



storaenso

Financial results Q2 2022

Strong execution underpins outstanding performance

President and CEO Annica Bresky
CFO Seppo Parvi

22 July 2022

Our purpose

Do good
for people and
the planet



Replace
non-renewable
materials with
renewable
products



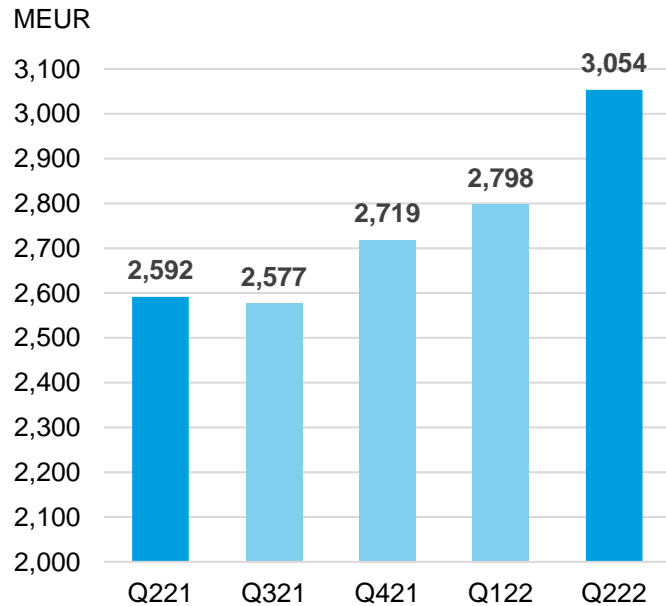
Strong execution underpins outstanding performance

- Highest quarterly operational EBIT since early 2000s
- Successful mitigation of higher variable costs and secured access to key input materials
- Partnering with Northvolt for the development of the world's greenest battery partly made from Lignode
- Raised FY operational EBIT guidance to be higher than in the FY 2021 of €1,528 million

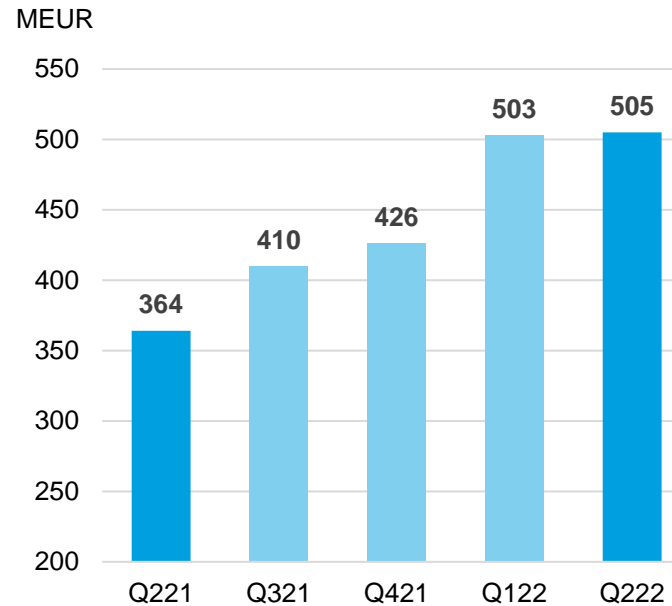
Strong underlying demand across all segments with higher price levels



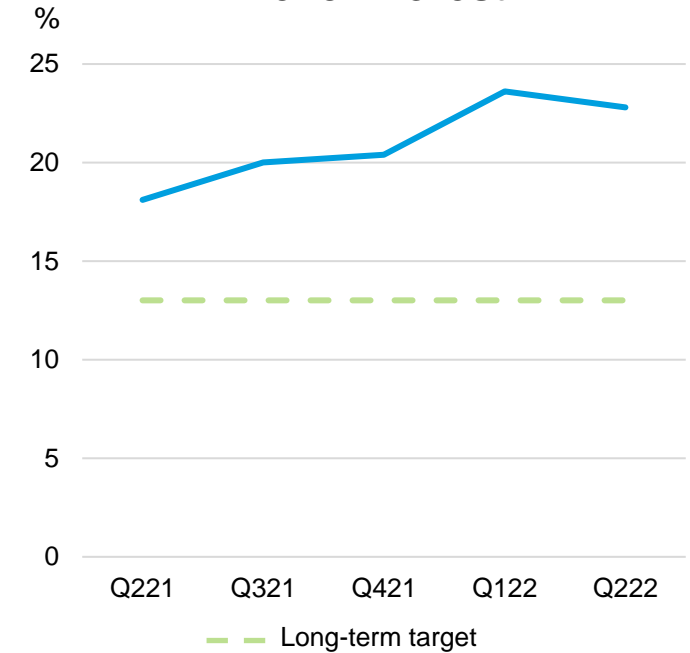
Sales



Operational EBIT



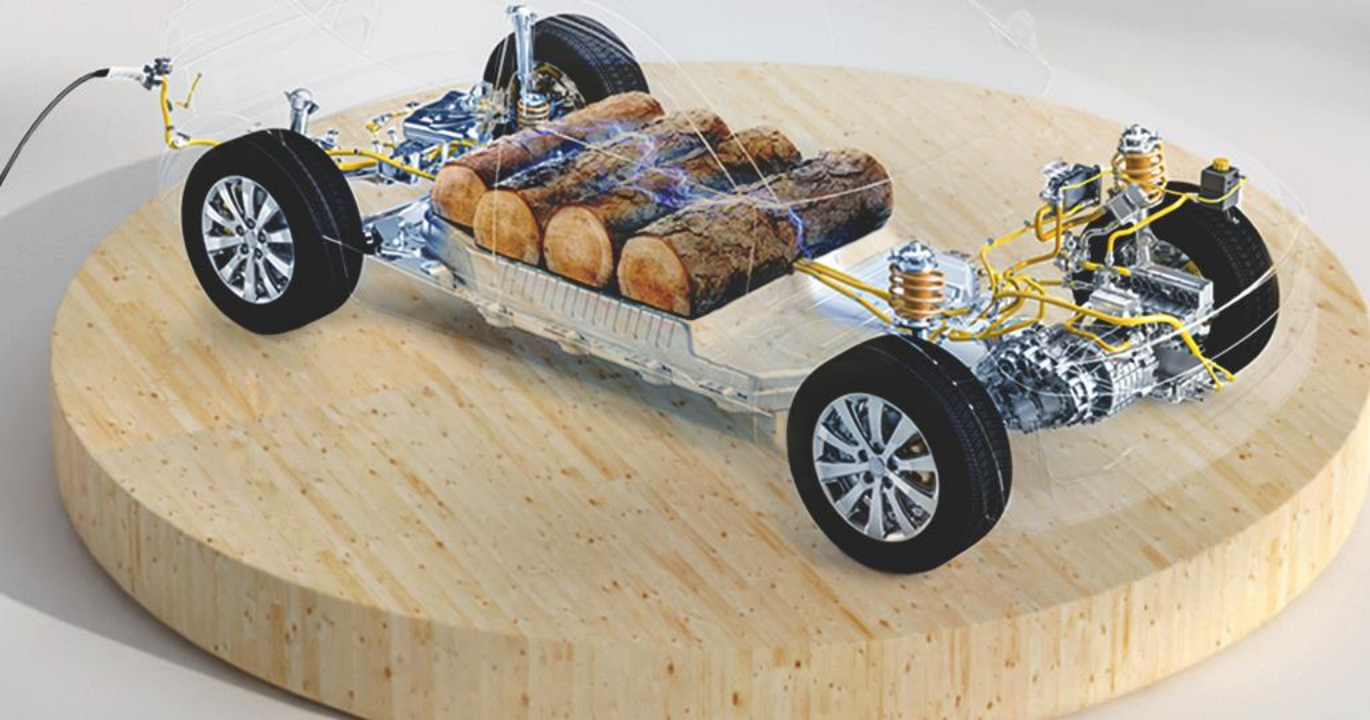
Operational ROCE excl. Forest



Sales increased by 18% YoY
Sales excluding Paper +21% YoY

OpEBIT +39% YoY

OpROCE excl. Forest 22.8%,
above long-term target of >13%



Growth strategy: Investing in biomaterials innovations

Lignode: Partnering to power up

- Launching a joint development with Northvolt to create a battery partly with renewable anode materials from sustainably sourced Nordic forests
- Making a strategic step in the Lignode development to serve the fast-growing market for renewable batteries
- Securing a European supply of fossil-free anode material
- Feasibility study ongoing for the first industrial production facility for Lignode. Decision end of H2/2022

THE RENEWABLE MATERIALS COMPANY



Growth strategy: Investing in renewable packaging **Meeting increasing demand for recycled packaging board**

- Conducting feasibility study for possible conversion of a newsprint machine into recycled containerboard at our Belgian site in Langerbrugge
- Targeting growing end-use segments such as industrials, e-commerce, furniture and electronics
- Projecting potential sales of €350m, capacity of 700kt of testliner and recycled fluting
- Concluding in H1/2023, production to start in 2025*
- Estimating capex of approximately €400m



Advancing circular solutions: Investing in beverage carton recycling facility

- Conducting feasibility study in joint collaboration with Tetra Pak for possible recycling solution at our Belgian site in Langerbrugge
- Targeting growing recycling needs of beverage cartons in Benelux and surrounding regions
- Forecasting initial capacity to process 50,000 tonnes of recycled cartons per year
- Proceeding with the recycling project of 75,000 tonnes of beverage cartons in Poland, initiated by the partners in 2021



Value creation: Update on strategic initiatives, partnerships and collaborations



- Ongoing feasibility study for the conversion of an idle paper machine at the Oulu site, Finland to explore expansion in renewable packaging board. Decision end of H2/2022
- Launched new plastic-free packaging, 100% virgin fiber-based kraftliner, AvantForte WhiteTop, to target demanding premium segments
- Strengthening presence in French wood products markets
 - Becoming a 35% shareholder of the French wood processing company ACDF Industrie SAS
 - Signing a business partnership with Bouygues S.A., securing a stable delivery of CLT to their building projects
- Partnering with Swedish company Modvion to establish wood as a material of choice for wind turbine towers



Strategic initiatives: Divestments



- Ongoing sales process to divest four of our five paper production sites to focus on growth in the key strategic areas: Renewable packaging, building solutions and biomaterials innovations
- Russian operations divestments
 - The divestments of the Group's three corrugated packaging sites and two sawmills to Russian local management have been completed
- Minor formalities for the Russian legal entities in the wood supply operations are expected to be completed during H2/2022
- After the completion of these divestments, Stora Enso will no longer have any exposure to Russia

