

Capital Markets Day 2020

Meeting consumer demand for eco-friendly and circular solutions

President and CEO Annica Bresky



Meeting consumer demand for eco-friendly and circular solutions

Megatrends are changing business and society – we contribute to mitigating climate change



Meeting consumer demand for eco-friendly and circular solutions

We are a solution for consumers' new demands



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

Meeting consumer demand for eco-friendly and circular solutions

Our key competitive advantage is substituting materials from finite resources



Average annual CO₂ emissions of

5.1
million cars

Our products substitute fossil-based products, saving

20
Mt CO₂


Our total climate benefit:

12
Mt CO₂


Meeting consumer demand for eco-friendly and circular solutions

Our products solve sustainability challenges




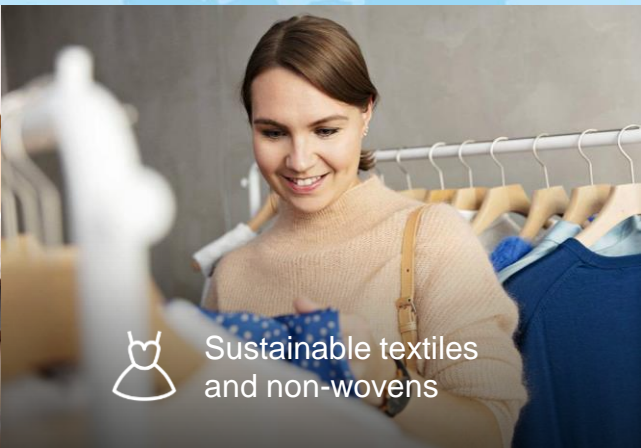
 Replacing plastic in food packaging



 Natural cosmetics & personal care





 Plastic-free e-commerce




 Sustainable textiles and non-wovens




 Circular retail

 Carbon neutral buildings



 Sustainable print



 Low-carbon industrial solutions

Shaping our business for higher growth and value



Growth



Packaging Materials



Packaging Solutions



Wood Products:
Building Solutions



Biomaterials: Innovations

Foundation



Forest



Wood Products:
Traditional wood products



Biomaterials: Pulp

Cash



Paper

Our three focus areas for growth – Packaging, Building Solutions, Biomaterials Innovations



Packaging Materials & Solutions

- High demand for plastic free and eco-friendly circular packaging
- Leading market positions
- Attractive investment options available

**Significant growth potential with
20%+ margin
Majority of future company growth**



Wood Products: Building Solutions

- 10%+ annual growth
- Leading global supplier
- Potential to capture a larger share of the value chain

**3x sales from Building Solutions with
~20% margin**



Biomaterials Innovations

- High growth end product markets
- Uncontested sustainability position
- Proprietary technologies and unique value propositions

**35%+ margin in novel markets with
strong growth**

Increased focus on our innovation agenda



Sustainable packaging applications to replace fossil materials

Formed fiber
Biofoam



Bio-based barrier solutions for packaging



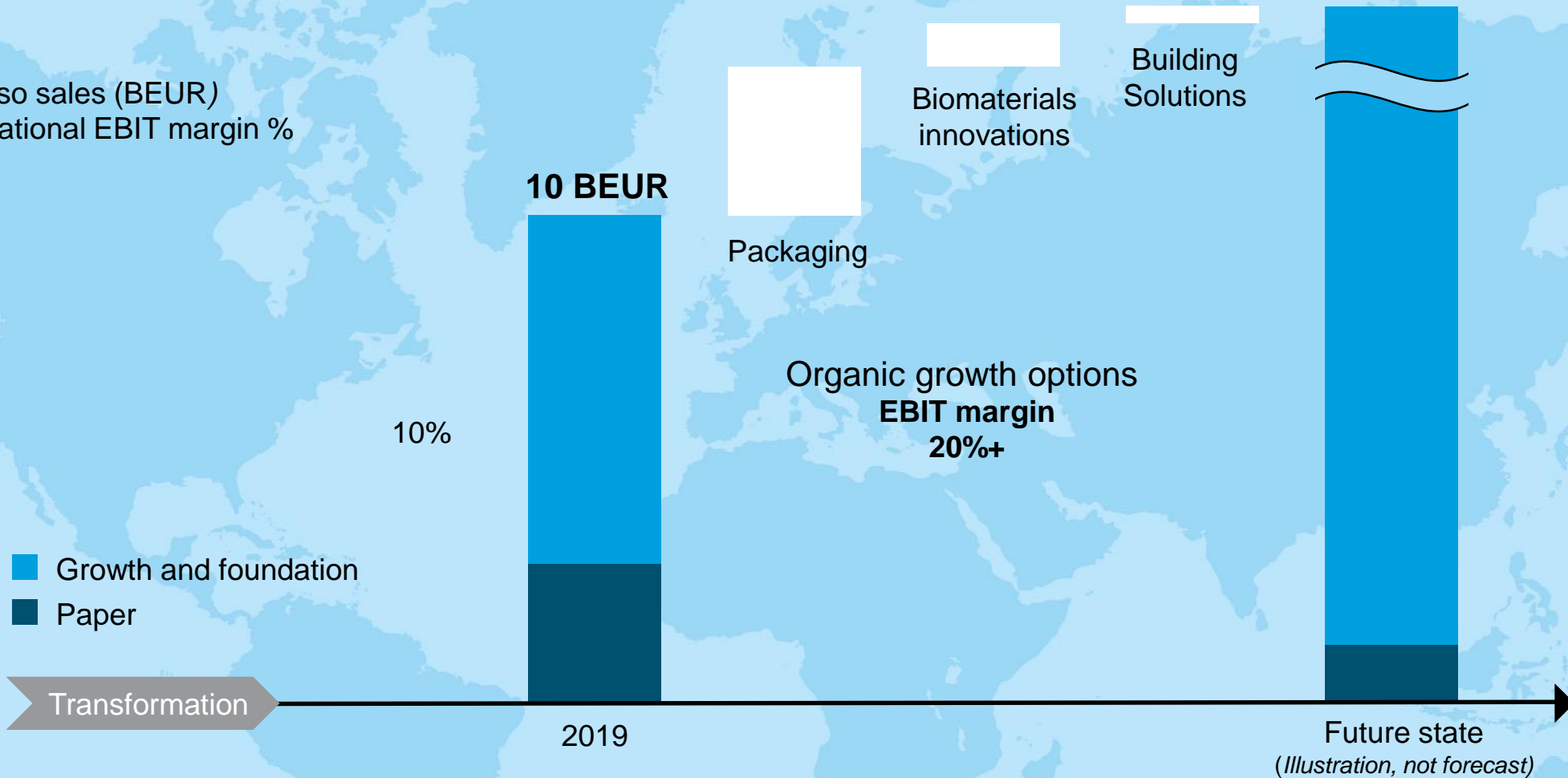
Biomaterials Innovation

Carbon for energy storage
Bio-binders
Carbon fibers



Significant potential for profitable growth

Stora Enso sales (BEUR) and operational EBIT margin %



Packaging

- Packaging Materials – Leading premium packaging board supplier
- Packaging Solutions – Premium sustainable solution provider



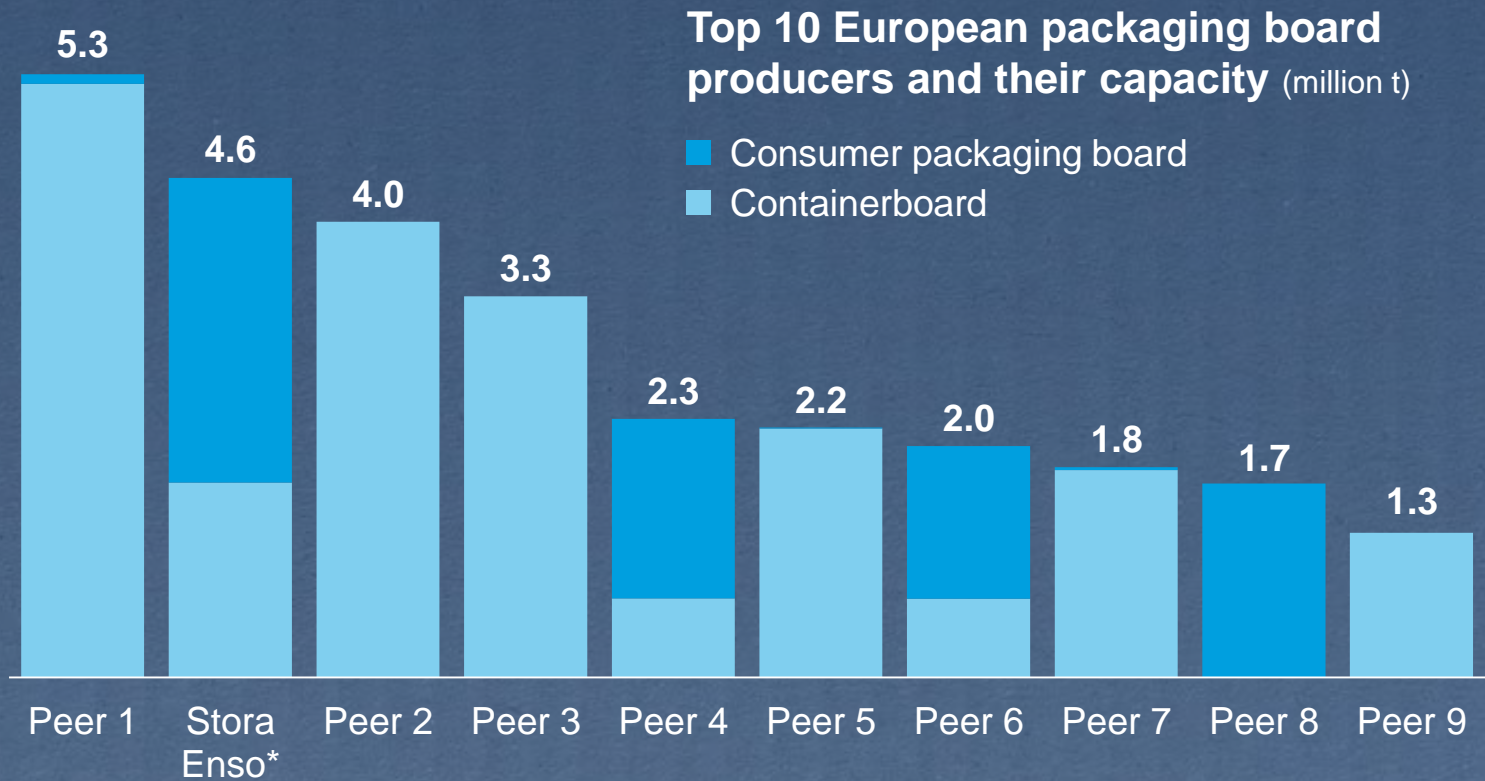
Leading position in attractive packaging materials segments

Significant presence in both consumer and industrial packaging boards

#1 in consumer board in Europe

#2 in packaging board in Europe

#4 in consumer board globally



Industrial packaging board does not include wrapping paper and sack paper

*After completion of Oulu conversion - Source: AFRY, Stora Enso

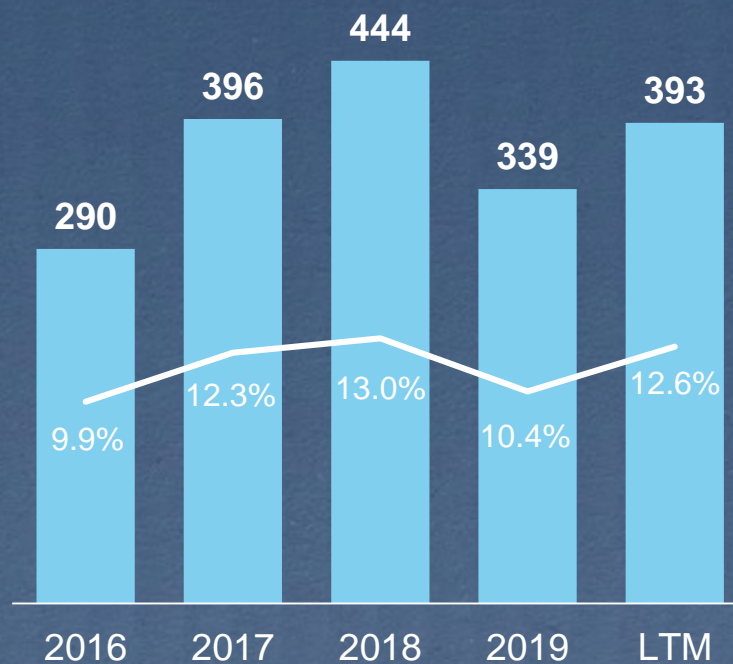


Leveraging strong market position with high margins

Packaging Materials sales
MEUR



Packaging Materials operational EBIT
MEUR, % margin



Packaging Materials operational ROOC



LTM = Q4/19 - Q3/20. Historical figures for 2016 - 2017 not fully comparable due to restatement.



Attractive converting positions in growing markets

Active engagement in plastic substitution

Speed in introduction of new materials and solutions

Synergies with Packaging Materials from integrated supply chain

Industrial packaging converting

Nordic countries

Annual market growth
~ 1.5%*

#1

Baltics and Poland

Annual market growth
~ 3.5%*

#2

Russia

Annual market growth
~ 3%*

#6

Consumer packaging converting

China

Annual market growth
~ 9%*

#3

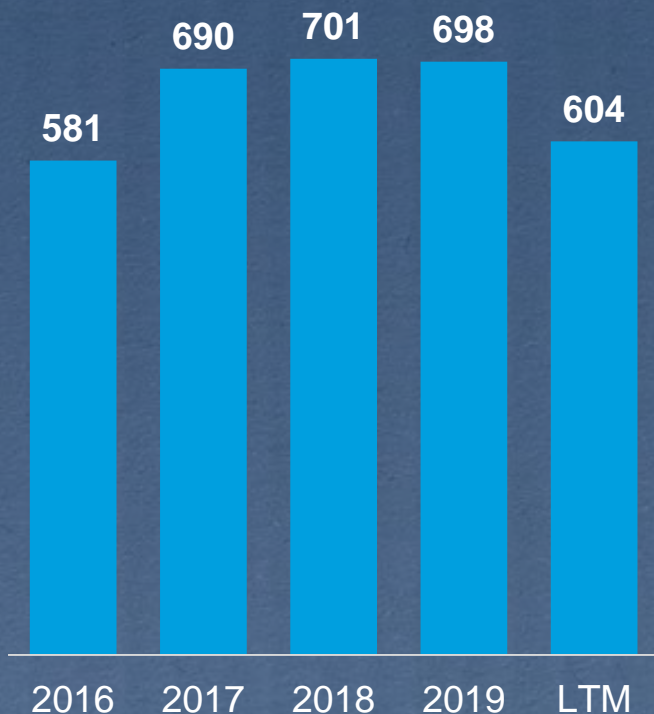
Source: RISI, ICCA, and others

*In 2020 - 2025

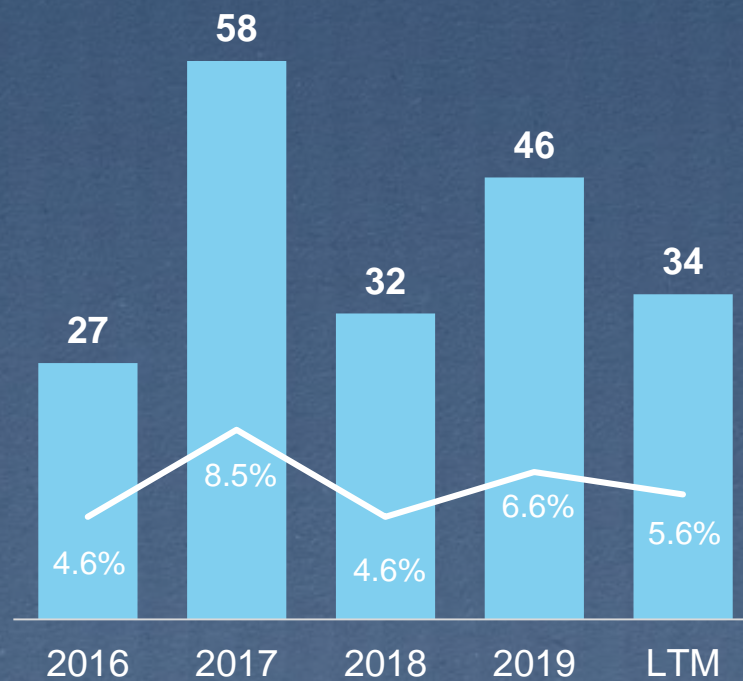


Solid returns in converting

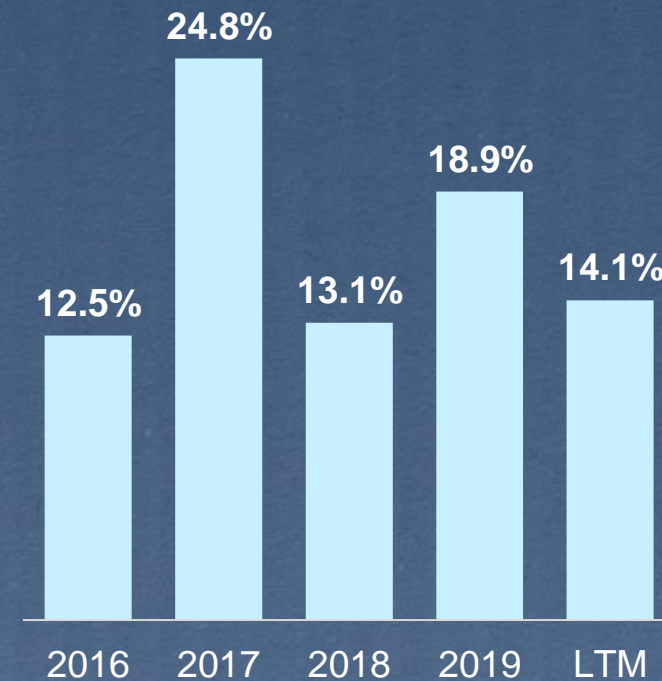
Packaging Solutions sales
MEUR



Packaging Solutions operational EBIT
MEUR, % margin



Packaging Solutions operational ROOC



LTM = Q4/19 - Q3/20. Historical figures for 2016 - 2017 not fully comparable due to restatement.

