



storaenso

Financial results Q4 2022

Delivering the best FY financial performance
in 22 years despite Q4 market challenges

President and CEO Annica Bresky
CFO Seppo Parvi

31 January 2023

Our purpose



Do good for
people and the
planet



Replace non-
renewable materials
with **renewable**
products

Delivering the best FY financial performance in 22 years despite Q4 market challenges



- Biomaterials delivered a quarterly all-time high result, containerboard and sawn wood experienced continued slowdown
- Reshaping for future growth to drive outperformance over the cycle
 - Completed the De Jong acquisition in January 2023
 - Completed the majority of paper sites divestments and dissolved the Paper division
 - Started a process to divest the consumer packaging site and forestry operations in Beihai, China
 - Investment decision in cost-leading consumer board line at the Oulu site, Finland
 - Partnering with Polestar to contribute to their Polestar 0 project of a climate neutral car for 2030 with Lignode
- The Board proposes an all-time high dividend of €0.60 per share

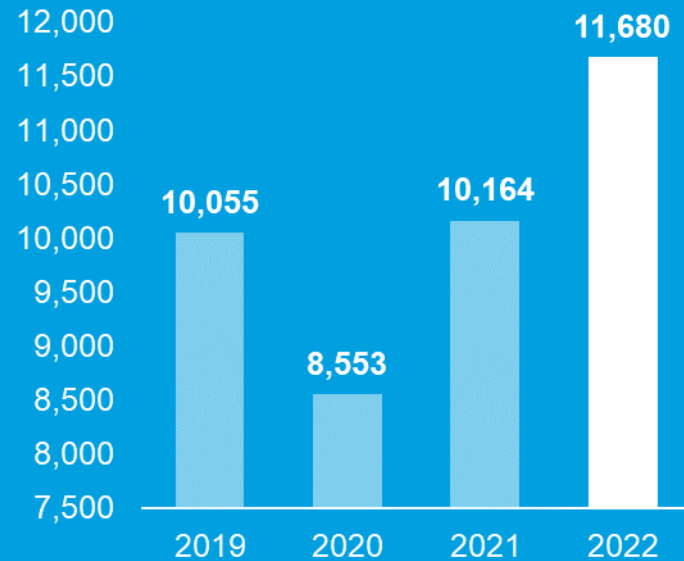


Delivered the strongest FY financial performance since 2000



Sales

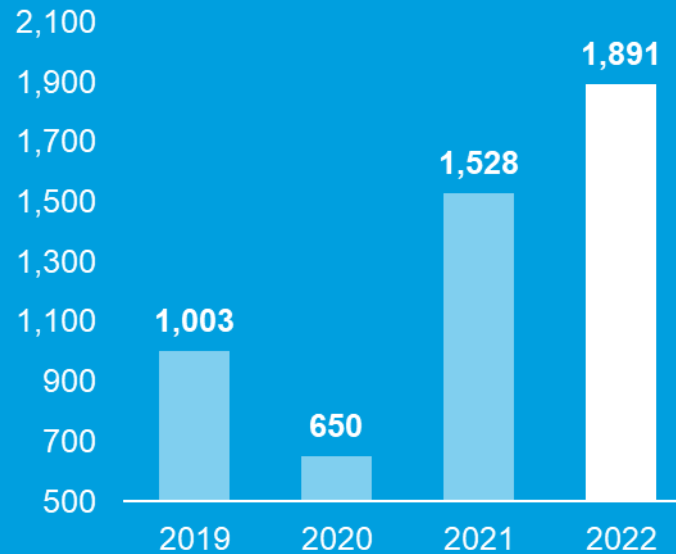
MEUR



Sales increased by +15% YoY

Operational EBIT

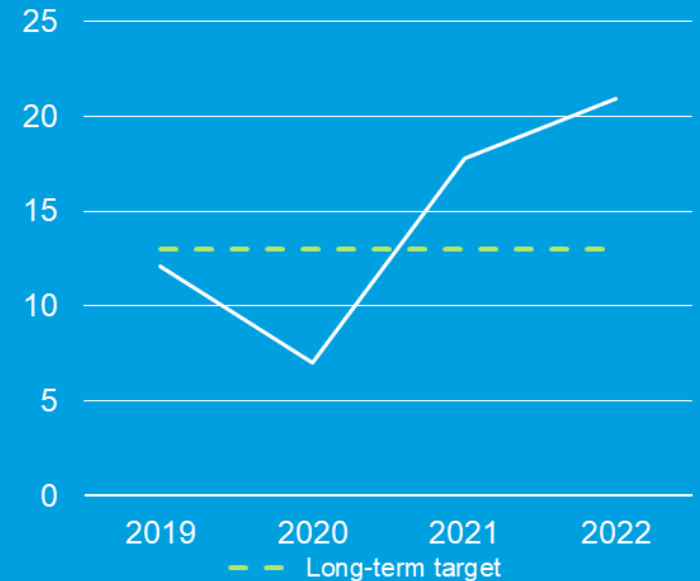
MEUR



OpEBIT +24% YoY

Operational ROCE excl. Forest

%

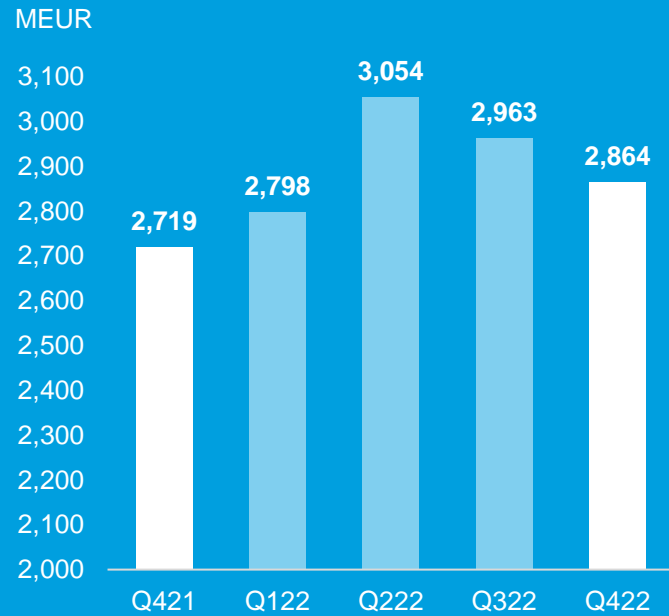


OpROCE excl. Forest 20.9%,
above long-term target of >13%

Market-driven slowdown and higher cost levels impacted sales and profit in the back half of 2022

