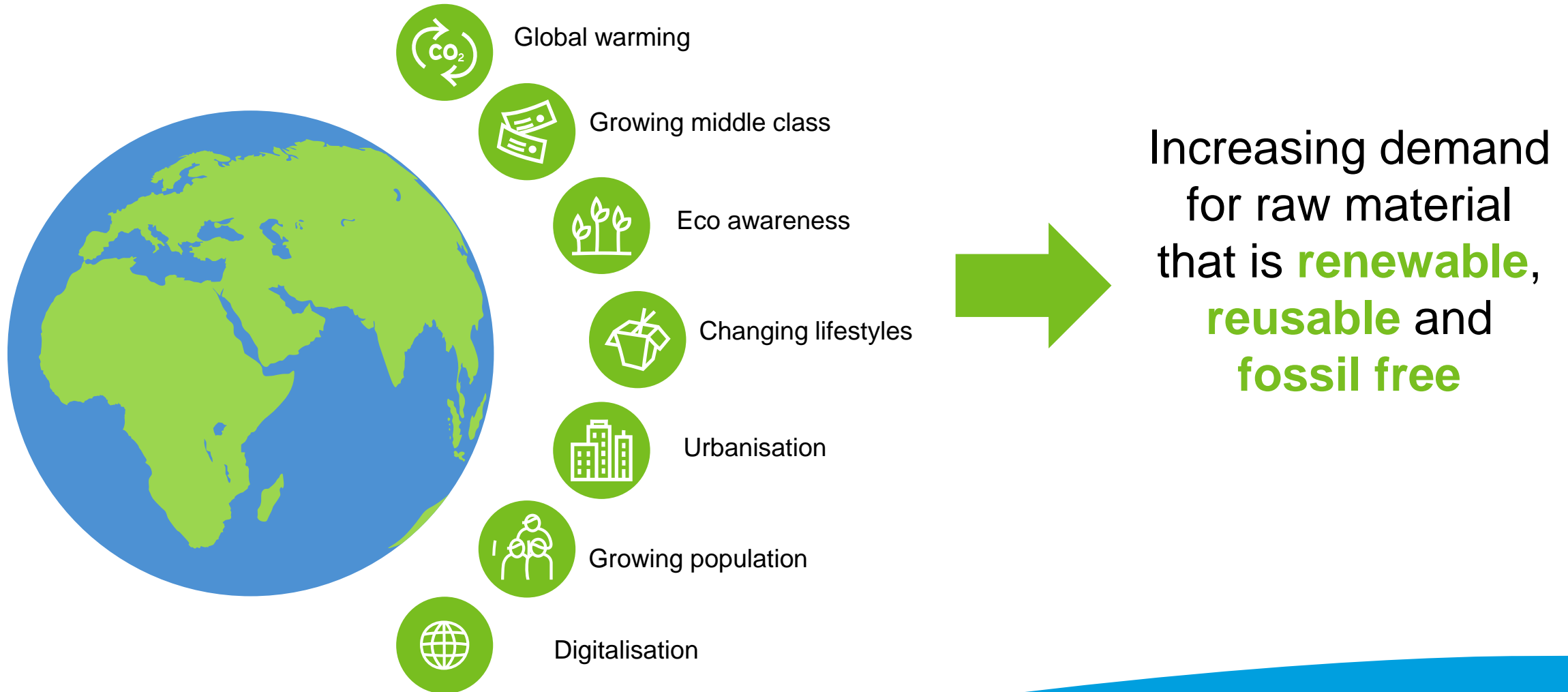




# Creating value in the bioeconomy

CEO Karl-Henrik Sundström

# We are perfectly positioned to benefit from the megatrends...