Strategic choices for Packaging

- Significant growth opportunities for plastic free and circular packaging
- Attractive investment options for Packaging Materials growth
- Drive packaging innovation closer to consumers
- Significant opportunities for new sustainable packaging



Significant growth opportunities for plastic free and circular packaging

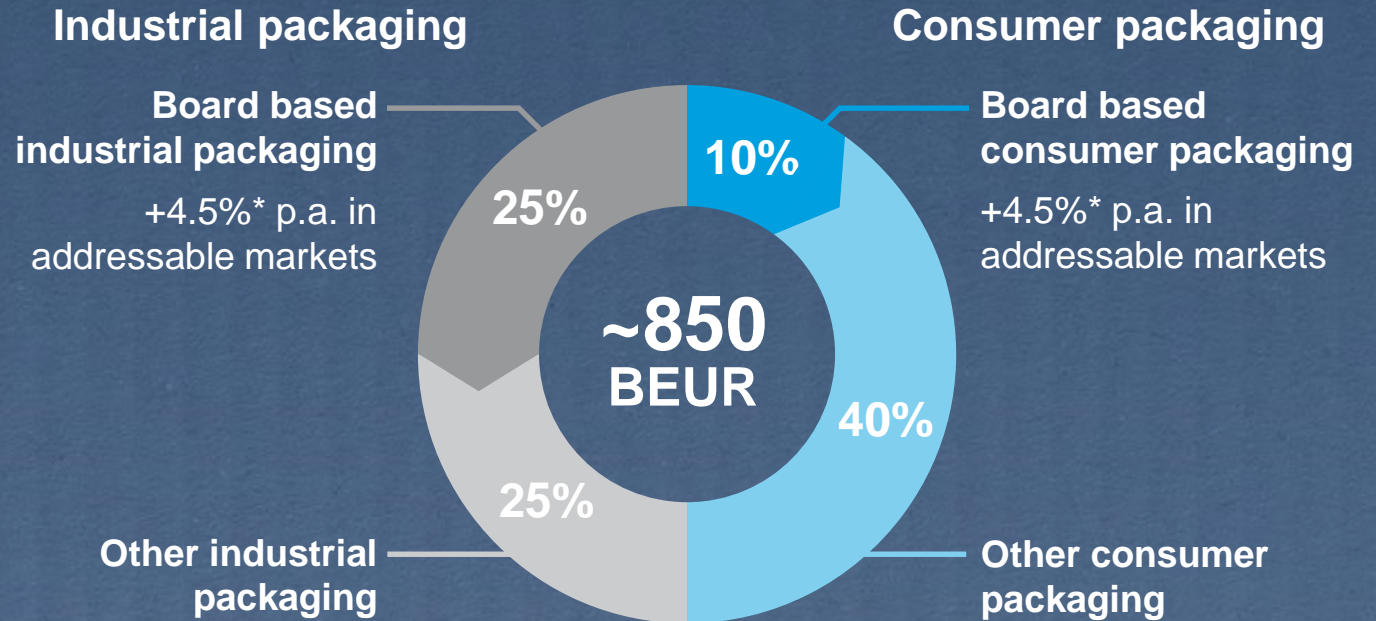
Increased disposable income & urbanisation

Growing e-commerce & on-the-go consumption

Demand for renewable & low CO₂ alternatives

*Including inflation

Global packaging market

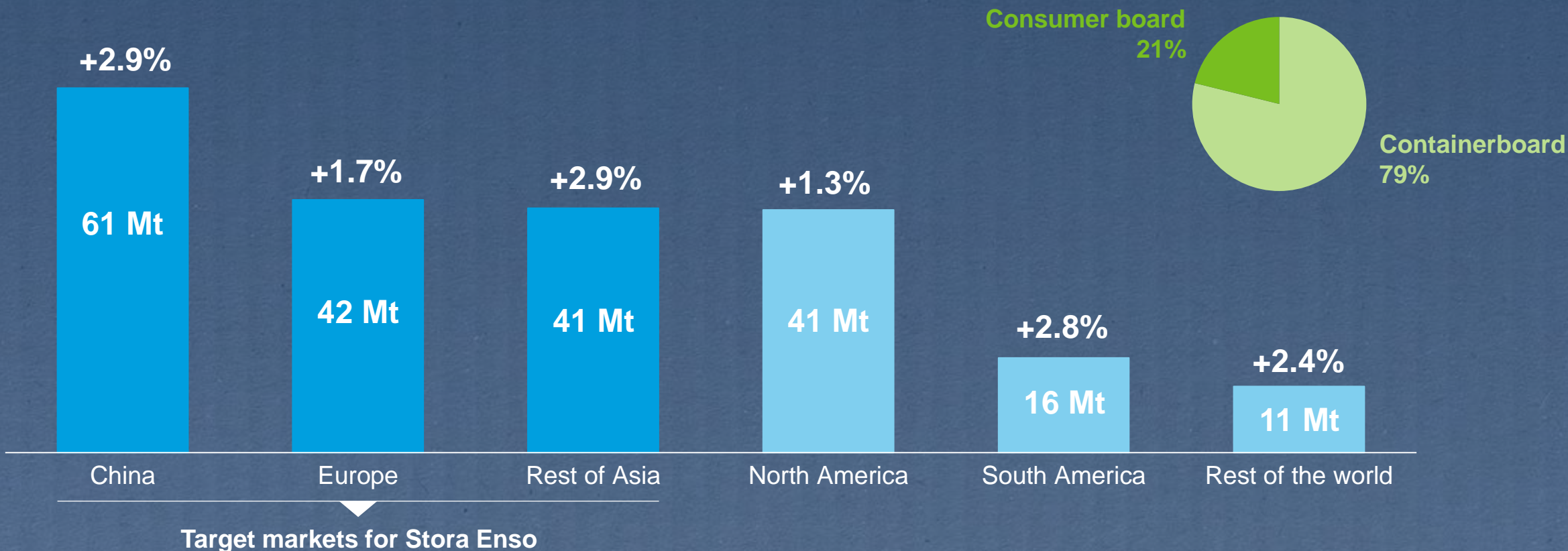




Solid global growth in consumer and containerboard

Annual demand growth of consumer board and containerboard* combined in 2020 - 2030 and market sizes (2019)

Global demand split 2019



*Excluding sack and kraft papers

Source: Stora Enso and AFRY

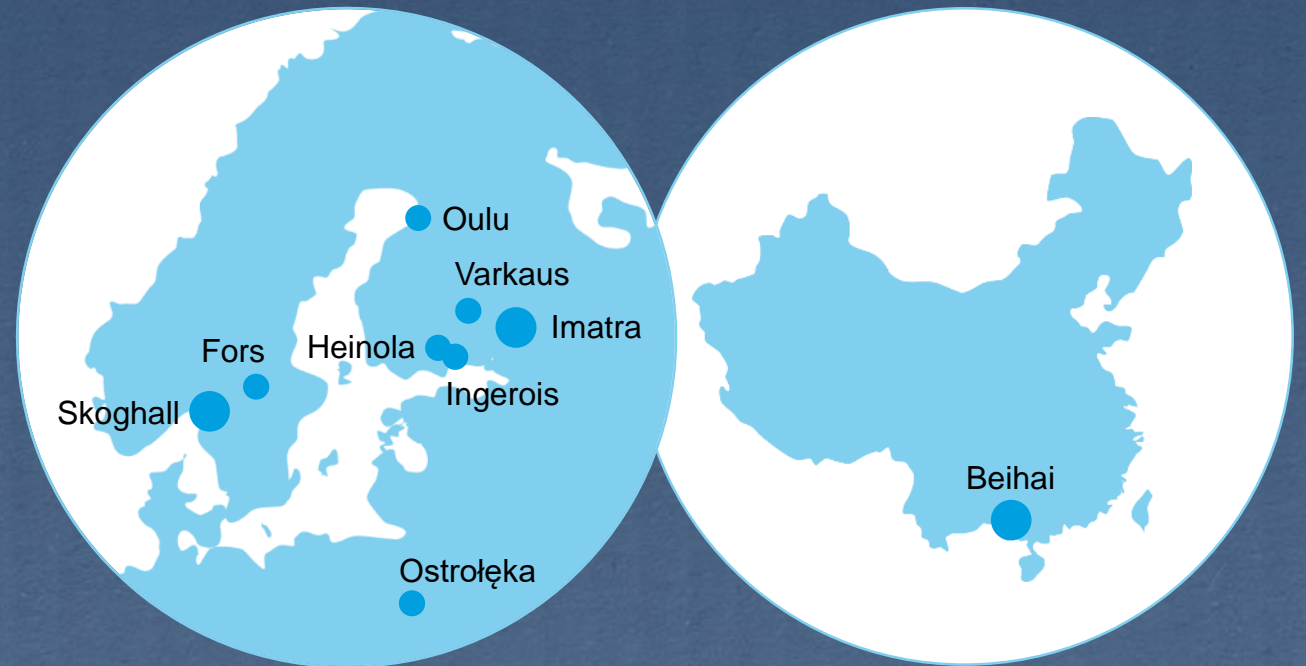


Attractive investment options for Packaging Materials growth

Focus on brownfield investments, debottlenecking and improving operational efficiency

Develop world leading cost competitive integrates

Explore opportunities to consolidate the market through selective M&A



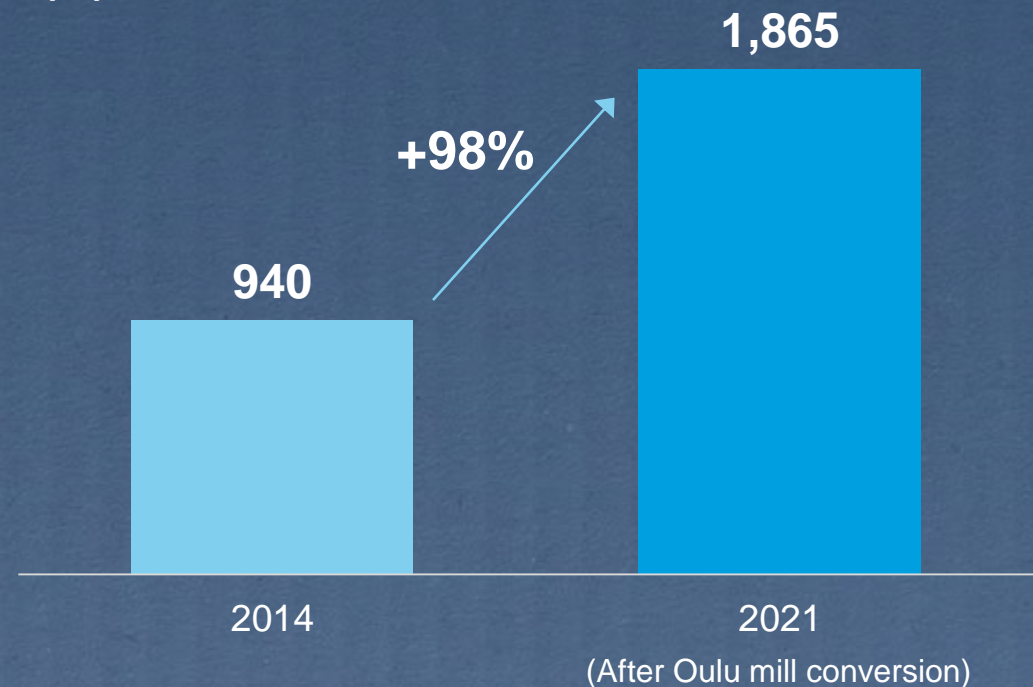


Step change in premium kraftliner, ~300 MEUR sales increase in 2022

AvantForte – a new premium kraftliner with superior purity and strength:

- Global product for food and e-commerce applications
- Safe and plastic-free packaging, less materials needed

Stora Enso containerboard capacity (kt)



Opportunity to grow Consumer Board in Skoghall

Start feasibility study and environmental impact assessment Q4/2020

- Pulp capacity +410 kt
- Board capacity +120 kt
- Market pulp 220 kt

800 - 850 MEUR capex

Study completed by end of 2021, ready for decision making

Earliest possible start-up Q4/2023

Strategic rationale

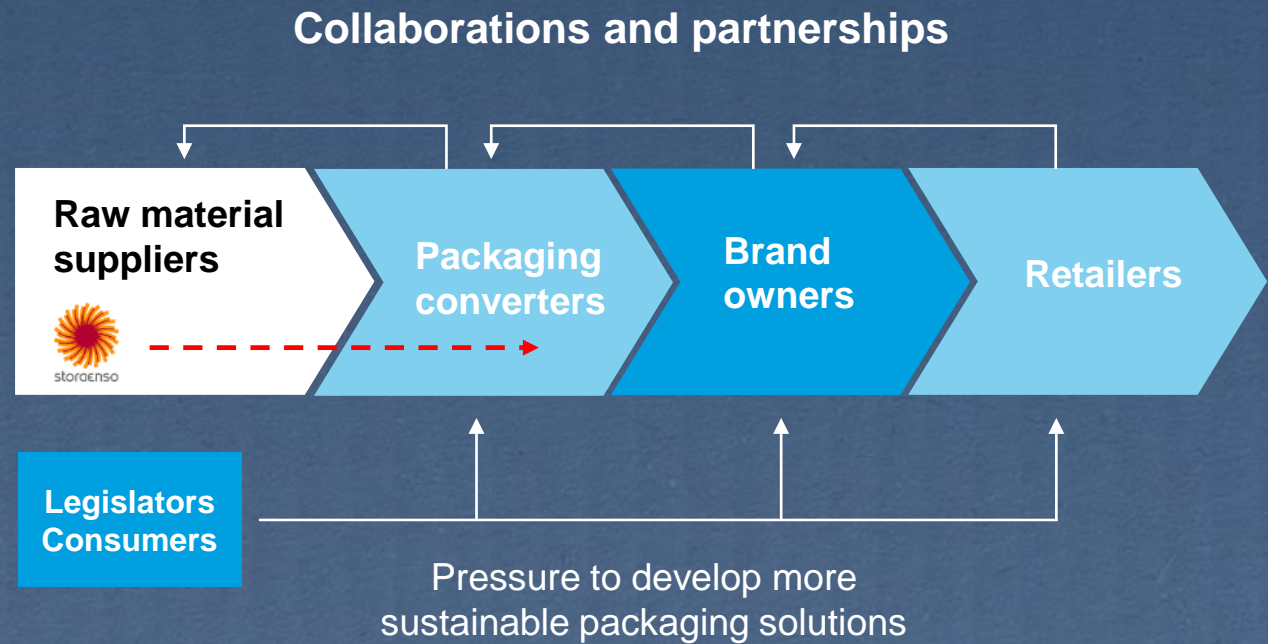


Drive packaging innovation closer to consumers



Options for growing downstream exposure in packaging

- Leverage partnerships and collaborations
- Expansion of packaging design services
- Selective organic growth in converting
- Selective M&A opportunities