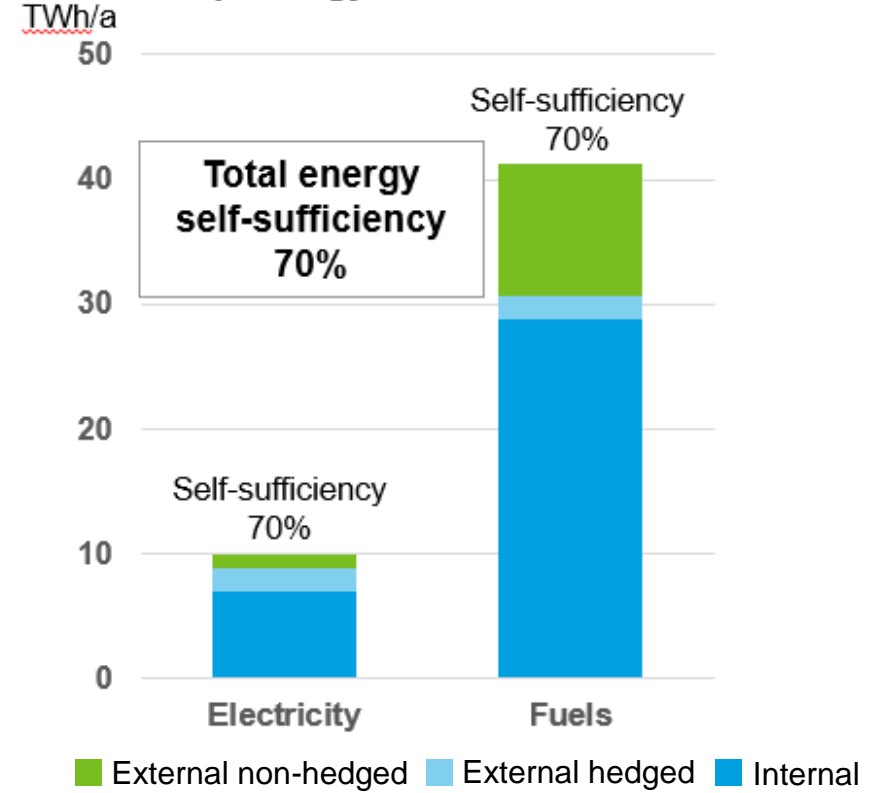


Our business is resilient to energy price fluctuations



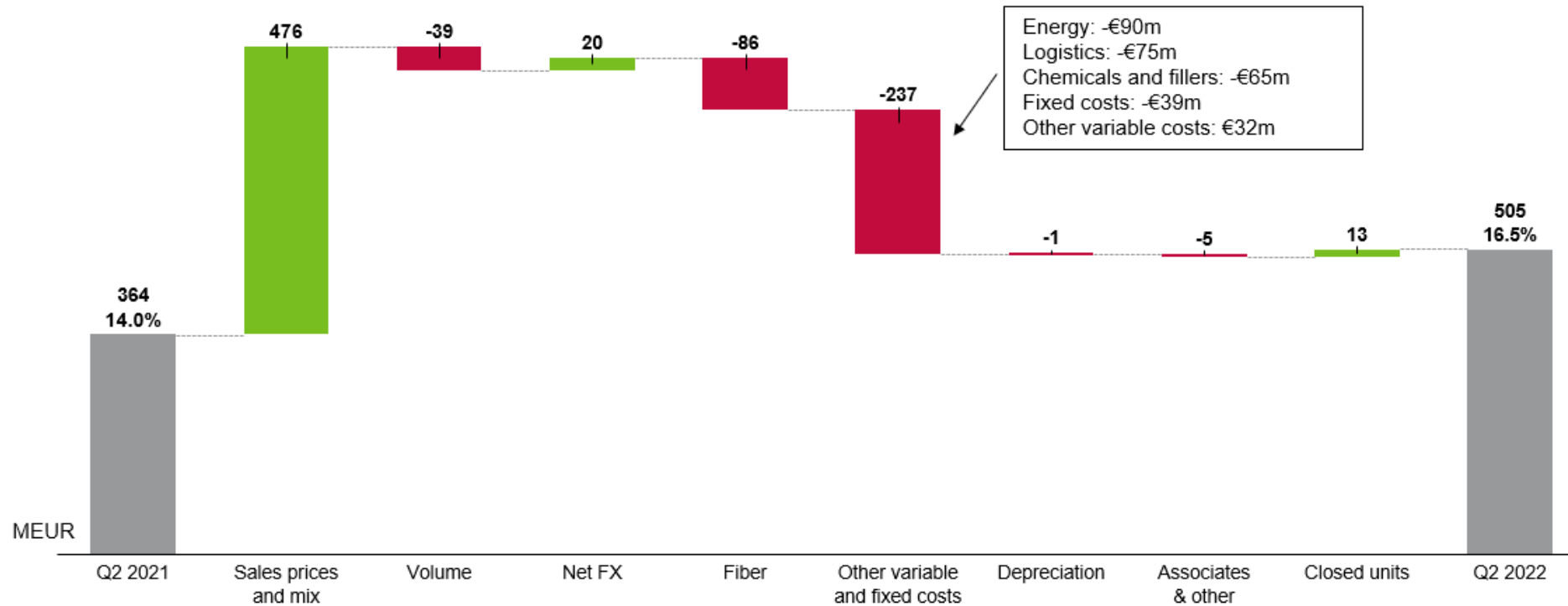
Total energy self-sufficiency excluding Paper 78%

Group energy balance estimate 2022



Impact on non-hedged volume on operating profit from 10% change in:	EUR million p.a.
Electricity market price	~21.1
Fossil fuel price	~19.5
Energy hedging in 2022	~80%
Energy costs of total costs in 2021	~7%

Proactivity in mitigating variable cost increases has safeguarded profitability

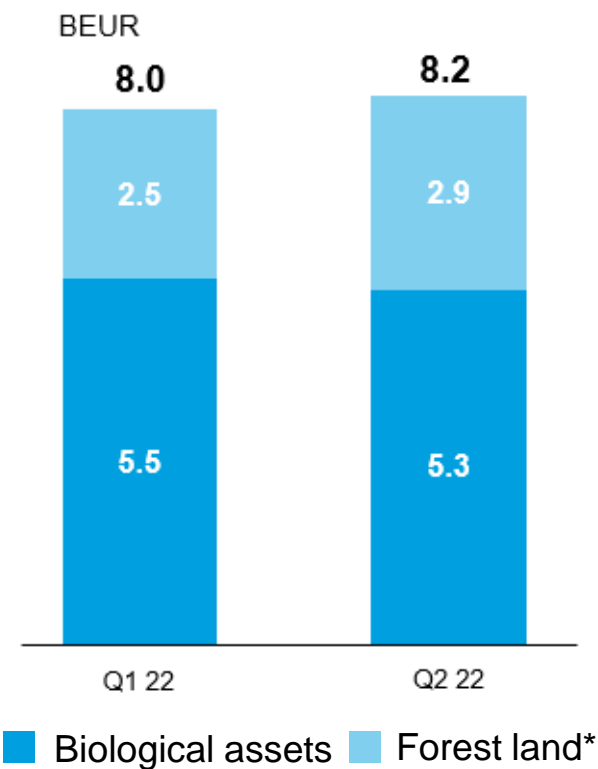




Forest assets fair value increased to €8.2 billion equivalent to €10.40 per share



Group forest assets



* Including leased land

- Fair value increased by €196m due to higher market transaction prices in Sweden
- Minor FX related changes in plantations and some land acquisitions in the Tornator holding
- ~30% self-sufficiency of wood supply from own forest assets and long-term agreements

Exceeding all long-term Group level financial targets

Net debt to operational EBITDA improves to 1.0 for the first time



Group long-term financial targets		Q2 21	Q2 22	
Annual dividend	To distribute 50% of EPS excluding fair valuation over the cycle	0.30	0.55	●
Growth* YoY	> 5%	28%	21%	●
Net debt to operational EBITDA	< 2.0x	1.8	1.0	●
Net debt to equity	< 60%	32%	21%	●
Operational ROCE excl. Forest	> 13%	18.1%	22.8%	●

Divisional long-term financial targets		Q2 21	Q2 22	
Packaging Materials	Operational ROOC > 20%	18.4%	22.2%	●
Packaging Solutions	Operational ROOC > 25%	3.6%	-4.7%	●
Biomaterials	Operational ROOC > 15%	24.4%	18.4%	●
Wood Products	Operational ROOC > 20%	65.8%	74.9%	●
Forest	Operational ROCE > 3.5%	3.7%	3.4%	●
Paper	Cash flow to sales after investing activities > 7%	-2.7%	0.8%	●

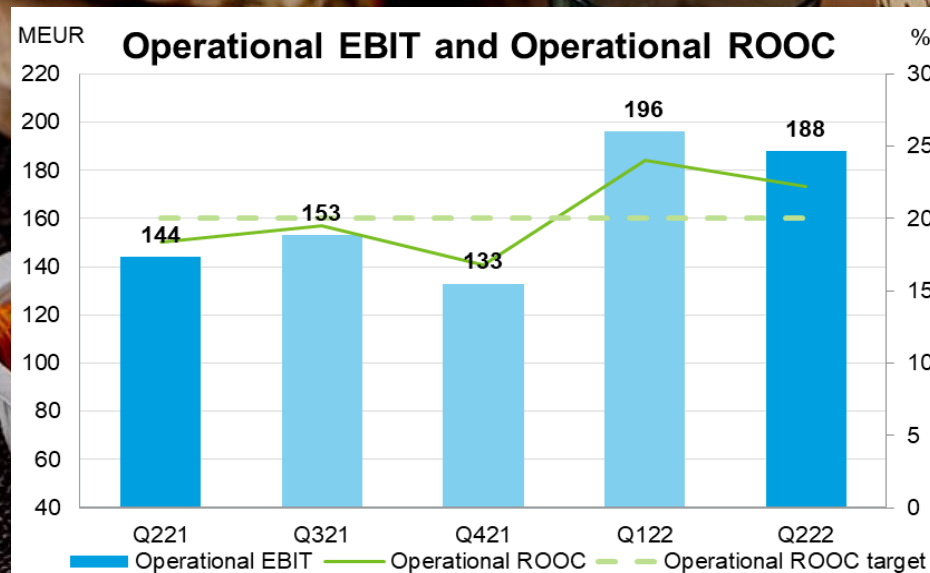
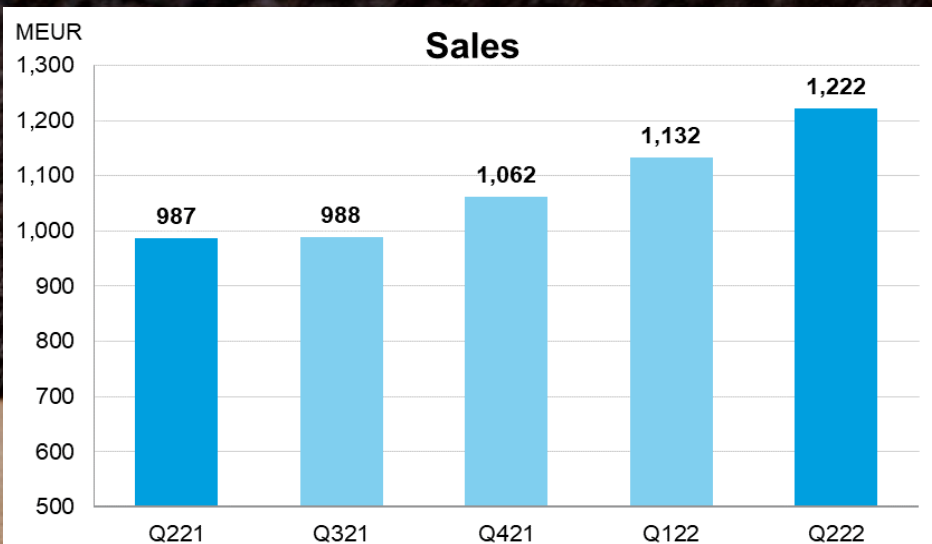
* Excluding Paper

Packaging Materials

Strong continued financial performance driven by higher prices and added containerboard capacity



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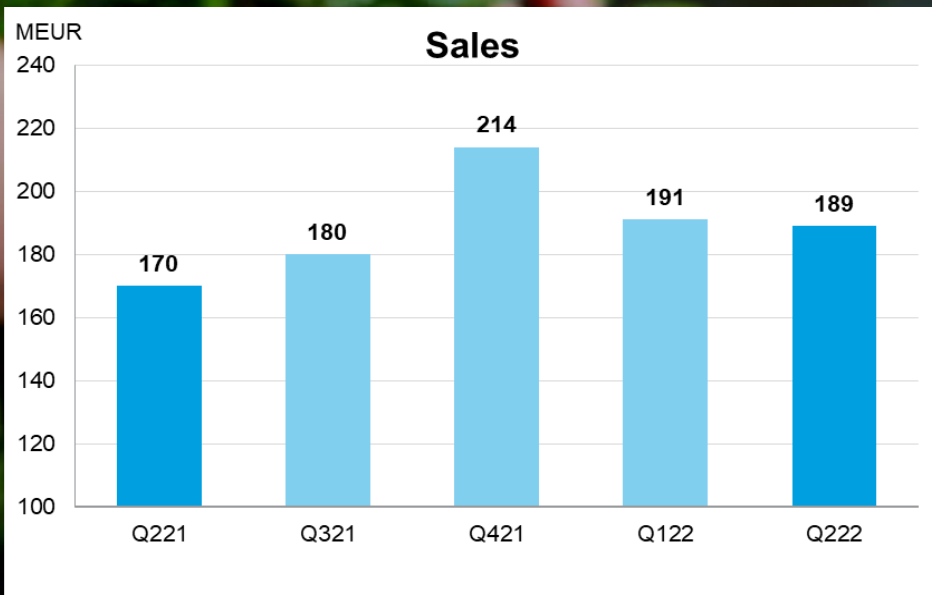


- Sales +24% YoY, all-time high
- Driven by higher sales prices and deliveries, supported by the containerboard site ramp-up at Oulu, Finland

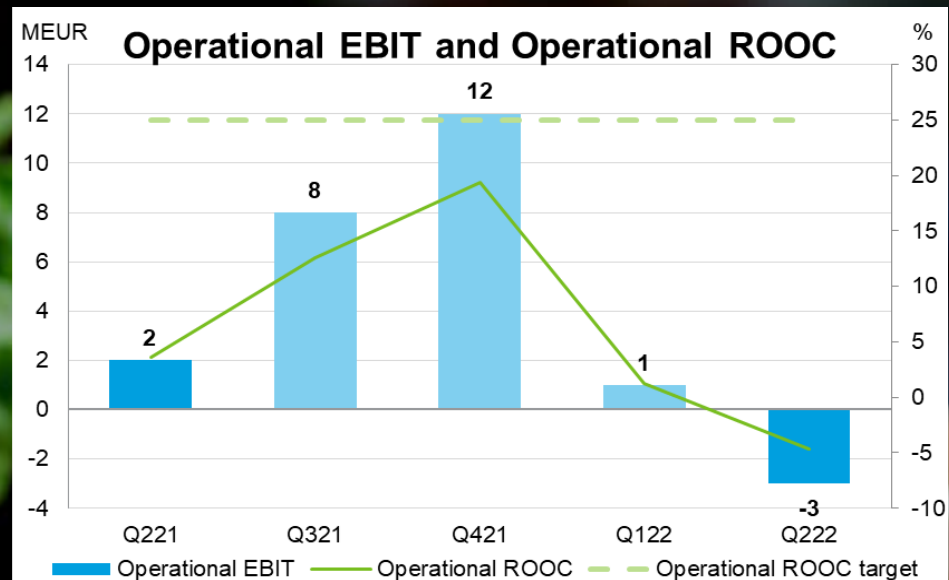
- OpEBIT +31% YoY
- Driven by improved containerboard performance
- Higher sales prices and volumes more than offset higher variable costs
- OpROOC at 22.2%, long-term target >20%

