



# Packaging Solutions – Delivering on profitable growth

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# Our road to success in the bioeconomy



Introducing  
new products  
and services

Addressing  
attractive  
end-use  
segments

Delivering  
sustainable  
profitable  
growth

Generating  
superior  
ROCE



# Packaging Solutions, a strong regional and global partner



**1 044 MEUR** sales 2016  
**+22.8%** Q3 YOY 2017

**112 MEUR EBIT**  
Q1–Q3/17

**22.4 % ROOC** Q3/17

**1** Innovation centre  
**10** Design Studios



Design experts  
Material experts  
Packing process experts  
Intelligent packaging experts



**Renewable** and recyclable raw material



**3** containerboard mills  
**3** rigid box plants  
**18** corrugated box plants



LTM production  
**>1.3 Mt Board**  
**>1.1 Bn sqm Corrugated**  
**>2 000** customers



New **E-commerce** packaging portfolio



**EcoFishBox** replacing non-renewable fresh fish packaging



# Our strategic roadmap



## Growth in attractive product segments



## Innovation and customer value creation



## Operational, supply chain and sourcing excellence

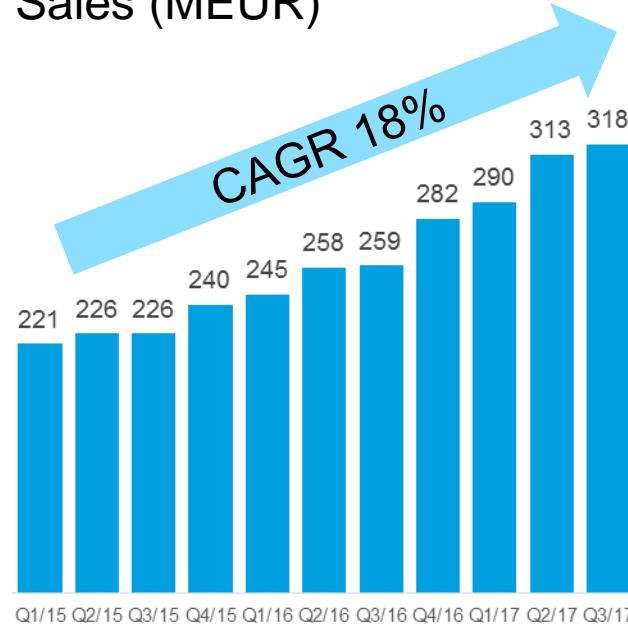


Digitalisation

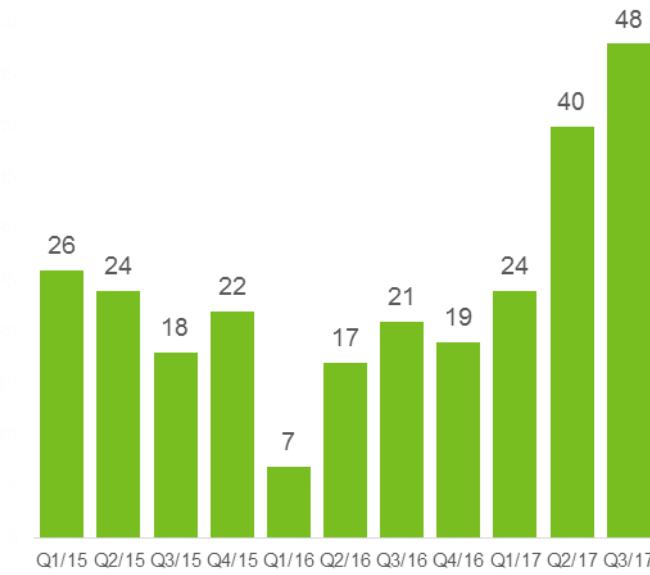
# Continued strengthening financial performance