Significant opportunities for new sustainable packaging



Formed fiber



Biofoam



Biobarriers and films



Market growth
(CAGR 2020 - 2030)

3%

Total market size
(BEUR, 2020e)

30

EBIT margin
potential

30%

1st production line in Hylte

6%

15

35%

Pilot plant in Fors

3%

80

Supporting
existing business

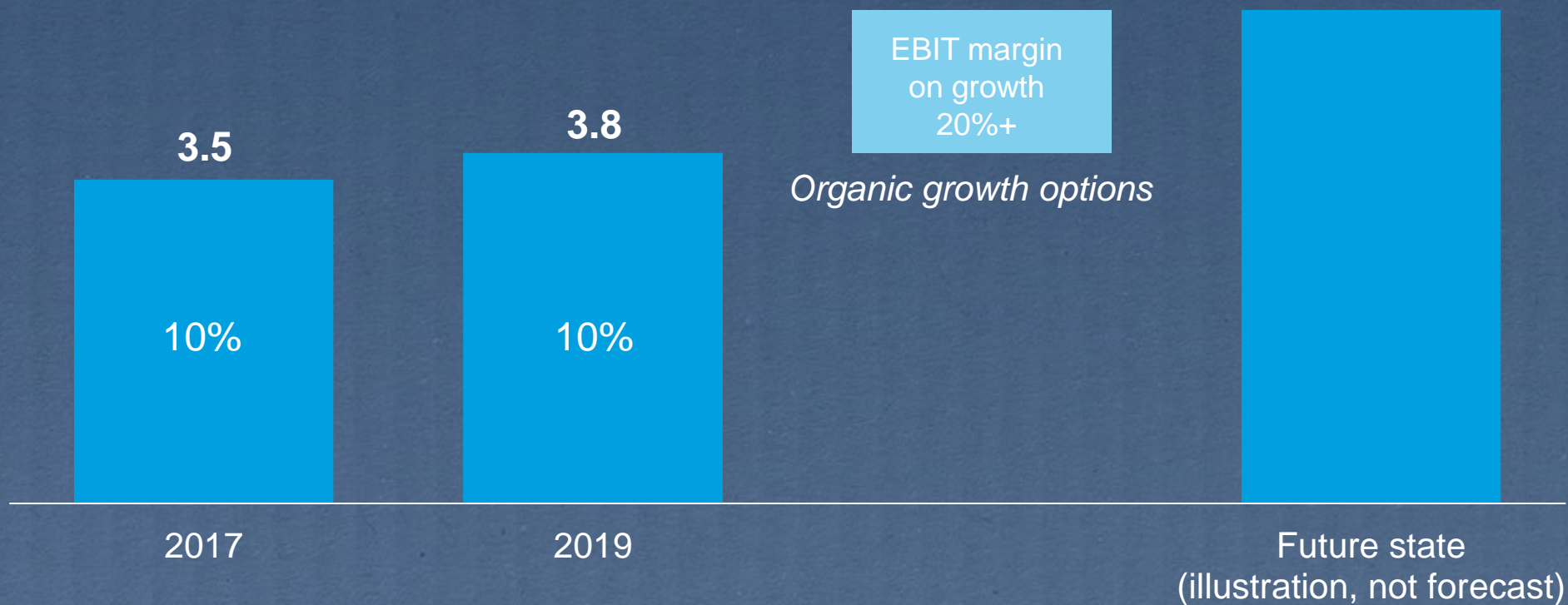
Capacity investment in Forshaga

Meeting consumer demand for eco-friendly and circular solutions

Significant growth potential with 20%+ margin



Stora Enso Packaging Materials and Packaging Solutions sales (BEUR) and operational EBIT margin %





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Wood Products

- Building Solutions – Leading supplier of wood-based construction solutions
- Traditional wood products – Largest producer of classic sawn and planed wood in Europe



Leading market positions in Europe and globally

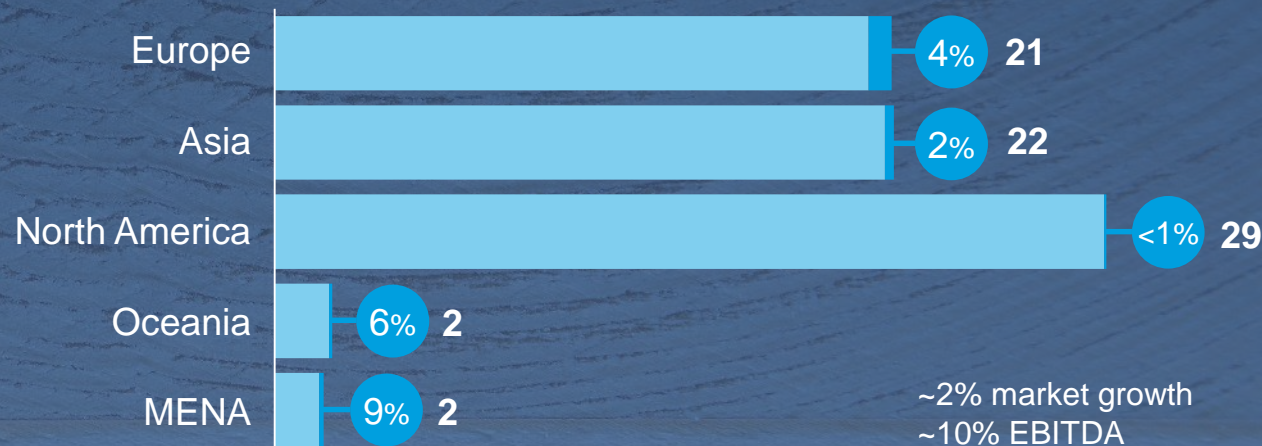
Europe's biggest sawmilling company

2nd largest global supplier of wood-based Building Solutions

Global reach with > 40% sales in overseas markets

Traditional wood products

■ Total market size (BEUR) ■ % Stora Enso market share



Mass timber Building Solutions

■ % Stora Enso market share, total market size (MEUR)



Strong foundation for Building Solutions growth



Traditional wood products

- ~5% operational EBIT -margin business over a cycle
- ~2% market growth
- Platform for building solutions and fiber supply to pulp mills

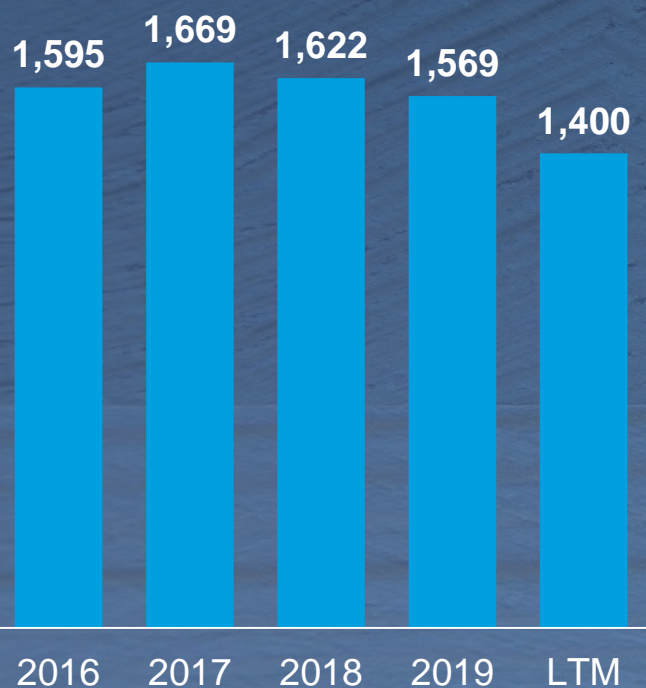
Building Solutions

- ~20% operational EBIT -margin business
- ~10% market growth
- Opportunities to take a larger part of value chain with new business models and services



Wood Products delivers solid margins

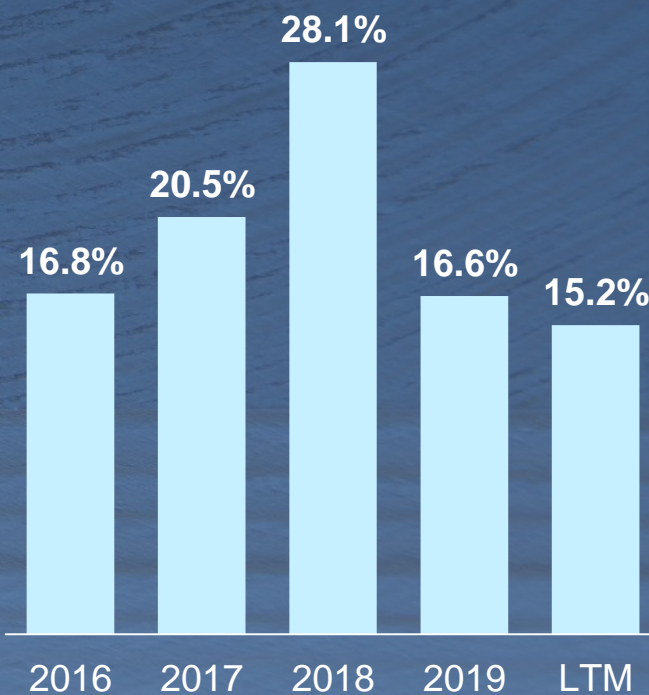
Wood Products sales
MEUR



Wood Products operational EBIT
MEUR, % margin



Wood Products operational ROOC



LTM = Q4/19 - Q3/20



Strategic choices for Wood Products

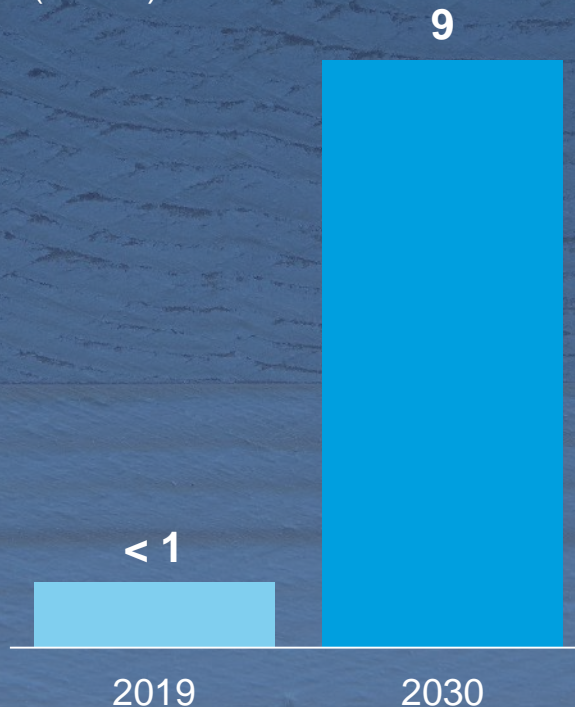
- Attractive growth opportunities in Building Solutions
- Capturing a larger share of the value chain



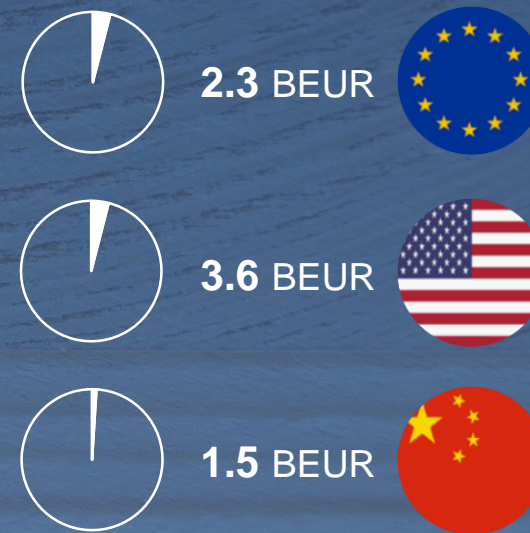
Attractive growth opportunities in Building Solutions

- Carbon storage & safer workplaces
- Lower building costs & faster construction
- Policies promoting wooden construction

The global wood-based Building Solutions market (BEUR)



2030 market share and value by geography

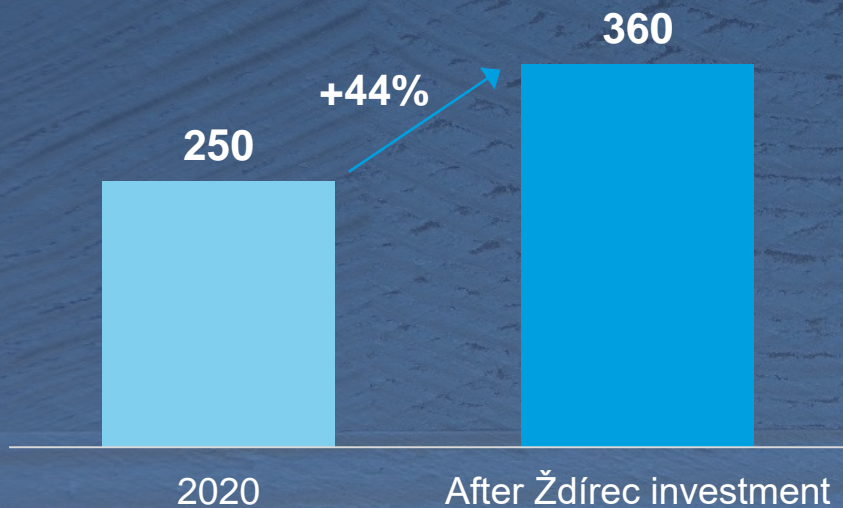


Building Solutions
Other construction materials (concrete, steel)

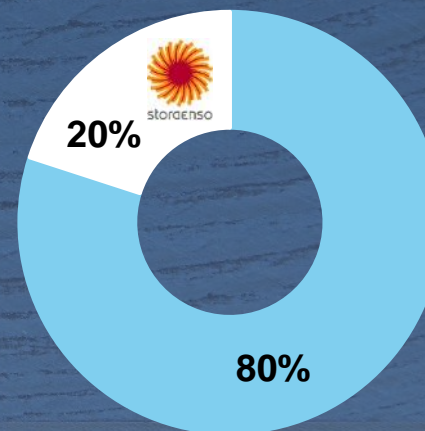


Global market leader of wood-based Building Solutions

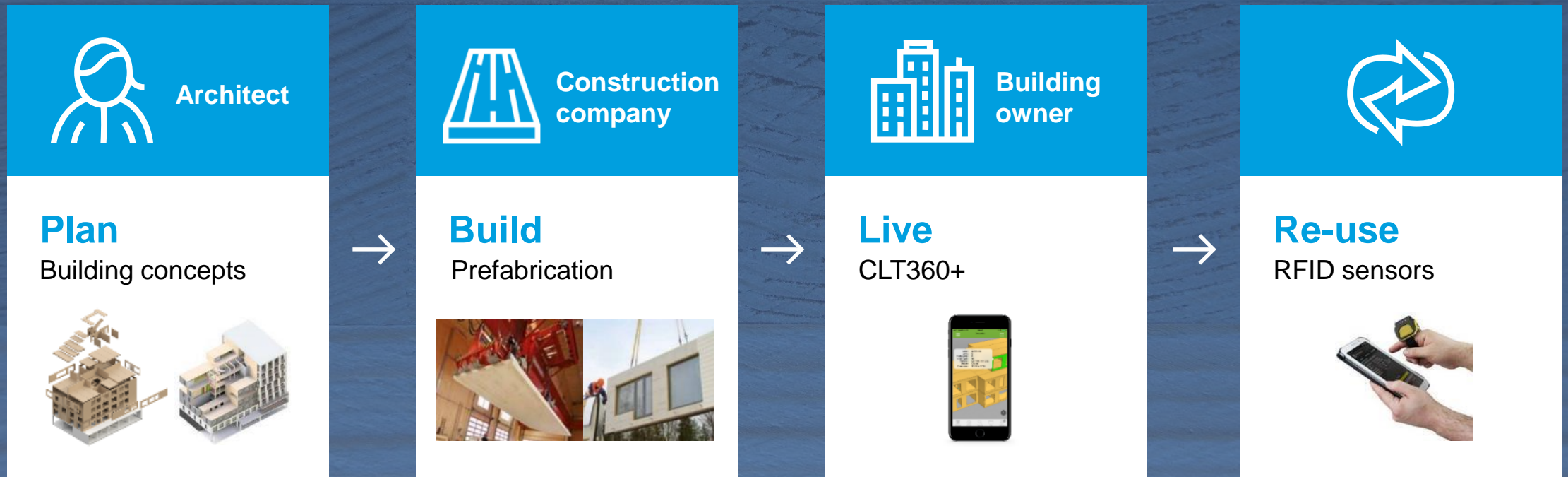
Stora Enso Cross Laminated Timber (CLT) capacity (k m³)