Packaging Solutions

Profitability impacted by divested Russian operations and investments in new businesses



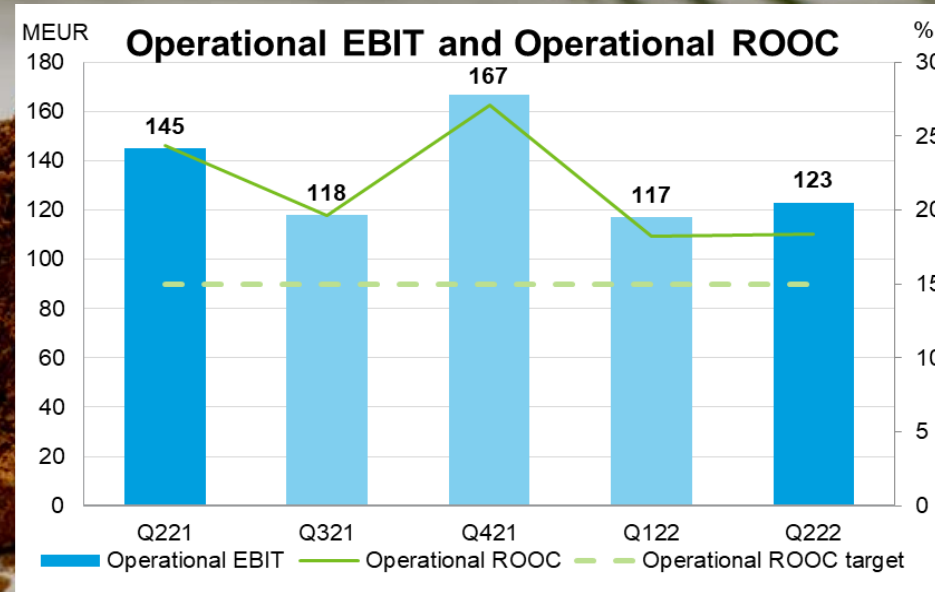
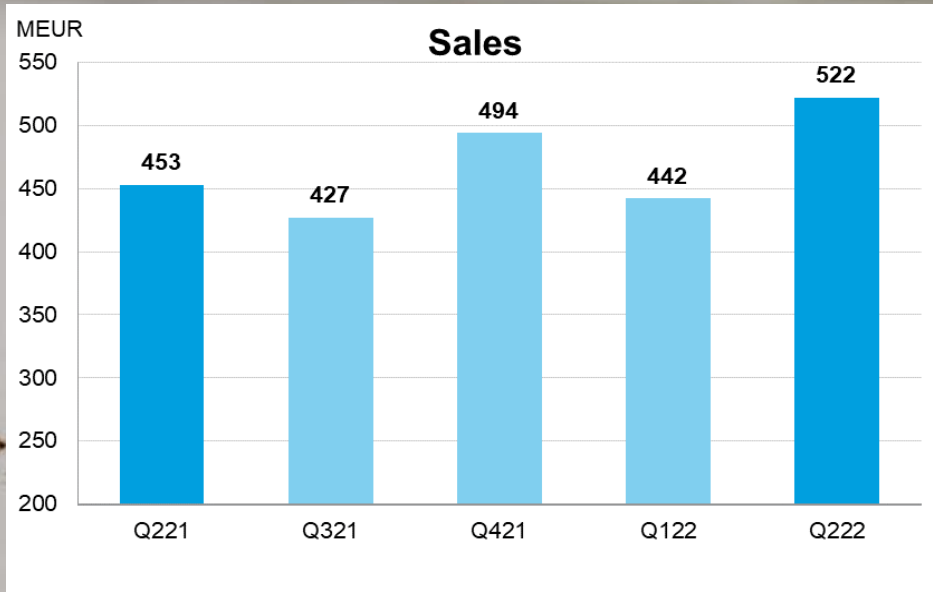
- Sales +11% YoY
- Higher prices in European corrugated packaging and growth in new businesses



- OpEBIT -€5m YoY
- Effected by exit from Russia
- Higher ramp-up costs in new businesses were compensated by improved corrugated packaging
- OpROOC at -4.7%, long-term target >25%

Biomaterials

Sales increase driven by higher prices for all products

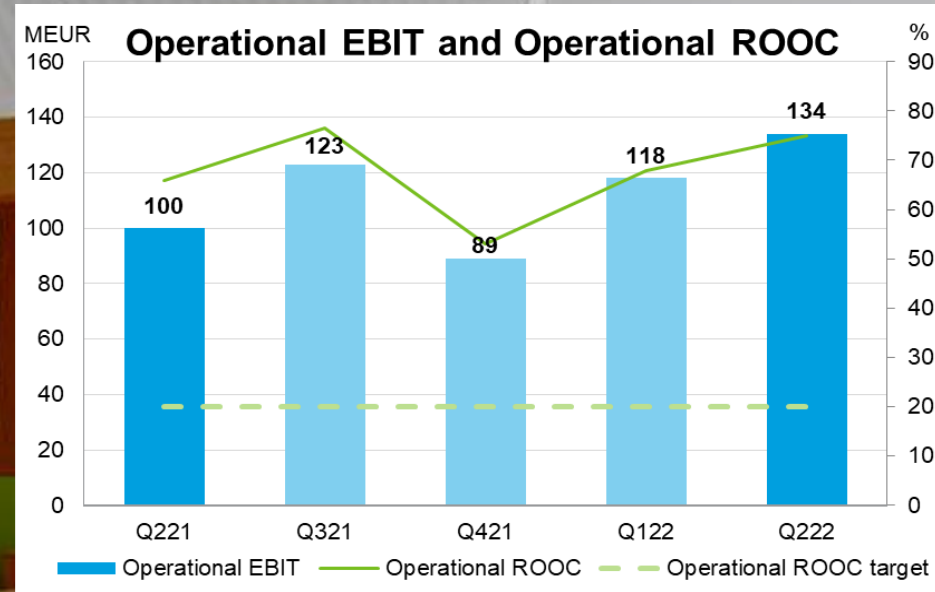
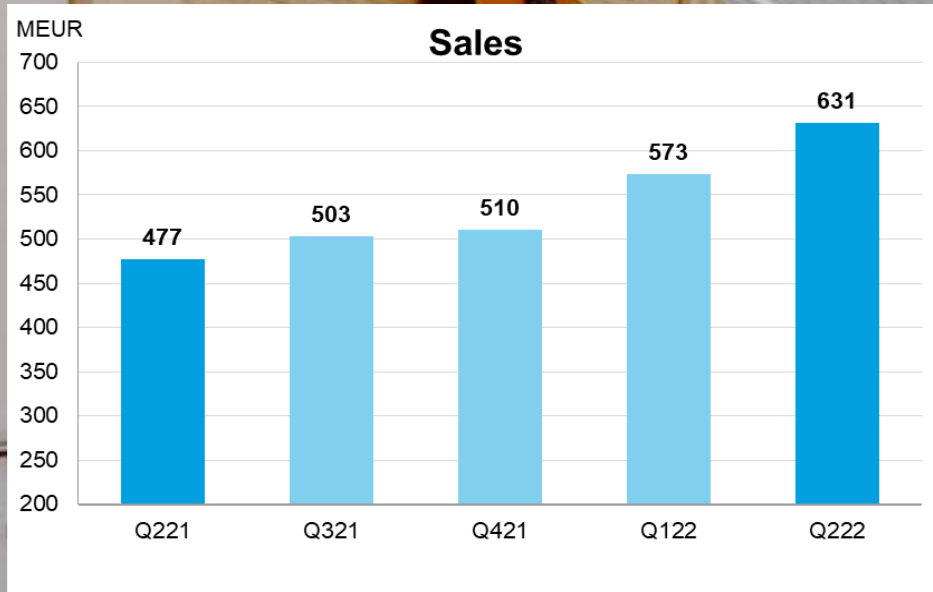


- Sales +15% YoY, record-high second-quarter
- Strong pulp prices in Europe and China, supported by good performance in by-products sales
- Operations and market pulp deliveries continued to be negatively impacted by logistical constraints and wood availability

- OpEBIT -15% YoY
- Higher sales prices not fully offsetting higher variable and annual maintenance costs and lower volumes
- OpROOC at 18.4%, long-term target >15%

Wood Products

All-time high quarter in both sales and operational EBIT with historically high price levels

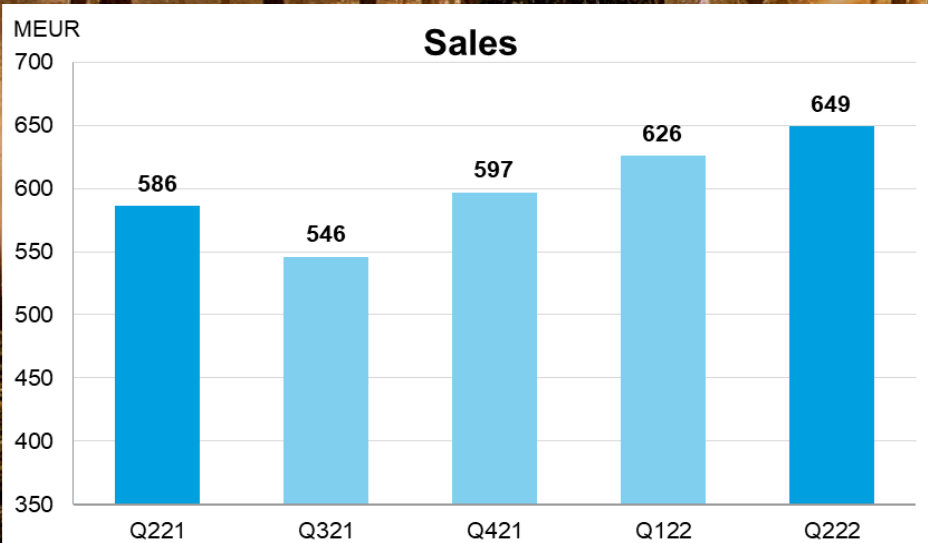


- Sales +32% YoY, all-time high quarter
- Driven by higher sales prices

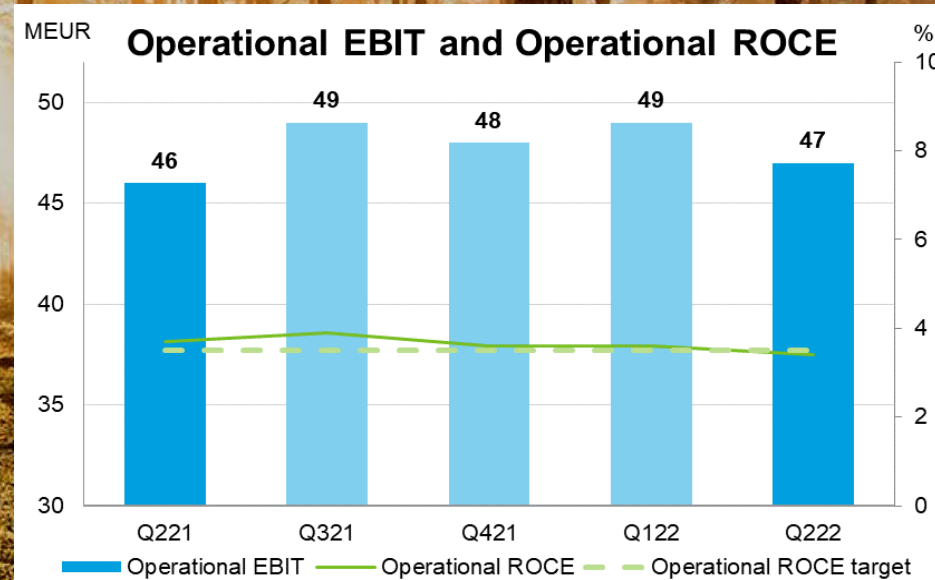
- OpEBIT +35% YoY, all-time high quarter
- High profitability continued driven by prices, more than offset higher costs, especially for raw materials
- OpROOC at 74.9%, long-term target >20%

