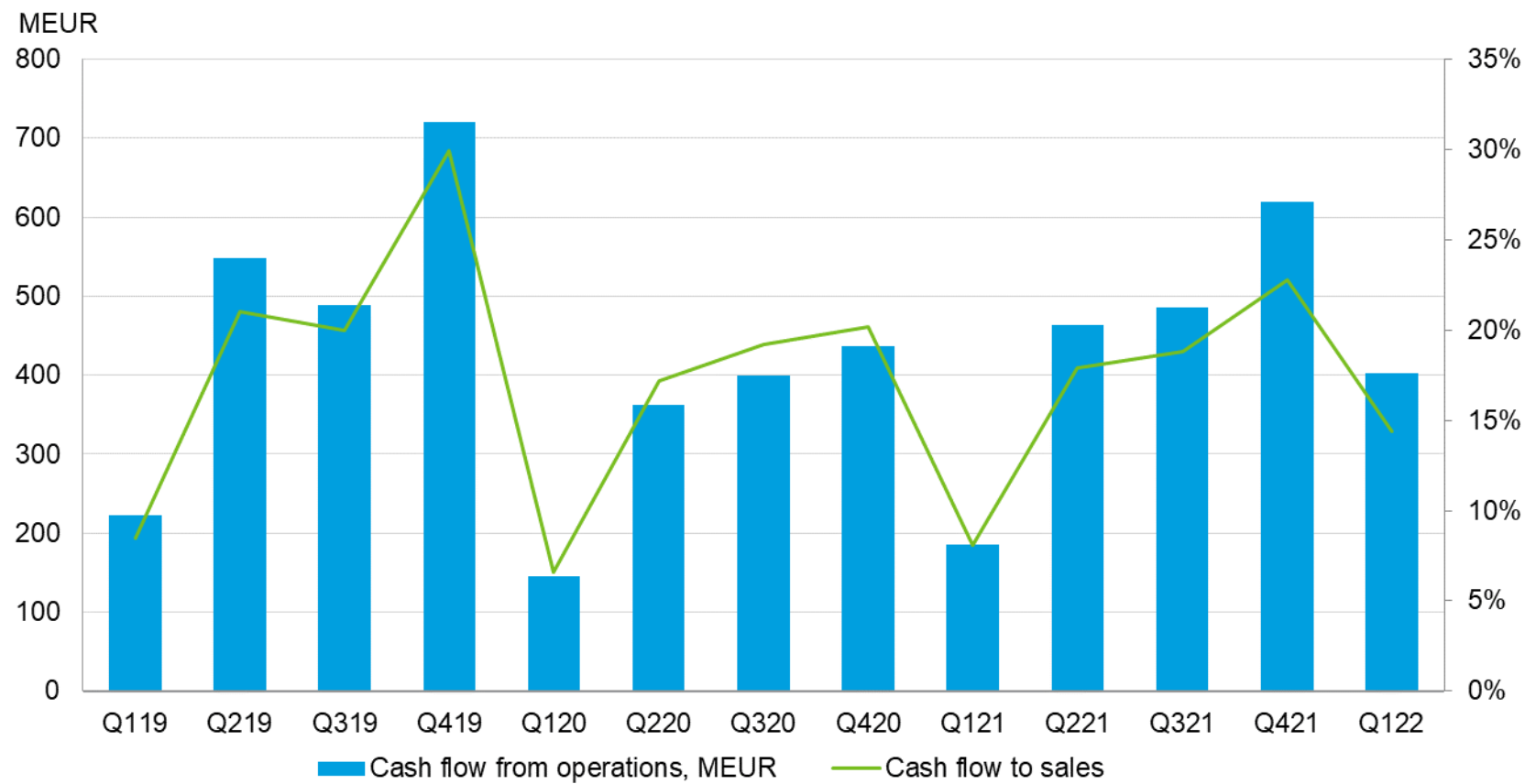




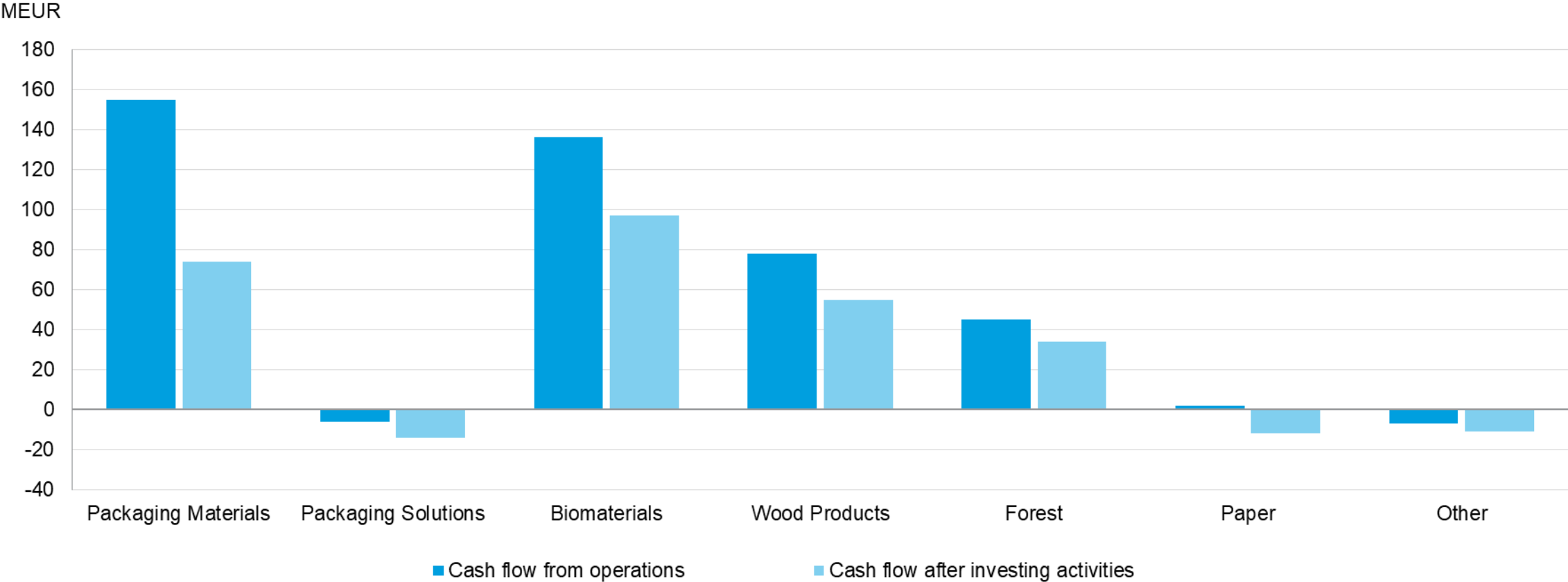
# Year-on-year net debt/OpEBITDA



# Cash flow development

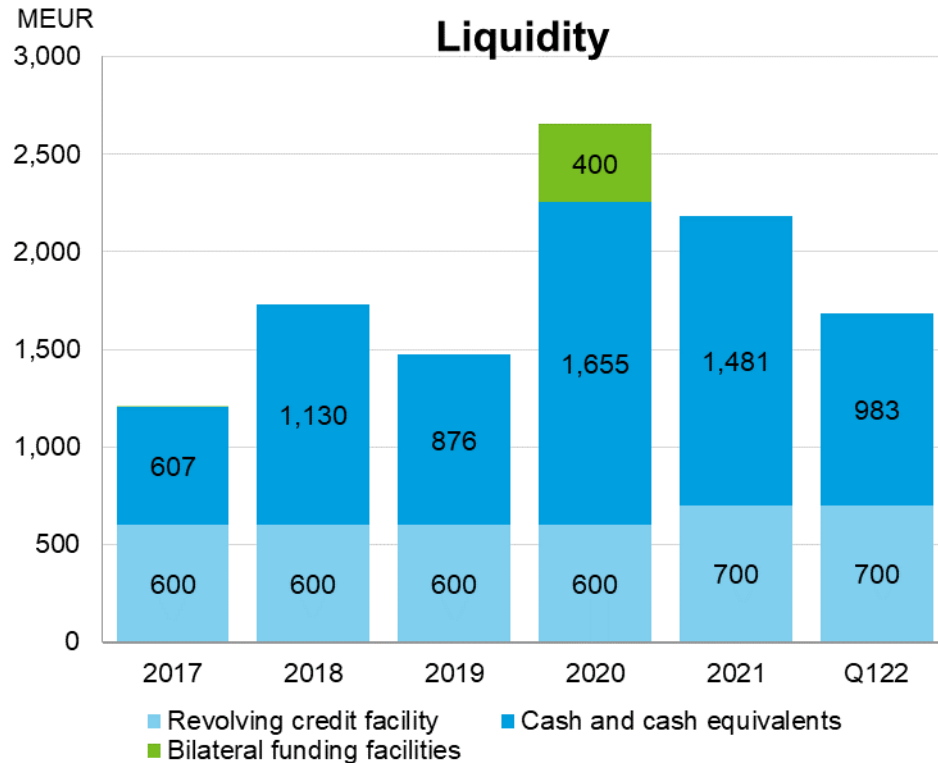


# Cash flow by divisions in Q1





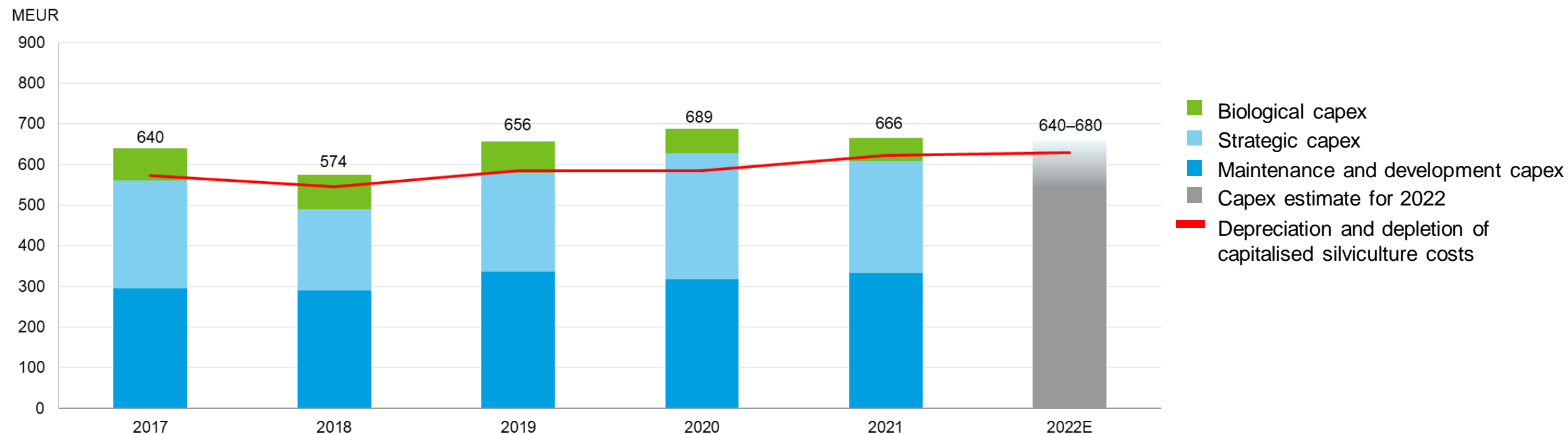
# Continued focus on strong liquidity



At the end of the period

- Liquidity at the end of Q1 2022:
  - €983m cash and cash equivalents
  - €700m committed revolving credit facility fully undrawn
  - €1,000m statutory pension premium loans available
- No financial covenants on Stora Enso Oyj's debt
- Net debt to operational EBITDA for the last 12 months at 1.1x and gearing at 24%

