



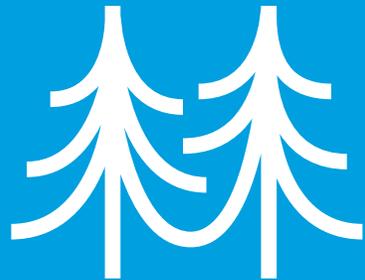
# Strengthening our competitive position through integrated forest assets

CFO Seppo Parvi

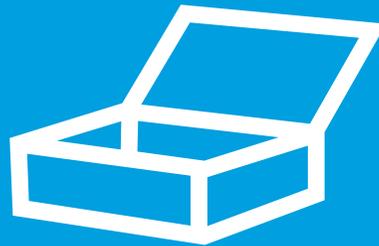
# Driving performance and value throughout competitive and sustainable business



Integrating forest assets and wood supply



Continuously improving – profit protection programme and TRIM working capital

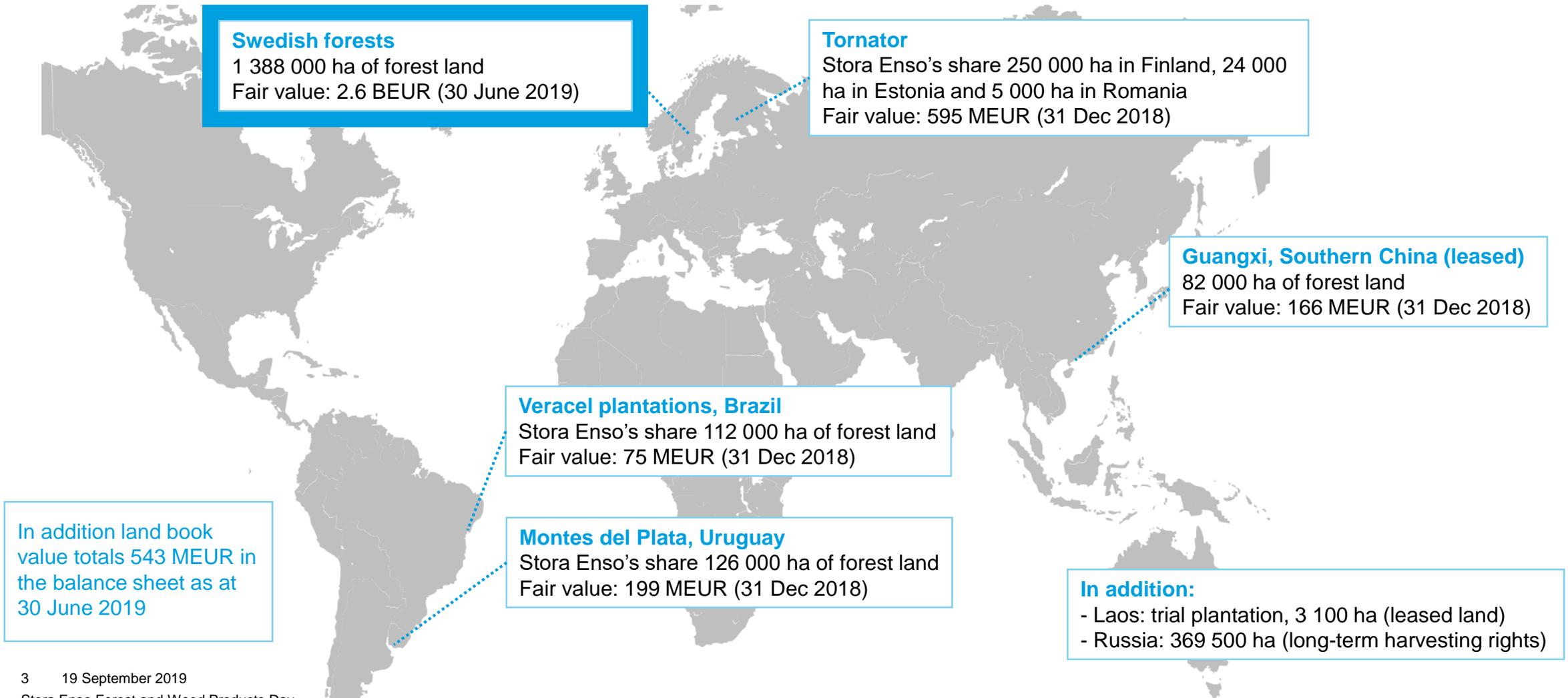


Creating sustainable value for shareholders



# Wood supply substantially strengthened after Bergvik deal

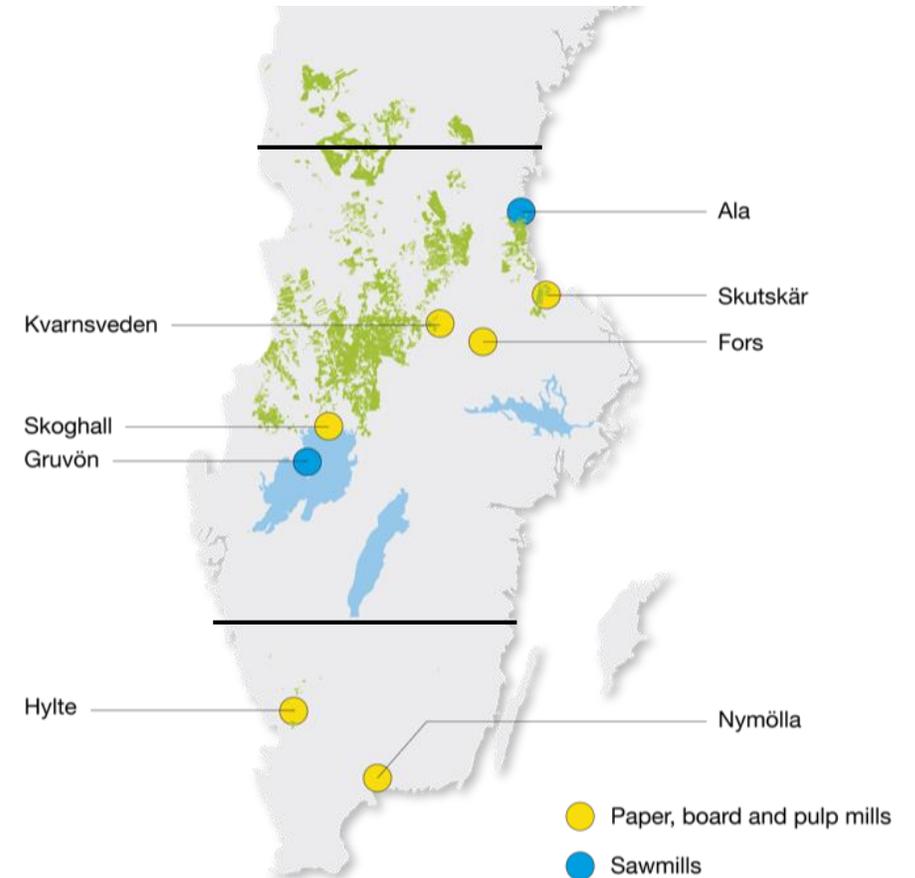
## Total biological asset value in balance sheet ~ 3.6 BEUR



# Direct ownership of Swedish forests improves our optionality in wood supply...



- **Enhances integrated value chain** by increasing harvesting volumes by 10–15%
- **Secures availability** and reasonably priced wood for the Swedish mills
  - Fibre 34% of all costs
  - Covering 70% of wood supply needs of our mills middle Sweden
- Gives **tactical flexibility** in wood supply
- Delivers **additional synergies** in wood supply in the form of reduced administration costs
- Long-term wood supply contract was about to end
- **Increases control** of the asset
  - More efficient and sustainable operations
  - Improved forest growth, harvesting and value