# ...as The renewable materials company

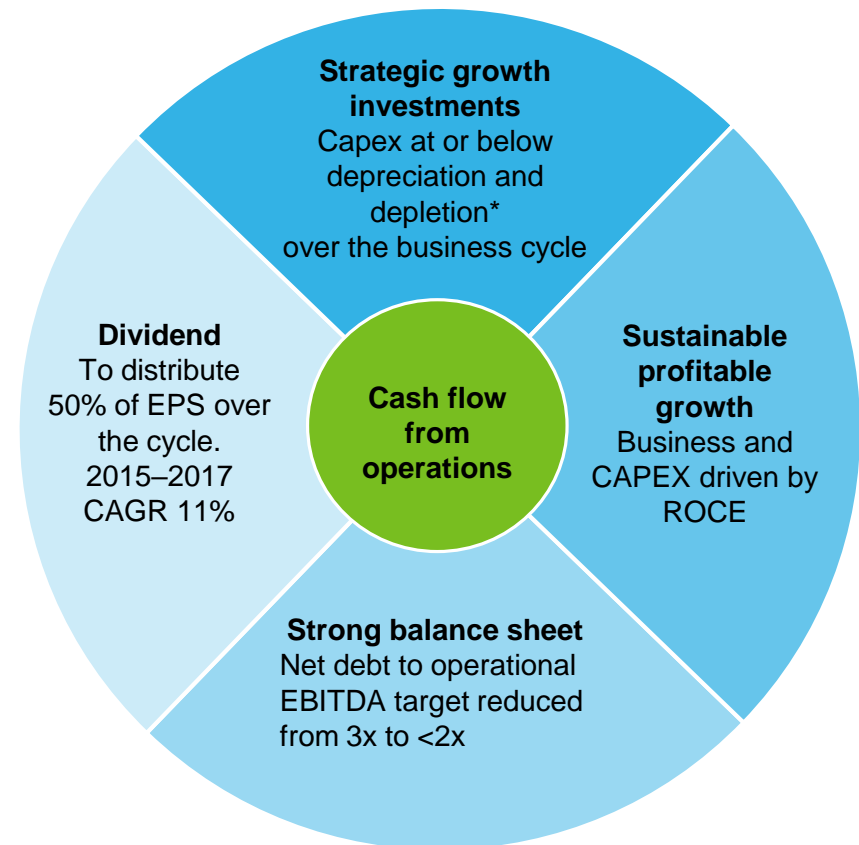
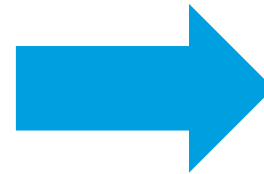


Everything that's made with fossil-based materials today can be made from a tree tomorrow