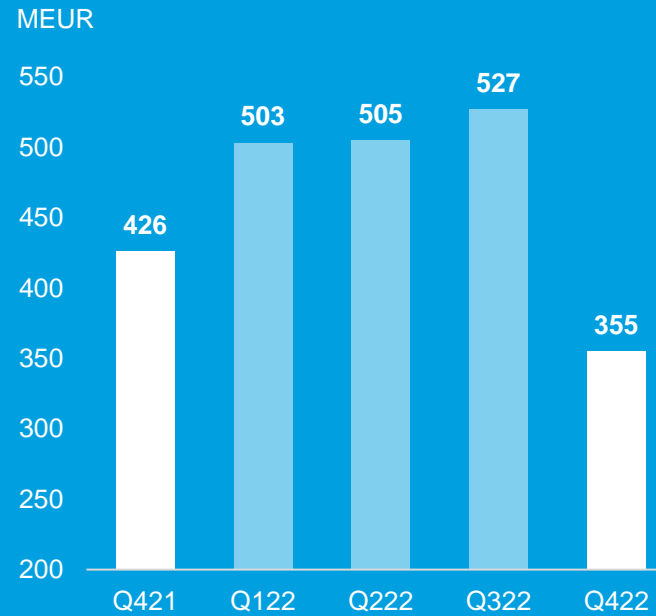


Sales



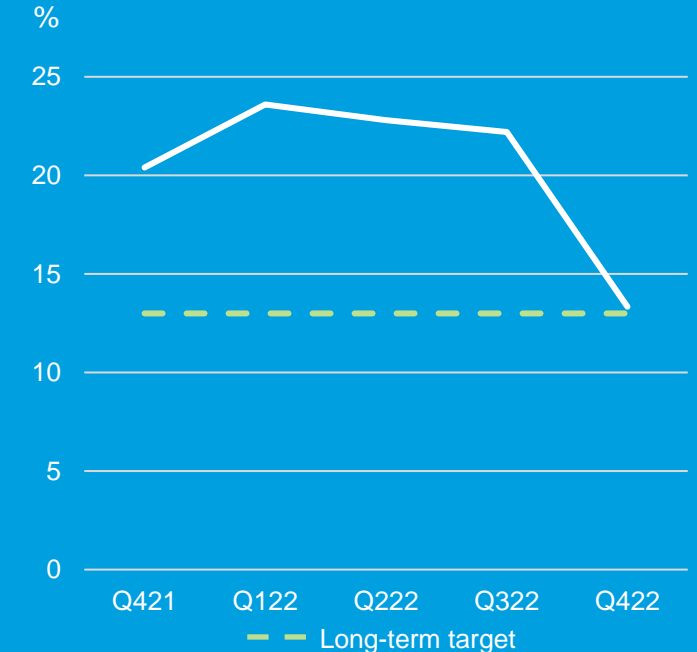
Sales increased by +5% YoY
Sales excluding Paper +5% YoY

Operational EBIT



OpEBIT -16.7% YoY

Operational ROCE excl. Forest



OpROCE excl. Forest 13.2%,
above long-term target of >13%

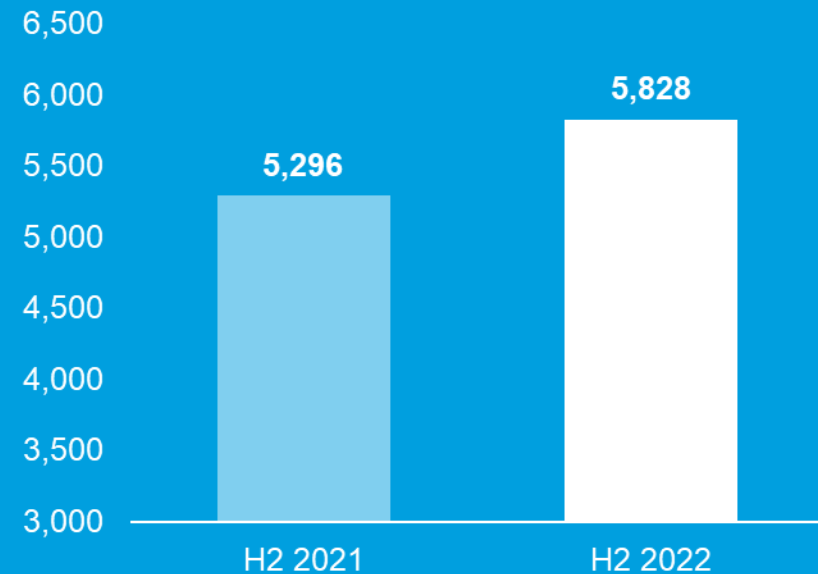
Continued strong performance with similar trend YoY in H2

Development comparison H2/2021 vs H2/2022



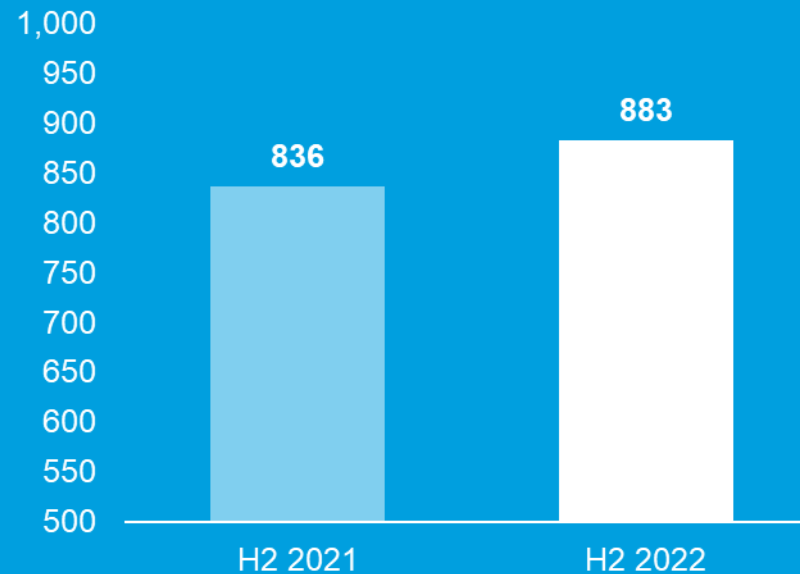
Sales

MEUR



Operational EBIT

MEUR



- Maintenance costs impact on EBIT:
 - H2/2021: €314m
 - H2/2022: €330m
 - Q3/2021: €169m
 - Q3/2022: €150m
 - Q4/2021: €146m
 - Q4/2022: €180m

Completed De Jong Packaging Group acquisition to grow market share in Western European markets