Stora Enso global CLT market share in 2020



Capturing a larger share of the value chain

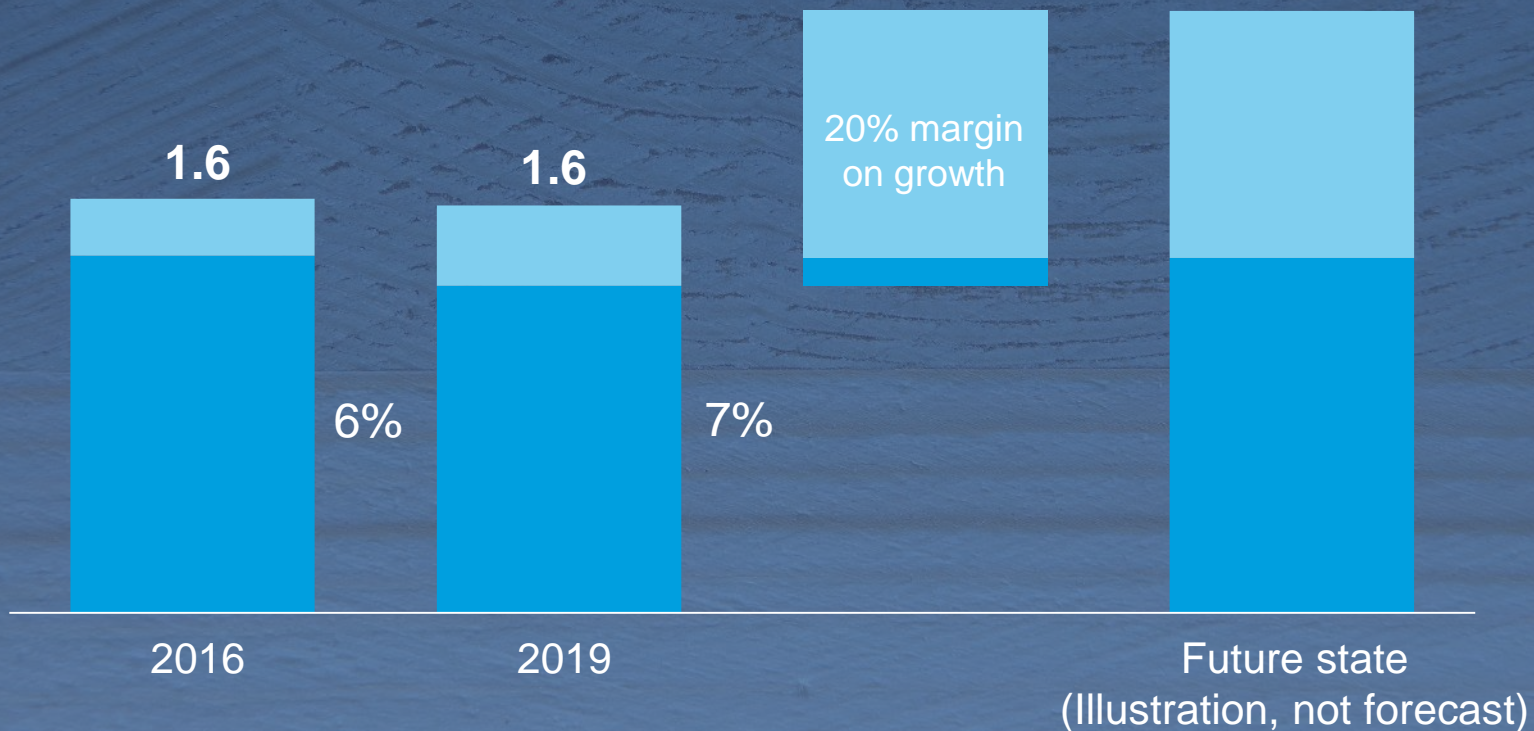




Ambition to triple sales from Building Solutions

Wood Products' sales split and operational EBIT margin

- Traditional wood products
- Building Solutions



Biomaterials

- Integrated pulp producer with cost efficient stand alone assets
- Innovations to replace fossil-based products



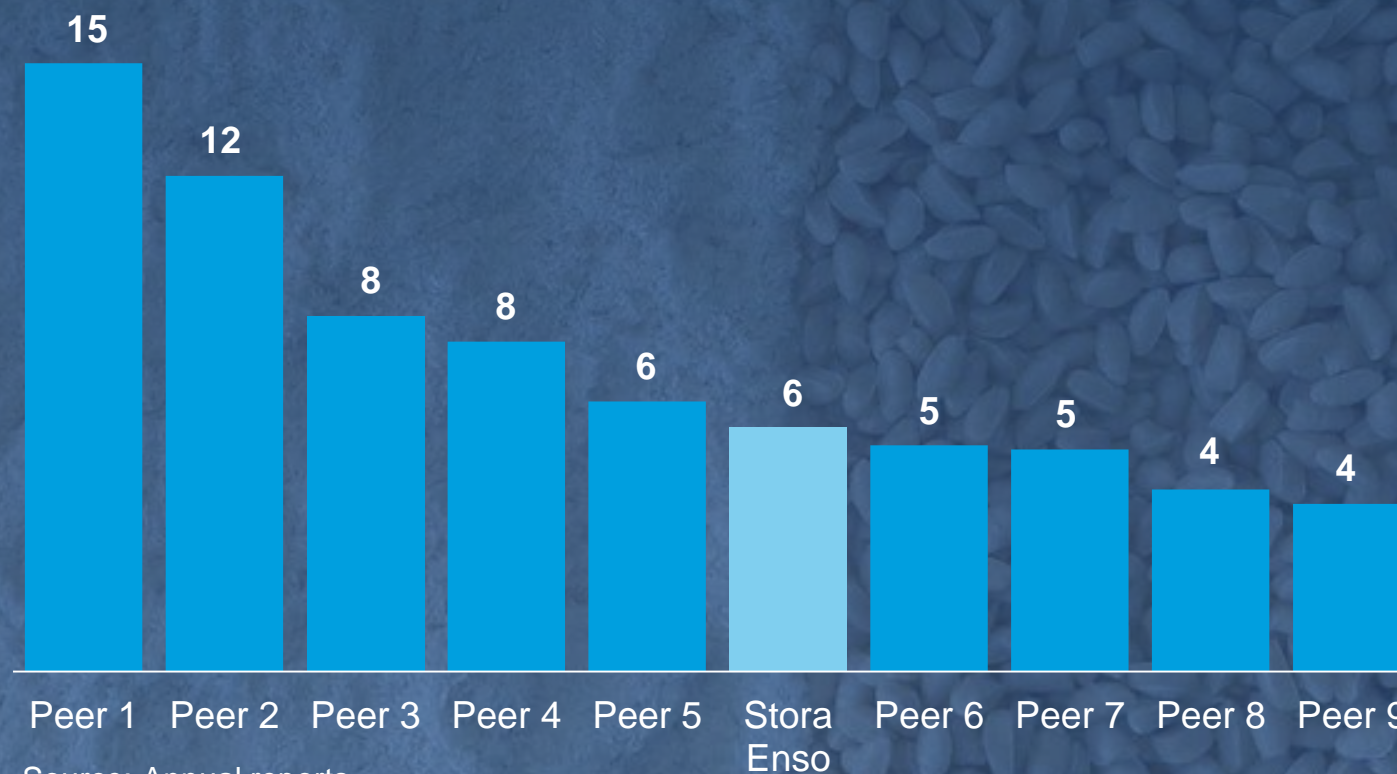
Integrated producer with cost efficient stand alone assets

One of the top 10 largest chemical pulp producer globally

60% of all our pulp is used internally

A leading market pulp producer with the broadest portfolio in the industry

Top 10 chemical pulp producers globally and their capacity (million t)



Source: Annual reports

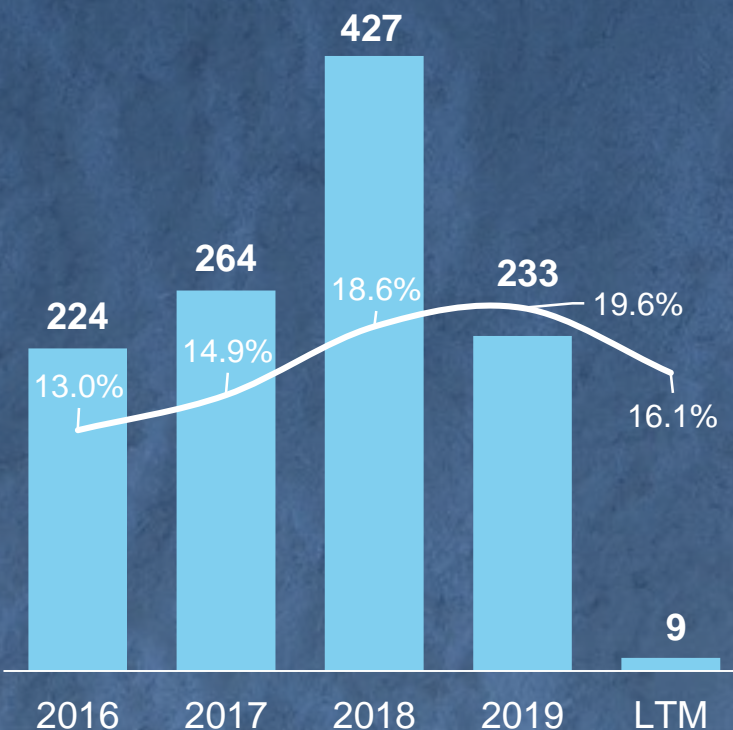


Attractive margins and returns over the cycle

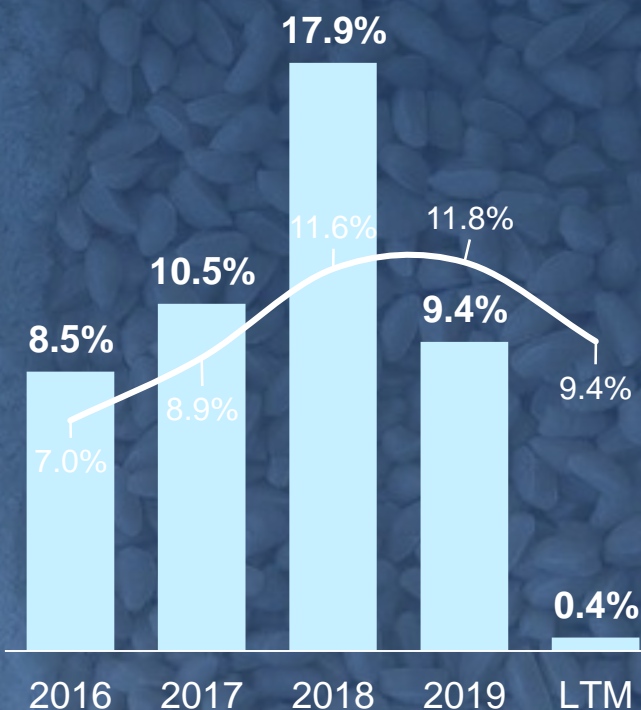
Biomaterials sales
MEUR



Biomaterials operational EBIT
— % rolling 5 year average margin



Biomaterials operational ROOC
— rolling 5 year average



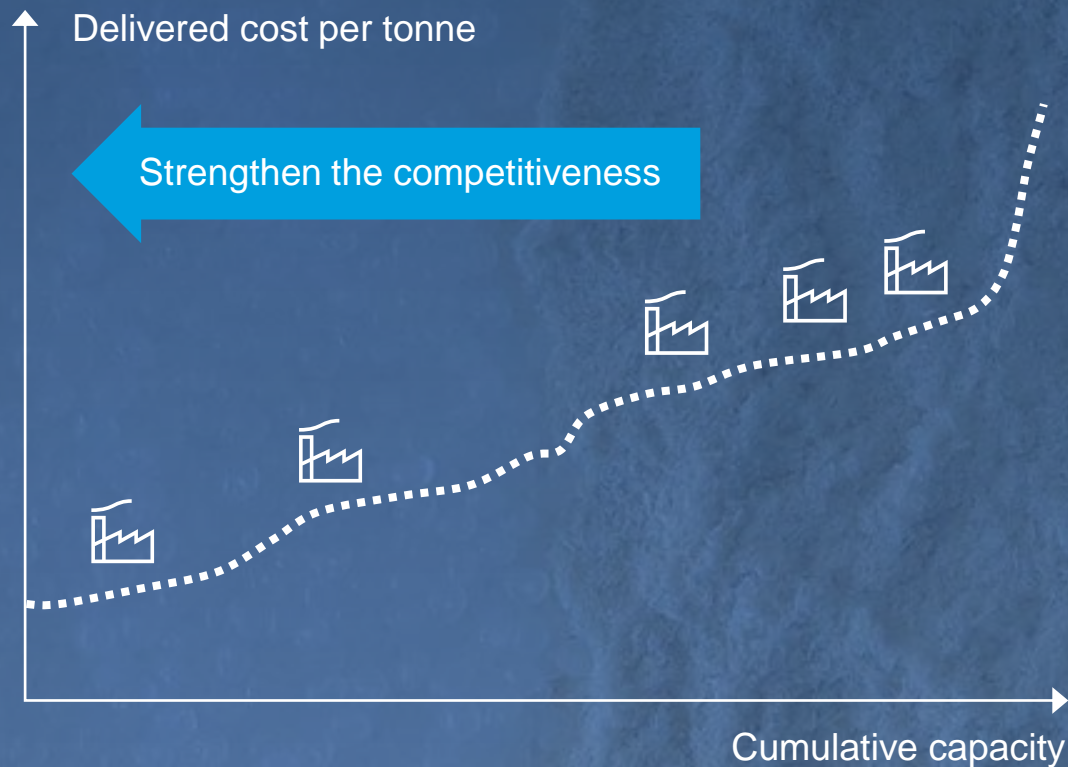
LTM = Q4/19 - Q3/20

Strategic choices for Biomaterials

- Focus on strengthening competitiveness
- New biomaterials are a highly attractive innovation platform

Focus on strengthening competitiveness

Delivered cost – Standard market pulp



- Market pulp not a focus area for growth
- Investments in integrated pulp to support Packaging Materials
- Maintain cost competitiveness of the Eucalyptus mills
- Focus on specialty pulp product development in Nordic mills

Meeting consumer demand for eco-friendly and circular solutions

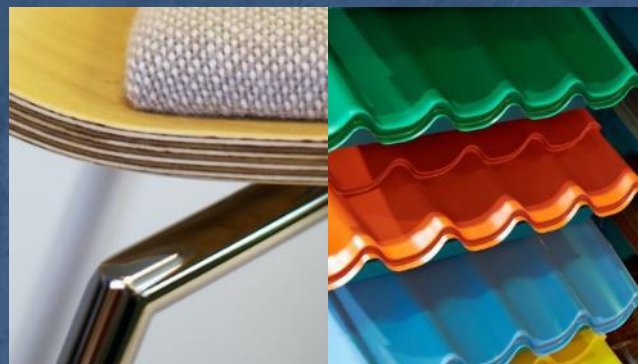
New biomaterials are a highly attractive innovation platform



Carbon for energy storage



Bio-binders



Carbon fibers



Market growth
(CAGR 2020 - 2030)

30%

2 - 4%

8 - 10%

Total market size
(BEUR, 2020e)