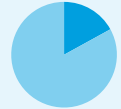


## Our transformation strategy continues...

## ...delivering sustainable profitable growth

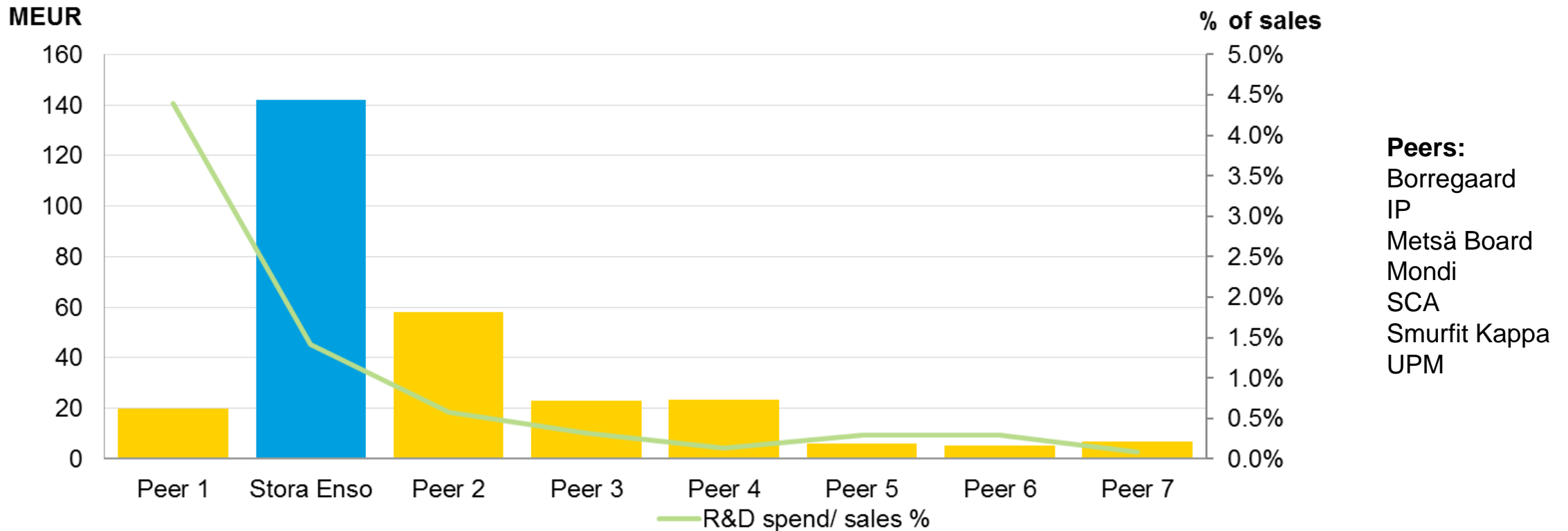


# We are well-positioned for profitable growth – strength of our portfolio



		Sales 2017 EUR and % of group's sales	Market growth	Position
	<b>Consumer Board</b>	+ 2.5 BEUR  25%	2016–2030 for virgin board: Europe 1.8%, North America 1.2%, Latin America 3.3%, China 4.3%, Rest of Asia 3.4%, Africa 2.5%	<b>#1</b> in LPB, FSB and CUK in Europe or the world
	<b>Packaging Solutions</b>	+ 1.3 BEUR  12%	High quality SC fluting 1-3%; Kraftliner 2–3% excl. North Am; Testliner 3–4% Eastern Europe	<b>#6</b> in containerboard in Europe
	<b>Biomaterials</b>	+ 1.5 BEUR  15%	Market pulp 2.3%; Fastest growth in tissue (3.2%)	Widest pulp grades portfolio <b>#1</b> in Europe in fluff
	<b>Wood Products</b>	+ 1.7 BEUR  17%	Global sawn softwood 2–3%, European new construction 3.5%	<b>#1</b> in Europe and <b>#4</b> in the world in supplying wooden construction material
	<b>Paper</b>	- 2.9 BEUR  29%	Declining 3–5% annually	<b>#2</b> in Europe

# We are investing more in innovation and R&D...



Source: Stora Enso, annual reports 2017

# ...and that is accelerating our profitable growth



In 2017

**7%**

of our sales came from new products and services

Long-term target

**15%**

of our sales is expected to come from new products and services



# We see many new opportunities to replace fossil-based materials...



## Lignin-based products

- Lineo™ by Stora Enso
- Carbon fibre
- Carbon for energy storage

- **Market size 1.2 BEUR**
- **Growth ~20%/a**
- **EBITDA 30–50%**



## Biocomposites

- DuraSense™ by Stora Enso for wood-based biocomposites
- Less fossil-based materials with higher share of fibre

- **Market size 7 BEUR**
- **Growth ~15%/a**
- **EBITDA 20–30%**



## Liquid packaging MFC

- Source reduction

## MFC films

- Functional barriers for paper and board packaging

- **Market size 1.5 BEUR**
- **Growth ~5%/a**
- **EBITDA >20%**



# ...Iceland Foods chooses our Trayforma to replace plastics



- Iceland Foods, the UK's leading specialist retailer in the frozen food category, launched the first plastic-free pledge for its own brand products for a UK supermarket
  - Target is to be plastic-free by 2023 through an overhaul of their entire product range
- Ready meals packed in paperboard trays
- Trayforma™ by Stora Enso food-safe and suitable for cooking at high temperatures in ovens and microwaves food trays



# Digitalisation gives us a competitive advantage



**GOAL**

Gain **competitive advantage** by making **full use** of digitalisation, **optimising current business** and **enabling new business models**