Forest

Stable financial results continued with strong demand for sawlogs and pulpwood



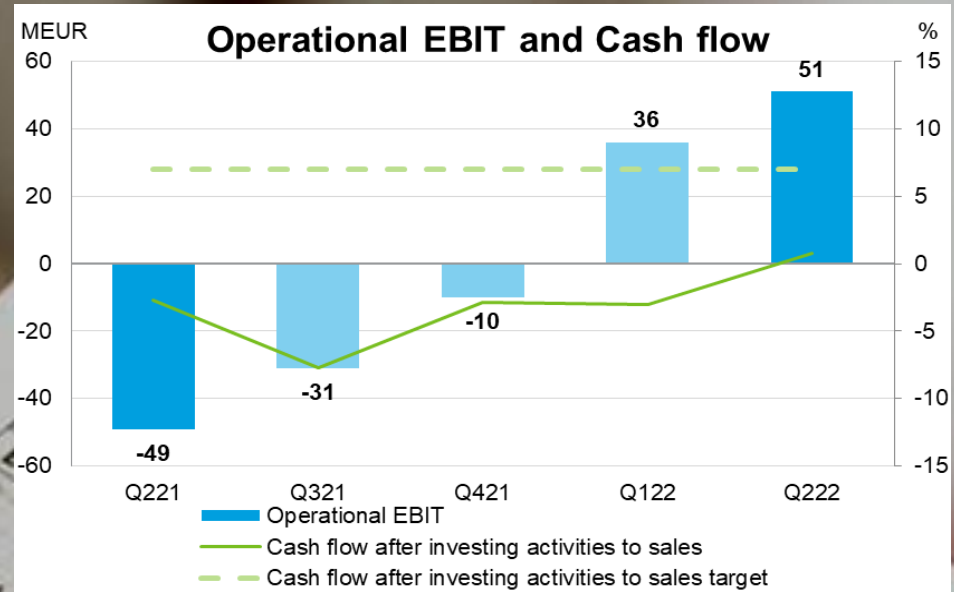
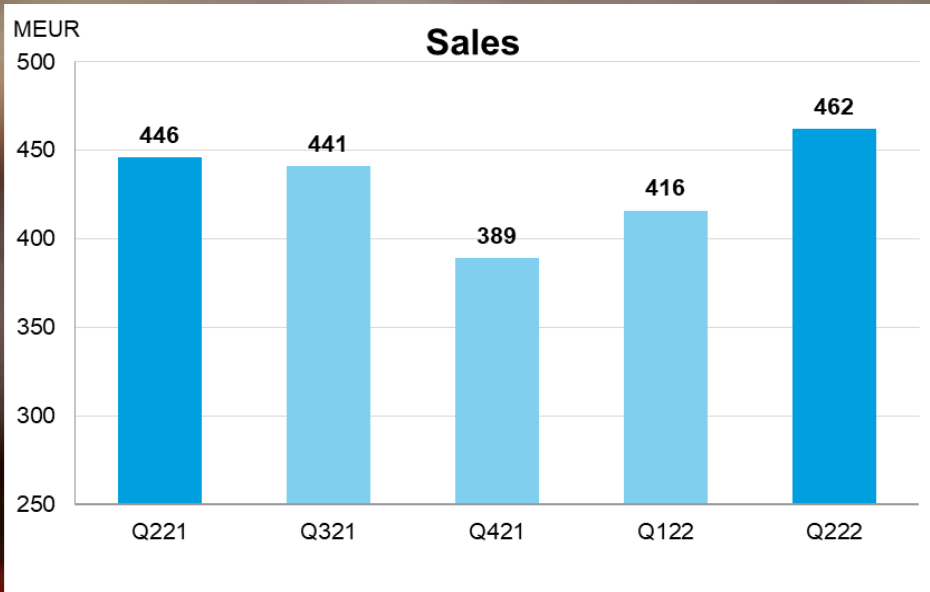
- Sales +11% YoY
- Higher wood prices driven by tight wood market
- Wood prices increased, wood availability was impacted by discontinued Russian wood imports



- OpEBIT continued at a stable level
- OpROCE at 3.4%, long-term target >3.5%

Paper

Strong demand continued with tight markets and full orderbooks

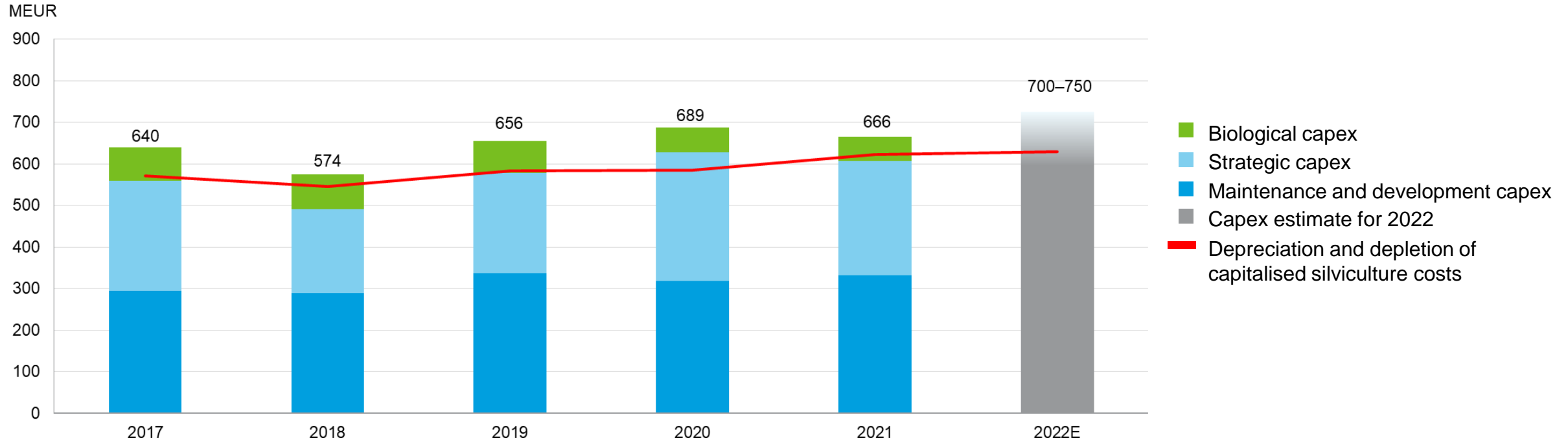


- Sales +4% YoY
- Higher sales prices from the retained business after the closures of Veitsiluoto and Kvarnsveden paper sites in Q3/2021
- Sales from retained business increased by 62%

- OpEBIT +€100m YoY
- Higher prices partly offset by higher variable costs
- Structural changes reduced fixed costs and volumes
- Cash flow to sales (after investments) for retained business 3.7%, long-term target >7%

Capex estimate for 2022 increased to €700–750m

Cost inflation and additional investments to mitigate the impacts of the war in Ukraine



Capex for 2019-2021 and estimate for 2022 include the capitalised leasing contracts according to IFRS 16 Leases standard



Annual guidance reiterated for the full year 2022



Outlook

- Heightened uncertainties due to increased geopolitical risk, changing macroeconomic environment, inflationary pressures, logistical constraints, material shortages and the pandemic
- Sustained solid demand for Stora Enso's products
- Demand for consumer board remains strong and the demand for corrugated packaging in Europe is expected to remain stable
- The strong demand in pulp is expected to continue both in Europe and China
- Early indications in Q3 shows a normalisation of demand in both containerboard and traditional sawn goods, albeit from peak levels

Guidance (annual guidance updated on 13 June)

Stora Enso's full year 2022 operational EBIT is estimated to be higher than the full year operational EBIT for 2021 (€1,528 million)

Creating a company positioned for growth, agility and resilience



- Competitive advantage, flexibility and security with high self-sufficiency of energy, fiber and internal pulp integration
- Decentralised operating model drives market and customer centricity, operational excellence and cost savings
- Accelerating our growth and innovation agenda by reducing cyclicality and risk
 - Successful divestment of business in Russia
 - Divestment of paper business frees up funds and management focus. After completion, growth business will represent 74% of sales* and 65% of EBIT*
 - Reduced unintegrated pulp exposure as renewable packaging grows
 - Engaging in partnerships and collaborations to drive commercialisation of new bio-based and renewable materials
 - Reduced net debt gives head room for investing in our growth businesses (conversions and M&A)

** Calculated on Q2/2022 numbers*

THE RENEWABLE MATERIALS COMPANY



Strong execution underpins outstanding performance

- Actions taken on strategic initiatives for long-term growth in our key strategic areas:
 - Renewable packaging, building solutions and biomaterials innovations
- Partnering with Northvolt for the development of the world's greenest battery partly made from Lignode
- Positioning ourselves to accelerate growth in renewable materials

Virtual Capital Markets Day

Tuesday 13 September at 14:00–17:00 EEST/ 13:00–16:00 CEST



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

Our leading performance in ESG is recognised



(ESG rating agencies in alphabetical order)

 <p>Climate A-, Forest A- and Water B</p>	 <p>ESG rating AAA (highest possible score)</p>
 <p>Highest recognition level, Platinum</p>	 <p>ESG rating 15.9* out of 40.0</p>
<p>FTSE Russell</p> <p>ESG rating 4.4 out of 5.0</p>	<p>Transition Pathway Initiative</p> <p>Top-ranked in both management quality and carbon</p>
 <p>ESG QualityScore highest possible score in Social & Environment</p>	<p>VigeoEiris**</p> <p>ESG rating 73 out of 100</p>

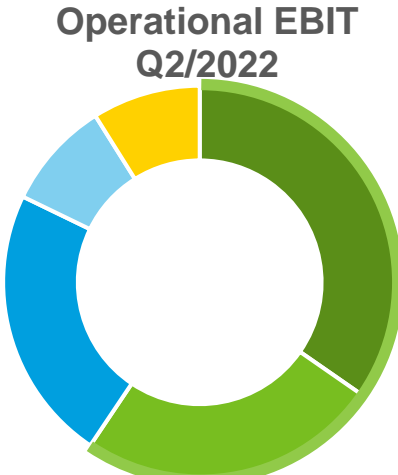
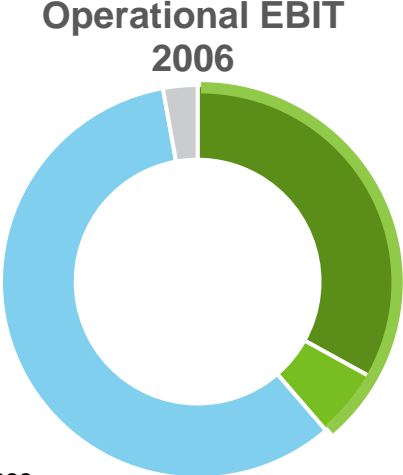
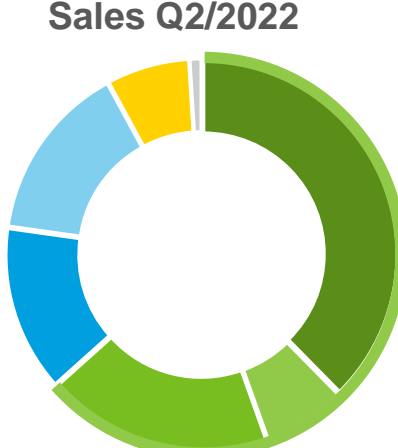
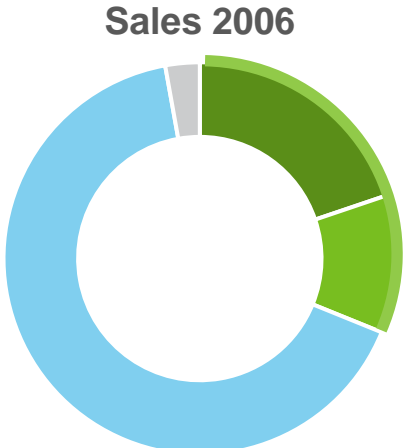
Development of long-term targets



Key long-term targets		Q2 21	Q2 22
Growth (excl. Paper) YoY	> 5%	28%	21%
Net debt to operational EBITDA	< 2.0x	1.8	1.0
Net debt to equity	< 60%	32%	21%
Operational ROCE excl. Forest	> 13%	18.1%	22.8%

		2020	2021
Dividend per share (EUR)	To distribute 50% of EPS excluding fair valuation over the cycle	0.30	0.55
Climate: Reduction of fossil CO ₂ e emissions (scope 1 and 2)	-50% by the end of 2030 from 2019	-13%	-18%
Climate: Reduction of fossil CO ₂ e emissions (scope 3)	-50% by the end of 2030 from 2019	-10%	0%
Circularity	100% by 2030	n/a	93%
Biodiversity: Forest certification coverage	≥ 96%	99%	99%

Strategic growth areas 64% of sales and 60% of operational EBIT



- Packaging Materials
- Packaging Solutions¹
- Wood Products
- Biomaterials
- Paper²
- Forest
- Other and eliminations³