## ...with attractive valuation



	Hectares	Price per ha (EUR)	Value (BEUR) <sup>***</sup>
Indirect ownership*	1 150 000	2 000	2.3
EUR to SEK translation impact on indirect ownership (June 2019 vs Dec 2018)			-0.1
Acquired additional forest	250 000	2 400	0.6
<b>Total forest holdings in Sweden</b>	<b>1 400 000</b>	<b>2 000</b>	<b>2.8</b>
Forest value based on Billerud Korsnäs/AMF**	1 400 000	3 700	5.1
Forest value based on LRF**	1 400 000	5 700	7.9

\* As at 31 Dec 2018 indirect ownership of 49.79% Bergvik Skog

\*\* AMF Pensionsförsäkring AB, LRF Konsult

\*\*\* Land and biological assets

# Forest assets both appreciate and are renewable - reflected in lower funding cost



## To direct ownership

From indirect holdings of 1.1 million hectares to direct ownership of 1.4 million hectares.

## Net debt impact

Expected to be appr. 1 BEUR once all steps are concluded.

## Green bond

Financed with dedicated green bonds (SEK 6 billion) for sustainable forest management. Largest corporate green bond in SEK.

## Attractive green bond pricing

- 2.5 years: 3 months Stibor + 0.85%
- 5 years: 3 months Stibor + 1.45%
- 5 years: Fixed 1.875%

## Bilateral financing

In Q2/19 issuance of SEK 1 billion (in green bond format) and SEK 1.5 billion bilateral loans.