**Customer Engagement**

Digital Customer Experience

New Business Models

**Industrial Digitalisation**

Smart Operations

Transparent Supply Chain

**Smart Backoffice**

Robotic Process Automation

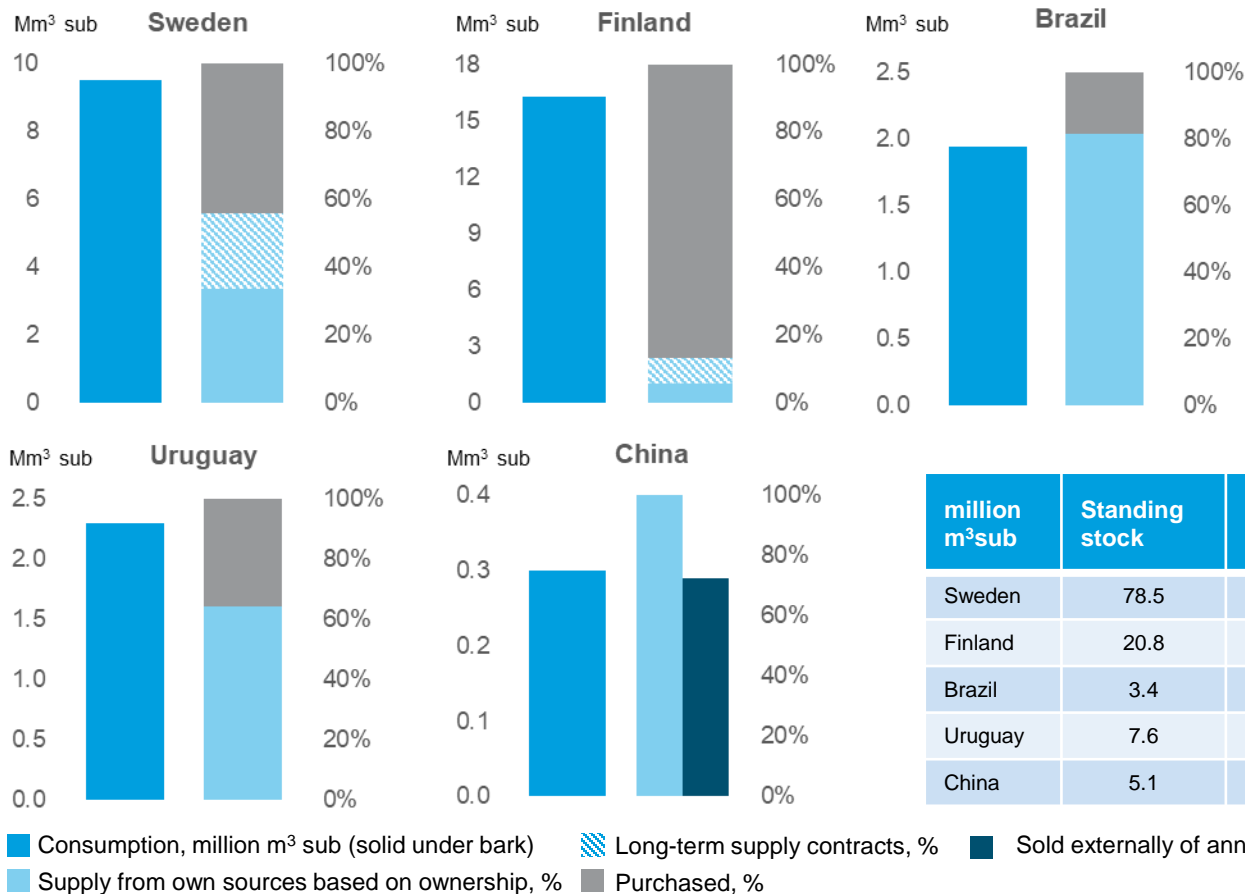
Intelligent Processes

- Recently **awarded** as Finland's most **startup-friendly** company
- Screened **~300** digital **startups** via two structured engagement programs (Accelerator and Combient Foundry) and established deeper collaboration with **9**
- Targeting **33 robotic process automation (RPA) processes** end of 2018