# Selective capex to support growth



Capex for 2019-2021 and estimate for 2022 include the capitalised leasing contracts according to IFRS 16 Leases standard

# Net Financial Items

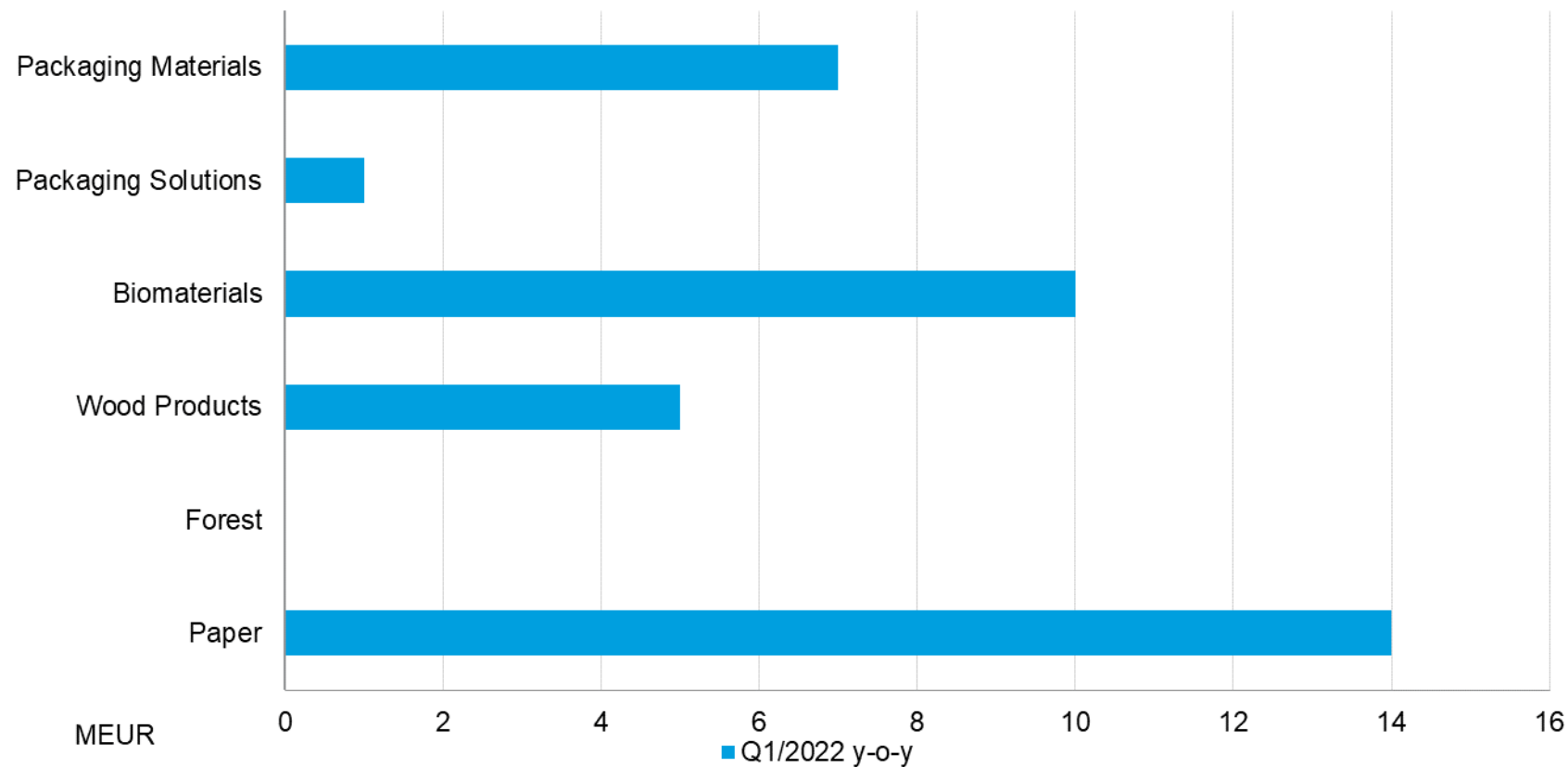


MEUR	Q1 2022	Q1 2021	Change MEUR Q122/ Q121	Q4 2021	Change MEUR Q122/ Q421
<b>Net interest expense</b>	<b>-29</b>	<b>-32</b>	<b>3</b>	<b>-30</b>	<b>1</b>
Average interest rate*	3.1%	2.9%		3.1%	
<b>Foreign exchange gains and losses</b>	<b>16</b>	<b>1</b>	<b>16</b>	<b>-5</b>	<b>21</b>
<b>Other financial items, of which</b>	<b>-7</b>	<b>-5</b>	<b>-2</b>	<b>-12</b>	<b>5</b>
Pension costs (IAS 19R)	-1	-1	0	-1	0
Other items	-6	-4	-2	-11	5
<b>Total net financial items</b>	<b>-19</b>	<b>-36</b>	<b>17</b>	<b>-46</b>	<b>26</b>