Integration process started

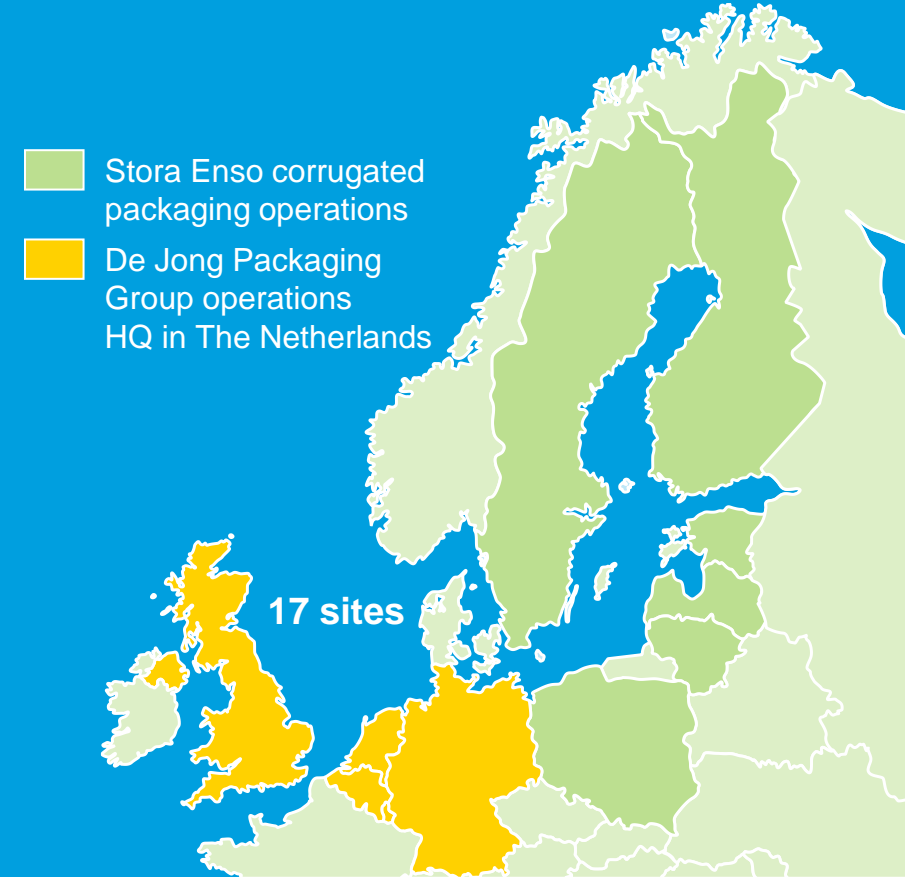
€1* billion
Sales est 2022

€114* million
EBITDA est 2022

Capacity increase
by ~1,200 million
m² to more than
2,000 million m²

€30 million
average annual
synergies over
the cycle after
three years

€40 million
additional annual
EBITDA estimated by
2025 from ongoing
expansions projects



Excellent fit with a possible conversion at the Langerbrugge site in Belgium

Exiting the paper business enables investments in key strategic segments



Divestments for a total EV of €378 million

- Nymölla site to Sylvamo, completed in January 2023
- Maxau site to Schwarz Group and Hylte site to Sweden Timber, completions expected in H1/2023
- The divestment process for the Anjala site was discontinued, the site is retained in Stora Enso and continues with paper production
- Ongoing feasibility study for a potential conversion at the retained Langerbrugge site



Sales process for divestment of the Beihai site has been initiated to allocate capital for growth in other core sites



- Divestment would include both industrial site and forestry operations
 - Beihai site annual production capacity: 250kt mechanical pulp and 550kt consumer board
 - 73k ha leased eucalyptus plantations
 - Stora Enso's ownership is approximately 80%
- Capital and resources will be allocated for growth in other existing sites such as the Oulu site in Finland
- Existing and new customers in China and other Asian markets will continue to be served from Stora Enso's other global sites
- No committed timeline for completion



Recent partnering and developments to accelerate long-term growth



- Biomaterials Innovations
 - Partnership with Polestar to contribute to their Polestar 0 project of a climate neutral car for 2030 with Lignode
 - Progressing with the feasibility study for the first industrial scale production of Lignode
 - Monitoring the development of battery technologies within wood-based materials
- Renewable Packaging
 - Moving ahead according to plan with the ~€1bn investment in consumer board in Oulu, Finland
- Sustainable Building Solutions
 - Launched a new low carbon wood construction solution, Sylva, prefab and custom-made for more efficient use of material