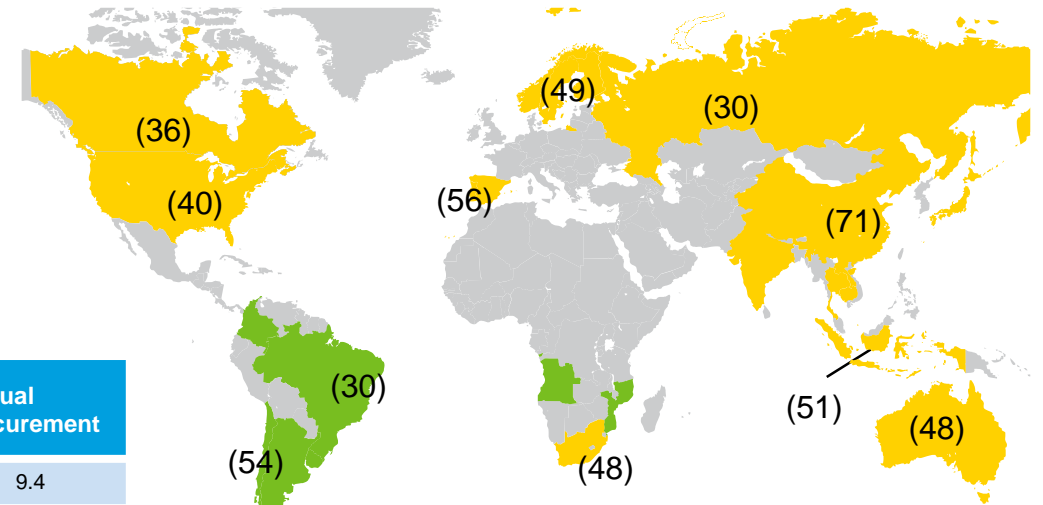
# We control ~30% of our wood raw material – a critical advantage in the bioeconomy



## Stora Enso's forest assets\*



## Pulpwood plantation availability and wood cost



million m³ sub	Standing stock	Annual procurement
Sweden	78.5	9.4
Finland	20.8	13.5
Brazil	3.4	2.0
Uruguay	7.6	2.3
China	5.1	0.3

- Potential for wood supply expansion
- Wood supply restrictions for expansion
- ( ) Wood cost (USD/m³/sob) at mill - hardwood

# Oulu Mill conversion opportunity for packaging

Potential reduction of Stora Enso paper capacity by 20%



Feasibility study to convert Oulu Mill

700 MEUR investment

Brown-based cartonboard line (450 kt/a)  
Kraftliner line (400 kt/a)  
Integrated kraft pulp (500 kt/a)  
Integrated new CTMP plant (350 kt/a)

Production of the potential new lines would start 2020  
The other option is to continue the current fine paper production