10

20

3

EBIT margin
potential

35%

35%

35%

Pilot plant in Sunila

1st production line in Sunila

Pilot ongoing in JD with Cordenka



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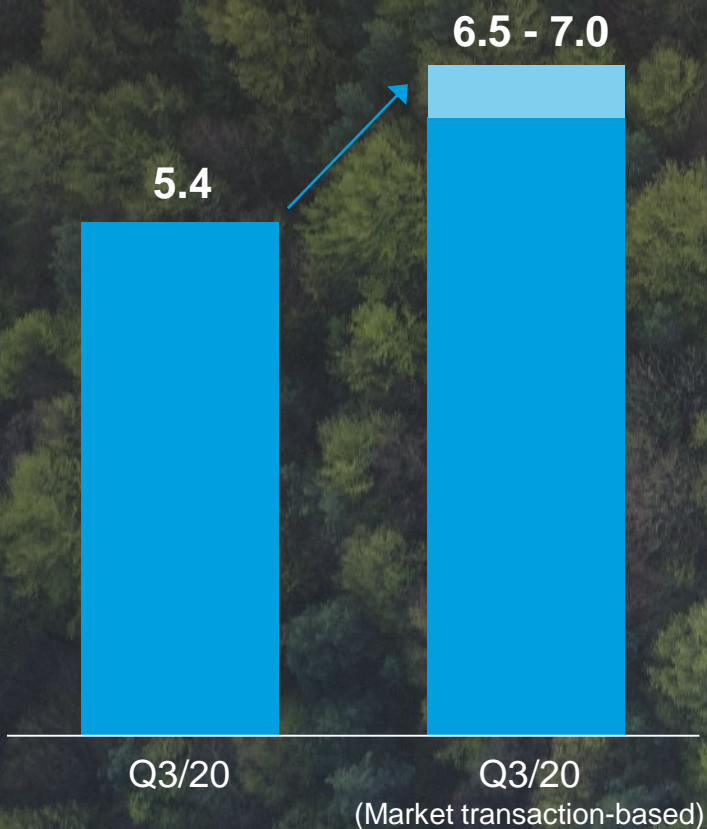
Forest

- One of the largest private forest owners globally
- Strong sourcing position securing raw material supply



Forest assets fair value increase to 6.5 - 7.0 BEUR

Group forest assets
BEUR



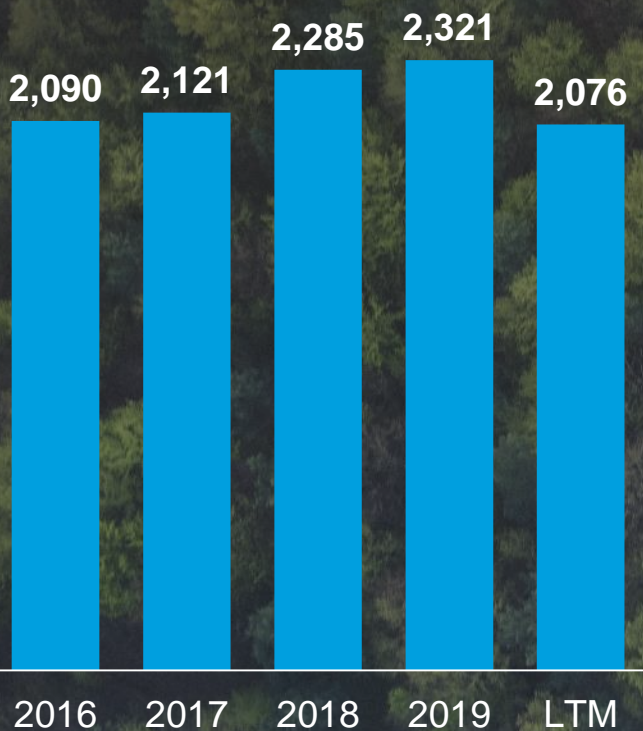
Stora Enso productive forest land areas at end of 2019



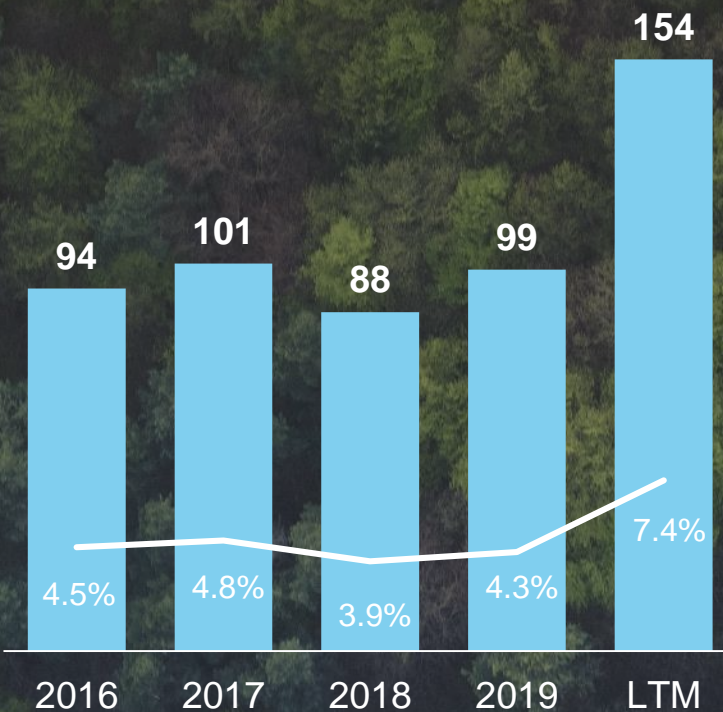


Stable financial returns

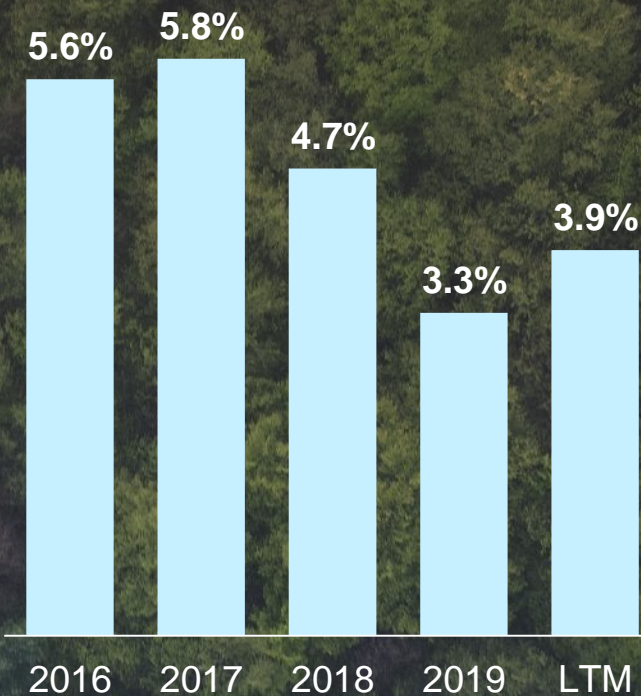
Forest sales
MEUR



Forest operational EBIT
MEUR, % margin



Forest operational ROOC



LTM = Q4/19 - Q3/20. Historical figures for 2016 - 2017 not fully comparable due to restatement.



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Strategic choices for Forest

- The leader in sustainable forest management
- Innovation to increase forest growth

Meeting consumer demand for eco-friendly and circular solutions

The leader in sustainable forest management



Biodiversity
Preserving local biodiversity and culture



Climate benefits
Capturing CO₂ from the atmosphere

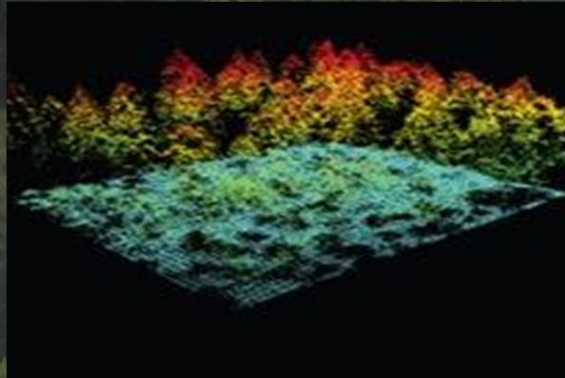


Land use
Safeguard ecosystems while optimising social benefits from efficient land use



Community
Maintain prosperity of communities close to our operations

Innovation to increase forest growth



Precision forestry and digitalisation

Accurate and timely operations and efficient use of digital opportunities



Tree breeding and biotechnology

Increased yield, disease resistance, and improved wood properties



Sustainability and biodiversity

Best in class forestry practices and holistic biodiversity measurements

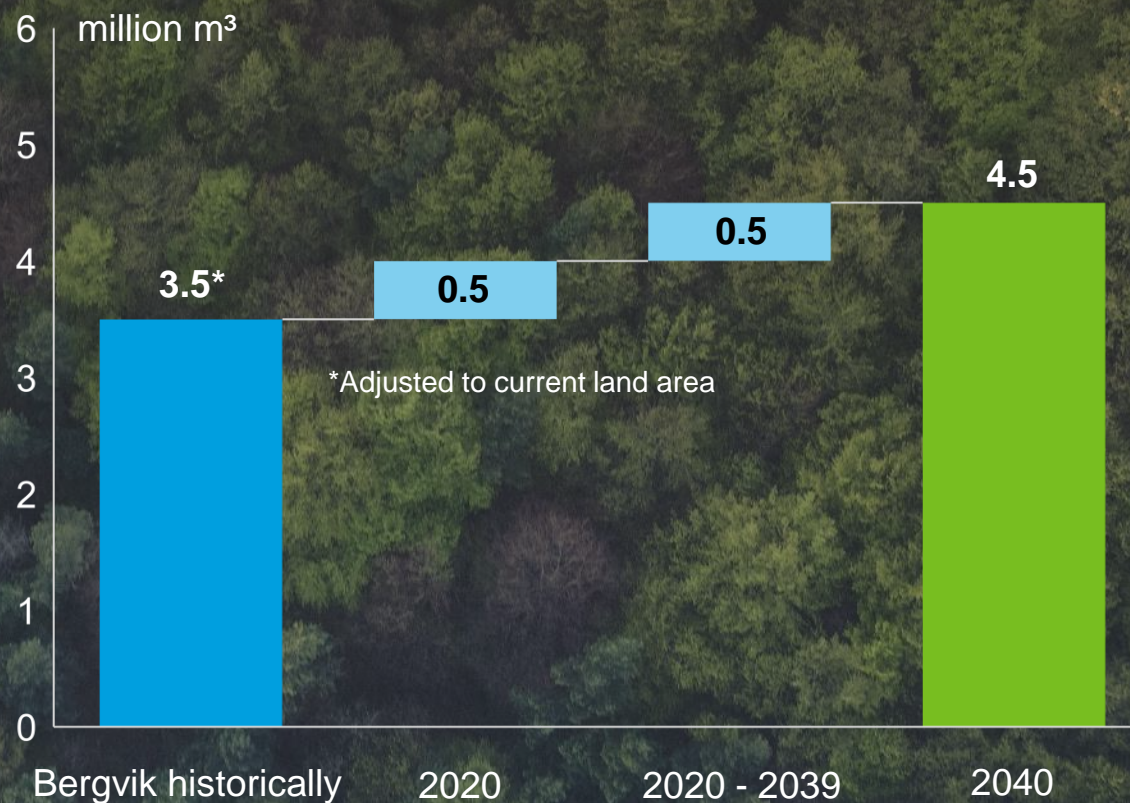


Target to increase sustainable harvesting by 10 - 15% in Sweden

Innovation and forest management driving higher harvesting

Target to increase standing stock

Long-term harvesting plan in Sweden for 2020 - 2040 (m³ solid under bark)





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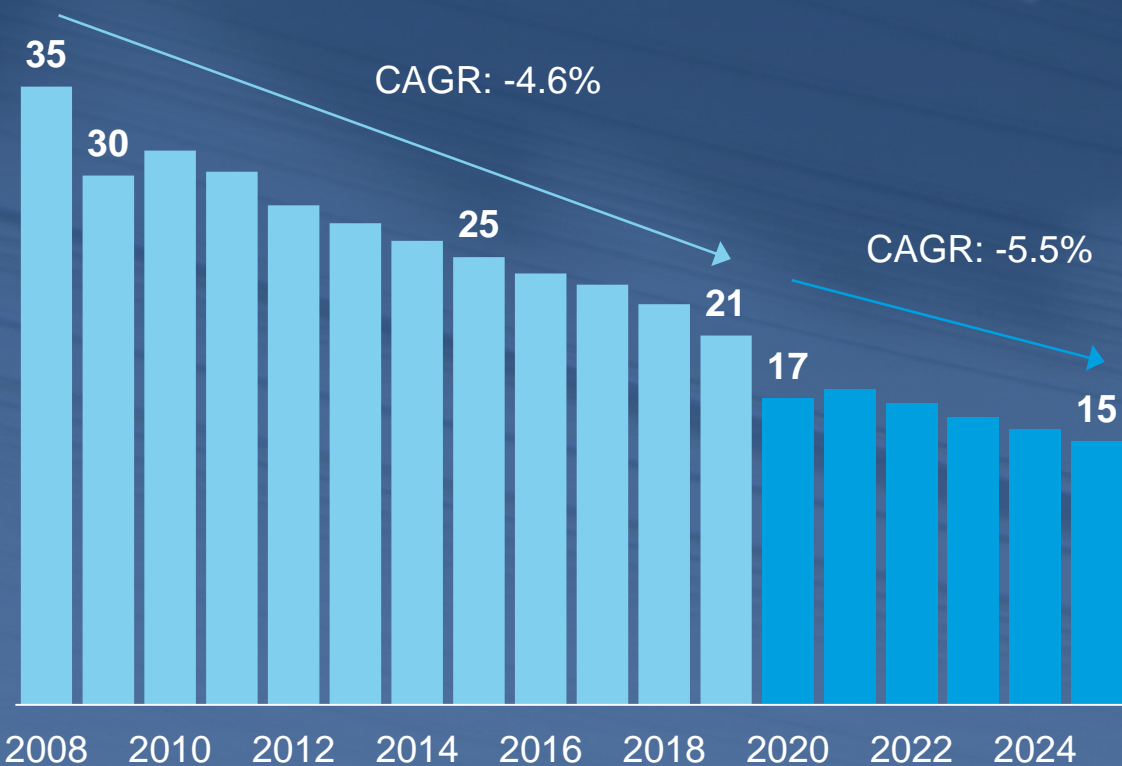
Paper

- Cash flow generator to fund our growth
- Adopting to structurally declining markets

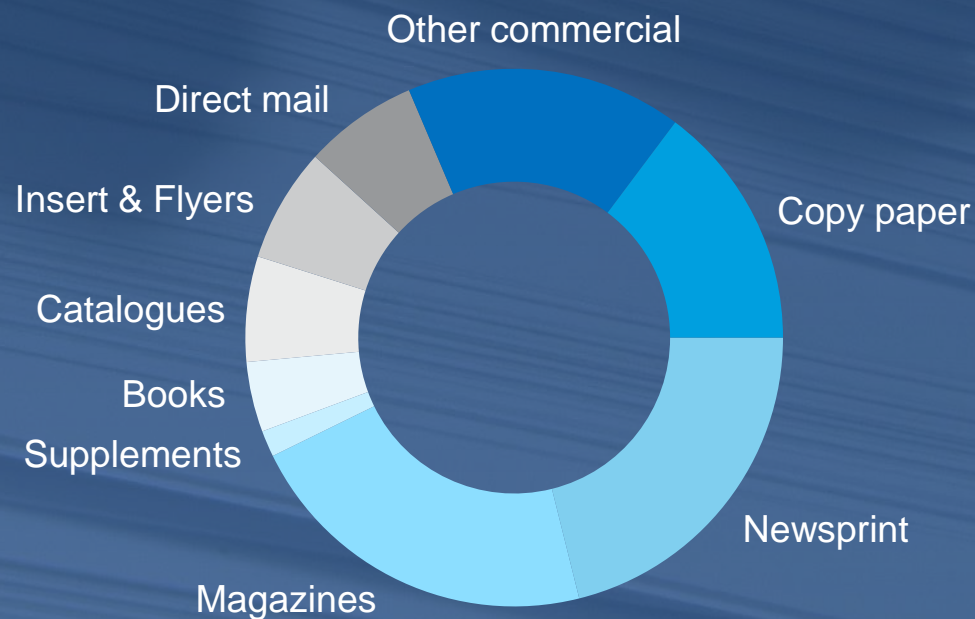


Structural paper demand decline continues

European paper (Excl. wood free coated) demand (million t)