# Increasing transparency through our new Forest division...



- Non-operational fair value changes of biological assets reflect changes made to valuation assumptions and parameters, usually during the annual valuation process
  - Continue to be reported as earlier and excluded from Operational EBIT, but included at Operating result (IFRS).
- Operational fair value changes of biological assets containing all other fair value changes, mainly due to inflation and differences in actual harvesting levels compared to harvesting plan
  - To be reported in Operational EBITDA
- Silviculture cost (i.e. for planting seedlings) of Forest division and plantations in Biomaterials and Consumer board are to be reported in Operational EBIT (below Operational EBITDA)
  - Stora Enso will reclassify Nordic silviculture costs of the Forest division from Operational EBITDA to Operational EBIT
  - Silviculture costs for plantations continue to be reported in Operational EBIT (below Operational EBITDA)

# ...with over 50 MEUR higher EBITDA annually



## Key figures

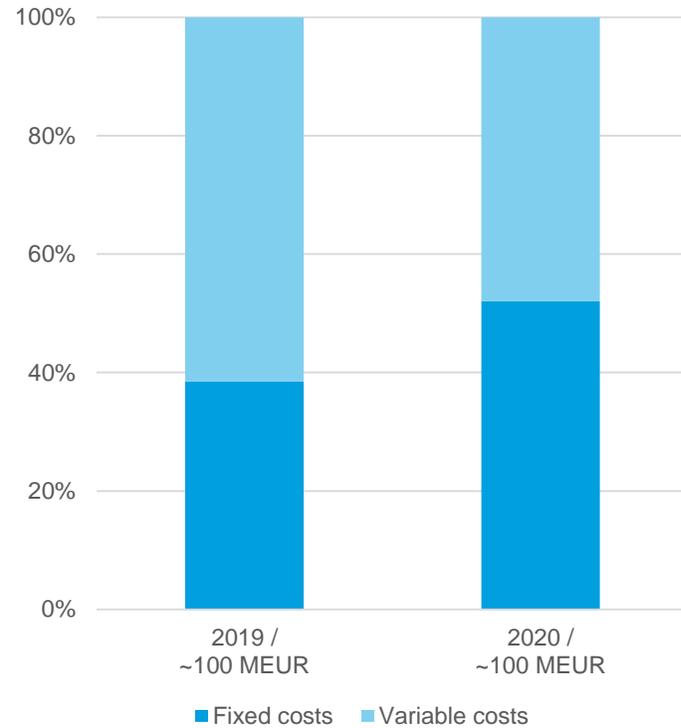
MEUR	Illustration Forest H1/2019	Illustration Group H1/2019	Group as reported H1/2019	Illustration Forest 2018	Illustration Group 2018	Group as reported 2018
Sales	1 245	5 242	5 242	2 285	10 486	10 486
External Sales	433	5 242	5 242	754	10 486	10 486
Internal Sales	811	-	-	1 530	-	-
Operational EBITDA	60	935	907	127	1 931	1 878
Operational EBIT	39	629	610	93	1 357	1 325
Operational EBITDA margin	4.8%	17.8%	17.3%	5.6%	18.4%	17.9%
Operational EBIT margin	3.2%	12.0%	11.6%	4.1%	12.9%	12.6%
Operational return on operating capital (ROOC) or Capital employed (ROCE)	2.1%	12.9%	12.5%	3.0%	15.1%	15.5%
Operating capital / Capital Employed	3 722	10 696	10 696	3 137	9 235	8 824

- Forest division segment reporting will begin 1 January 2020
- Restated historical figures to be published in Q1/2020

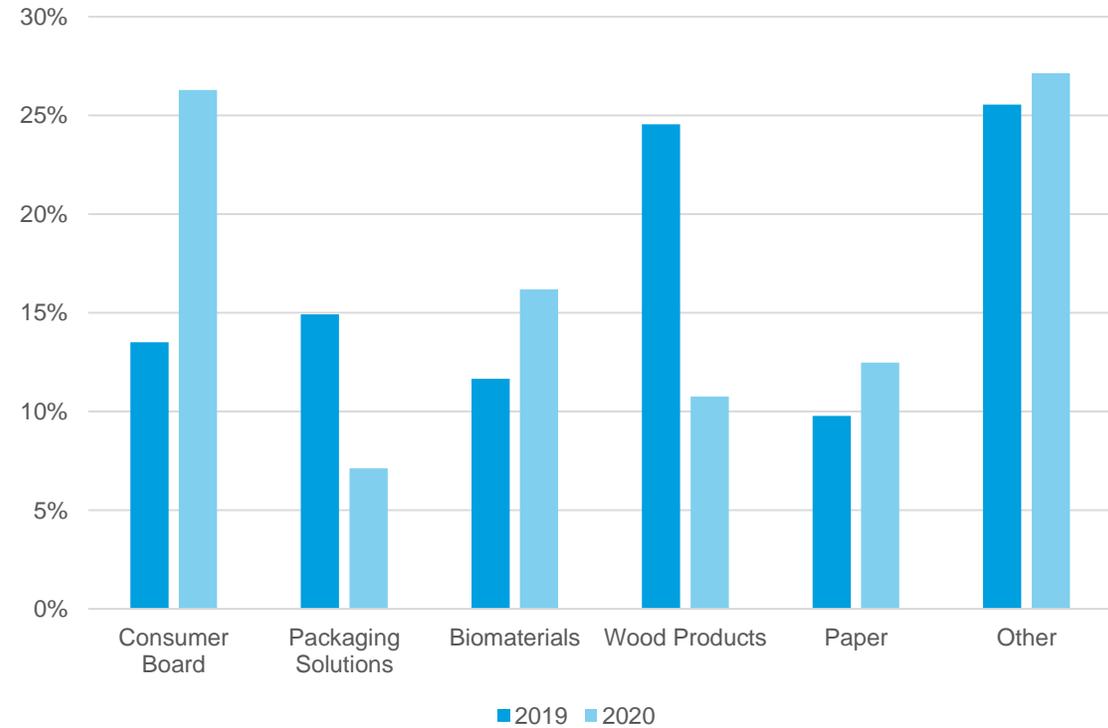
# 200 MEUR Profit Protection Programme strengthens our fitness for the future...