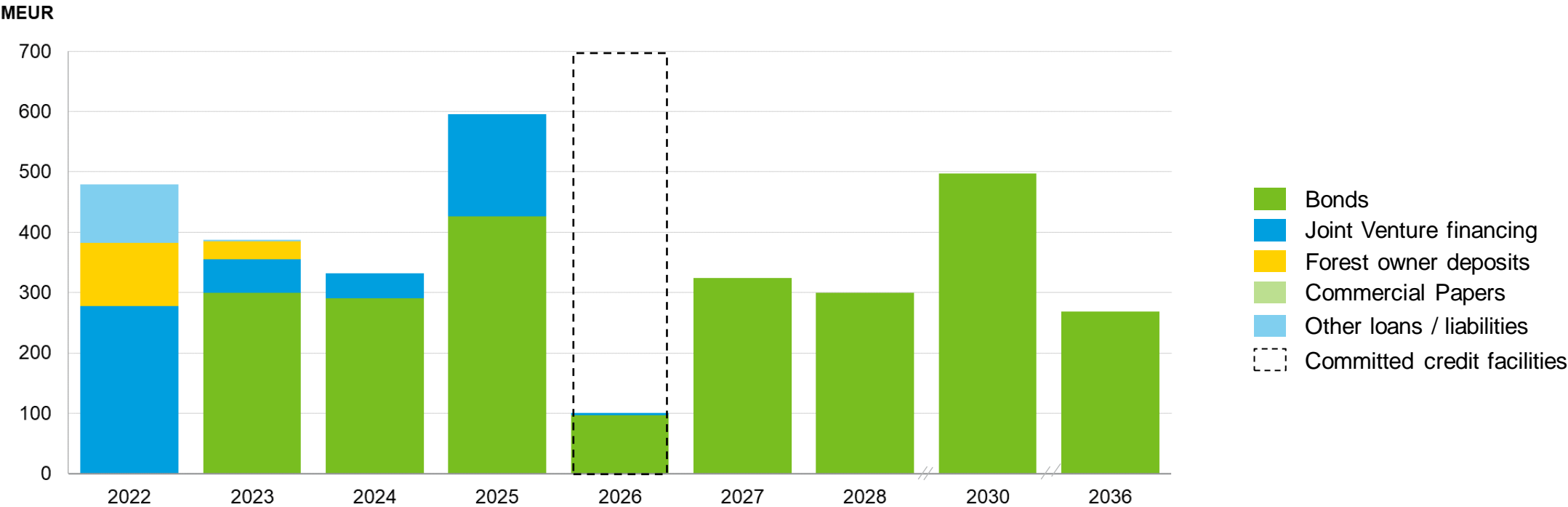
\* Quarterly gross interest expense divided by average gross debt



# Net FX by division



# Maturity profile Q1 2022



Committed credit facilities are fully undrawn and mature in 2026 (€700m)

# Transaction risk and hedges Q1 2022



<b>MEUR</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>SEK</b>
Estimated annual operative transaction risk exposure from cash flows for the next 12 months*	1,756	1,073	333	-206
Cash flow hedges for the next 12 months as at 31 March 2022	-776	-538	-79	97
Estimated annual net cash flow exposure, net of hedges**	980	534	254	-109
<b>Hedge ratio for the next 12 months as at 31 March 2022</b>	<b>44%</b>	<b>50%</b>	<b>24%</b>	<b>47%</b>
Effect of 10% currency strengthening on Operational EBIT	98	53	25	-11

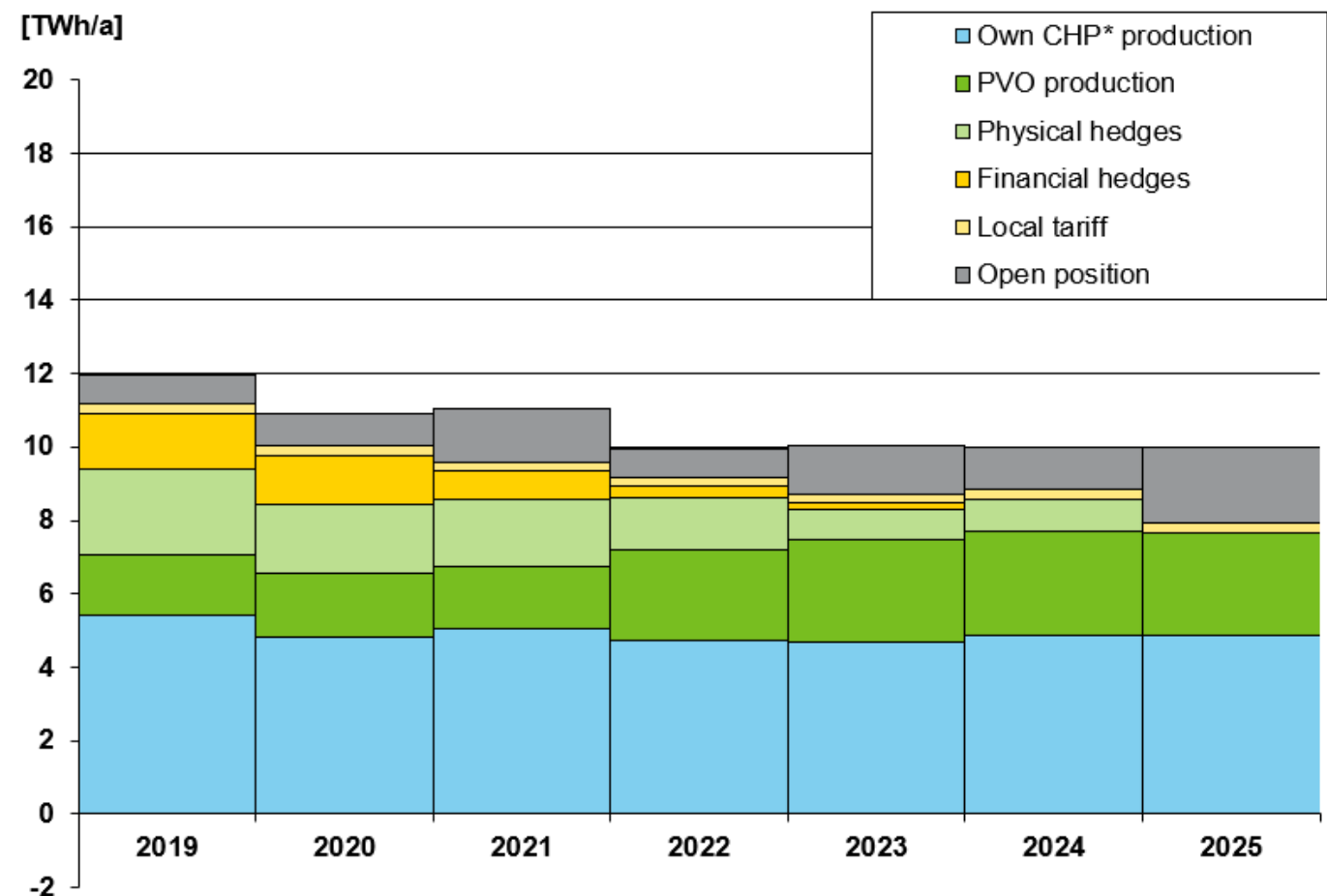
\*Cash flows are forecasted highly probable foreign exchange net operating cash flows. The exposure presented in the EUR column relates to operative transaction risk exposure from EUR denominated cash flows in Group companies located in Sweden, Czech Republic and Poland with functional currency other than EUR.