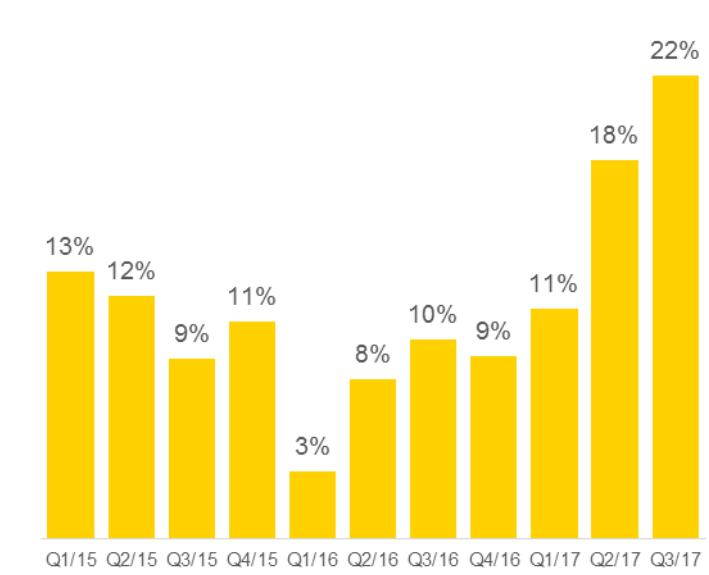
Sales (MEUR)



Operational EBIT (MEUR)



ROOC (%)



- Sales growth Q3 of 23% YoY
- Price increases in European based businesses

- Performance and volume improvements in China Packaging
- Varkaus kraftliner mill reached financial target run-rate
- Payoff from operational excellence and cost efficiency actions

# Varkaus conversion delivers better than promised



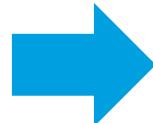
- A step in Stora Enso transformation - conversion of fine paper machine to kraftliner production: 390 Kt capacity
- Varkaus reached its targeted operational EBITDA run-rate of 15%
- Several factors behind strong results
  - Integrated mill operations incl. Wood Products
  - Pulp mill already over design capacity
  - Paper machine close to design capacity
  - Cost efficiency
  - Price increases
  - Customer and product mix improvements
  - Global sales reach



**AvantKraft  
Brown™**  
by Stora Enso

**AvantKraft  
WhiteTop™**  
by Stora Enso

# Favorable containerboard market growth, virgin fibre market is tight



## Virgin fibre containerboard

- Growth drivers:
  - Old Corrugated Containers (OCC) scarcity and quality
  - Food safety
- High barriers to entry
- Healthy market



## Recycled fibre containerboard

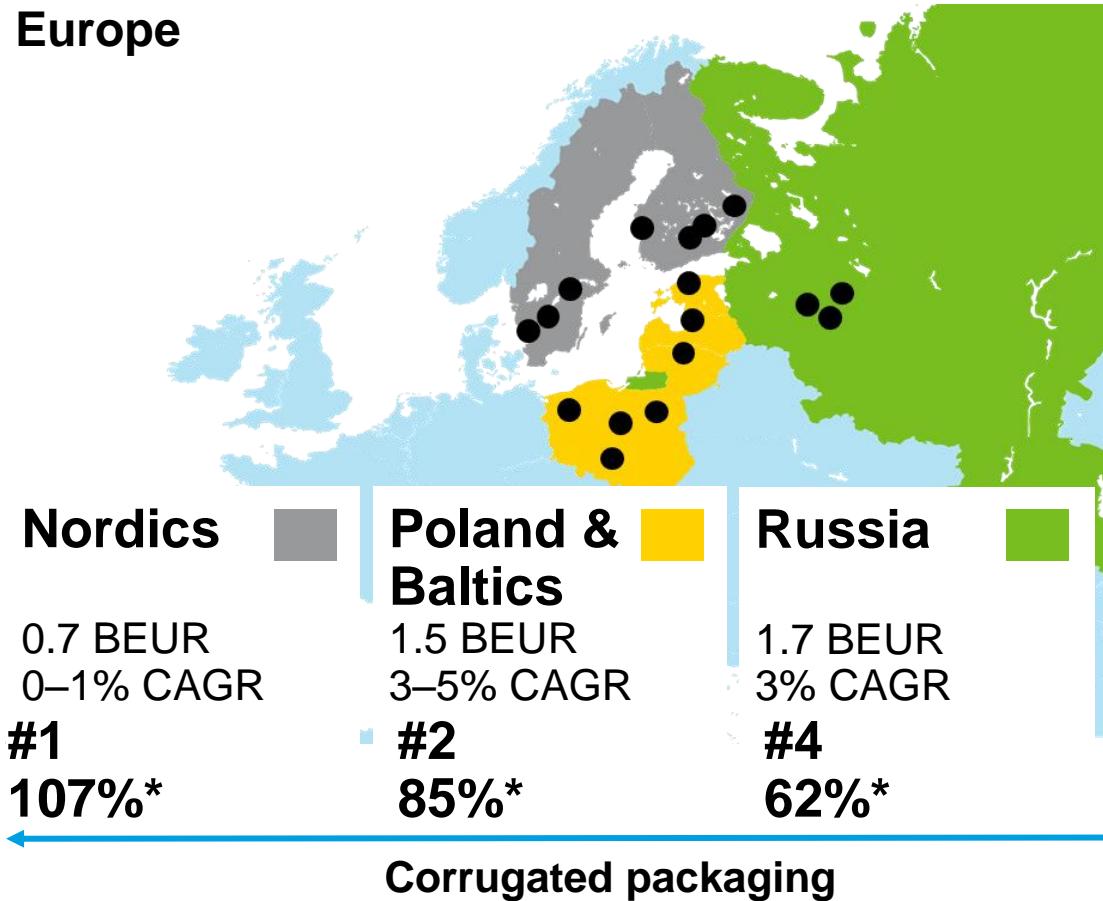
- European market growing 2% (0.5 Mt/a)
- Supply / demand balance expected to deteriorate over coming two years



