Financial results for Q1 2020
Strengthening our resilience for the headwinds

Investor presentation

22 April 2020
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.

22 April 2020
Stora Enso
Better than expected quarter, supported by Packaging Materials and Forest
Q1 2020 year-on-year

• Sales decreased by 16% to 2 207 (2 635) MEUR

• Operational EBIT decreased to 180 (335) MEUR

• The profit protection programme savings target has been increased to 350 MEUR (275 MEUR) by end of 2021

• Cash flow from operations amounted to 146 (223) MEUR Cash flow after investing activities was -32 (94) MEUR

• Net debt to operational EBITDA at 2.3x (1.6x) above the target level of <2.0x

• Operational ROCE at 6.8% (14.5%), below the strategic target of 13%
  - Operational ROCE excluding Forest division was 7.6% (16.7%)

• New dividend proposal EUR 0.15 per share. In addition, the Board of Directors (BOD) proposes to the AGM that the BOD be authorised to decide at its discretion on a dividend payment of a maximum of up to EUR 0.35 per share to be distributed in one or several instalments at a later stage when it is possible to make a more reliable estimate on the impacts of the Covid-19 pandemic on Stora Enso’s business and liquidity.

22 April 2020
Stora Enso
Fighting Covid-19 by strengthening our resilience

• Health and safety of our employees is a key priority

• Early proactive measures
  − Minimised impact on running our operations
  − Secured our ability to serve our customers
  − Active management of cash, cost and working capital
  − CAPEX forecast reduced to 675–725 MEUR
  − Postponed the annual mill maintenance shutdowns to the second half of 2020 (except for Heinola Mill, Q2 2020)
  − Preparation for temporary layoffs started
  − Securing liquidity

• Difficult to predict demand for the rest of the year due to macroeconomic uncertainties
  − Accelerated structural demand decline for paper
  − Mixed conditions for other divisions depending on end use
  − Forest division adapts operations to match wood demand
Increased profit protection programme to 350 MEUR continuous and 85 MEUR one-time savings

30 MEUR continuous and 10 MEUR one-time savings in Q1

Group continuous annual savings

Continuous savings per division

- Packaging Materials
- Packaging Solutions
- Biomaterials
- Wood Products
- Forest
- Paper
- Other

- Fixed costs
- Variable costs

Stora Enso
Strong liquidity and good access to funding sources

- Actions to secure liquidity:
  - 756 MEUR cash and cash equivalents at the end of Q1 2020
  - 600 MEUR committed revolving credit facility fully undrawn
  - 400 MEUR additional funding facilities through bilateral arrangements agreed and signed early April
  - 950 MEUR statutory pension premium loans available

- Limited debt maturities in 2020 and next bond maturity in September 2021

- No financial covenants on Stora Enso Oyj’s debt

- Net debt to operational EBITDA for the last 12 months at 2.3x and gearing at 48%

At the end of the period
*agreed and signed in early April
Capex raised temporarily above depreciation

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

- Biological capex
- Strategic capex
- Maintenance capex
- Capex estimate for 2020
- Oulu Mill kraftliner conversion
- Depreciation and operational decrease in the value of biological assets
Annual General Meeting on 4 June 2020

- New dividend proposal EUR 0.15 per share
- The Board of Directors (BOD) proposes to the AGM that the BOD be authorised to decide, at its discretion, on a dividend payment of a maximum of up to EUR 0.35 per share, to be distributed in one or several instalments at a later stage when it is possible to make a more reliable estimate on the impacts of the Covid-19 pandemic on Stora Enso’s business and liquidity
Focusing on margin and cash flow
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# Development of strategic financial targets

## Group strategic financial targets

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<td>Dividend*</td>
<td>To distribute 50% of EPS over the cycle</td>
<td>0.50</td>
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<td>Growth****</td>
<td>To grow faster than the relevant market</td>
<td>3.6% (YoY)</td>
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<td>Net debt to operational EBITDA</td>
<td>&lt;2.0x</td>
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<td>Fixed costs to sales</td>
<td>&lt;20%</td>
<td>22.4%</td>
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<td>Net debt to equity</td>
<td>&lt;60%</td>
<td>47%</td>
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<td>Operational ROCE</td>
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## Divisional strategic financial targets