# Our formula for success continues...



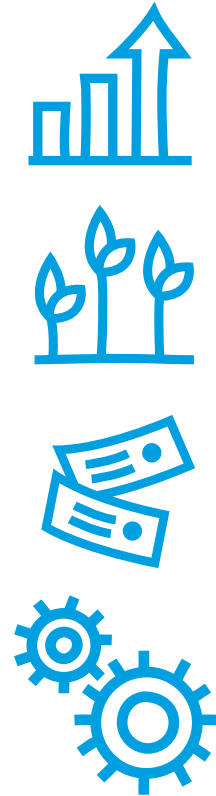
Sustainable profitable growth 4–6%\*

Strong cash flow generation

Capex ~3 BEUR\*\*

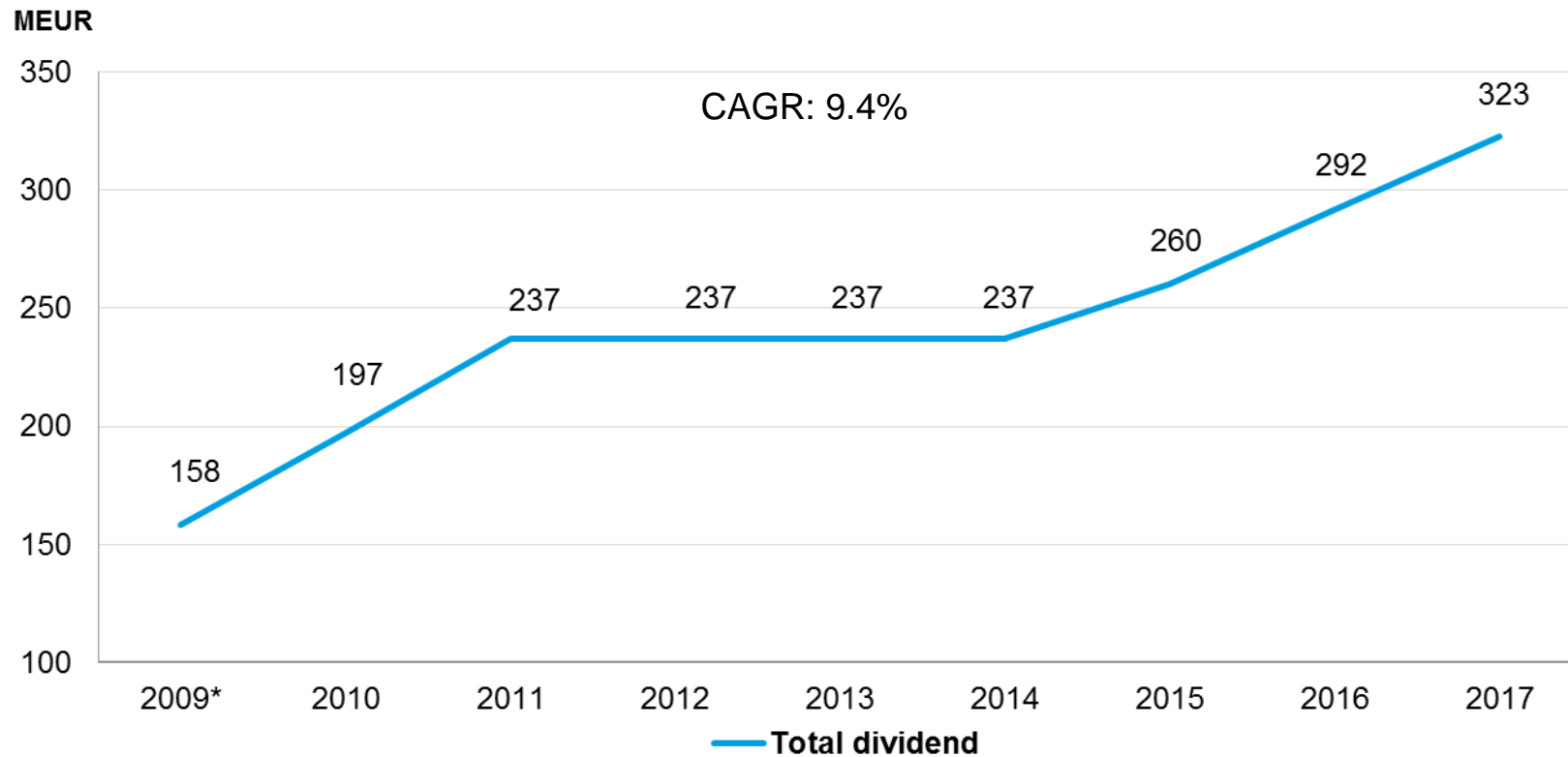
Dividend ~50% of EPS

Net debt to operational EBITDA <2.0x  
Debt to equity <60%



\* Excluding Paper \*\* Next five years

# ...sustaining dividend growth...



Dividends linked to the long-term performance

50% of EPS over the cycle

Dividend of EUR 0.41 per share for 2017 totaling EUR 323 million was paid in April 2018