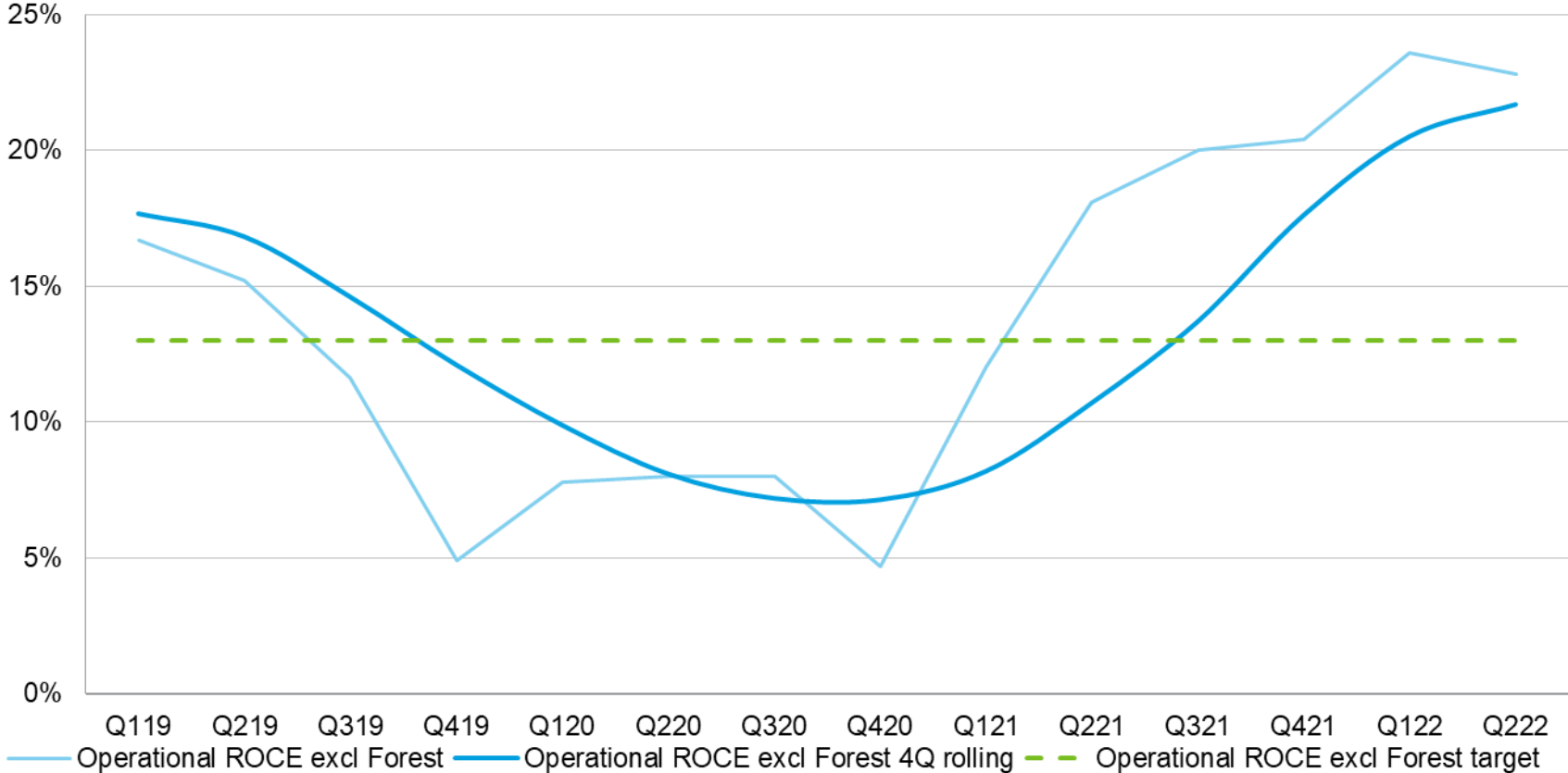
¹ In 2006 included in Packaging Materials
² In 2006 included merchants
³ In 2006 included Forests

Operational EBIT by segments

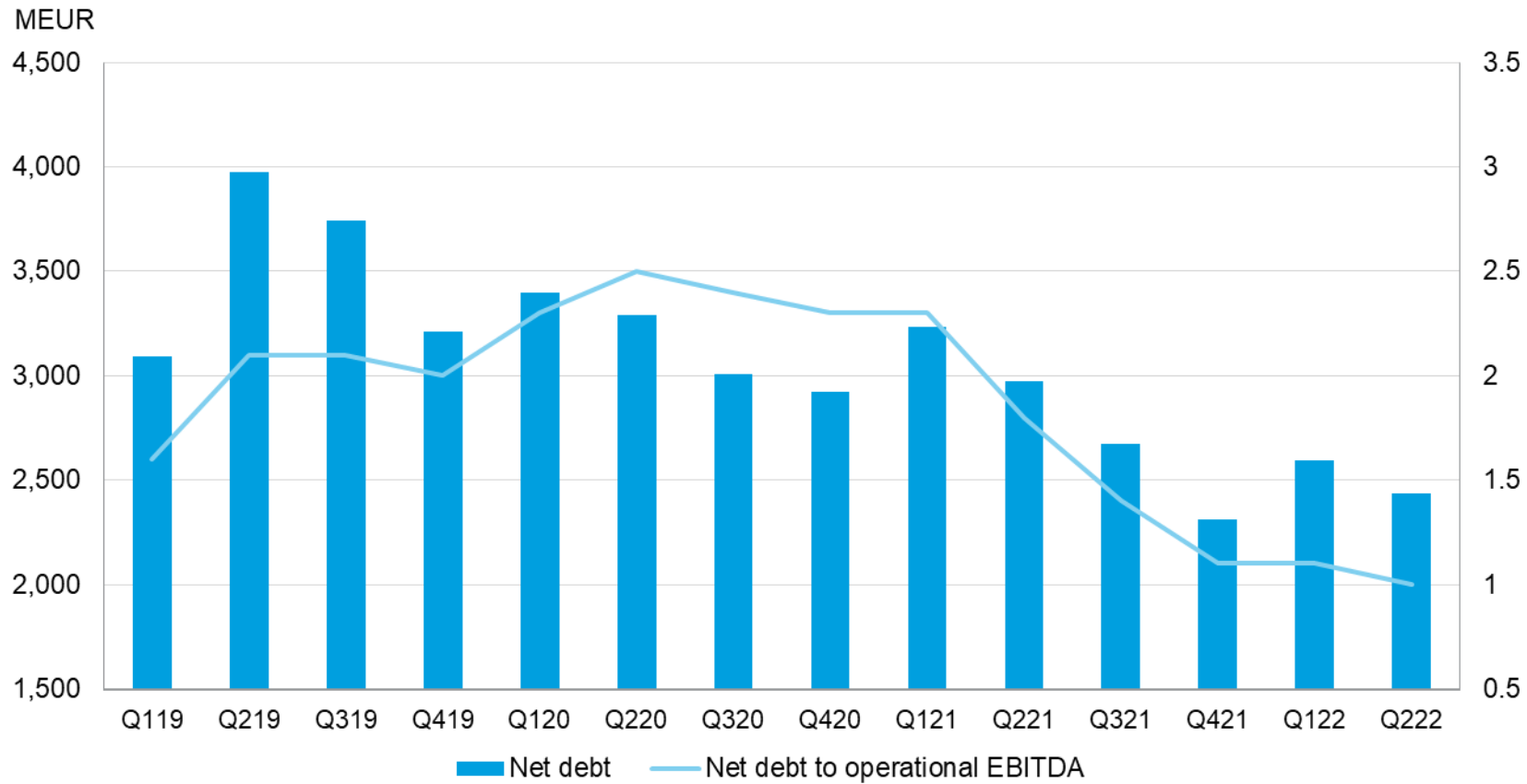


MEUR	Q222	Q221	Change % Q222-Q221	Q122	Change % Q222-Q122
Packaging Materials	188	144	30.7%	196	-4.4%
% of sales	15.4%	14.6%		17.4%	
Packaging Solutions	-3	2	-222.7%	1	n/m
% of sales	-1.4%	1.3%		0.4%	
Biomaterials	123	145	-15.2%	117	5.4%
% of sales	23.6%	32.1%		26.4%	
Wood Products	134	100	34.5%	118	13.7%
% of sales	21.3%	20.9%		20.6%	
Forest	47	46	0.7%	49	-4.7%
% of sales	7.2%	7.9%		7.8%	
Paper	51	-49	202.4%	36	38.5%
% of sales	10.9%	-11.1%		8.8%	
Other	-19	-16	-20.4%	-14	-35.7%
% of sales	-6.7%	-6.1%		-6.1%	

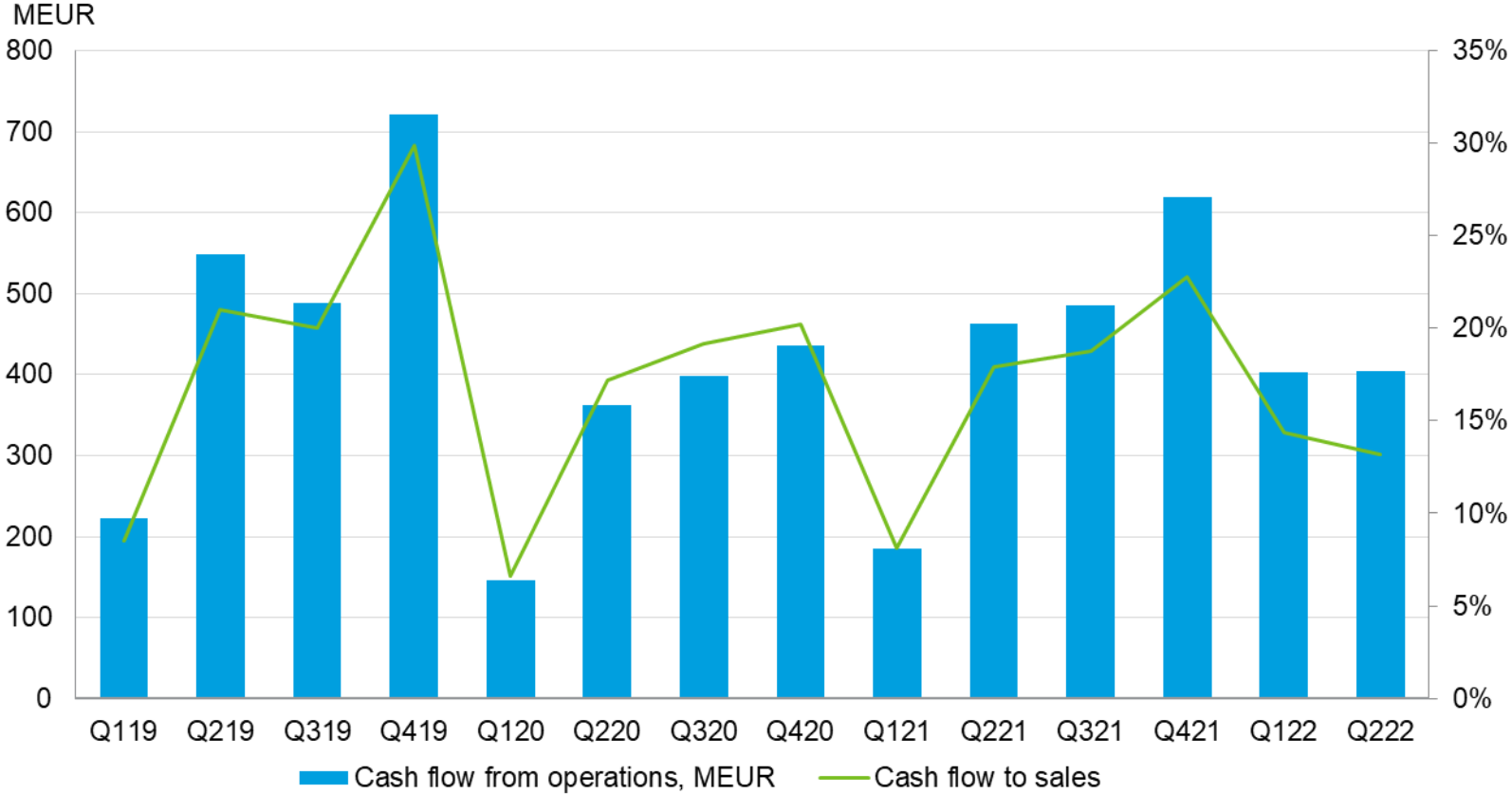
Development of operational ROCE excluding Forest