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<td>14.0%</td>
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<td>Packaging Solutions</td>
<td>Operational ROOC &gt; 30%</td>
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<td>Wood Products</td>
<td>Operational ROOC &gt; 20%</td>
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</tr>
<tr>
<td>Forest</td>
<td>Operational ROOC &gt; 5%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Paper</td>
<td>Cash flow after investing activities to sales &gt; 7%</td>
<td>6.1%</td>
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*Annual dividend. **Dividend proposal*** Additional payment of a maximum of EUR 0.35 to be decided later **** Excluding Paper
Guidance and outlook is discontinued due to exceptional uncertainty

Stora Enso is discontinuing its quarterly guidance and annual outlook until further notice, due to exceptional uncertainty in the global economy.

The current situation has accelerated the structural demand decline for paper and the market conditions for the Group’s other products continue to be mixed.

Stora Enso continues to put focus on securing strong liquidity and cash flow, active management of cost and working capital to stay resilient and ensure quick recovery after the pandemic is over and the cycle turns.
Strengthening our resilience for the headwinds

• Better than expected quarter, supported by Packaging Materials and Forest

• The Covid-19 pandemic creates exceptional uncertainty
  – Mixed demand for our different products
  – Only minor disturbances on our operations so far

• Strengthening our resilience and ability for quick recovery
  – Protect the health of our employees
  – Serve our customers by securing business continuity
  – Continue innovation and launching new products

• Focus on what we can impact:
  – Staying close to our customers and partners
  – Securing strong liquidity
  – Active management of cash flow, working capital, costs and capex

22 April 2020
Stora Enso
Everything that’s made from fossil-based materials today can be made from a tree tomorrow.
Substituting materials from finite resources is our key competitive advantage.

Our products substitute fossil-based products, saving 20 Mt CO₂.

Resource efficient value chain, emissions:
11 Mt CO₂

Our forests are carbon neutral and absorb 3 Mt CO₂.

Our total climate benefit: 12 Mt CO₂.
The new divisional structure strengthens our strategy execution

**Growth**

- **Packaging Materials**
  Consumer board and containerboard business

- **Packaging Solutions**
  Corrugated packaging together with recently created formed fiber unit

- **Biomaterials**
  No changes

- **Wood Products**
  No changes

- **Forest**
  Nordic forest assets and wood supply operations in Nordics, Russia, and Baltics

**Cash**

- **Paper**
  No changes

New divisional structure as of 1 January 2020
We continue building on our strengths and making choices in our innovation portfolio

Our portfolio gives us pole position to make choices for future growth

#1 in Europe or the world in food, liquid packaging and other packaging
#1 in fluff pulp in Europe
#4 in the world in wooden construction material and
#1 in CLT
#6 in containerboard in Europe

One of the biggest private forest owners in the world

Customer centricity and ecosystem of partners support growth and innovation

Innovations for growth offer climate positive alternatives for fossil-based materials
Accelerating renewable growth with new products and services

R&D expenditure in 2019

**EUR 141 million**

In 2019 **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
Examples of new products already in commercial use

**Trayforma**
Paperboard for trays for food packaging
64% lower carbon footprint than plastic trays

**Cupforma Natura Solo™**
Renewable paperboard for paper cups
Designed for full fiber recovery in a recycling process

**Biodegradable straw with Sulapac**
To combat the global problem of plastic waste

**DuraSense**
Biocomposites replacing plastics
Can reduce the consumption of fossil-based plastic by up to 60%

**Formed fiber**
Manufactured from pulp
Products are renewable, recyclable & biodegradable

**Massive wood products**
New heights in sustainable construction
Strong, stable, lightweight structures with CLT and LVL
25% of plastics in packaging can be replaced today

Plastics packaging substitution potential
Mt plastic packaging, net potential

Source: Material Economics 2018
Accelerating the replacement of fossil-based materials