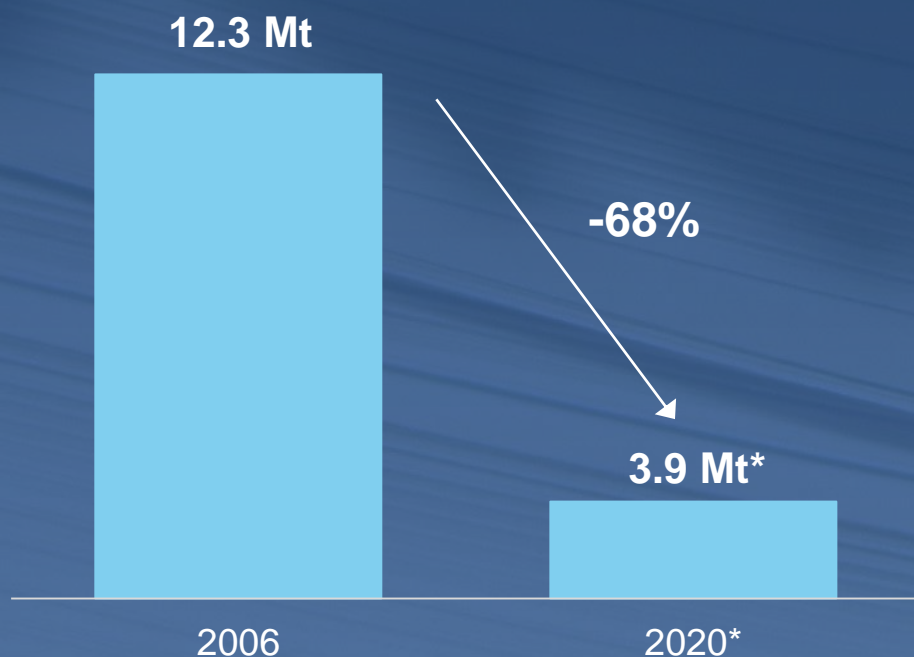
European paper demand by end use





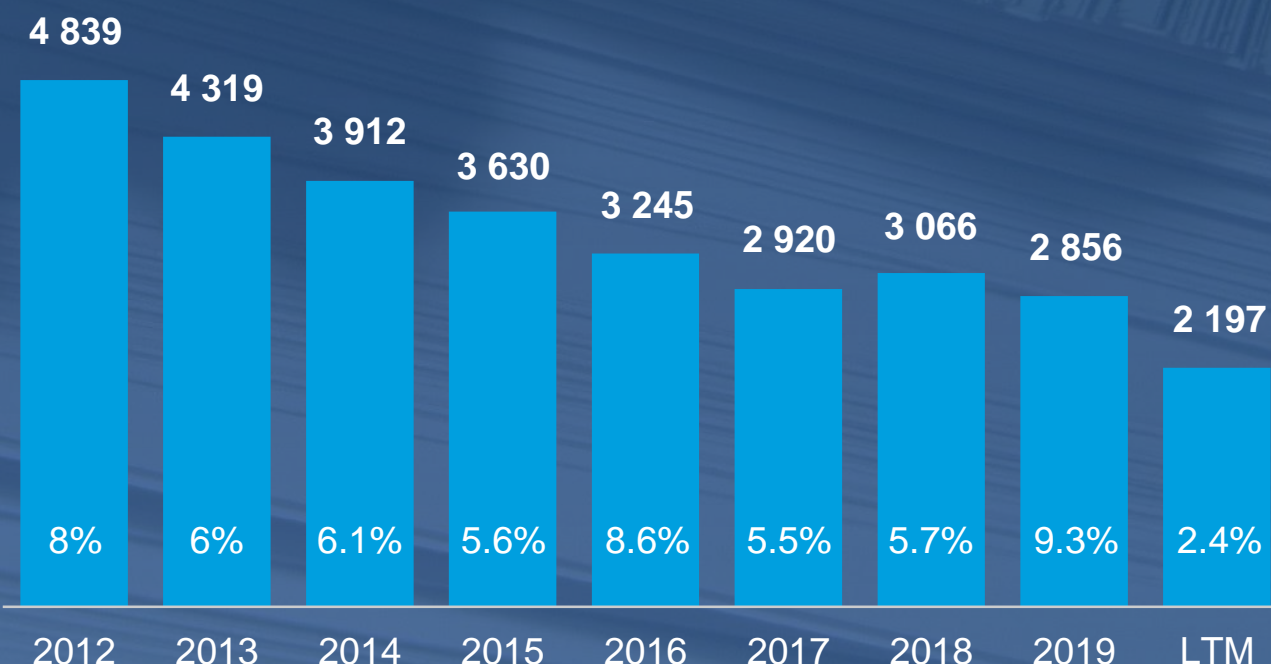
Successful cash management despite sales decline

Stora Enso paper capacity (kt)



*After Oulu mill (810 000 tonnes) conversion and Hylte PM3 (235 000 tonnes) closure by the end of 2020

Paper division sales and cash flow after investing activities to sales % MEUR



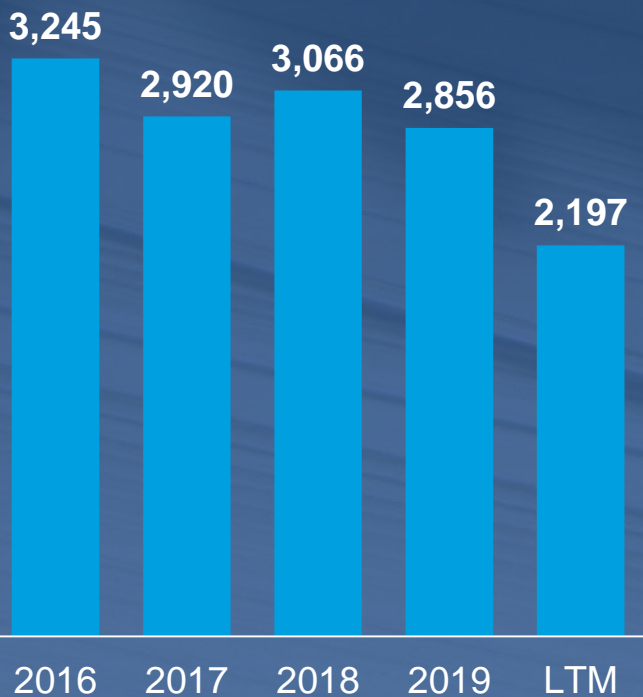
■ Sales (%) Cash flow after investing activities

LTM = Q4/19 - Q3/20

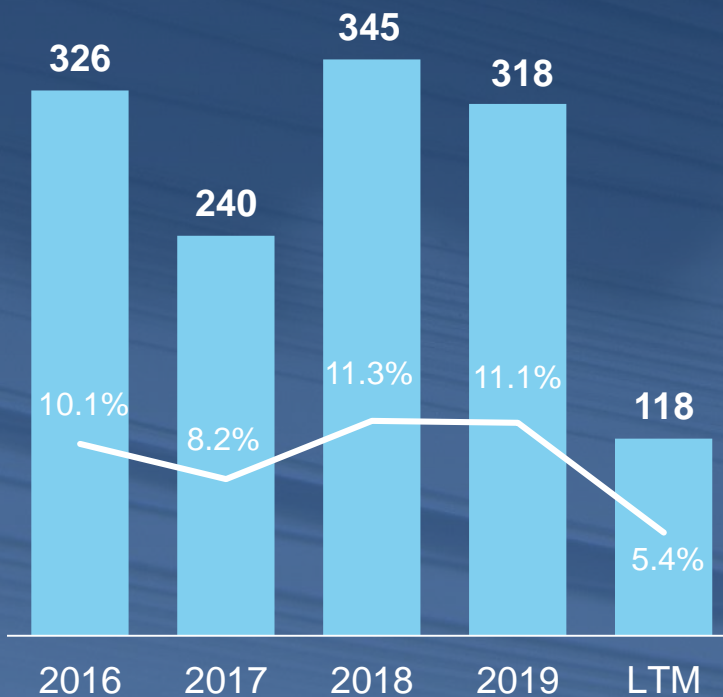


Focus on cash flow

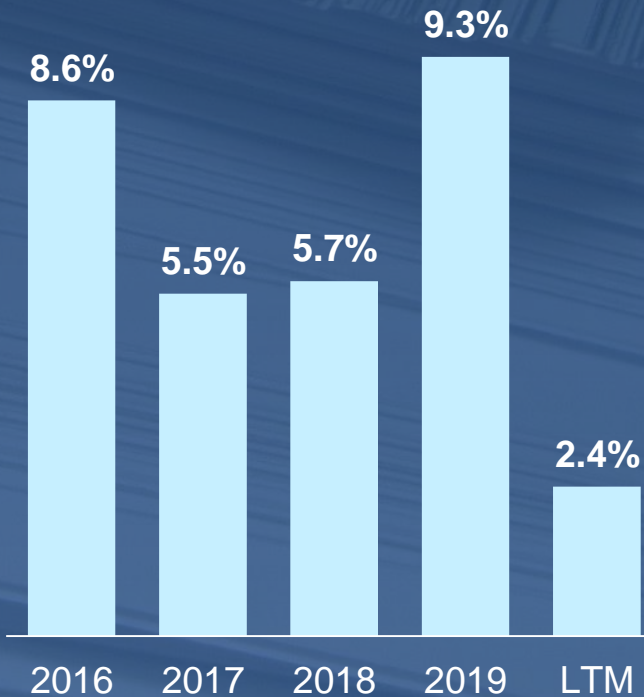
Paper sales
MEUR



Paper operational EBITDA
MEUR, % margin



Paper cash flow after investing activities to sales



LTM = Q4/19 - Q3/20

Strategic choices for Paper

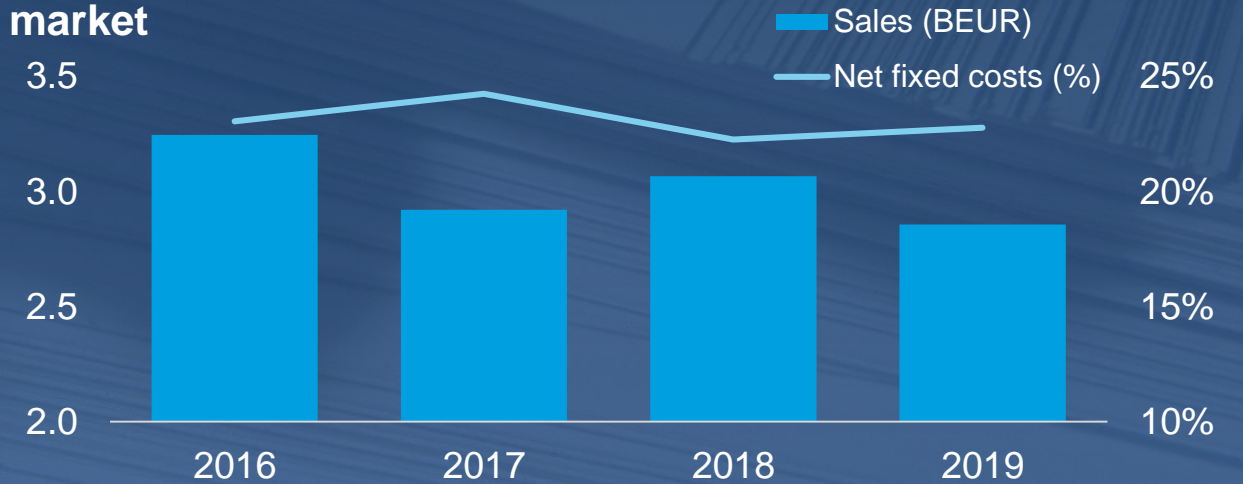
- Strong cash generation through cost reductions and active capacity management
- Higher operational independence to adapt to challenging market conditions



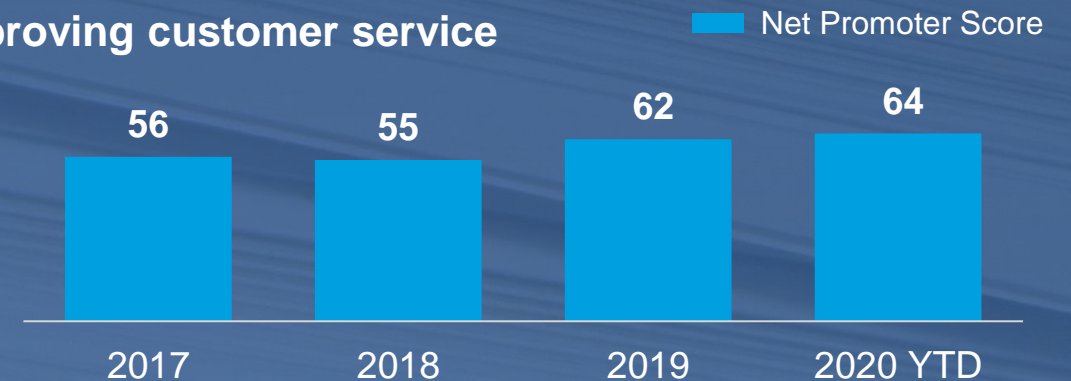
Strong cash generation through cost reductions and capacity management

- Focus on cost reductions and working capital
- Capacity management through conversions, closures and divestitures
- Active asset management since 2006
 - 17 machine and four mill closures
 - Two mill site conversions
 - 13 mill divestments
- Strong commitment to customer service

Managing costs in a declining market



Improving customer service



Meeting consumer demand for eco-friendly and circular solutions

Higher operational independence to adapt to challenging market conditions



Increased focus on the particular needs of the Paper business

Fit-for-purpose processes and tools

Allowing scalability of costs



Value creating capital allocation, supported by strengthening balance sheet

CFO Seppo Parvi



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Value creating capital allocation, supported by strengthening balance sheet

- Forest fair value increases
- Focus on cash flow
- Selective capital allocation
- Revised long-term financial targets



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Forest fair value increases



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Why change forest assets fair valuation method now?

Importance of forests increased as a valuation driver

- Forests are a significant part of our balance sheet
- Significant difference between the market values and balance sheet values
- Market practice for forest valuation changing in the Nordics

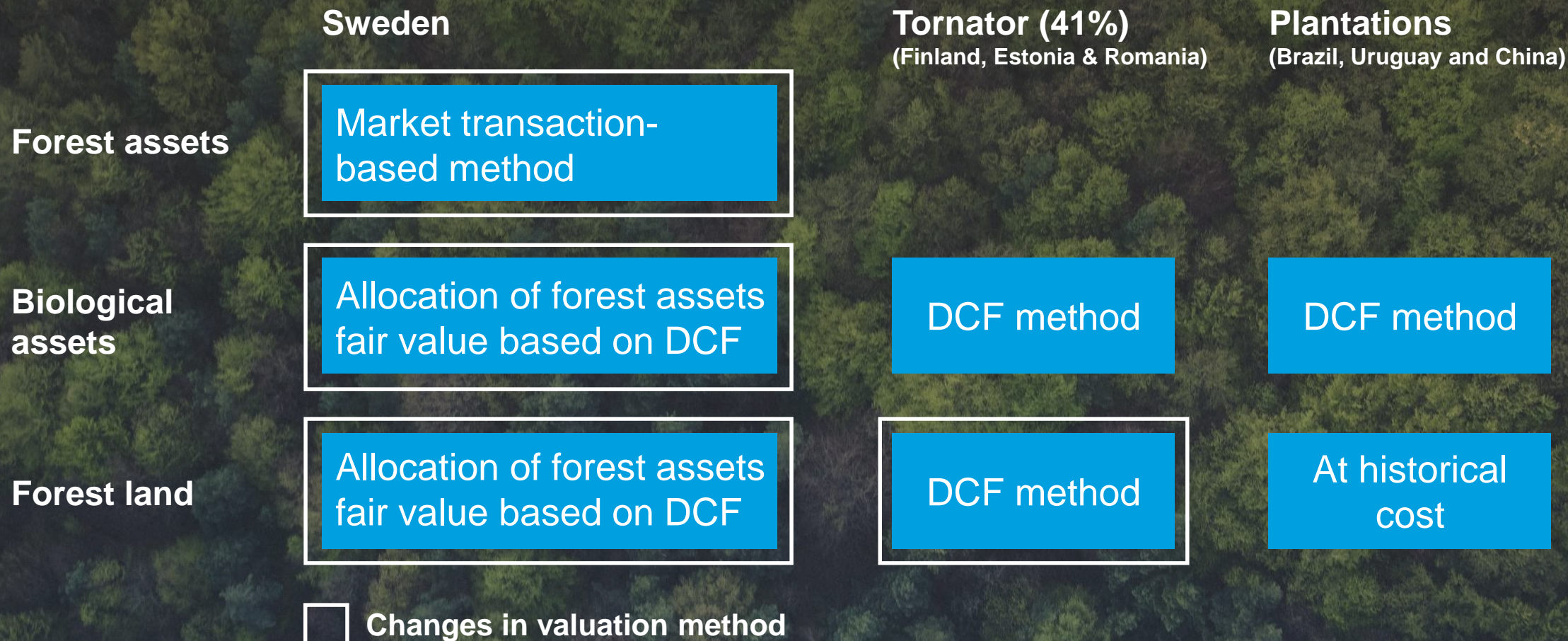
As of Q4/2020, forest assets value will be based on market transactions