In total 200 MEUR savings



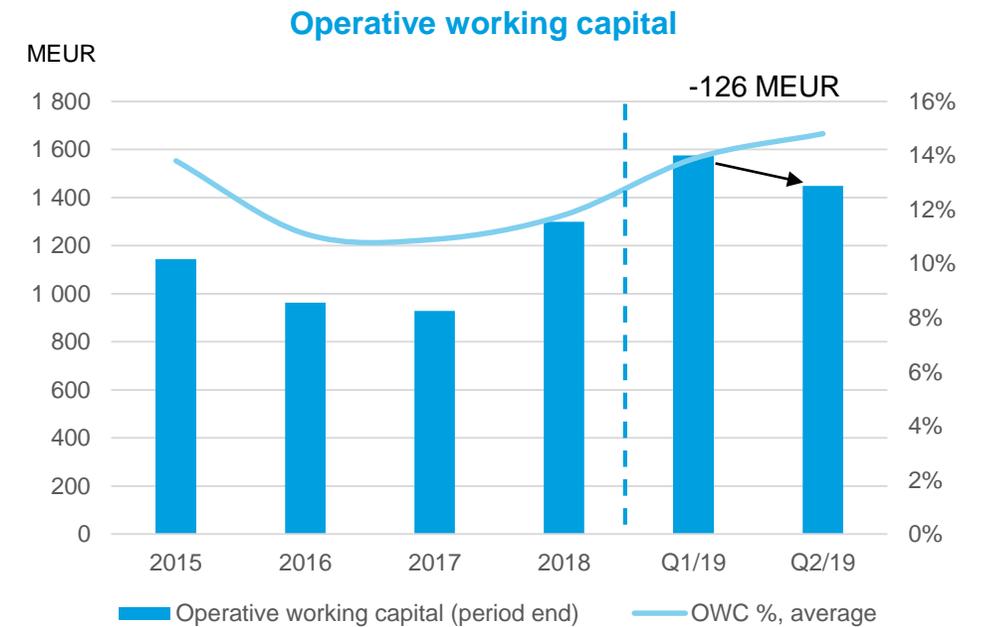
Targeted savings per division



# ...and we have launched TRIM to reduce working capital...



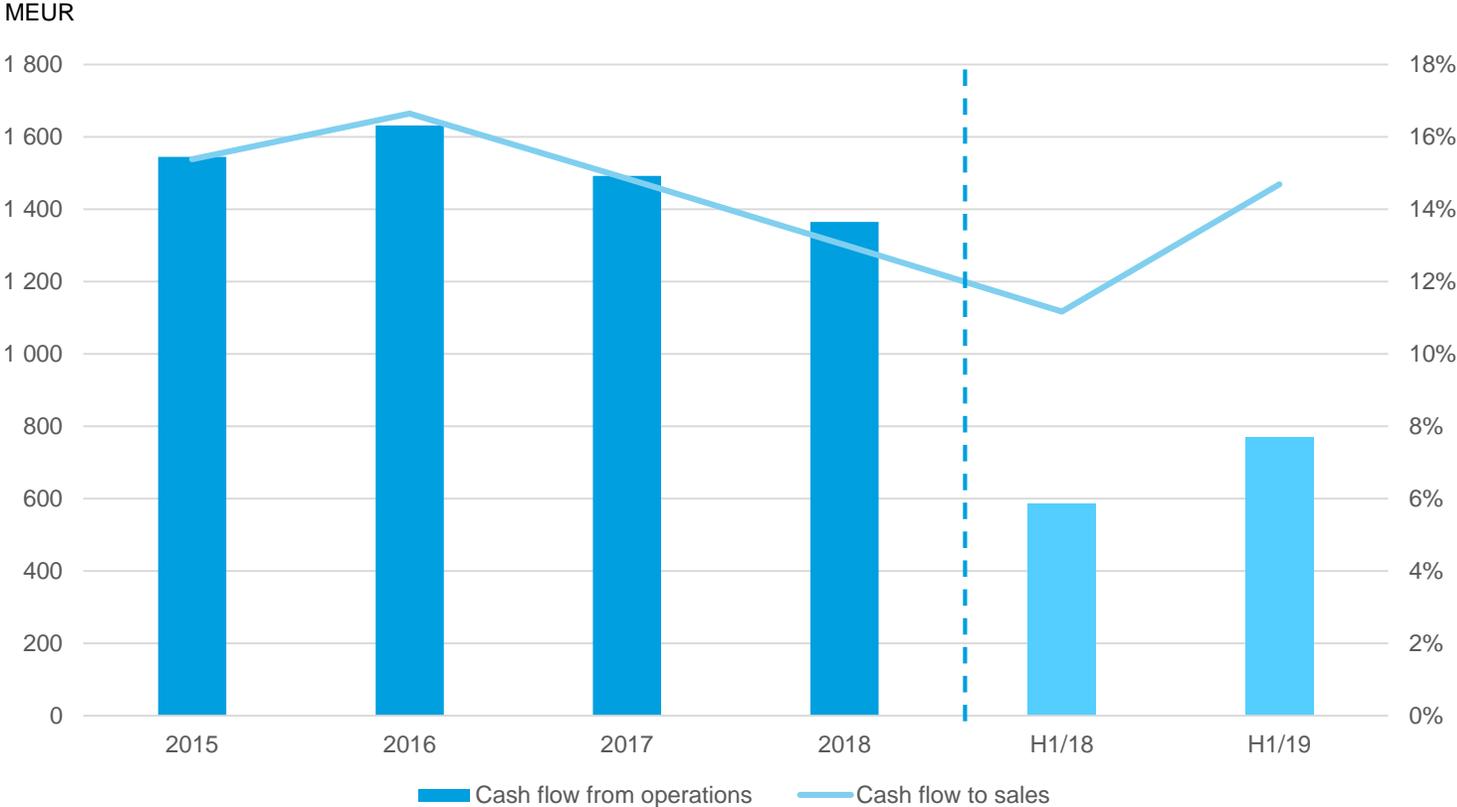
- Program started in April 2019, OWC decreased 126 MEUR from Q1/2019 to Q2/2019 and is planned to improve further
- Lowering inventory levels
  - Clearing surplus and old finished goods inventories
  - Reducing raw material and other inventories
    - by adjusting replenishment levels
    - adopting new consignment stock deals
  - Adjusting production through curtailments
- Actively managing receivables and payables
  - Payment terms towards customers
  - Review optimal factoring levels
  - Actively reviewing trade payables