\*\* The estimated annual net cash flow exposure, net of hedges calculation is based on the assumption that cash flows are hedged only with foreign currency forwards.



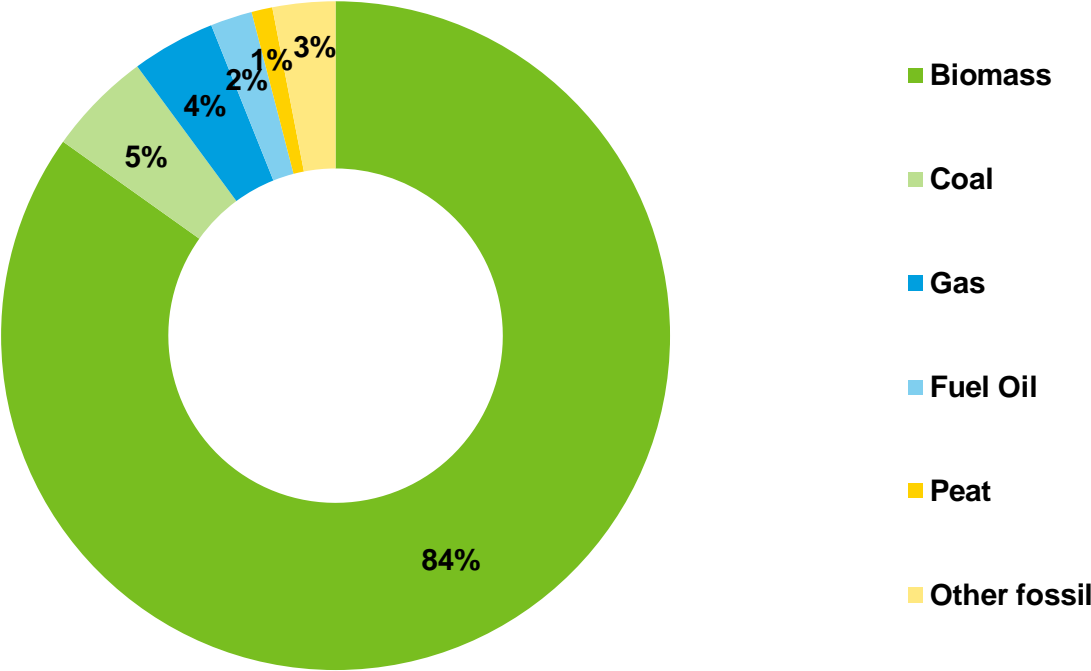
# Stora Enso electricity procurement estimate 2022

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



# Stora Enso fuels Q1 2022

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



Total Q1 fuel consumption was 9.9 TWh

# Permanent pulp, paper and board capacity reductions since 2006



Site	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
Maxau PM 7	Nov 2010	Newsprint	195,000