All long-term Group level financial targets were exceeded in 2022

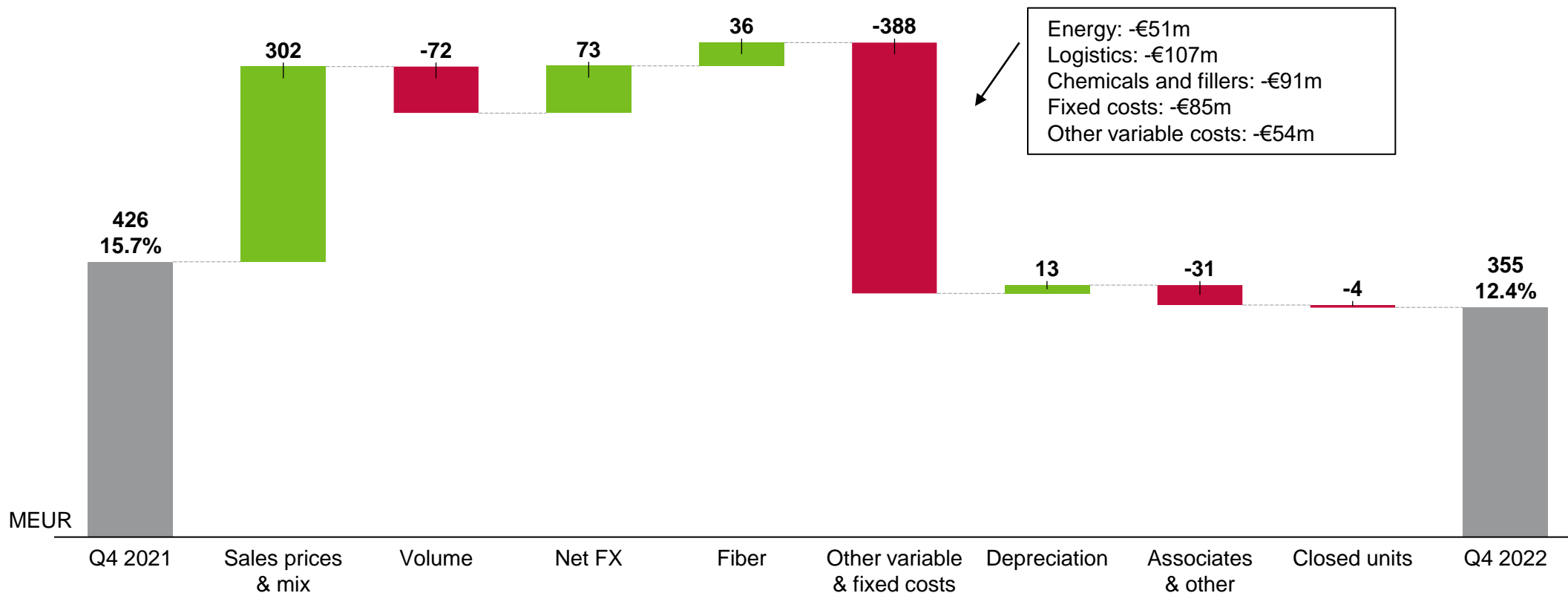


Group long-term financial targets		Q4 21	Q4 22		2021	2022	
Dividend*	To distribute 50% of EPS excluding fair valuation over the cycle	-	-		0.55	0.60**	●
Growth excl. Paper YoY	> 5%	39%	5%	●	29%	17%	●
Net debt to operational EBITDA	< 2.0x	1.1	0.7	●	1.1	0.7	●
Net debt to equity	< 60%	22%	15%	●	22%	15%	●
Operational ROCE excl. Forest	> 13%	20.4%	13.2%	●	17.8%	20.9%	●
Divisional long-term financial targets		Q4 21	Q4 22		2021	2022	
Packaging Materials	Operational ROOC > 20%	16.8%	3.6%	●	18.0%	18.2%	●
Packaging Solutions	Operational ROOC > 15%	19.4%	-1.4%	●	10.8%	-0.7%	●
Biomaterials	Operational ROOC > 15%	27.1%	35.0%	●	20.8%	25.8%	●
Wood Products	Operational ROOC > 20%	53.1%	-7.5%	●	59.4%	44.2%	●
Forest	Operational ROCE > 3.5%	3.6%	4.4%	●	5.1%	3.7%	●
Paper	Cash flow after investing activities to sales > 7%	-2.9%	-0.7%	●	-4.5%	0.9%	●

* Annual dividend. ** Dividend proposal

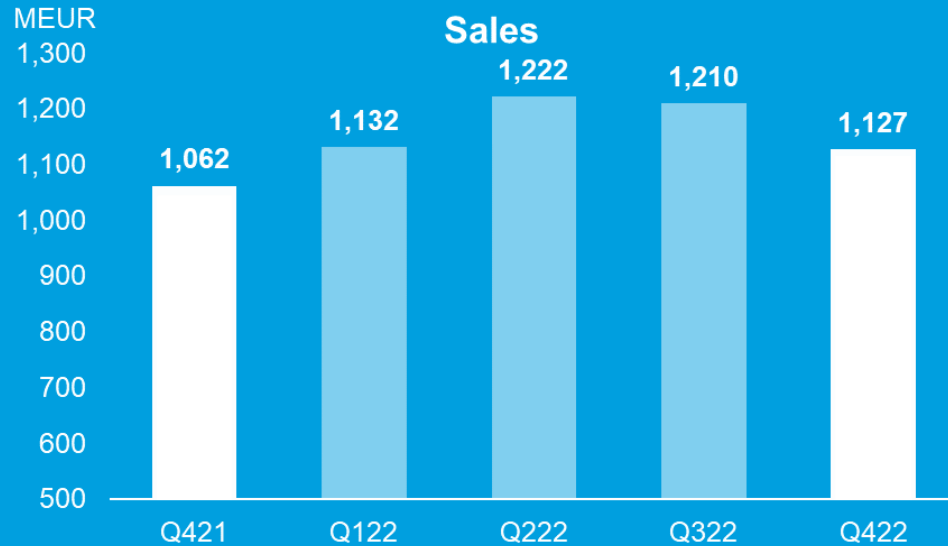
Higher prices were offset by increased variable costs

Maintenance costs €34 million higher year-on-year

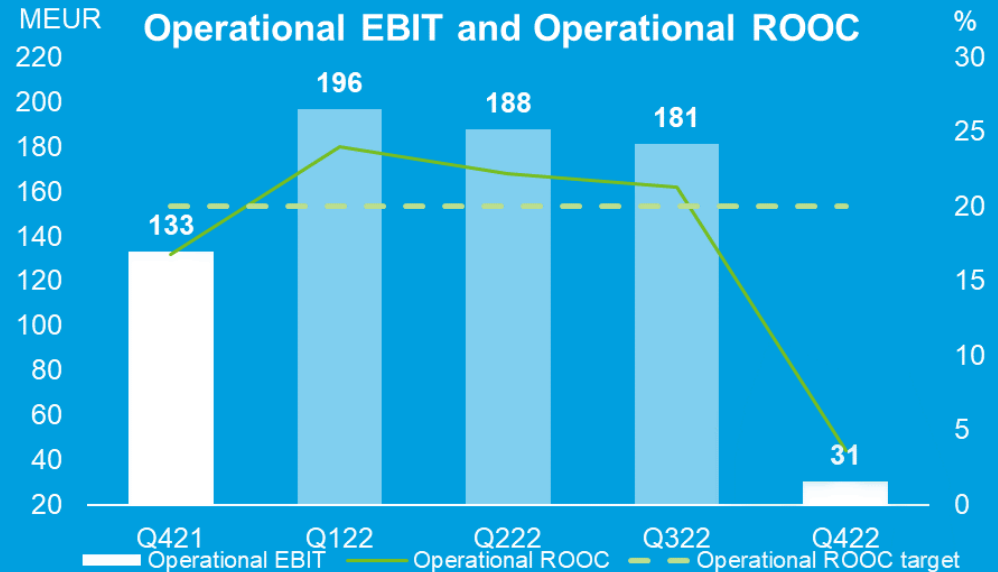


Packaging Materials

Price increases to mitigate cost inflation continues in consumer board
The containerboard market demand remained weak



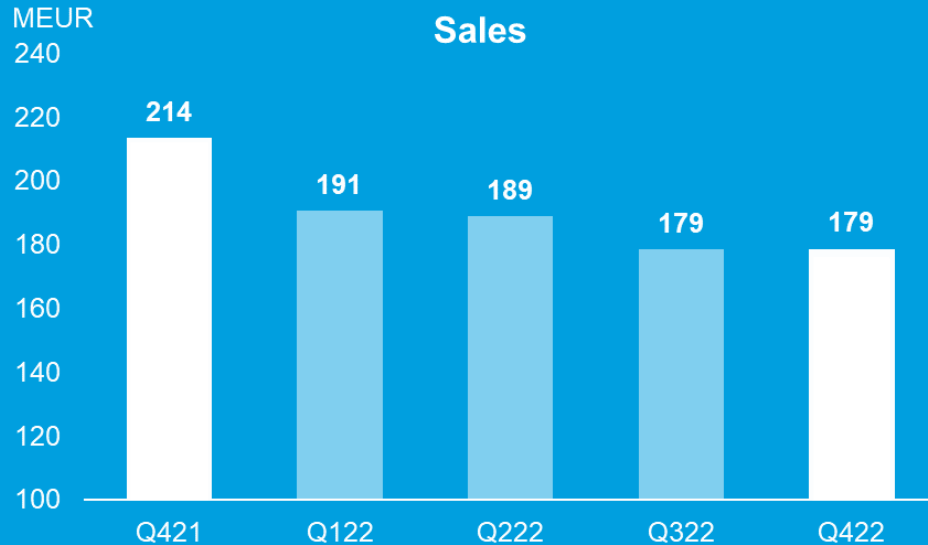
- Sales +6% YoY, driven by higher board prices
- Consumer board demand remained stable, price increases implemented to mitigate variable cost escalation
- Continued weak demand in containerboard markets