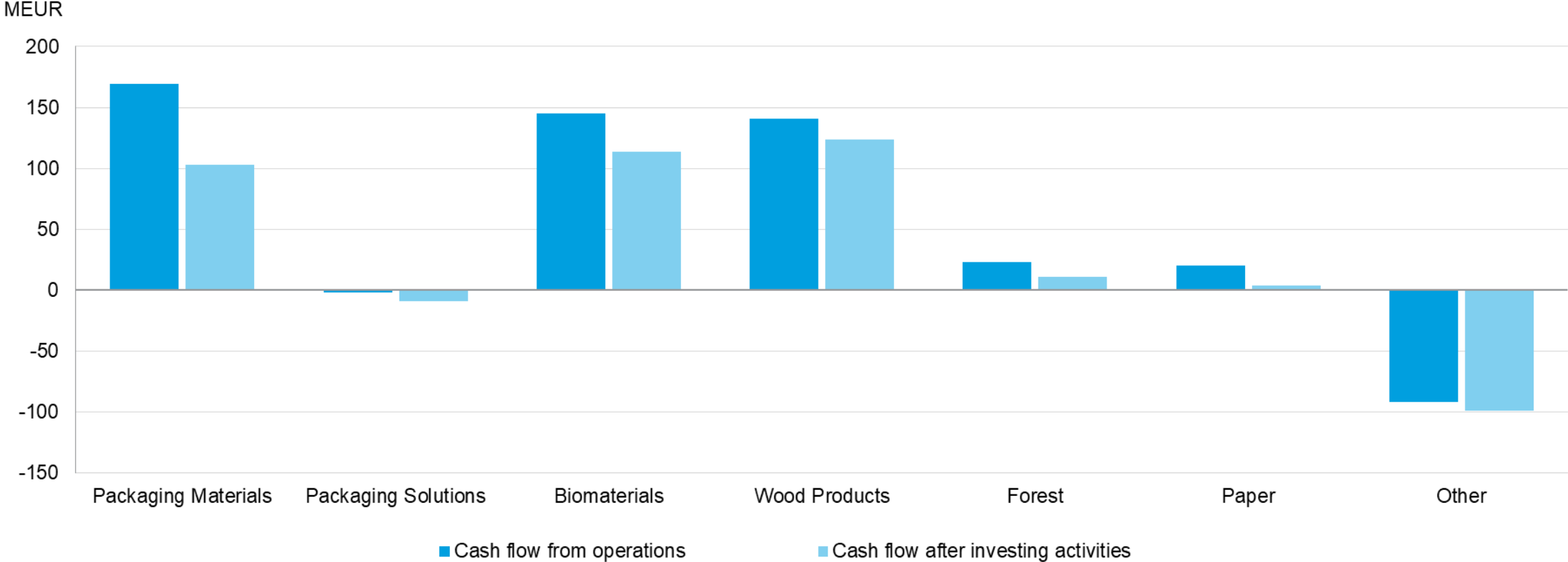
Year-on-year net debt/OpEBITDA



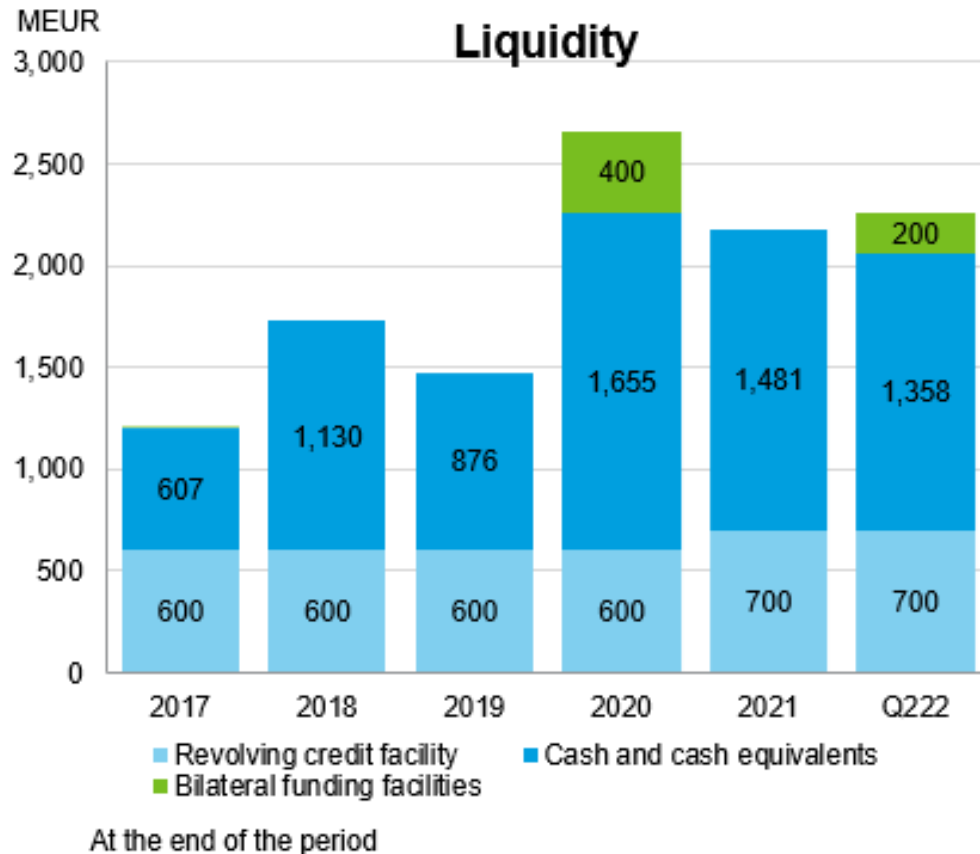
Cash flow development



Cash flow by divisions in Q2



Continued focus on strong liquidity



- Liquidity at the end of Q2 2022:
 - €1,358m cash and cash equivalents
 - €700m committed revolving credit facility fully undrawn
 - €200m committed bilateral credit facility fully undrawn
 - €1,000m statutory pension premium loans available
- No financial covenants on Stora Enso Oyj’s debt
- Net debt to operational EBITDA for the last 12 months at 1.0x and gearing at 21%

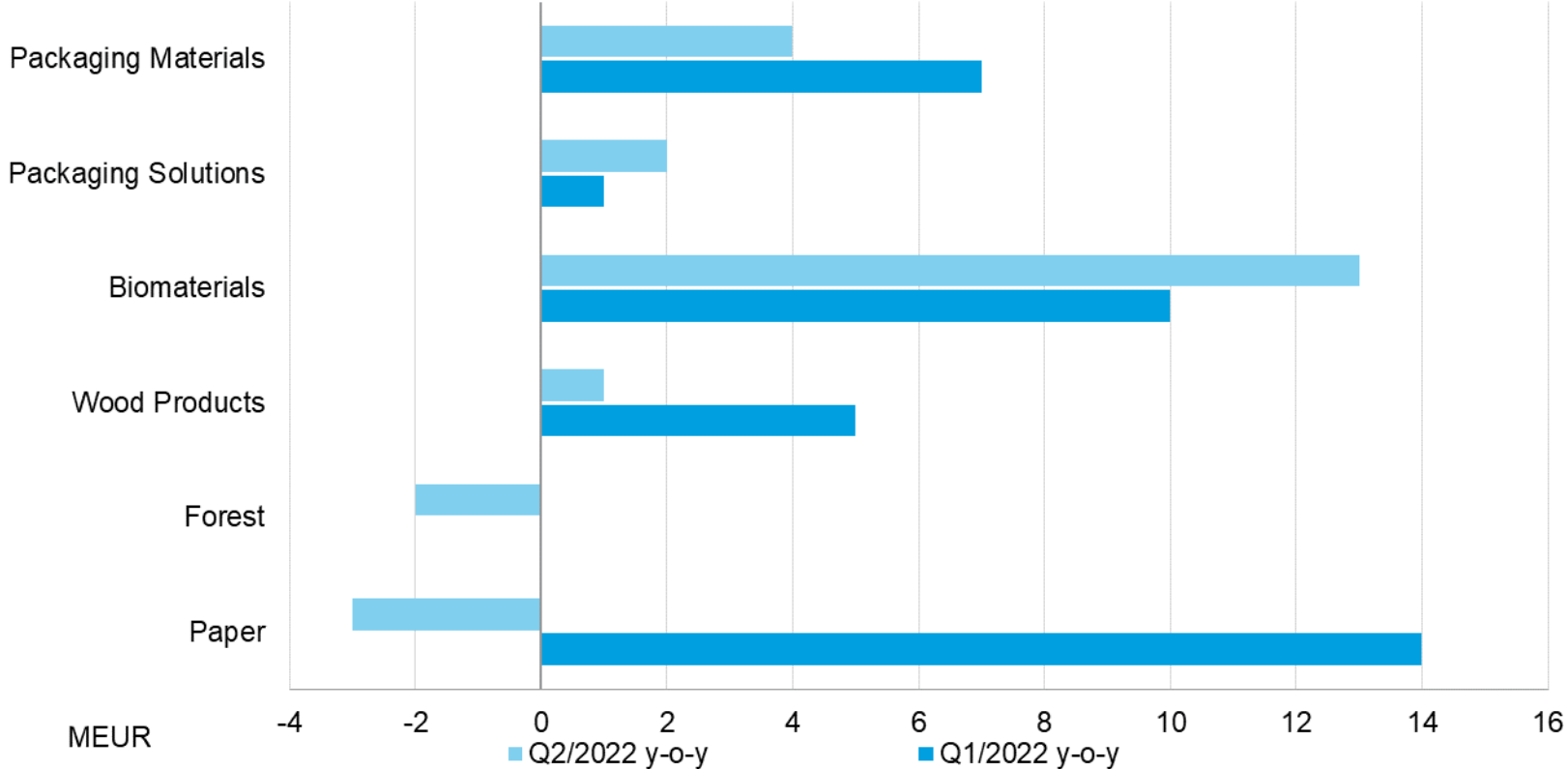
Net Financial Items



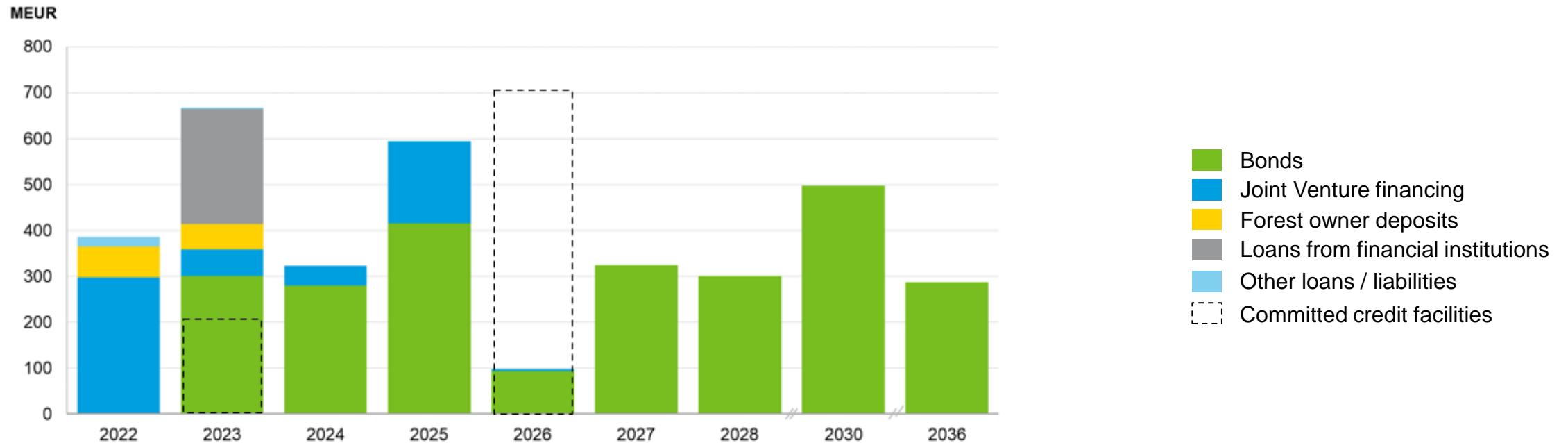
MEUR	Q2 2022	Q2 2021	Change MEUR Q222/ Q221	Q1 2022	Change MEUR Q222/ Q122
Net interest expense	-28	-32	4	-29	1
Average interest rate*	3.3%	2.9%		3.1%	
Foreign exchange gains and losses	0	3	-3	16	-16
Other financial items, of which	-2	-2	0	-7	5
Pension costs (IAS 19R)	-1	-1	0	-1	0
Other items	-1	-1	0	-6	5
Total net financial items	-29	-30	1	-19	-10

* Quarterly gross interest expense divided by average gross debt

Net FX by division



Maturity profile Q2 2022



Committed credit facilities are fully undrawn and mature in 2023 (€200m) and 2026 (€700m)

Transaction risk and hedges Q2 2022



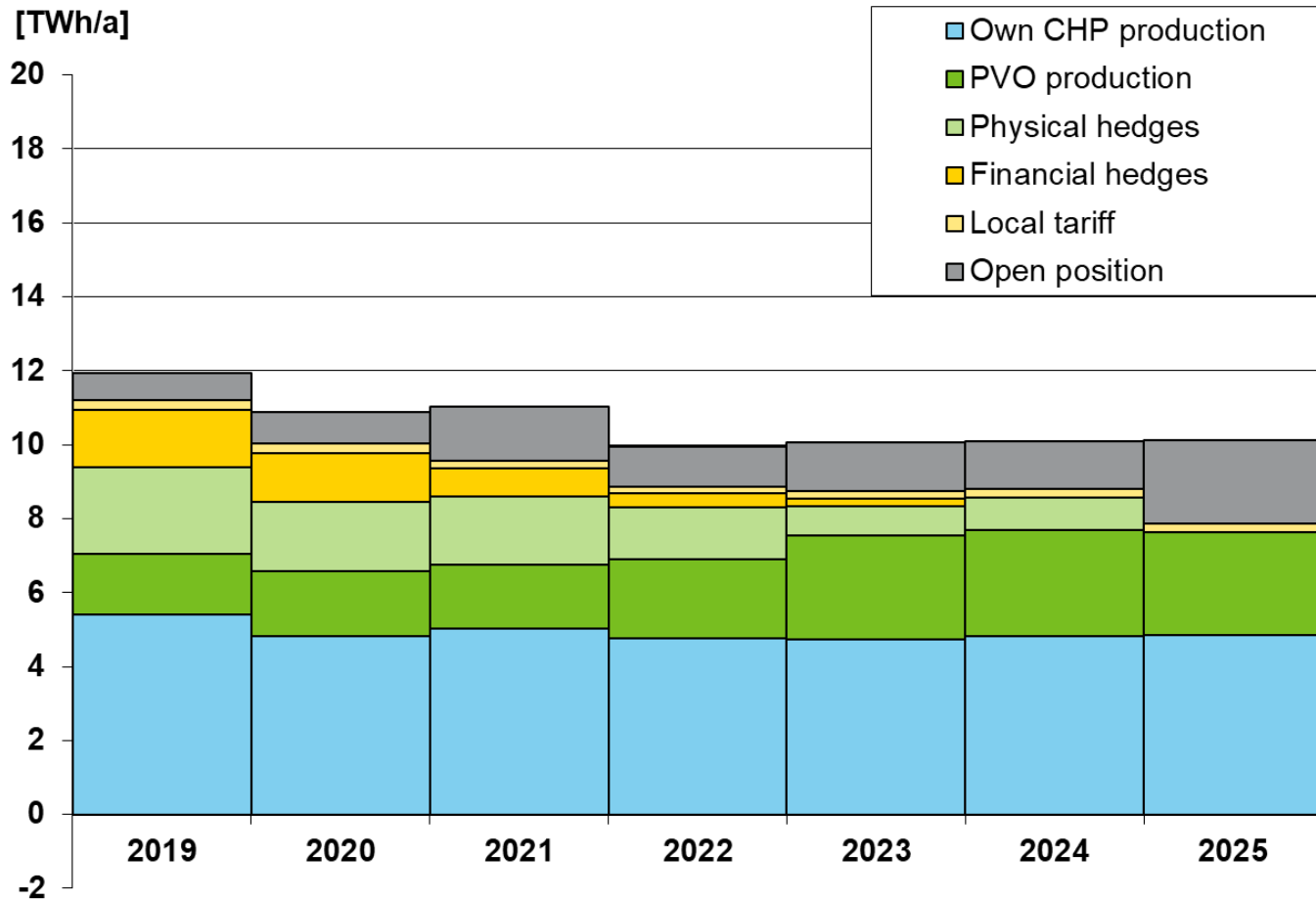
MEUR	USD	EUR	GBP	SEK
Estimated annual operative transaction risk exposure from cash flows for the next 12 months*	1,971	1,117	336	-223
Cash flow hedges for the next 12 months as at 30 June 2022	-872	-579	-83	116
Estimated annual net cash flow exposure, net of hedges**	1,100	538	253	-106
Hedge ratio for the next 12 months as at 30 June 2022	44%	52%	25%	52%
Effect of 10% currency strengthening on Operational EBIT	110	54	25	-11

*Cash flows are forecasted highly probable foreign exchange net operating cash flows. The exposure presented in the EUR column relates to operative transaction risk exposure from EUR denominated cash flows in Group companies located in Sweden, Czech Republic and Poland with functional currency other than EUR.