Site	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>

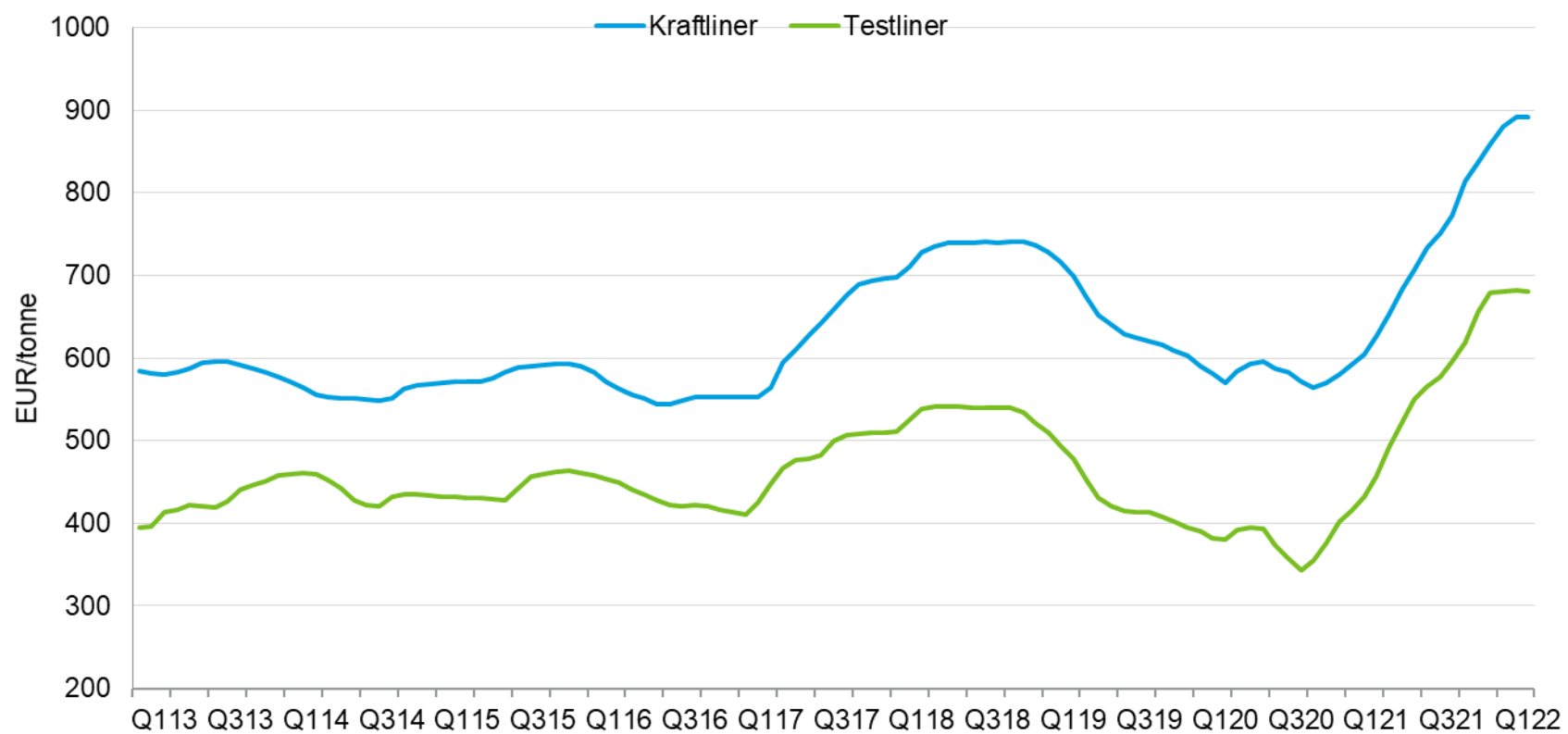


# Permanent sawn wood capacity reductions since 2006



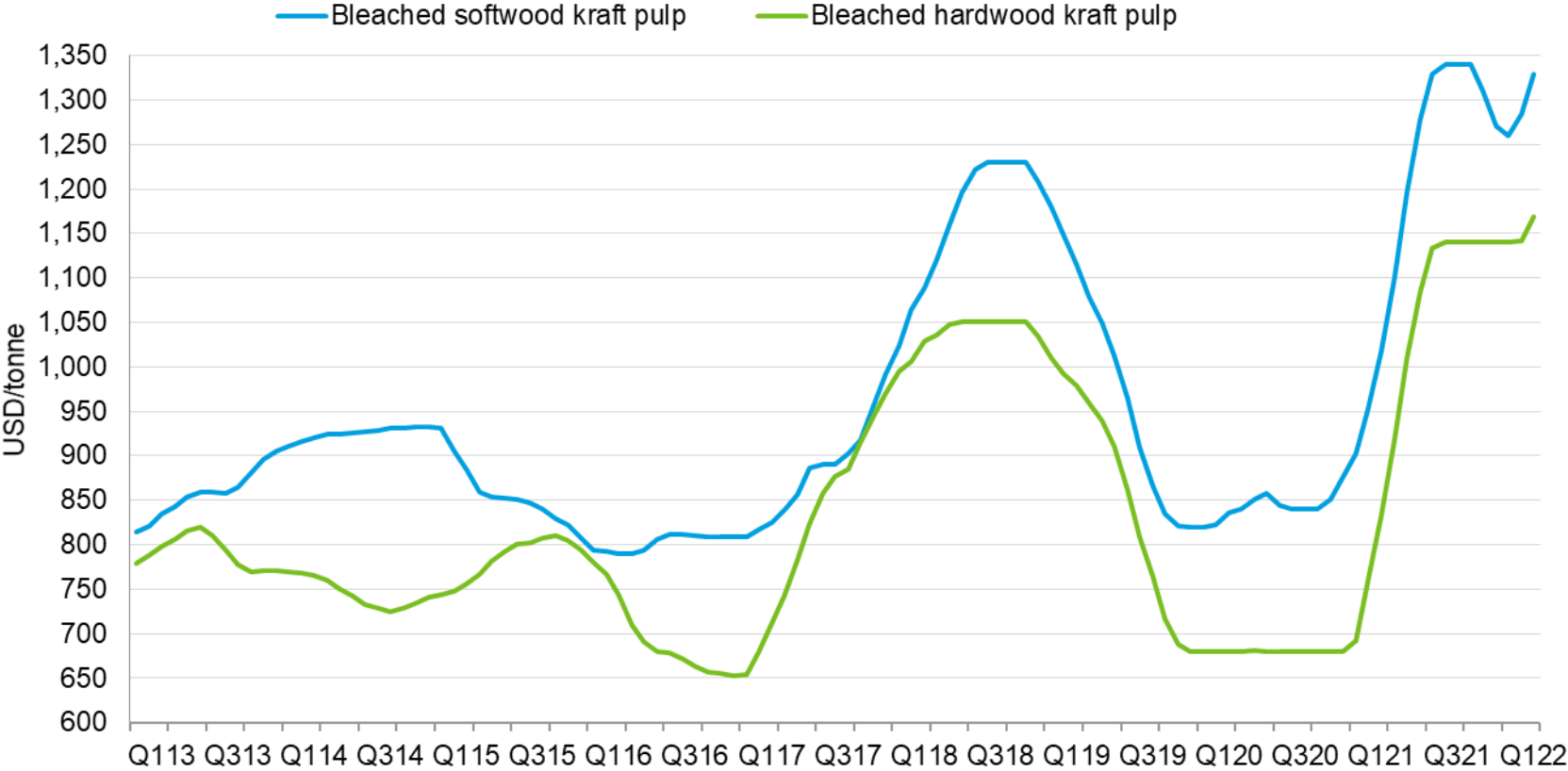
Site	Date	Capacity reduction, m <sup>3</sup>
Veitsiluoto Sawmill	2006	100,000
Honkalahti Sawmill	2006	90,000
Sauga Sawmill	2007	130,000
Sollenau Sawmill	2007	110,000
Näpi Sawmill	2007-2008	100,000
Kotka Sawmill	2007-2008	70,000
Paikuse Sawmill	2008	220,000
Zdirec Sawmill	2008	120,000
Ybbs Sawmill	2008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