- Applies to Nordic forest assets
- Plantation valuation not changed due to lack of sufficient market transaction data and shorter harvesting cycles (6 - 12 years vs 60 - 100 years)



Changes in the forest valuation methodology

Starting at year end 2020



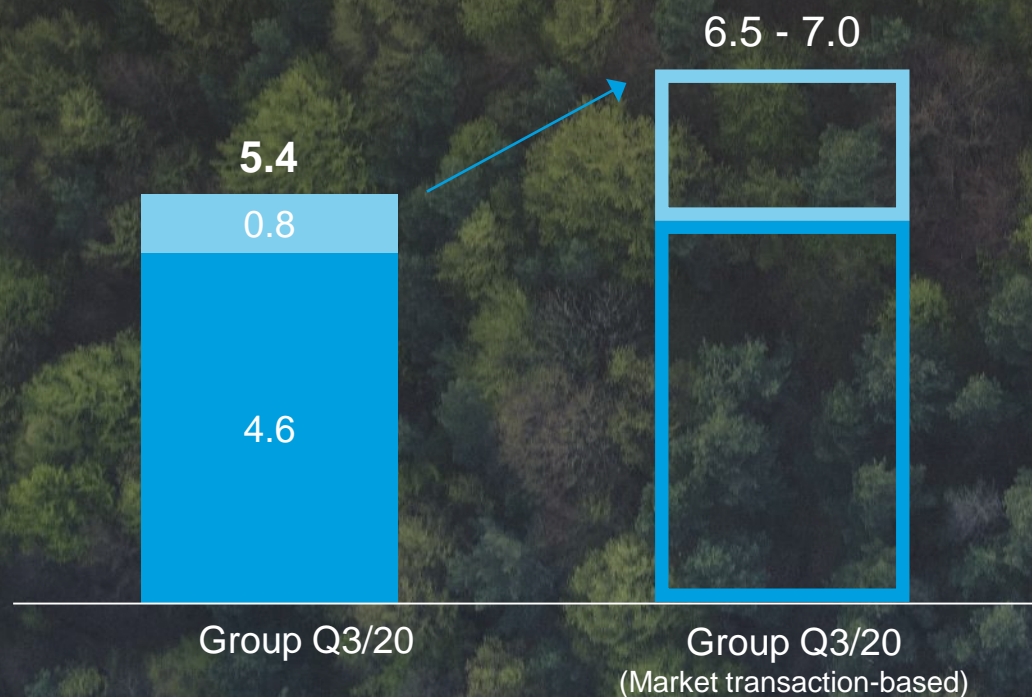


Increasing forest fair value to 6.5 - 7.0 BEUR

Group forest assets

BEUR

■ Biological assets ■ Forest land



Market transaction-based valuation method in Sweden

- Market transactions in the Stora Enso forest regions
- Standing stock and price data of the traded forest
- Average prices per region from Ludvig & Co statistics

Land revaluation in Finland

- Impact not material



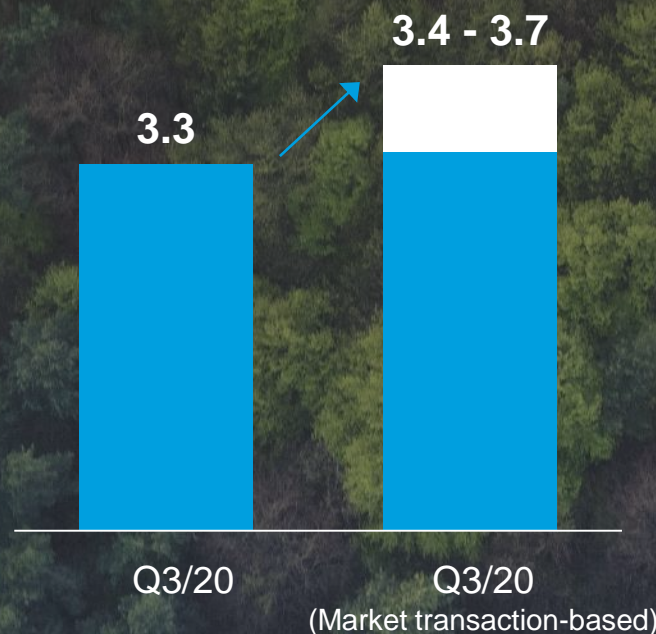
Forest asset valuation method change – significant forest land value increase in Sweden

Preliminary market transaction-based price per hectare range is EUR 4 190 - 4 620

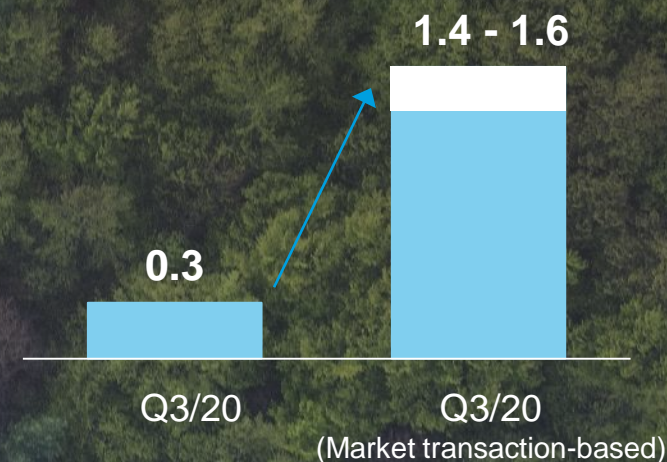
Forest assets market transaction-based valuation range 4.8 - 5.3 BEUR

With standing stock of ~143 million (m³fo), price per m³fo range is EUR 34 - 37

Biological assets in Sweden
BEUR



Forest land in Sweden
BEUR



Stora Enso's productive forest land in Sweden was 1 145 000 hectares at the end of Q3/2020

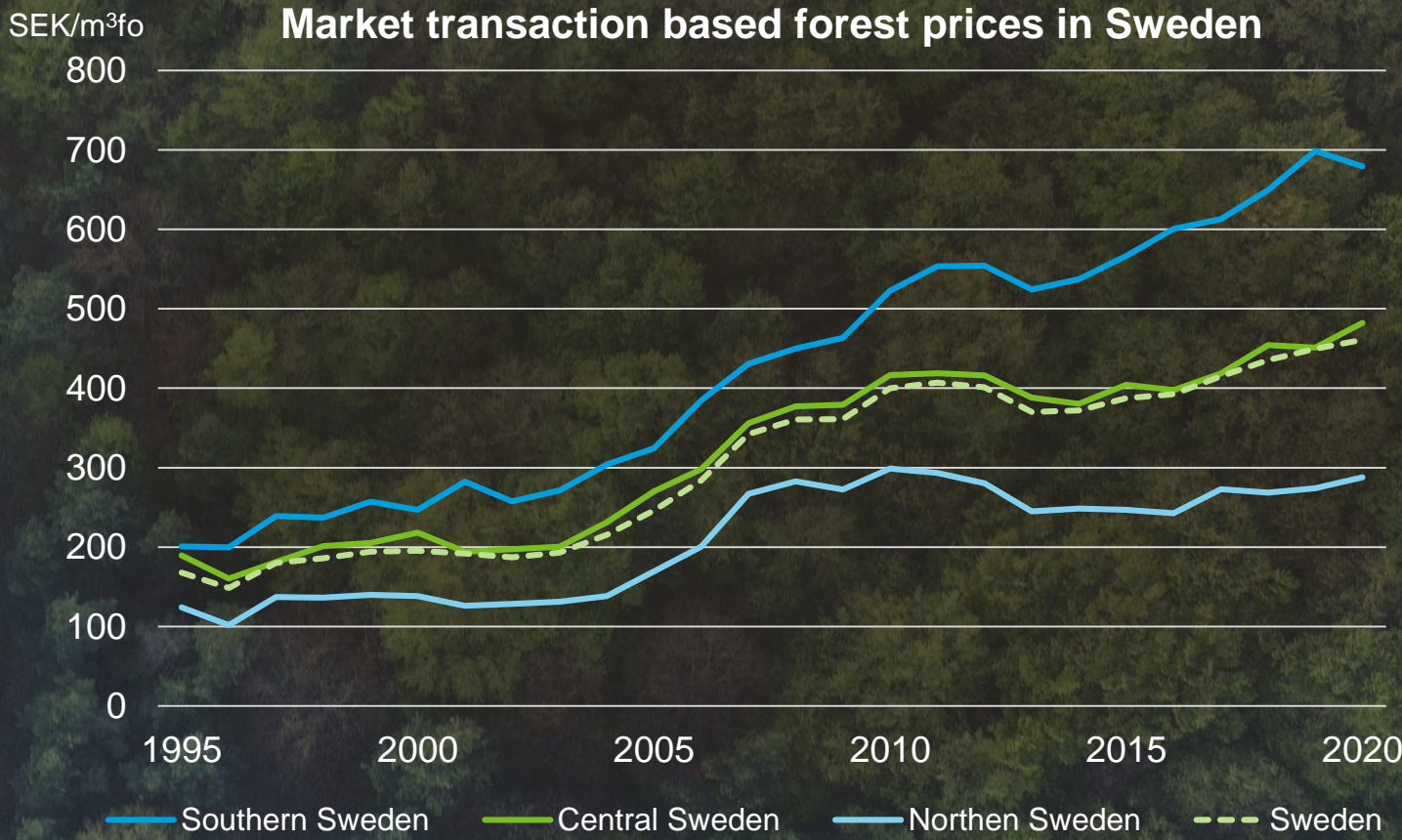


Stora Enso forests are mainly in Central Sweden

Price changes per region in 1-6/2020 (y-o-y): Central +6.9%, Northern +5.1%, Southern -2.7%

Large differences between regional transaction prices

Stora Enso's forest asset in Sweden: 83% Central, 17% Northern



Source: Ludvig & Co Half-year report 2020 **LUDVIG & CO**



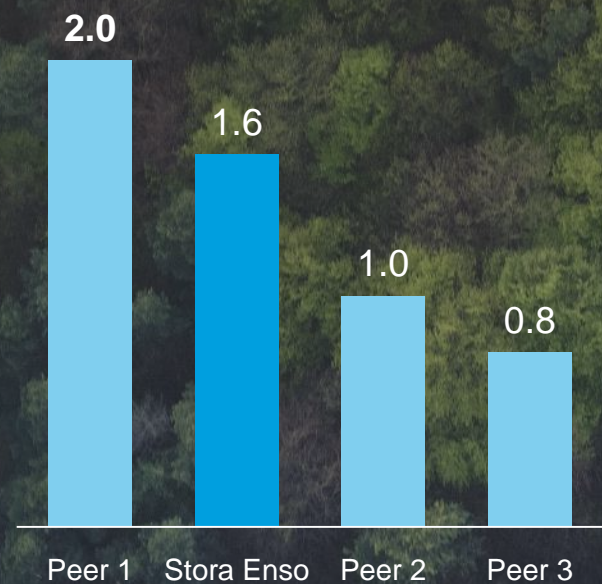
Large private forest owner with more than two million hectares of forests

> 2 million ha of forest land and 1.6 million ha productive forest land

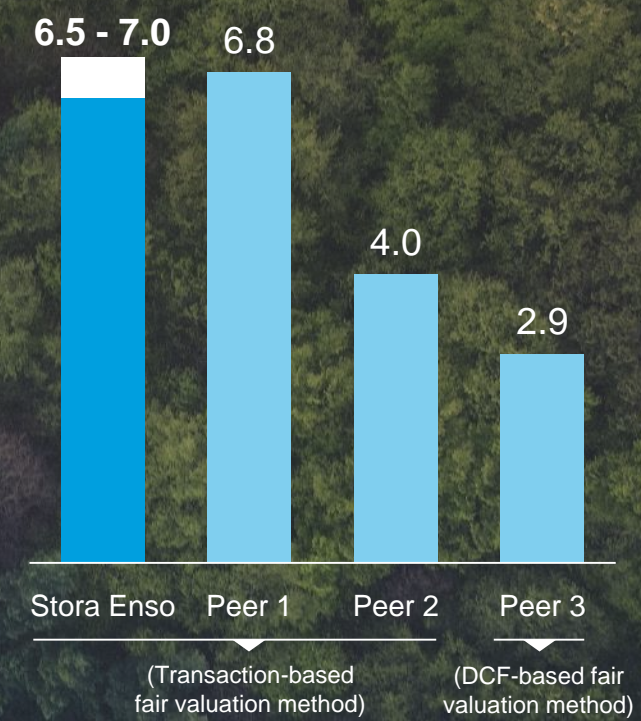
~192 million m³ standing stock*

10.8 million m³* in annual growth (Exceeding harvesting levels with > 1 million m³*)

Nordic companies' productive forest land at end of 2019
Million hectares



Nordic companies' forest assets fair valuations
BEUR



*Productive forest land



Stora Enso's global forest assets – significant share of the balance sheet

All figures total forest assets including biological assets and forest land

Our forests absorb annually 3 Mt CO₂

98% certified wood from own forests

Sweden
4.8–5.3 BEUR
(Market transaction-based range)

Tornator (41%)
803 MEUR
(DCF) (Q3/20)

Montes del Plata (50%)
425 MEUR
(DCF) (Q3/20)

Veracel (50%)
87 MEUR
(DCF) (Q3/20)

Guangxi
375 MEUR
(DCF) (Q3/20)



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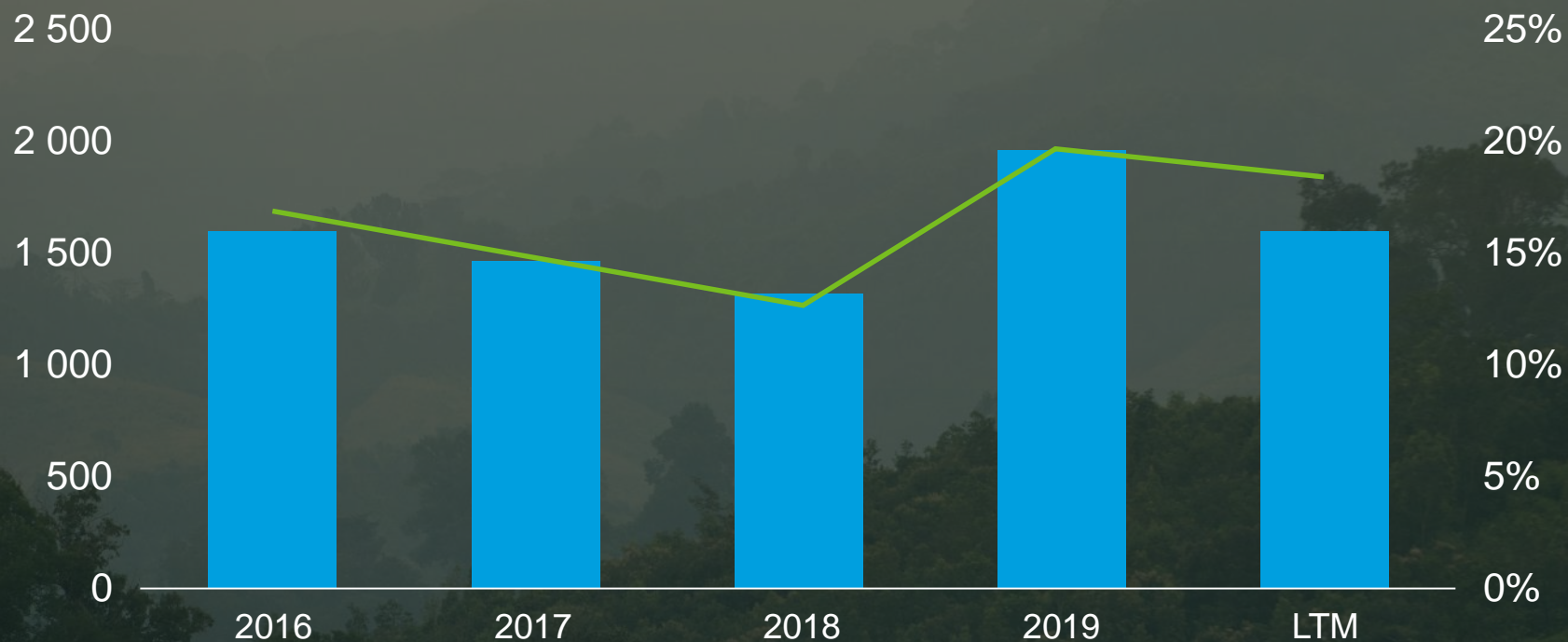
Focus on cash flow