** The estimated annual net cash flow exposure, net of hedges calculation is based on the assumption that cash flows are hedged only with foreign currency forwards.

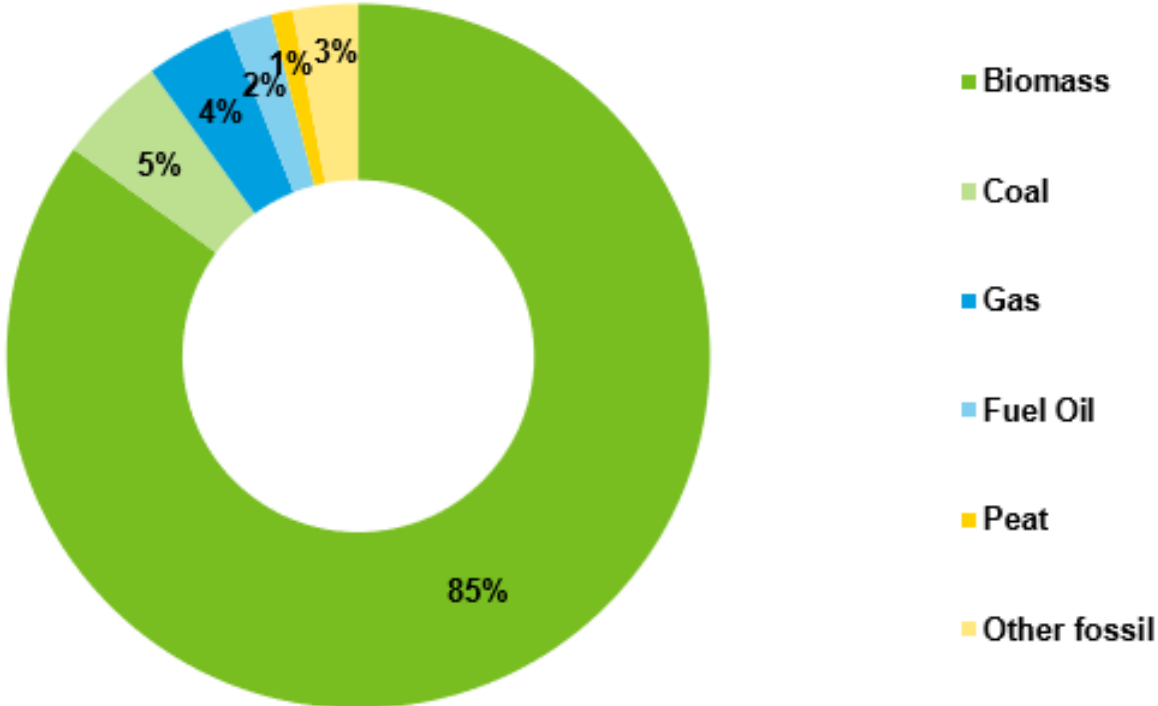
Stora Enso electricity procurement estimate 2022

Pulp, paper and board mills in Europe and overseas



Stora Enso fuels Q2 2022

Pulp, paper and board sites in Europe and overseas



Total Q2 fuel consumption was 8.8 TWh

Permanent pulp, paper and board capacity reductions since 2006



Site	Date	Grade	Capacity reduction, t
Corbehem PM 3 and PM 4	Jun 2006	LWC	250,000
Varkaus PM 1	End 2006	WFC	95,000
Berghuizer Mill	Oct 2007	WFU	235,000
Reisholz Mill	End 2007	SC	215,000
Summa Mill	Jan 2008	Newsprint, uncoated mag, book paper	415,000
Anjala Mill PM1	Feb 2008	Coated magazine paper	155,000
Baienfurt Mill	End 2008	FBB	190,000
Kabel Mill PM 3	End 2008	Coated magazine	140,000
Kemijärvi Pulp Mill	April 2008	Long-fibre (SW) pulp	250,000
Norrsundet Pulp Mill	Dec 2008	Long-fibre (SW), pulp	300,000
Varkaus Mill coreboard machine	Dec 2008	Coreboard	100,000
Imatra PM 8	Mar 2010	WFU	210,000
Varkaus PM 2 and PM 4	Sep 2010	Newsprint, directory paper	290,000
Maxau PM 7	Nov 2010	Newsprint	195,000

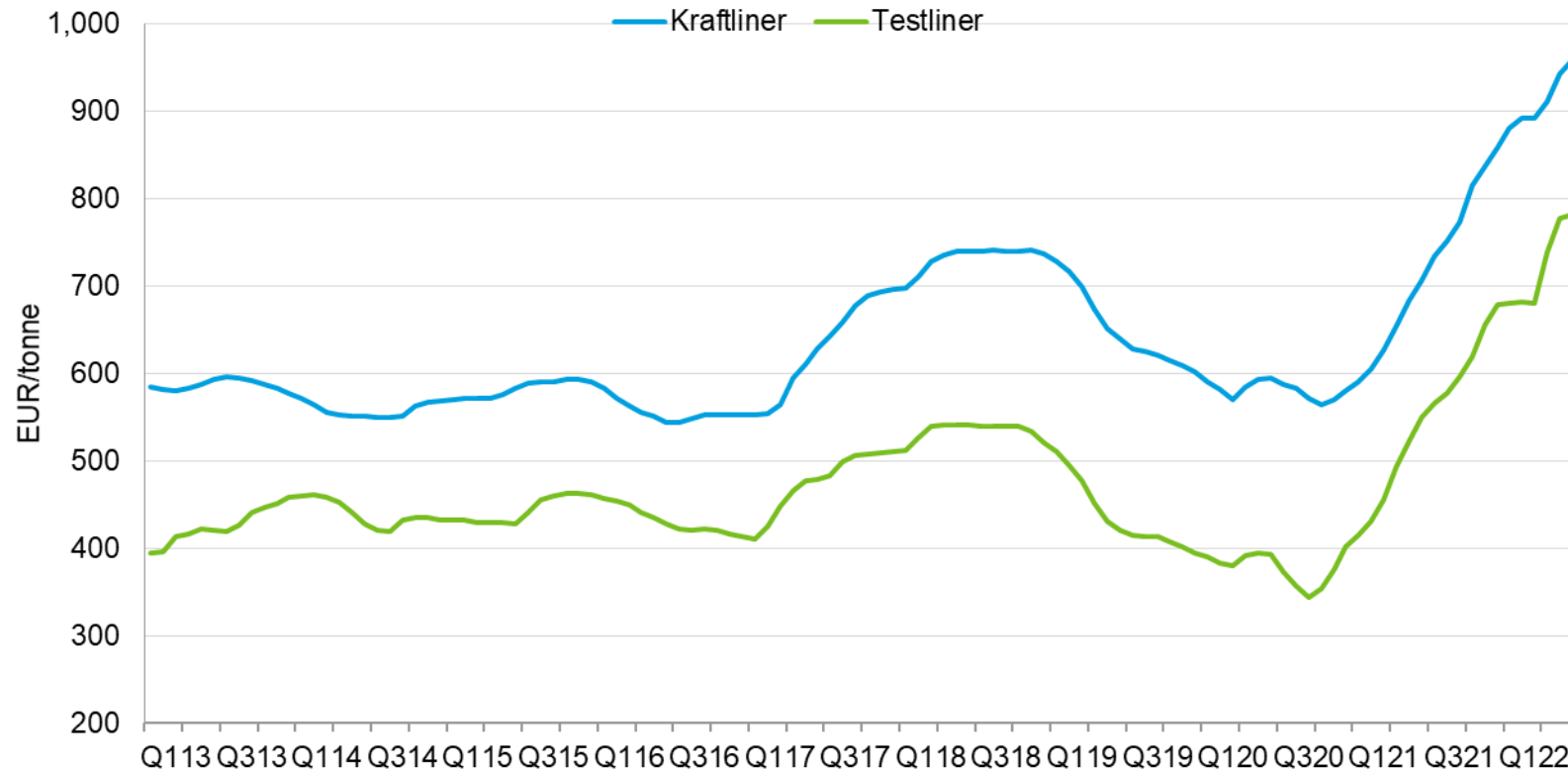
Site	Date	Grade	Capacity reduction, t
Hylte PM1	Dec 2012	Newsprint	180,000
Ostroleka PM2	Jan 2013	Containerboard	85,000
Hylte PM2	May 2013	Newsprint	205,000
Kvarnsveden PM11	May 2013	Newsprint	270,000
Veitsiluoto PM1	Apr 2014	Coated magazine	190,000
Corbehem Mill	July 2014	LWC	330,000
Varkaus	Aug 2015	WFU	280,000
Suzhou	Jun 2016	WFU	240,000
Kvarnsveden PM8	Jun 2017	SC	100,000
Imatra PM 6	End of 2019	Coated spec.	90,000
Oulu PM 6 and PM7	Sep 2020	WFC	1,080,000
Hylte PM3	Dec 2020	News	235,000
Kvarnsveden site	Q3 2021	SC, impr. News, packaging paper	565,000
Veitsiluoto site	Q3 2021	LWC, MWC, WFU, speciality paper, packaging paper	790,000
Total			7,680,000

Permanent sawn wood capacity reductions since 2006



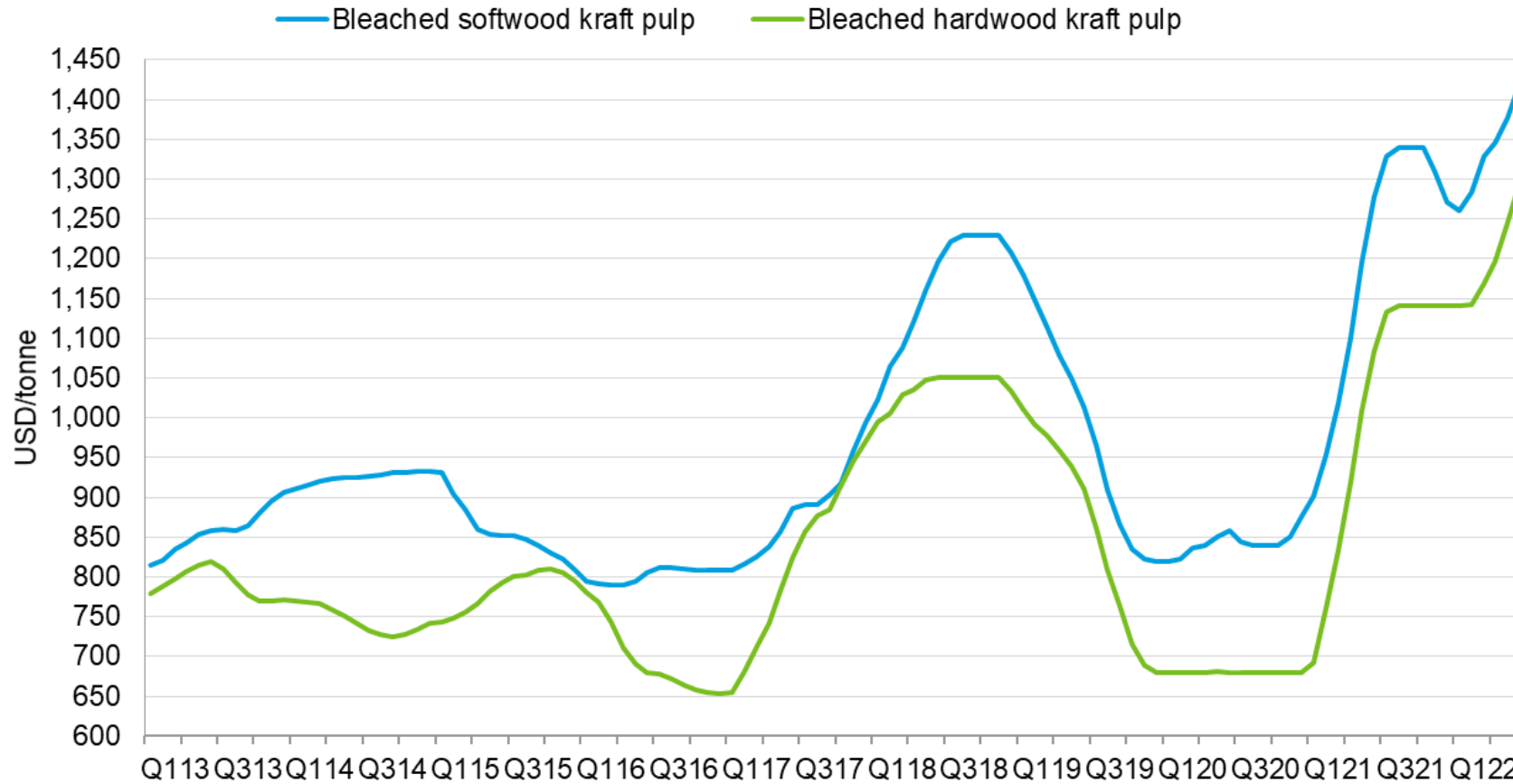
Site	Date	Capacity reduction, m ³
Veitsiluoto Sawmill	2006	100,000
Honkalahti Sawmill	2006	90,000
Sauga Sawmill	2007	130,000
Sollenau Sawmill	2007	110,000
Näpi Sawmill	2007-2008	100,000
Kotka Sawmill	2007-2008	70,000
Paikuse Sawmill	2008	220,000
Zdirec Sawmill	2008	120,000
Ybbs Sawmill	2008 & 2009	200,000
Kitee Sawmill	2008 & 2009	130,000
Varkaus Sawmill	2009	60,000
Tolkkinen Sawmill	2009	260,000
Kopparfors Sawmill	2011	310,000
Sollenau Sawmill	2014	400,000
Kitee	2019	260,000
Total		2,560,000