# ... maintaining healthy cash flow

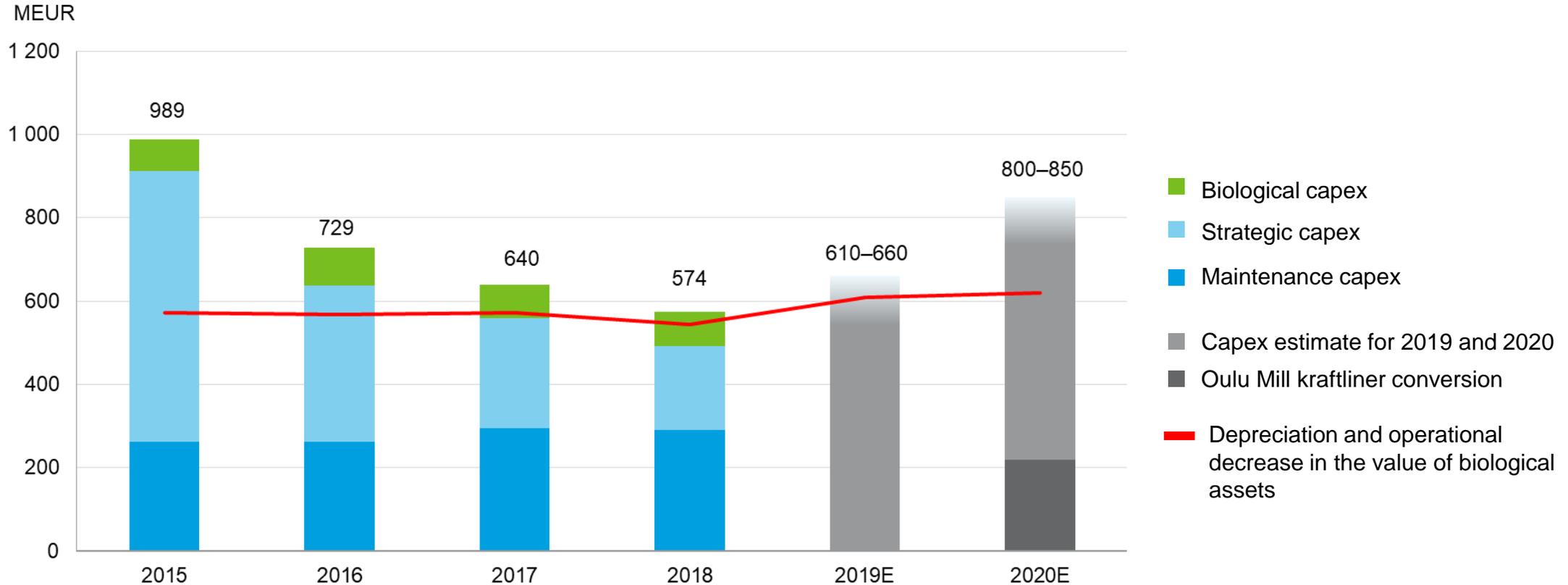


Cash flow from operations



# Capex raised temporarily above depreciation...

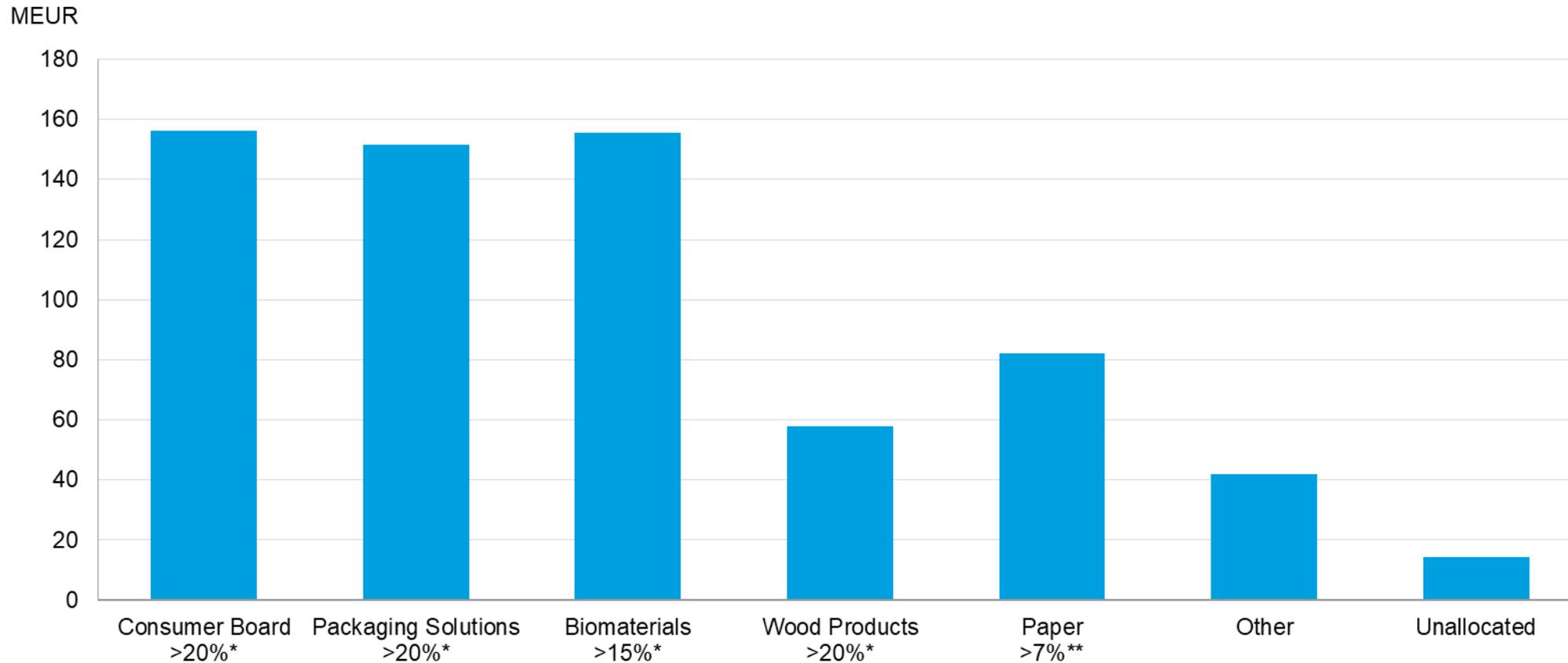
## – financed through cash flow and divestments



Capex estimate for 2019 and 2020 includes the capitalised leasing contracts according to IFRS 16 Leases standard.