\* *Distribution of capital*

# ...and investing selectively in M&A to sustain profitable growth



Acquisitions to be considered in the following areas

**#1**

To strengthen relative market share in focused areas

**#2**

To strengthen existing synergies

**#3**

New products and technologies supporting our strategies

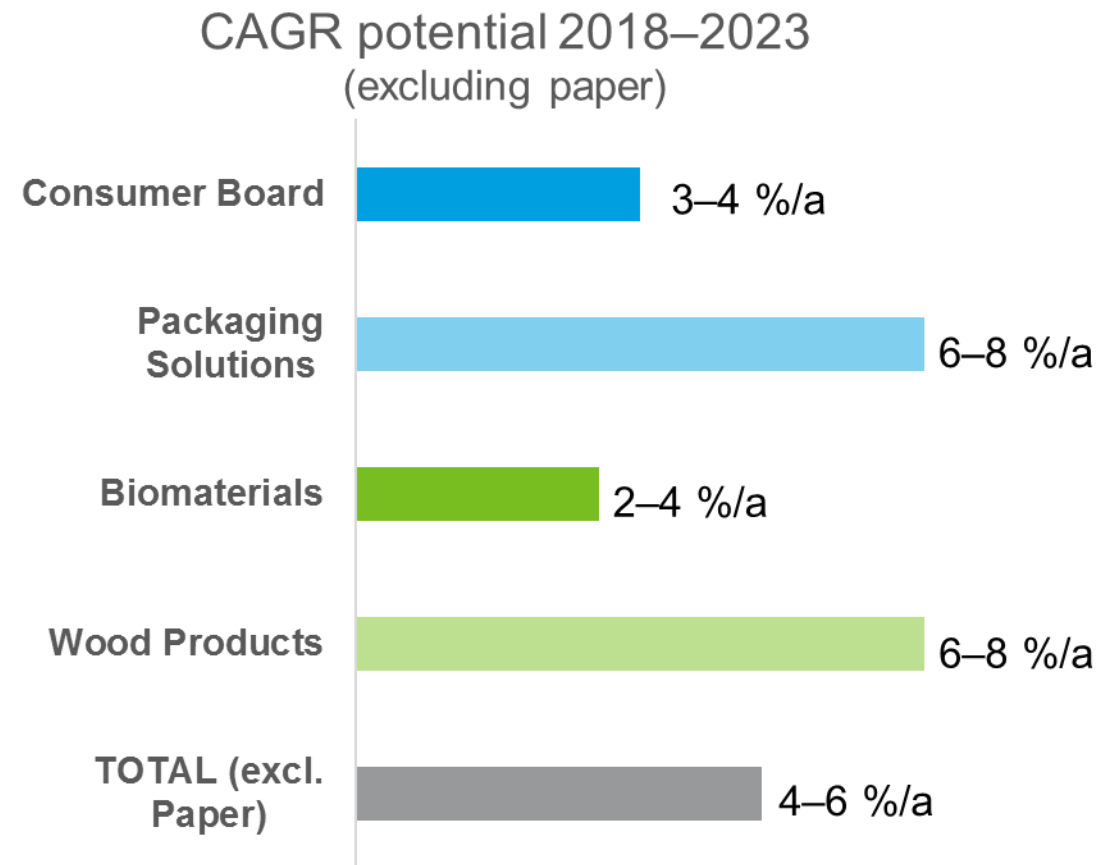
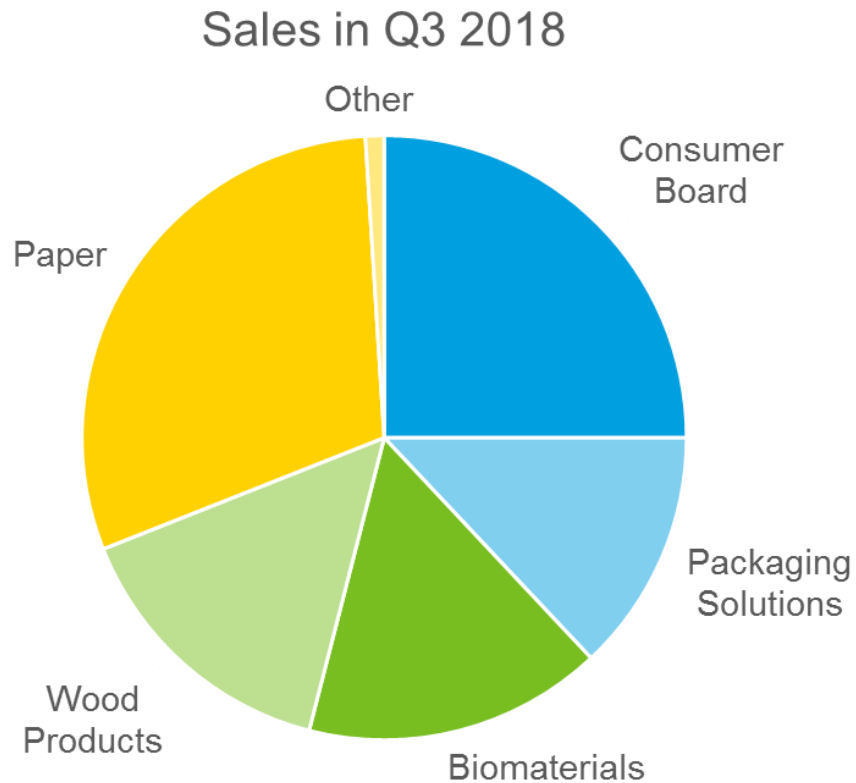
Examples

#2 Bergvik Skog

#3 Viridia and Cellutech

Supporting sustainable profitable growth

# We have several attractive profitable growth options





POWER OF A  
**TREE**

Creating value in the bioeconomy

# 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



storaenso