Strong cash flow despite lower profitability in 2020

Cash flow from operations

■ Cash flow from operations, MEUR — Cash flow to sales



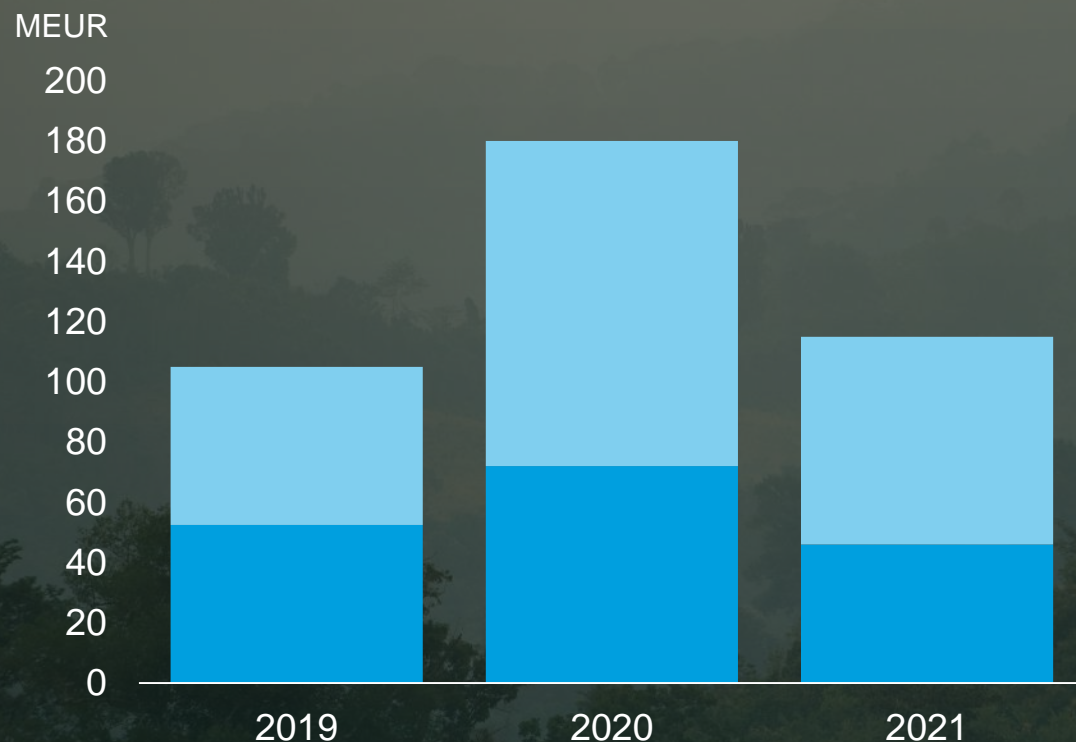
LTM = Q4/19 - Q3/20



Further intensified profit protection programme and working capital management due to Covid-19

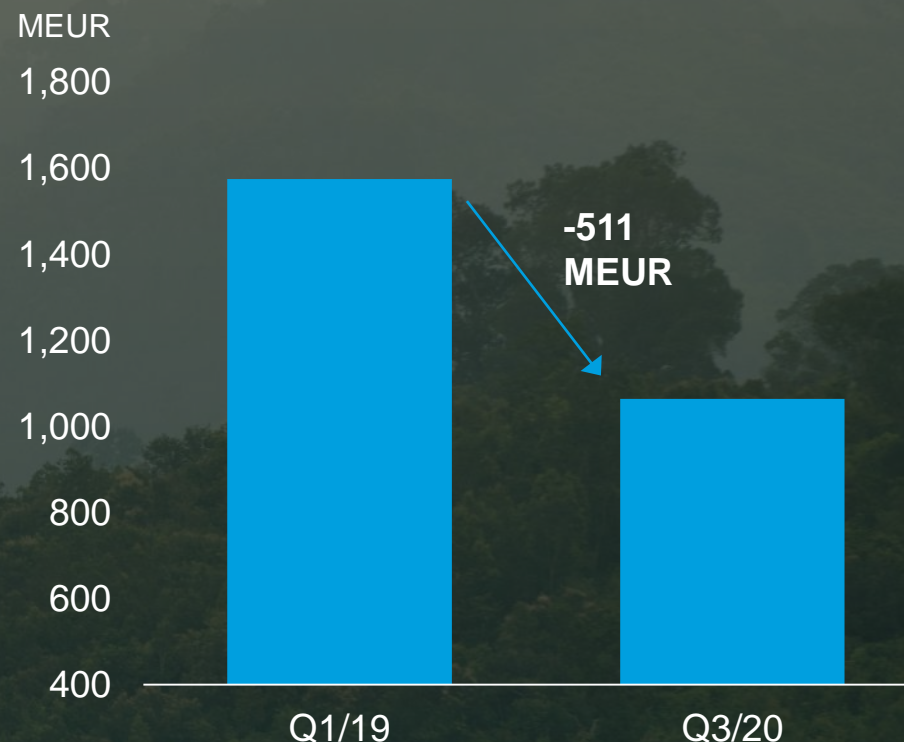
Group continuous annual savings

■ Fixed costs ■ Variable costs



Operative working capital

■ Operating working capital (period end)





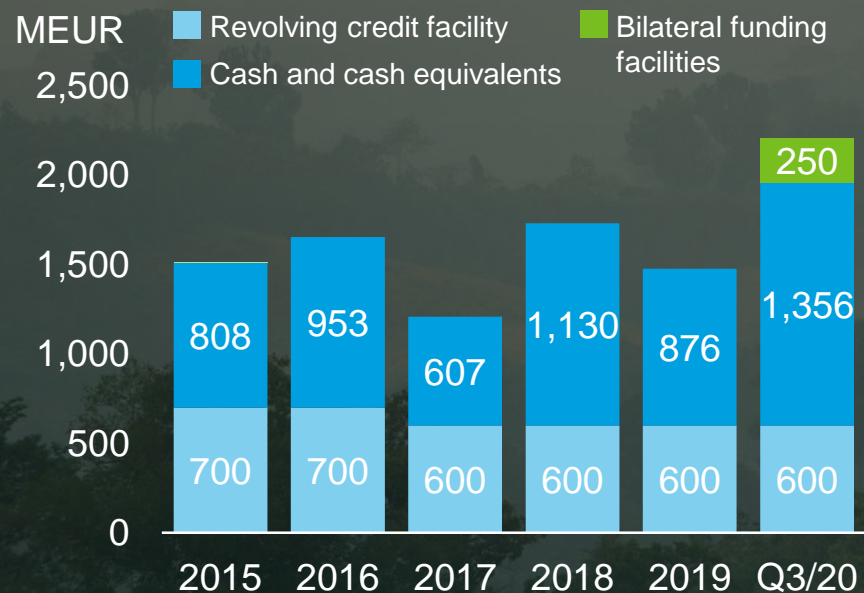
Continued focus on liquidity

Strong liquidity at 2.2 BEUR

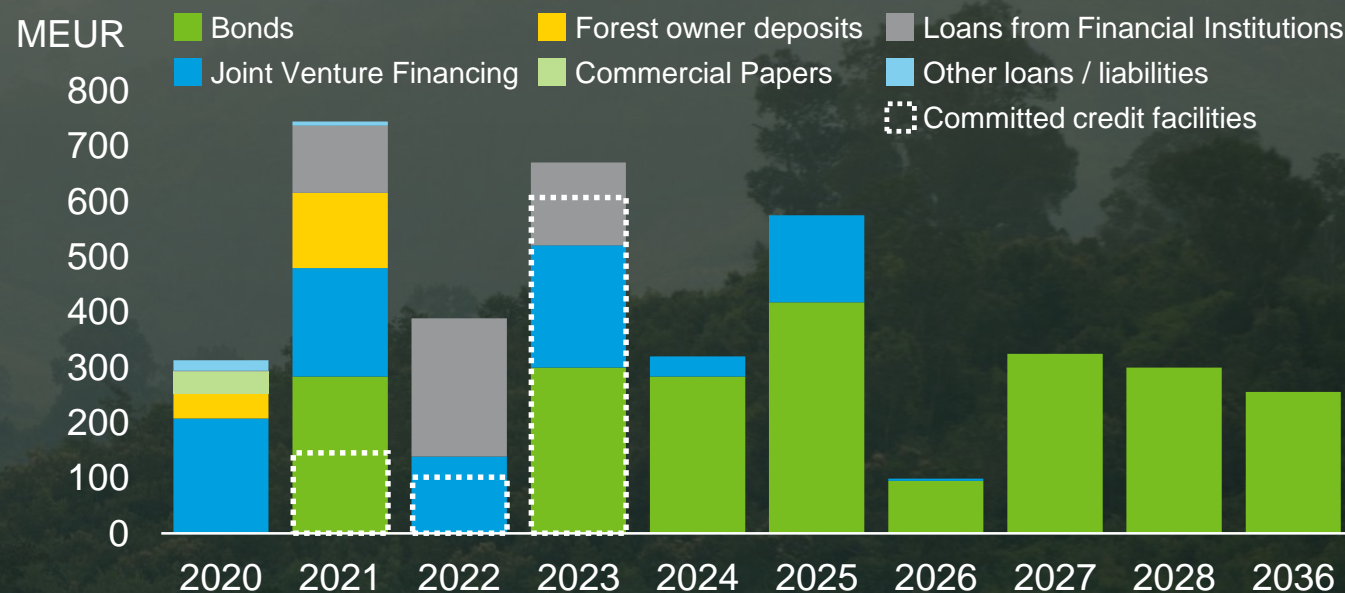
Taking opportunity of the long-term bond market to prolong maturity structure

No financial covenants on Stora Enso Oyj's debt

Liquidity



Maturity profile



Committed credit facilities are fully undrawn and mature in October 2021 (150 MEUR), June 2022 (100 MEUR) and January 2023 (600 MEUR)



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Selective capital allocation

Meeting consumer demand for eco-friendly and circular solutions

Capex allocated to our focus areas for growth



Packaging Materials & Solutions



Wood Products: Building Solutions



Biomaterials: Innovations

Significant growth potential with 20%+ margin
Majority of future company growth

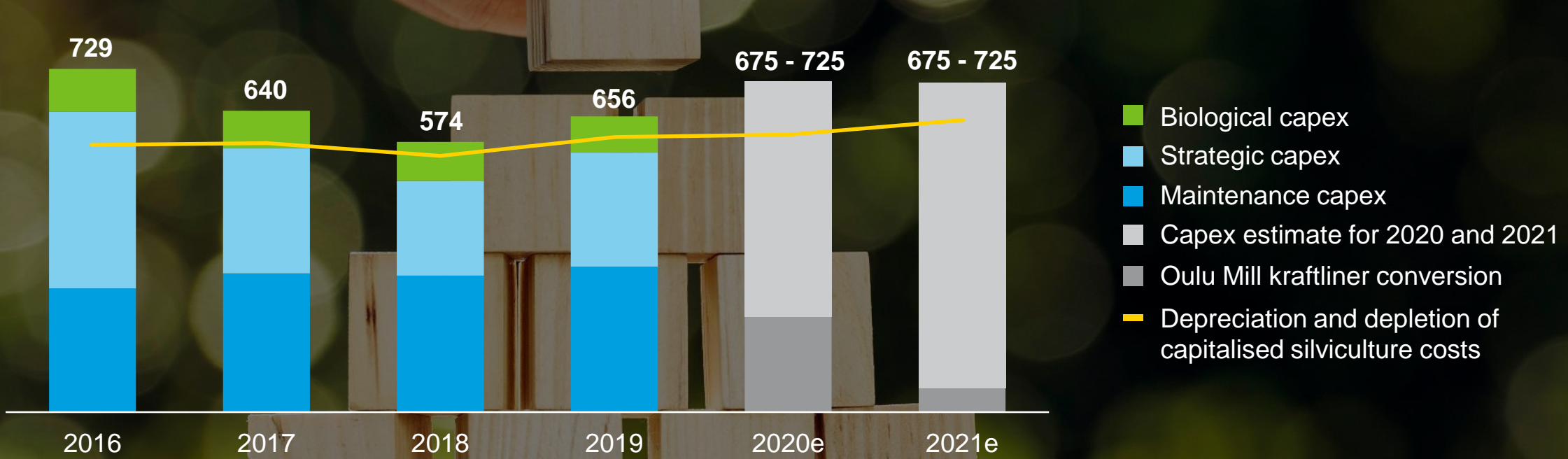
3x sales from Building Solutions with ~20% margin

35%+ margin in novel markets with strong growth



Selective capex to support growth

2021 capex planned on 2020 level
MEUR



Capex include the capitalised leasing contracts according to IFRS 16 Leases standard from 2019 onwards

Meeting consumer demand for eco-friendly and circular solutions

Strong cash flow to support growth and distribution to shareholders



Strong cash flow generation

Allocating capital for sustainable profitable growth

Returning capital to shareholders



Organic growth

CAPEX at or below depreciation over the cycle



M&A

Selective M&A to support packaging growth



Dividends

To distribute 50% of EPS excluding fair valuation over the cycle



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Revised long-term financial targets

Revised long-term financial targets



Group long-term financial targets	New targets	Comparison to current targets
Dividend*	To distribute 50% of EPS excluding fair valuation over the cycle	To distribute 50% of EPS over the cycle
Growth**	> 5% per annum	To grow faster than the relevant market
Net debt to operational EBITDA	< 2.0x	No change
Net debt to equity	< 60%	No change
Operational ROCE excl. Forest	> 13%	<i>> 13%, but including Forest</i>
Divisional long-term financial targets		
Packaging Materials	Operational ROOC > 20%	No change
Packaging Solutions	Operational ROOC > 25%	Operational ROOC > 30%
Biomaterials	Operational ROOC > 15%	No change
Wood Products	Operational ROOC > 20%	No change
Forest	Operational ROCE > 3.5%***	Operational ROOC > 5%
Paper	Cash flow after investing activities to sales > 7%	No change

*Annual dividend **Excl. Paper ***Including deferred tax liabilities



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Value creating capital allocation, supported by strengthening balance sheet

- Forest fair value increases
- Focus on cash flow
- Selective capital allocation
- Revised long-term financial targets

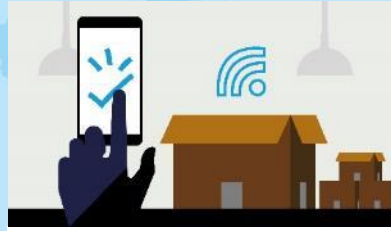
Shaping our business for higher growth and value...



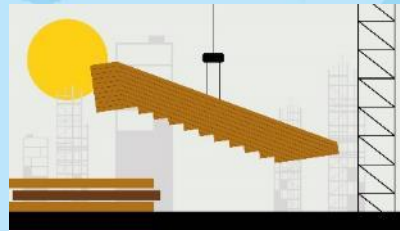
Growth



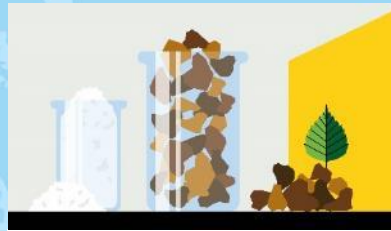
Packaging Materials



Packaging Solutions



Wood Products:
Building Solutions



Biomaterials: Innovations

Foundation



Forest



Wood Products:
Traditional wood products



Biomaterials: Pulp

Cash



Paper

...by focusing on our three leading positions



Packaging Materials & Solutions



Wood Products: Building Solutions



Biomaterials: Innovations

**Significant growth potential with
20%+ margin
Majority of future company growth**

**3x sales from Building Solutions with
~20% margin**

**35%+ margin in novel markets with
strong growth**

Meeting consumer demand for eco-friendly and circular solutions



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