# ...and is allocated based on capital returns

## Capex forecast 2019



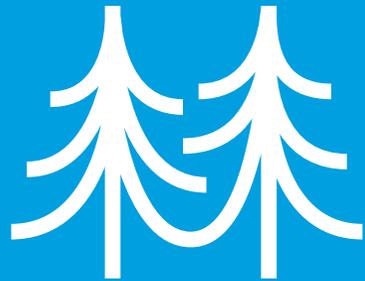
\* Operational ROOC target

\*\* Cash flow after investing activities to sales target

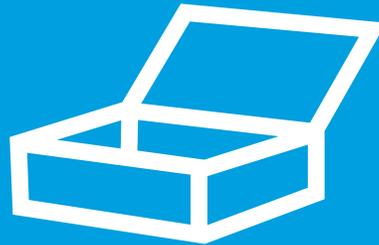
# Strengthening our competitive position through forest assets



Integrating forest assets and wood supply



Continuously improving – profit protection programme and TRIM working capital



Creating sustainable value for shareholders



# 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.

# Appendix



storaenso

# Illustrative operational income statement

## Forest H1/2019



MEUR	Current reporting illustration <sup>1)</sup>	Changes <sup>2)</sup>		Total incl. changes
	Forest Division	Presentation change silviculture costs	Operational changes in fair value of biological assets	Forest Division after changes
<b>Sales</b>	<b>1 245</b>			<b>1 245</b>
Other operating income	31			31
Change in inventories of finished goods and WIP	1			1
Materials and services	-1 212			-1 212
Freight and sales commissions	0			0
Personnel expenses	-44			-44
Other operating expenses	-18			-18
Share of results of equity accounted investments excluding depreciation and depletion	30	10	18	58
Change in net value of biological assets	0			0
<b>Operational EBITDA</b>	<b>32</b>	<b>10</b>	<b>18</b>	<b>60</b>
Depreciation and depletion of equity accounted investments	-3	-10		-12
Depreciation, amortisation, depletions and impairment charges	-8			-8
<b>Operational EBIT</b>	<b>20</b>	<b>0</b>	<b>18</b>	<b>39</b>

1) Operational income statement excludes items affecting comparability and fair valuations.

2) This illustrative statement includes certain estimates. The restated historical figures will be published in the first quarter of 2020.

# Illustrative operational income statement Forest 2018



MEUR	Current reporting illustration <sup>1)</sup>	Changes <sup>2)</sup>		Total incl. changes
	Forest Division	Presentation change silviculture costs	Operational changes in fair value of biological assets	Forest Division after changes
<b>Sales</b>	<b>2 285</b>			<b>2 285</b>
Other operating income	53			53
Change in inventories of finished goods and WIP	-1			-1
Materials and services	-2 226			-2 226
Freight and sales commissions	0			0
Personnel expenses	-84			-84
Other operating expenses	-36			-36
Share of results of equity accounted investments excluding depreciation and depletion	84	21	32	137
Change in net value of biological assets	0			0
<b>Operational EBITDA</b>	<b>74</b>	<b>21</b>	<b>32</b>	<b>127</b>
Depreciation and depletion of equity accounted investments	-5	-21		-26
Depreciation, amortisation, depletions and impairment charges	-8			-8
<b>Operational EBIT</b>	<b>61</b>	<b>0</b>	<b>32</b>	<b>93</b>

1) Operational income statement excludes items affecting comparability and fair valuations.

2) This illustrative statement includes certain estimates. The restated historical figures will be published in the first quarter of 2020.

# Illustrative operating capital breakdown Forest



MEUR	Illustration 30 Jun 19 (Swedish forest assets consolidated line by line)	Illustration 31 Dec 18 <sup>1)</sup> (Share of Bergvik Skog consolidated line by line)	Illustration 31 Dec 18 (Bergvik Skog consolidated as EAI <sup>2)</sup> )
Other intangible assets	29	33	30
Property, plant and equipment	387	120	42
Biological assets	2 541	2 279	17
Equity accounted investments	593	616	1 707
Unlisted securities	1	0	0
Other non-current assets	0	0	0
Inventories	235	264	241
Operative receivables	231	251	237
<b>Total Operative Assets</b>	<b>4 015</b>	<b>3 562</b>	<b>2 274</b>
Other long-term provisions	5	14	0
Other provisions	9	0	0
Other operative liabilities	279	411	333
<b>Total Operative Liabilities</b>	<b>293</b>	<b>425</b>	<b>333</b>
<b>Total Operating Capital</b>	<b>3 722</b>	<b>3 137</b>	<b>1 942</b>

1) This 31 December 2018 illustration is a simulation assuming that 49.8% of Bergvik Skog would have been consolidated as a subsidiary during 2018 rather than as an equity accounted investment.