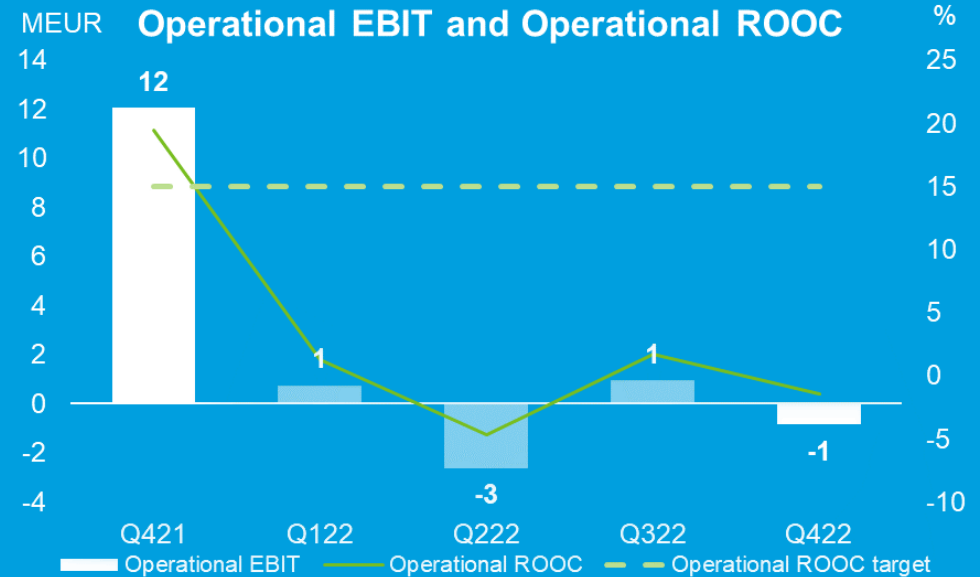
- OpEBIT -€102m YoY
- Increased short-term operating costs due to annual maintenance shutdowns at four large sites, and inflationary pressures
- Margin squeeze due to escalated variable costs and lower volumes
OpROOC at 3.6%, long-term target >20%

Packaging Solutions

Sales and profitability were impacted by the exit from Russian operations and high inflationary pressures



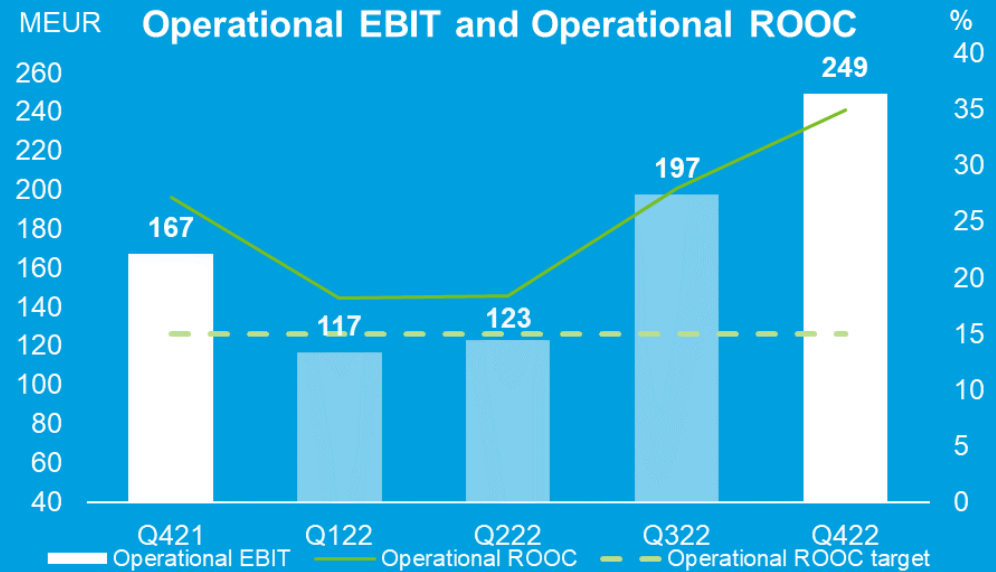
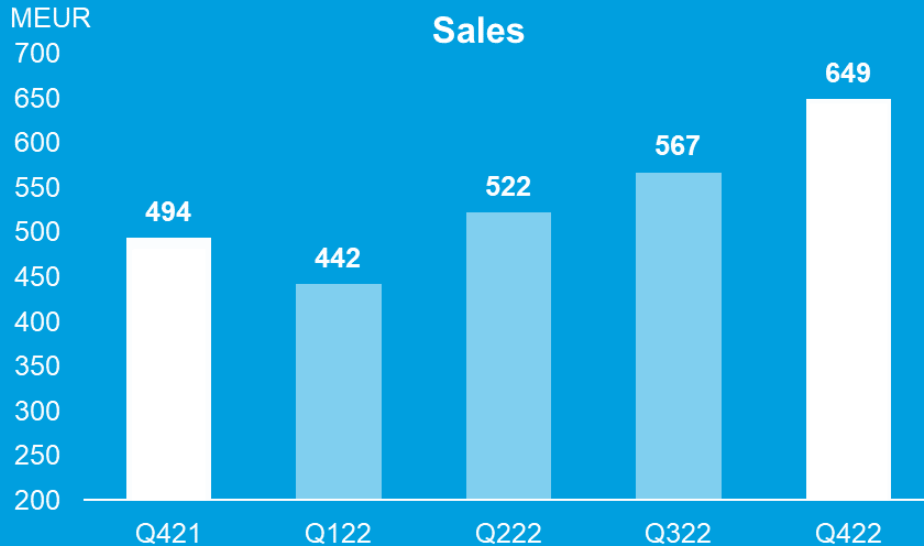
- Sales -16% YoY
- Lower sales mainly due to the divestment of the Russian units
- Higher sales prices in the corrugated packaging operations despite softer market conditions



- OpEBIT -€13m YoY
- Negatively impacted by the exit from Russia
- Higher costs related to investments in growing the new businesses
- OpROOC at -1.4%, long-term target >15%

Biomaterials

All-time high quarterly sales and profitability reached through record high pricing and effective operational performance