- 10 MEUR investment to build a pilot facility for producing bio-based carbon materials based on lignin
- Wood-based carbon utilised as a crucial component in batteries
- Applications: consumer electronics, the automotive industry and large-scale energy storage systems
- The pilot plant will be located at the Sunila Mill in Finland
The transformation will show in the company structure

Net sales split in 2014

- 38% from cash business
- 62% from growth businesses

Net sales split after Oulu Mill conversion*

- 22% from cash business
- 78% from growth businesses

*Estimated net sales after fully ramped up production in Oulu Mill

22 April 2020

Stora Enso
Oulu paper mill is converting to packaging board as planned
Reducing our paper capacity by 20%

- 450 000 t/a high-quality virgin-fibre-based kraftliner
- 530 000 t/a unbleached softwood pulp
- Expected to meet Packaging Material’s operational target of 20%
- Oulu Mill’s EBITDA margin expected to improve by 15–20 percentage points
- 350 MEUR investment in 2019–2022

Kraftliner global demand (mt)

Source: Pöyry February 2020
We are one of the largest private forest owners in the world
Total biological asset value in balance sheet ~ 4.3 BEUR

Swedish forests
1,408,000 ha of forest land
Fair value: 3.1 BEUR (31 Mar 2020)

Tornator
Stora Enso’s share 255,000 ha in Finland, 27,000 ha in Estonia and 5,000 ha in Romania
Fair value: 748 MEUR (31 Mar 2020)

Veracel plantations, Brazil
Stora Enso’s share 112,000 ha of forest land
Fair value: 69 MEUR (31 Mar 2020)

Montes del Plata, Uruguay
Stora Enso’s share 131,000 ha of forest land
Fair value: 234 MEUR (31 Mar 2020)

Guangxi, Southern China (leased)
81,000 ha of forest land
Fair value: 182 MEUR (31 Mar 2020)

In addition:
- Laos: trial plantation, 3,900 ha (leased land)
- Russia: 369,500 ha (long-term harvesting rights)

In addition, land book value totals 528 MEUR in the balance sheet as at 31 Mar 2020

22 April 2020
Stora Enso
## Forest fair valuation

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<th>Productive land (ha)</th>
<th>Price per ha (EUR)</th>
<th>Value (BEUR)*</th>
</tr>
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<tbody>
<tr>
<td>Forest holdings in Sweden</td>
<td>1 140 000</td>
<td>3 020</td>
<td>3.4</td>
</tr>
<tr>
<td>Forest holdings in Finland</td>
<td>262 000</td>
<td>2 960</td>
<td>0.8</td>
</tr>
<tr>
<td>Forest holdings in plantations</td>
<td>220 000</td>
<td>3 230</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Total forest holdings</strong></td>
<td>1 622 000</td>
<td>3 040</td>
<td><strong>4.9</strong></td>
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<td>Forest value in Sweden based on LRF**</td>
<td>1 140 000</td>
<td>5 700</td>
<td>6.5</td>
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<tr>
<td>Forest value in Finland based on real estate register***</td>
<td>262 000</td>
<td>3 300</td>
<td>0.9</td>
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* Land and biological assets  
** LRF Konsult  
*** Real estate register (Kiinteistörekisteri) and Stora Enso
Despite of short-term challenges, demand for pulp is expected to grow 2% on long term

- **Textiles, nonwovens**
  107 Mt market, growing 3%/y
  6.8 Mt market pulp (dissolving)

- **Carton board**
  48 Mt market, growing 2.0%/y
  5.3 Mt market pulp

- **Tissue**
  36 Mt market, growing 4%/y
  23 Mt market pulp

- **Hygiene**
  590 billions of converted unit, growing 3.5%/y
  6.2 Mt market pulp (fluff)

- **Paper**
  Speciality: 29 Mt market, growing 2.0%/y
  9 Mt market pulp

  - **Graphic**: 101 Mt market, declining -1.0%/y
    16 Mt market pulp

### Pulp consumption increase (Mt)

- **Graphic paper**: -4 Mt
- **Growing segments**: 8 Mt

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**Source**: Stora Enso, based on available external information from AFRY, Hawkins Wright, Smithers, FastmarketsRISI, Euromonitor in April 2020
First steps of moving towards a more specialised pulp mix visible