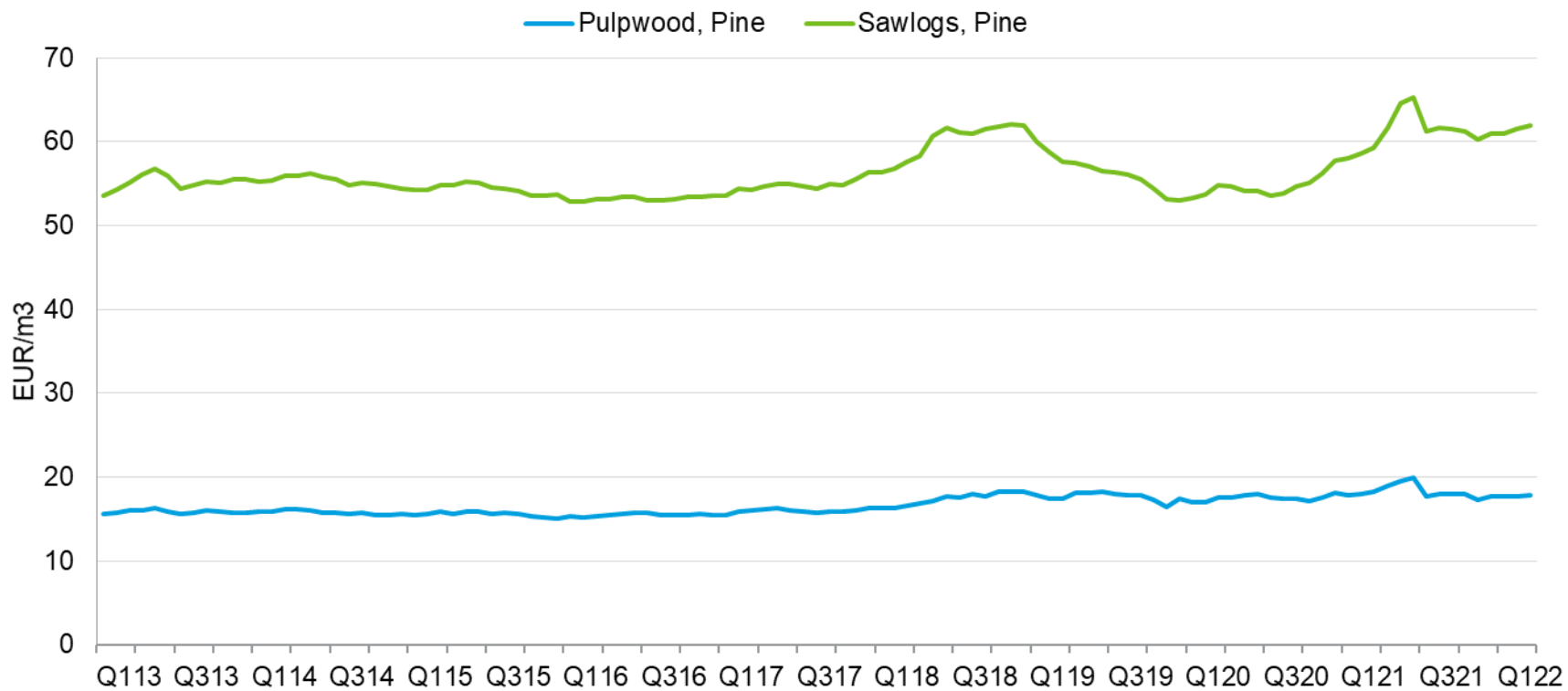


Source: FOEX



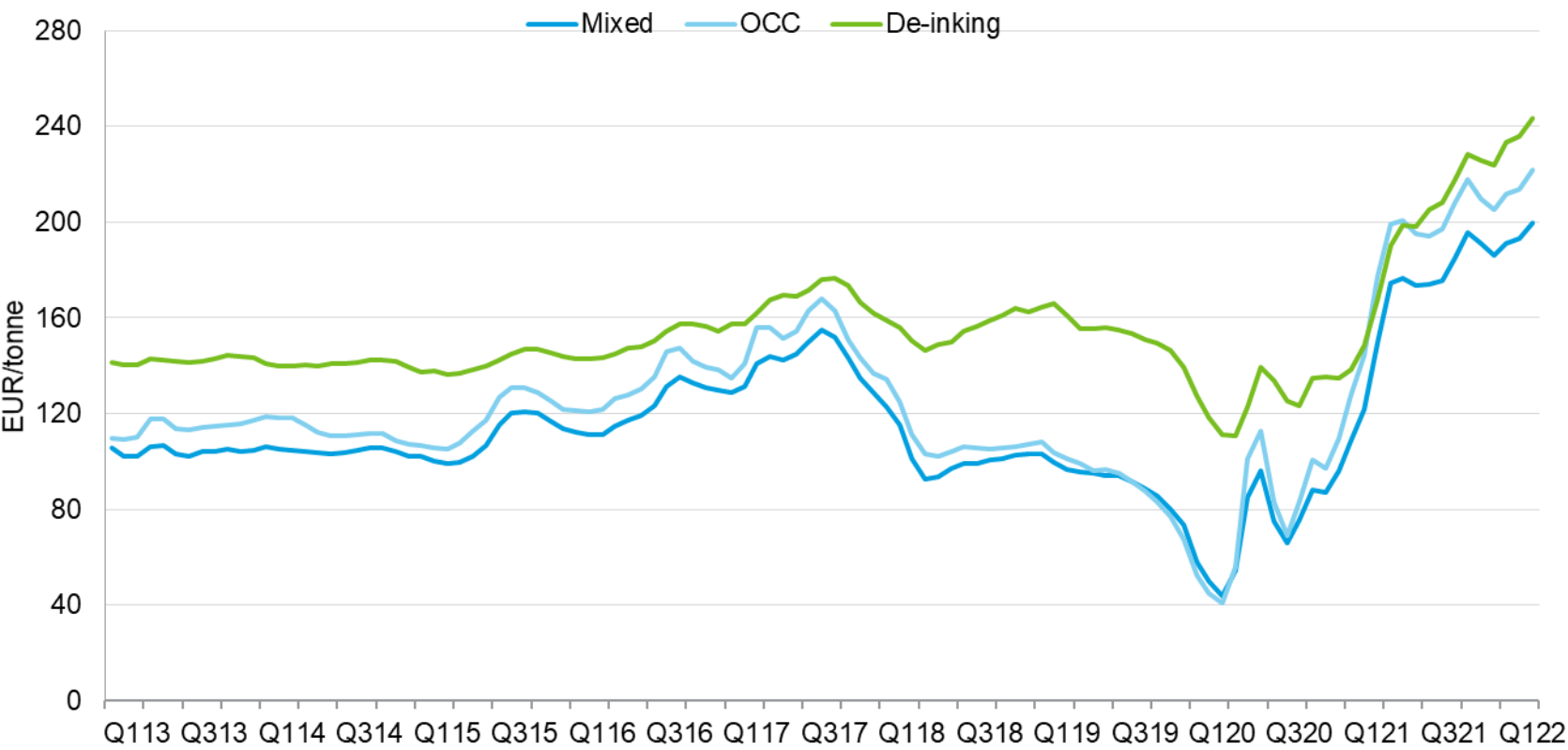
# Pulp wood and saw log prices

## Wood prices in Finland