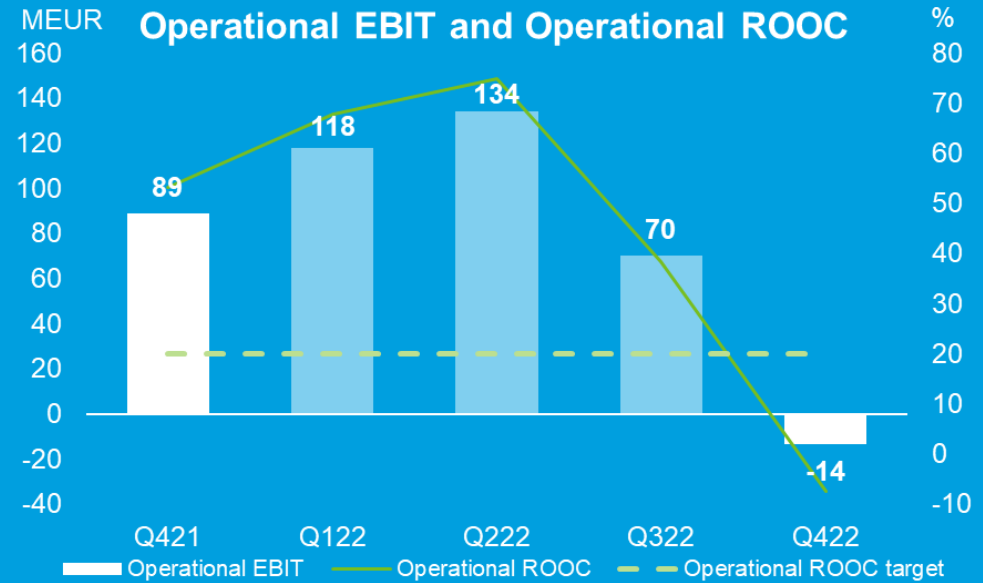
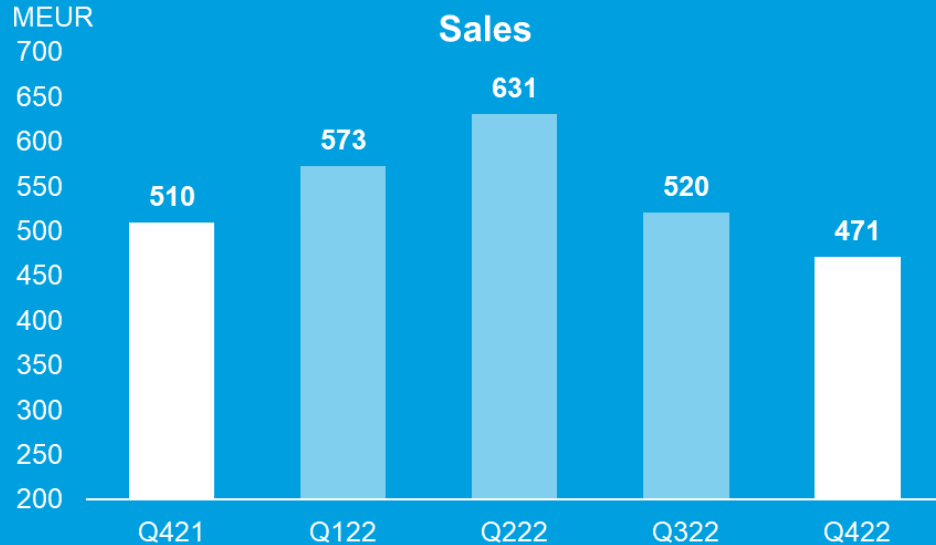


- Sales +32% YoY, all-time high quarter
- The record high sales were driven by strong prices and deliveries, supported by good performance in by-product sales and effective operational performance

- OpEBIT +49% YoY, all-time high quarter
- Higher sales prices and positive FX impact fully offset higher costs
- OpROOC at 35%, clearly above the long-term target of >15%

Wood Products

Rapid market decline in sawn wood with continued stability in Building Solutions

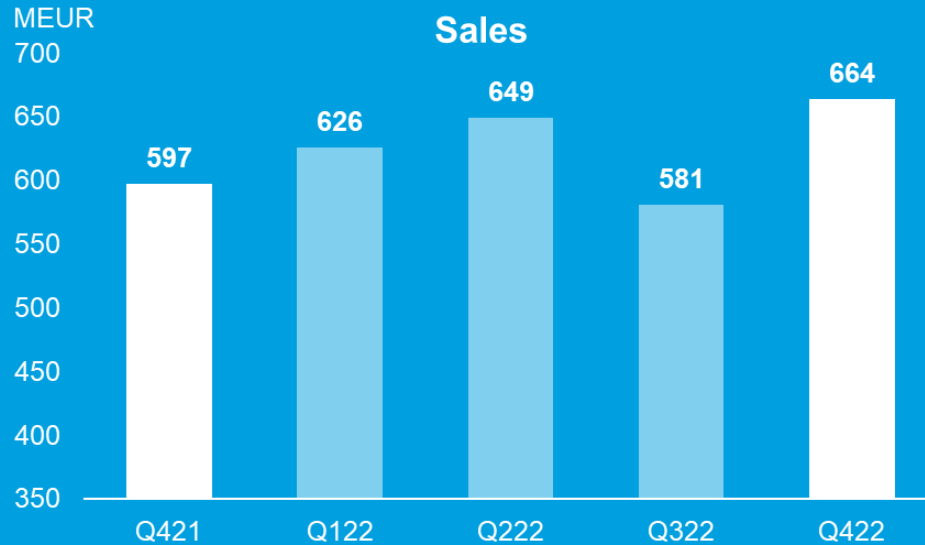


- Sales -7% YoY
- The construction market was impacted by market slowdown with fewer building permits and projects
- Lower sales mainly impacted by lower prices in sawn wood and the exit from the Russian operations
- The stable demand in Building Solutions continued

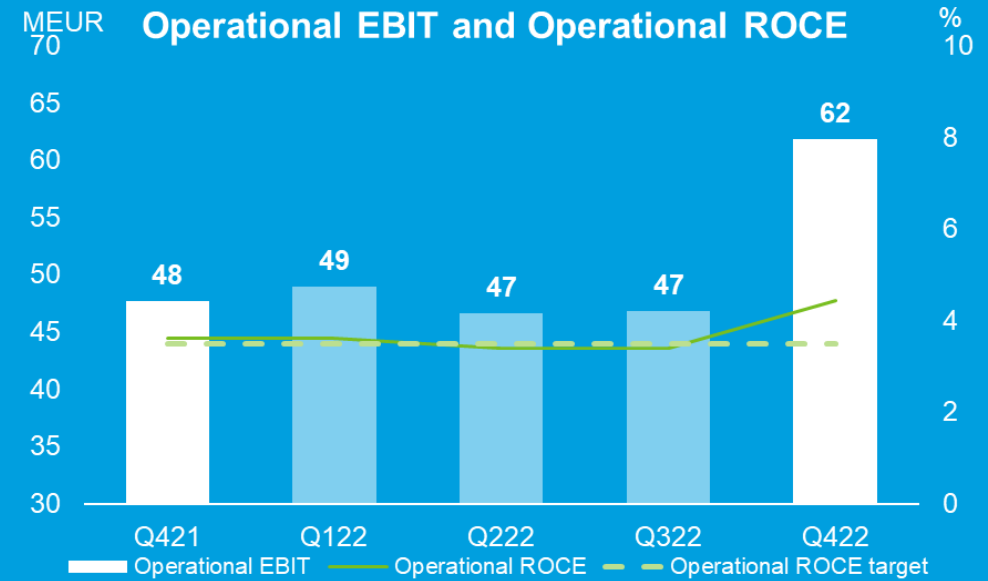
- OpEBIT -€103m YoY
- Lower sales prices and increased costs for logistics, electricity and raw materials
- OpROOC at -7.5%, long-term target >20%