Market pulp forecast for rolling 12 months
(Q2/20-Q1/21)

<table>
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<tr>
<th>Pulp Type</th>
<th>Quantity (Kt)</th>
<th>Market Position</th>
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<tbody>
<tr>
<td>Hardwood</td>
<td>1100</td>
<td>45%</td>
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<td>Softwood</td>
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<td>22%</td>
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<td>Fluff</td>
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<td>Dissolving</td>
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Pulp sensitivity analysis
10% change in prices, impact on operational EBIT

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<td>Market pulp prices, total</td>
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* Impact on operational EBIT for the next twelve months. A decrease of pulp prices would have the opposite impact.
** Includes 700,000 tonnes from Montes del Plata.

By 2024 after conversions.
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22 April 2020
Stora Enso
POWER OF A TREE

Creating value in the bioeconomy
THE RENEWABLE MATERIALS COMPANY
# Focusing on margin and cash flow

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Packaging Materials
Strong demand continues in liquid, food and pharma Q1 y-o-y

- Sales decreased by 8% to 764 MEUR
  - Lower containerboard prices
  - Lower board deliveries in Europe due to the Finnish paper union strike

- Operational EBIT decreased by 3 MEUR to 95 MEUR
  - Top line impact only partly offset by lower pulp, paper for recycling and fixed costs
  - No covid-19 impact on Beihai
  - Strong operational performance with several production records

- Operational ROOC remained stable at 13.4% (14.0%)

- The conversion of Oulu Mill to kraftliner production is proceeding as planned
Packaging Solutions
Stable demand for e-commerce and food
Q1 y-o-y

• Sales decreased by 17% to 149 MEUR from last year’s record high Q1 level

• Covid-19 impact on China Packaging but back in full operation since March
  – Lower box prices in Europe due to decreased raw material prices

• Operational EBIT remained stable at 8 MEUR
  – Improved corrugated margin in Europe

• Operational ROOC increased to 14.4% (11.8%) due to lower operating capital and improved EBIT margin
Biomaterials
Mixed demand for different pulp end uses
Q1 y-o-y

• Sales decreased by 28% to 286 MEUR from last year’s record high level

• Significantly lower pulp prices
  – Lower volumes due to the Finnish paper union strike
  – Weak demand for graphical paper end uses
  – Strong demand for tissue, hygiene and packaging end uses

• Operational EBIT decreased by 110 MEUR to -7 MEUR from last year’s record high Q1 level
  – Top line impact partly offset by lower fixed costs

• Operational ROOC decreased to -1.1% (16.2%)
Wood Products
Satisfactory performance during a challenging quarter
Q1 y-o-y

• Sales decreased by 16% to 338 MEUR
  - Lower classic sawn prices
  - Lower deliveries due to the Finnish union strike and lower demand

• Operational EBIT decreased by 11 MEUR from last year’s record high Q1 level to 18 MEUR
  - Top line impact partly offset by lower wood and fixed costs

• Operational ROOC decreased to 11.4% (17.7%) mainly due to lower profitability
Forest
Managing a challenging business environment
Q1 y-o-y

• Sales decreased -16% to 542 MEUR
  – Difficult harvesting conditions due to mild winter
  – Clearly lower deliveries due to the Finnish paper union strike

• Operational EBIT increased by 11 MEUR to 44 MEUR
  – Improved profitability from own forest holdings

• Operational ROOC decreased to 4.3% (6.6%), due to increased operating capital after Bergvik Skog restructuring
Paper
Accelerating structural decline in demand
Q1 y-o-y

- Sales decreased by 22% to 591 MEUR mainly due to Finnish strike
  - Oversupplied paper market impacted deliveries and prices negatively
  - Dawang paper mill divestment impact -12 MEUR

- Operational EBIT decreased by 48 MEUR to 21 MEUR
  - Top line impact partly offset by lower fiber costs and good fixed costs management

- Cash flow after investing activities to sales ratio decreased to 0.0% (6.1%) driven by lower profitability

- After the Oulu Mill conversion Paper division’s share of Group sales will be approximately 20%
  - Paper capacity reduced by approximately 1.1 million tonnes