# We have strong market position and growth in our home packaging markets...



## Europe



## China

Using virgin fibre boards from Beihai and Europe

Source: Stora Enso analysis

Note: CAGR 2016–2026

\* Relative market share, measured as a share of largest competitor

8 November 2017

Stora Enso CMD

THE RENEWABLE MATERIALS COMPANY

# ...creating sustainable profitable growth



## Delivered since 2015

- Varkaus Mill conversion
- Innovation Centre Helsinki
- Avant brands containerboard
- India packaging closure/divestment
- Hungary packaging divestment
- Divestment of Formeca and ReBoard

## Announced activities

- Heinola SC fluting quality investment
- Restructuring of corrugated Finland
- Corrugated development investments in Poland and Sweden
- China Packaging capacity expansion
- Intelligent packaging
- Launch of EcoFishBox
- New e-commerce portfolio

## Future growth and innovation

- Virgin fibre focus in containerboard
- Growth in packaging markets
- Enhanced e-commerce portfolio
- Digitalisation

# This is our differentiation in Containerboard...



**Customer insights**



**Value selling**



**Cost competitiveness**



**Innovation**

# ...and in Corrugated packaging



**Customer insights**



**Beyond design**



**Services**



**Innovation**

# What is value selling?



## Performance based selling

Step changing business performance of a corrugator in Latin America

**75%**

Increased production speed  
= Revenue growth

**18%**

Less material per box  
= Margin improvement



## Beyond design

New retail ready packaging solution supports sales increase of more than 10x in Russia



# How services add to our profitable growth



## Design services



## Total cost optimisation



## Technical customer service



# Innovative and award-winning design



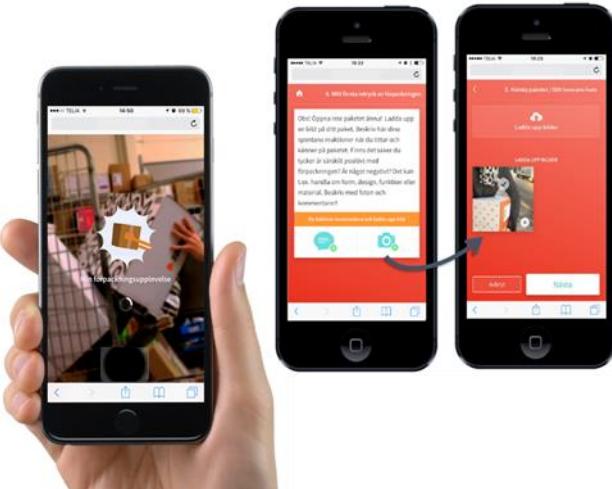
- Leak-tight renewable and 100% recyclable packaging for fresh fish
- WorldStar packaging award
- Sustainability award by World Packaging Organisation