Kraftliner and testliner prices



Source: FOEX

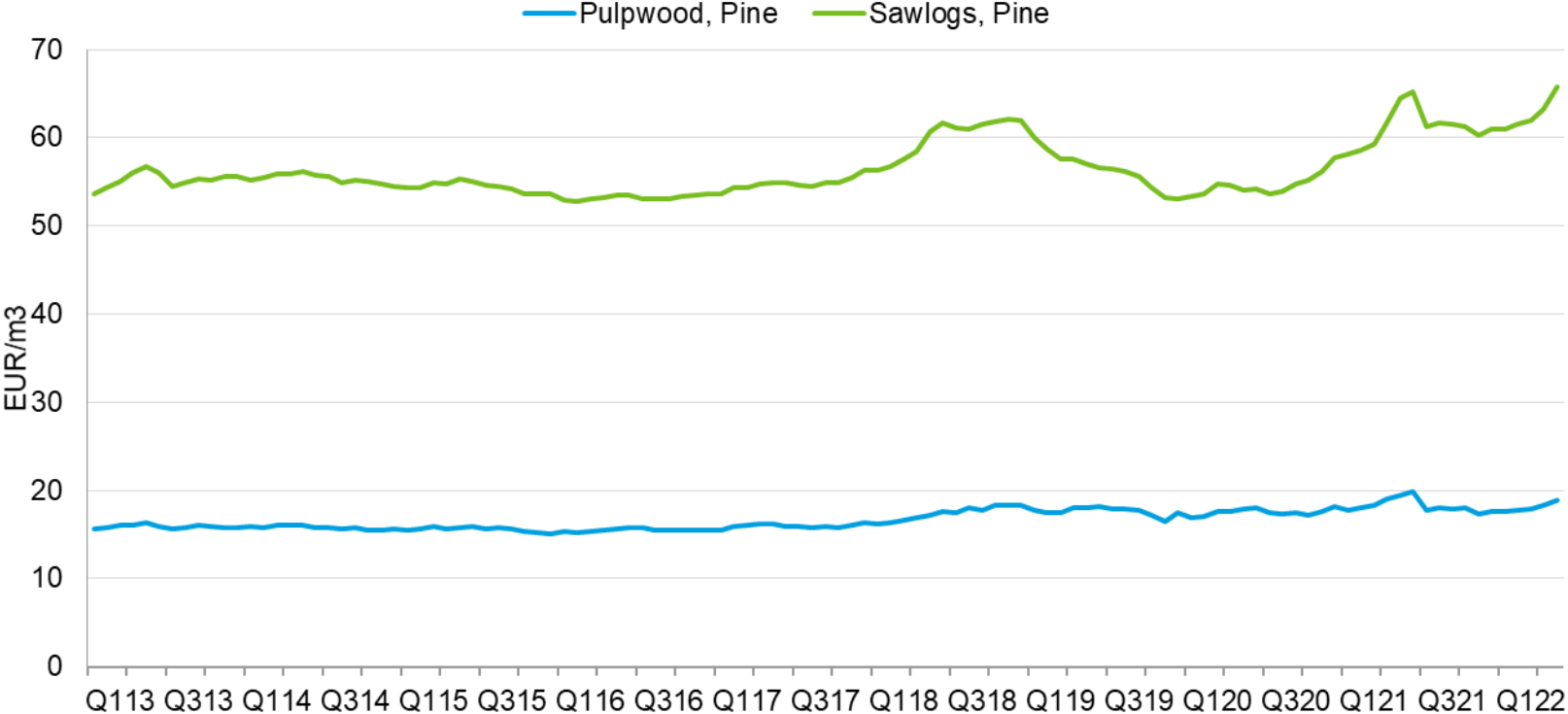
Pulp price development



Source: FOEX

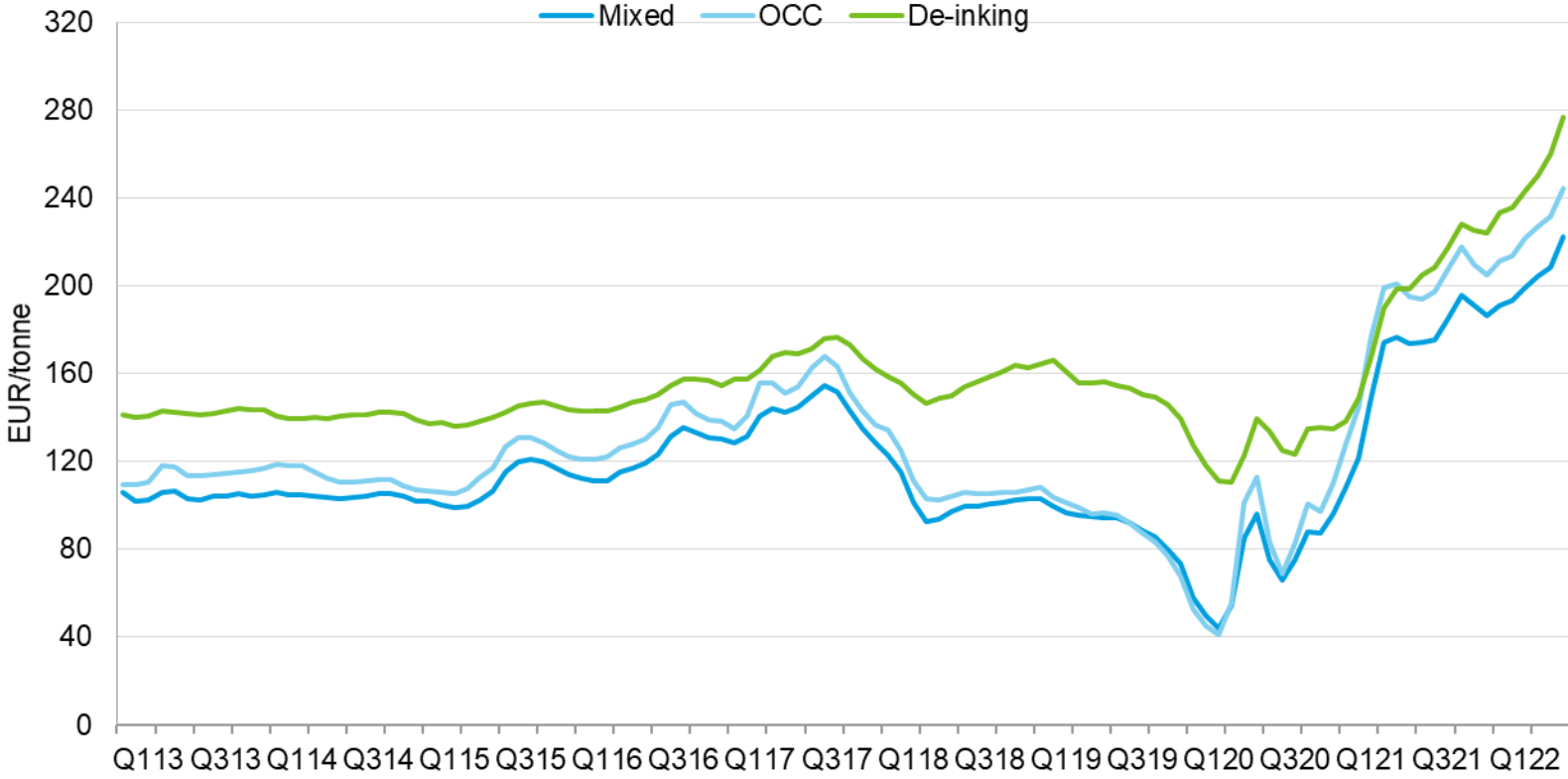
Pulp wood and saw log prices

Wood prices in Finland



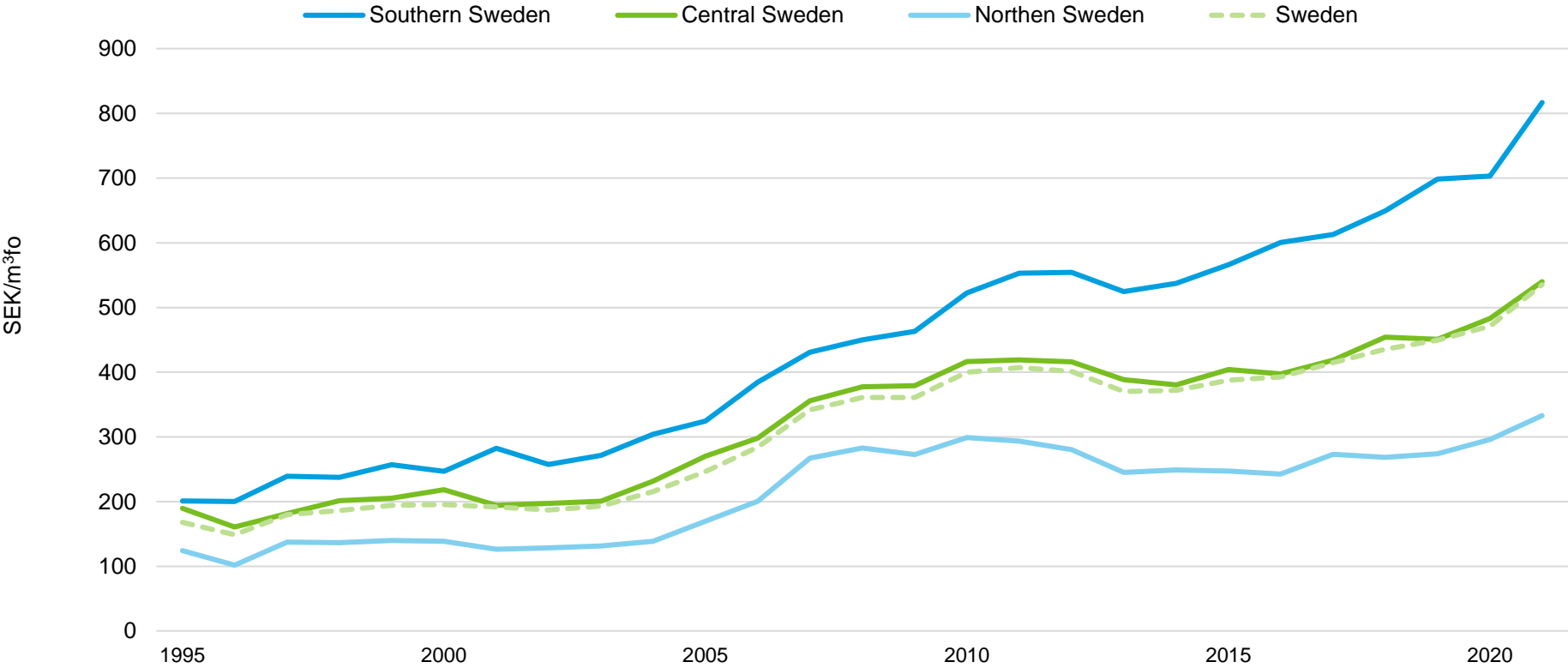
Source: Luonnonvarakeskus

Paper for recycling prices



German RCP price development, free delivered
 Source: Verband Deutscher Papierfabriken/Stora Enso

Market transaction-based forest prices in Sweden



Source: Ludvig & Co 28 January 2022

THE RENEWABLE MATERIALS COMPANY