Forest

Wood demand and prices remained on a high level



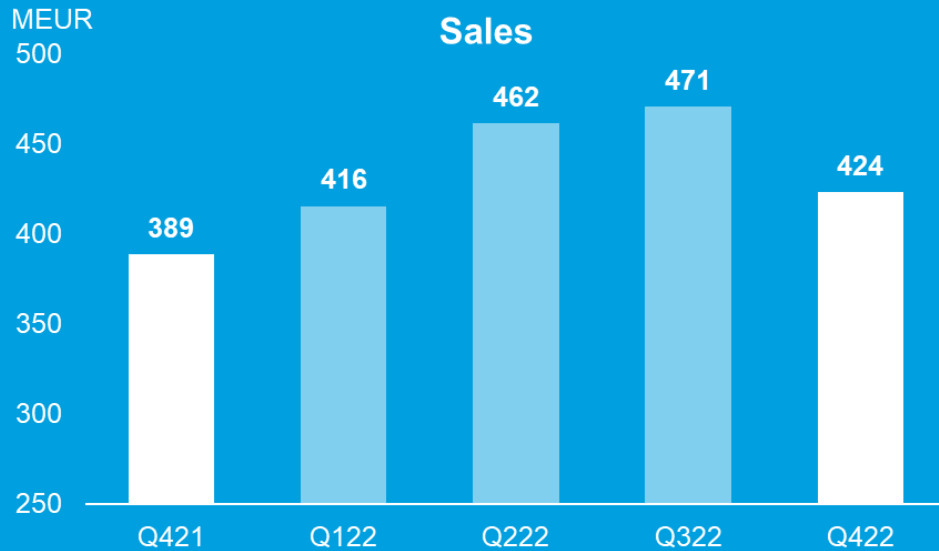
- Sales +11% YoY driven by increased wood demand and higher prices
- Tighter wood markets both in Finland and Sweden mitigated by flexible sourcing



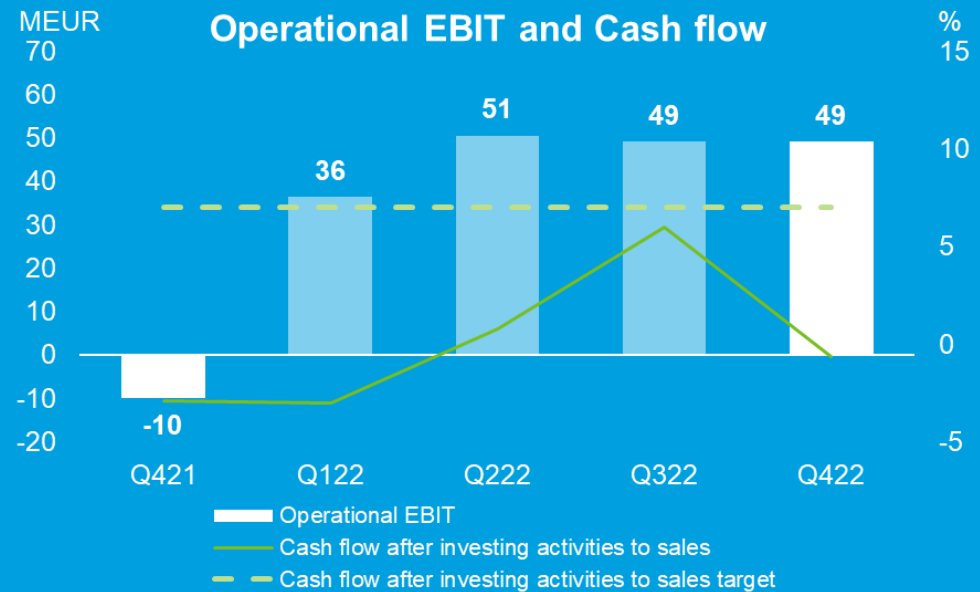
- OpEBIT +30% YoY
- Supported by efficient operational performance
- Positive impact from land sales in Sweden of €10m
- OpROCE at 4.4%, above long-term target of >3.5% despite the higher fair value of the Nordic forest assets

Paper

Delivered significantly improved profitability due to business turnaround after restructuring



- Sales +9% YoY
- Higher sales prices for Stora Enso's products
- Volumes impacted by scheduled maintenance shutdowns during the quarter



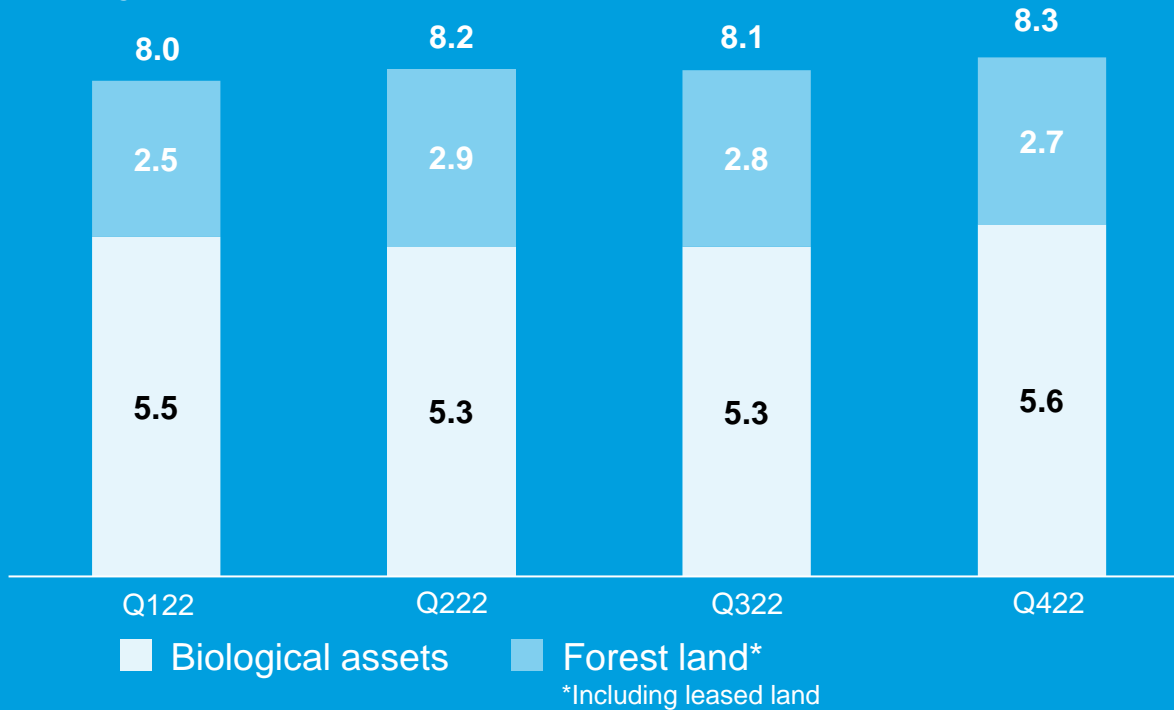
- OpEBIT +€59m YoY
- Higher paper prices more than offset higher variable costs
- Cash flow to sales after investments -0.7%, impacted by restructuring provision payouts and transaction costs related to the announced divestments (long-term target >7%)