- Original design replacing traditional pressed pulp packaging for eggs
- Best packaging and label award for Food at ProdExtraPack

# Customer insights drive packaging innovations in e-commerce



Consumer journey insights



Customer journey insights



New e-commerce portfolio

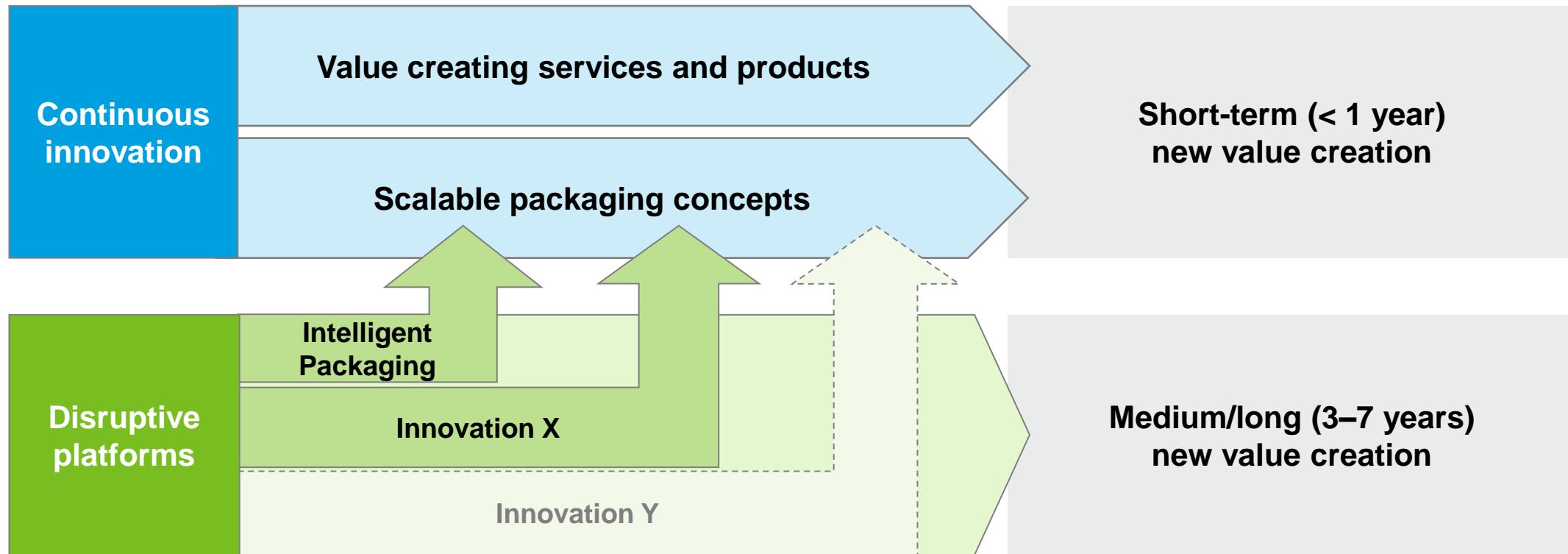


“App” for consumer diary and documentation of packaging experience

Structured interviews with e-tailers and visiting fulfillment centers

e-TALES – packaging product suite tailored for online retail

# Our innovation strategy



# Intelligent packaging commercialised



- New value creation
  - Supply chain management
  - Consumer Engagement
  - Brand and counterfeit protection
- Partners
  - Microsoft – Azure cloud solution
  - NXP – Microchips
  - Impinj – Reader hardware and microchips
- Around ten pilots with large multinational customers
- Two commercial rollouts signed and more expected within next 12 months



The Intelligent Packaging solution components

# Delivering on profitable growth

Growth in attractive product segments



Innovation and customer value creation



Operational, supply chain and sourcing excellence



## Digitalisation

- Attractive growth in our packaging markets
- Well positioned in containerboard especially virgin fibre
- Delivering on Varkaus strategic investment
- Strong financial performance

E-commerce to  
add total  
market growth  
of 2% until 2021

= 3 BEUR new,  
renewable  
business

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