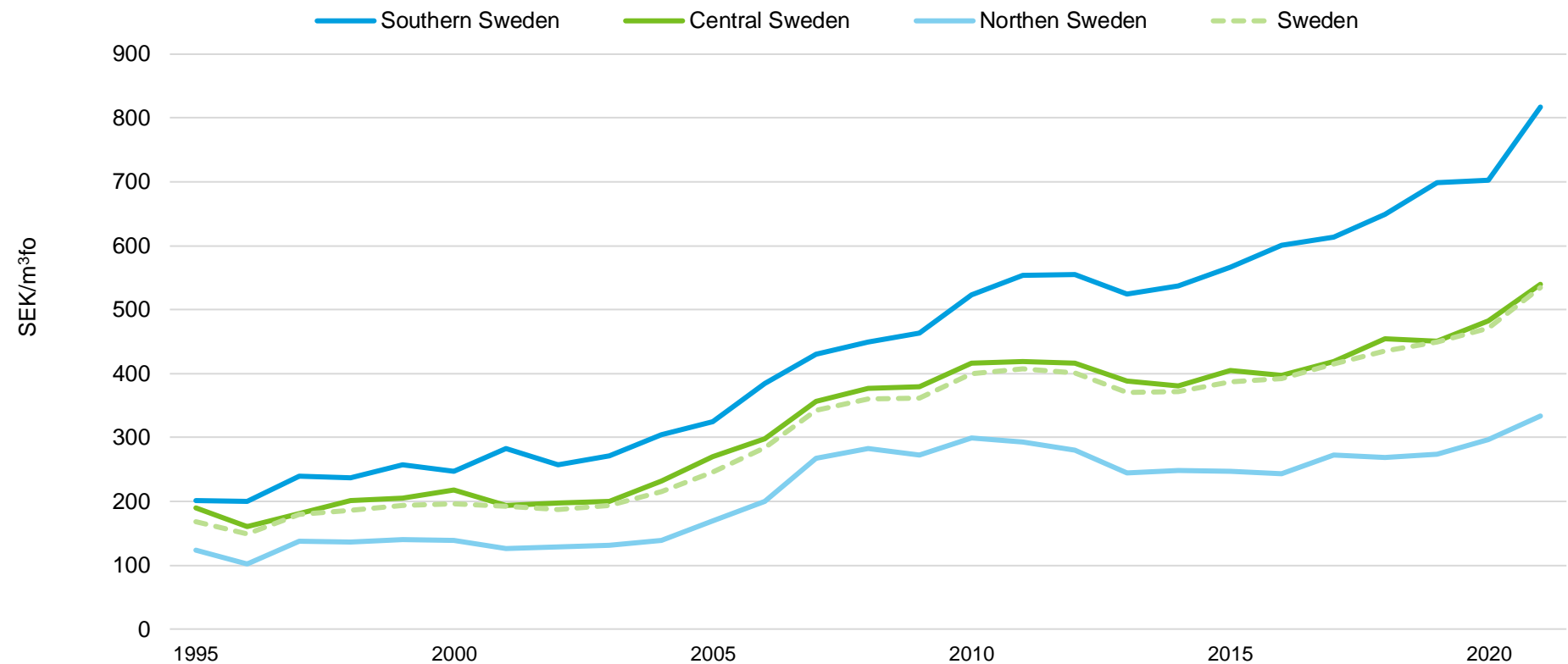
Source: Luonnonvarakeskus

# 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 28 January 2022



**THE RENEWABLE MATERIALS COMPANY**