2) EAI = equity accounted investment

# Illustrative operational income statement

## Group H1/2019



MEUR	Current reporting <sup>1)</sup>	Changes <sup>2)</sup>		Total incl. changes
	Group	Presentation change silviculture costs	Operational changes in fair value of biological assets	Group after changes
<b>Sales</b>	<b>5 242</b>			<b>5 242</b>
Other operating income	65			65
Change in inventories of finished goods and WIP	13			13
Materials and services	-3 098			-3 098
Freight and sales commissions	-458			-458
Personnel expenses	-682			-682
Other operating expenses	-206			-206
Share of results of equity accounted investments excluding depreciation and depletion	31	10	18	59
Change in net value of biological assets	0			0
<b>Operational EBITDA</b>	<b>907</b>	<b>10</b>	<b>18</b>	<b>935</b>
Depreciation and depletion of equity accounted investments	-4	-10		-14
Depreciation, amortisation, depletions and impairment charges	-292			-292
<b>Operational EBIT</b>	<b>610</b>	<b>0</b>	<b>18</b>	<b>629</b>

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# Illustrative operational income statement Group 2018



MEUR	Current reporting <sup>1)</sup>	Changes <sup>2)</sup>		Total incl. changes
	Group	Presentation change silviculture costs	Operational changes in fair value of biological assets	Group after changes
<b>Sales</b>	<b>10 486</b>			<b>10 486</b>
Other operating income	89			89
Change in inventories of finished goods and WIP	125			125
Materials and services	-6 157			-6 157
Freight and sales commissions	-932			-932
Personnel expenses	-1 323			-1 323
Other operating expenses	-498			-498
Share of results of equity accounted investments excluding depreciation and depletion	88	21	32	141
Change in net value of biological assets	0			0
<b>Operational EBITDA</b>	<b>1 878</b>	<b>21</b>	<b>32</b>	<b>1 931</b>
Depreciation and depletion of equity accounted investments	-7	-21		-28
Depreciation, amortisation, depletions and impairment charges	-545			-545
<b>Operational EBIT</b>	<b>1 325</b>	<b>0</b>	<b>32</b>	<b>1 357</b>

1) Operational income statement excludes items affecting comparability and fair valuations.

2) This illustrative statement includes certain estimates. The restated historical figures will be published in the first quarter of 2020.

# Direct ownership of the forests in Sweden



	Unit	Stora Enso's Swedish forests
Ha (gross land)	Ha ('000)	1 388
Ha (productive forest)	Ha ('000)	1 140
Forest cubic meters (m <sup>3</sup> fo)	m <sup>3</sup> fo (million)	143
Forest cubic meters / ha (productive f)	m <sup>3</sup> fo/ha	126
IFRS value* (Bio Assets + Land)	MEUR	2 829
IFRS value*/ha (productive forest)	EUR/ha	2 482
IFRS value*/ha (gross land)	EUR/ha	2 038
IFRS Bio asset value*/ m <sup>3</sup> fo	EUR/m <sup>3</sup> fo	17.7
IFRS value*/m <sup>3</sup> fo	EUR/m <sup>3</sup> fo	19.8

Values calculated with LRF Konsult's statistics**	Unit	Stora Enso's Swedish forests
Value/m <sup>3</sup> fo	EUR/m <sup>3</sup> fo	42.9
Value of the timber (m <sup>3</sup> fo)	MEUR	6 141

\*Based on 30 June 2019 valuation.

\*\*LRF Konsult's market statistics for forest property prices. These reference prices are applicable for small-size lands. Calculation for Stora Enso is referential and based on LRF's 2018 full year price for middle Sweden (Mellersta, 453 SEK/m<sup>3</sup>fo) and applied for all properties. FX rate of 10.5633 (European central bank, 30 June 2019) applied to all SEK currencies.

# Indirect ownership of the forests in Finland



	Unit	Stora Enso's 41% share of Tornator's forests in Finland
Ha (gross land)	Ha ('000)	250
Ha (productive forest)	Ha ('000)	223
Forest cubic meters in productive area (m <sup>3</sup> fo)	m <sup>3</sup> fo (million)	24
Forest cubic meters / ha (productive f)	m <sup>3</sup> fo/ha	109
IFRS value* (Bio assets + Land)	MEUR	557
IFRS value*/ha (productive forest)	EUR/ha	2 500
IFRS value*/ha (gross land)	EUR/ha	2 230
IFRS Bio asset value*/m <sup>3</sup> fo	EUR/m <sup>3</sup> fo	21.7
IFRS value*/m <sup>3</sup> fo	EUR/m <sup>3</sup> fo	23.2
Values calculated according to National Land Survey of Finland	Unit	Stora Enso's 41% share of Tornator's forests in Finland
Forest land prices in Eastern Finland**	EUR/ha	3 123
Value of the hectares	MEUR	779

\* As at 31 Dec 2018 \*\* Estimated based on Tornator land areas by region and 2018 statistics on forest sales prices by National Land Survey of Finland

**THE RENEWABLE MATERIALS COMPANY**