Market transaction-based fair valuation applied for Tornator



Group forest assets

€ billion

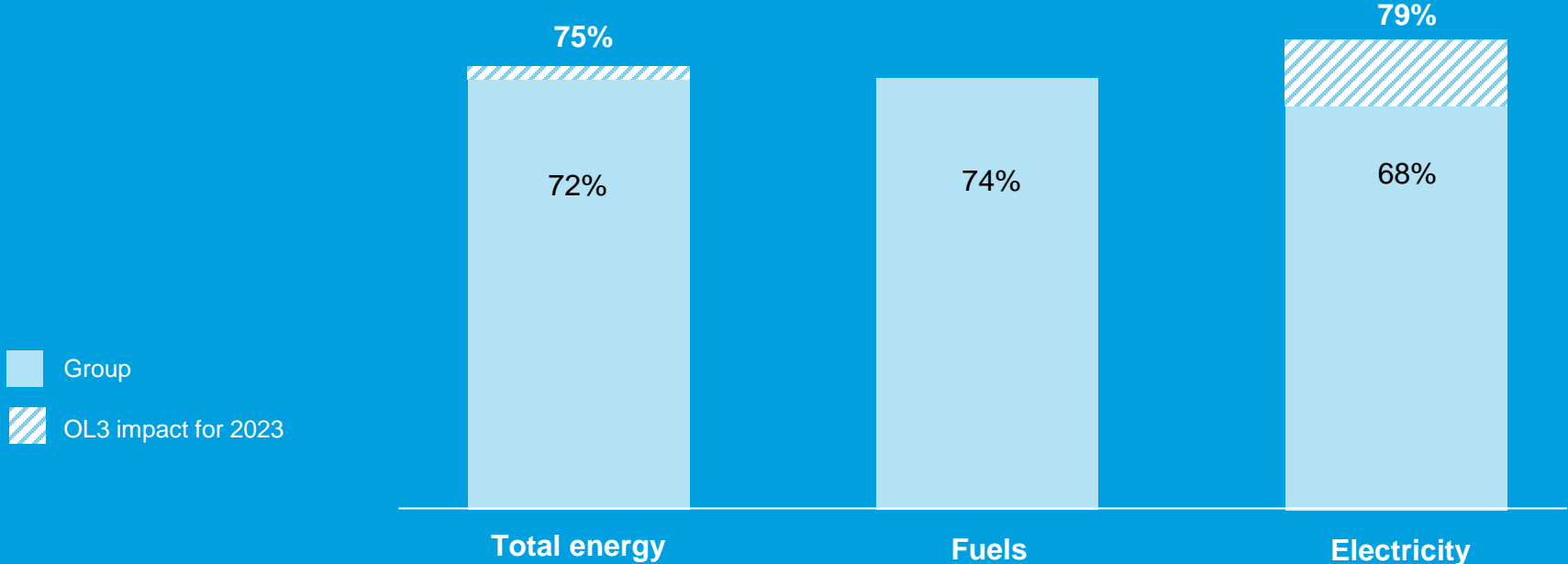


- Fair value of €8.3 billion equivalent to €10.52 per share
- Change in the fair valuation method from DCF to market transaction-based in Finland resulted in a €265m positive impact q-o-q
- Positive impact from higher market transaction-based forest property prices in Sweden was largely offset by negative FX SEK/EUR
- Higher WACCs for plantations decreased fair values slightly

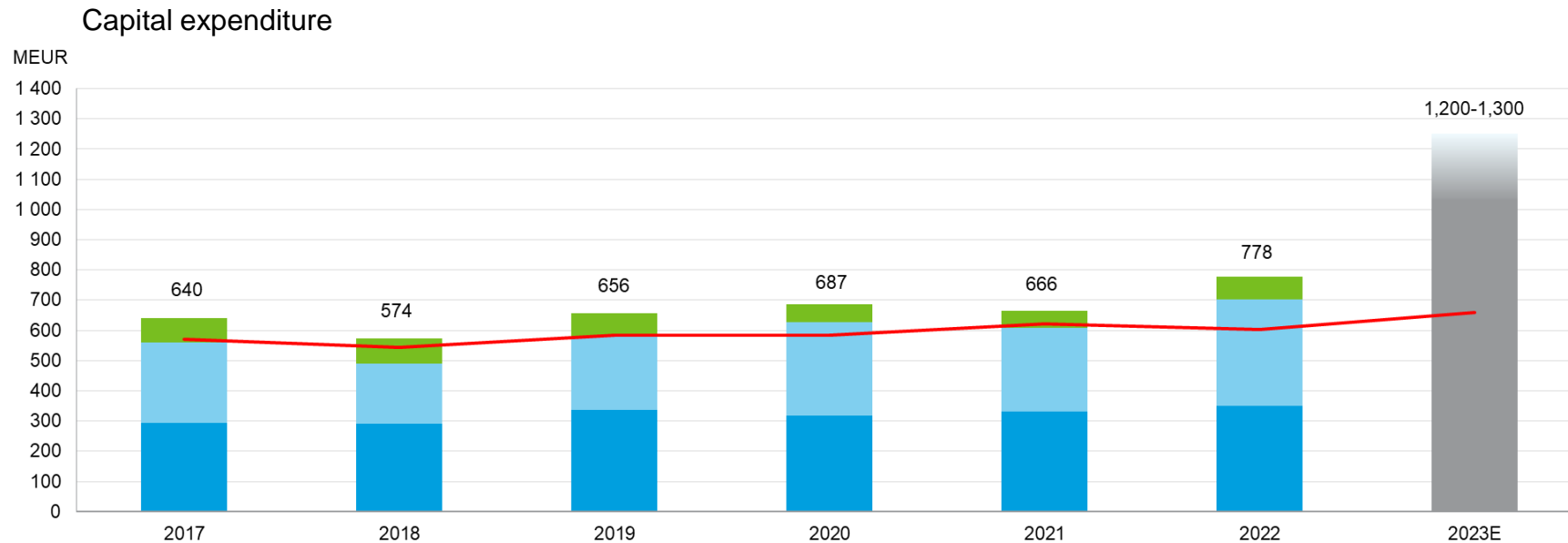
Energy self-sufficiency is expected to increase in 2023



Energy self-sufficiency excl. JVs (FY2023e)



Higher capex estimate mainly due to growth investments in consumer board



The majority of the increase in 2023 relates to the consumer board investment in Oulu, Finland

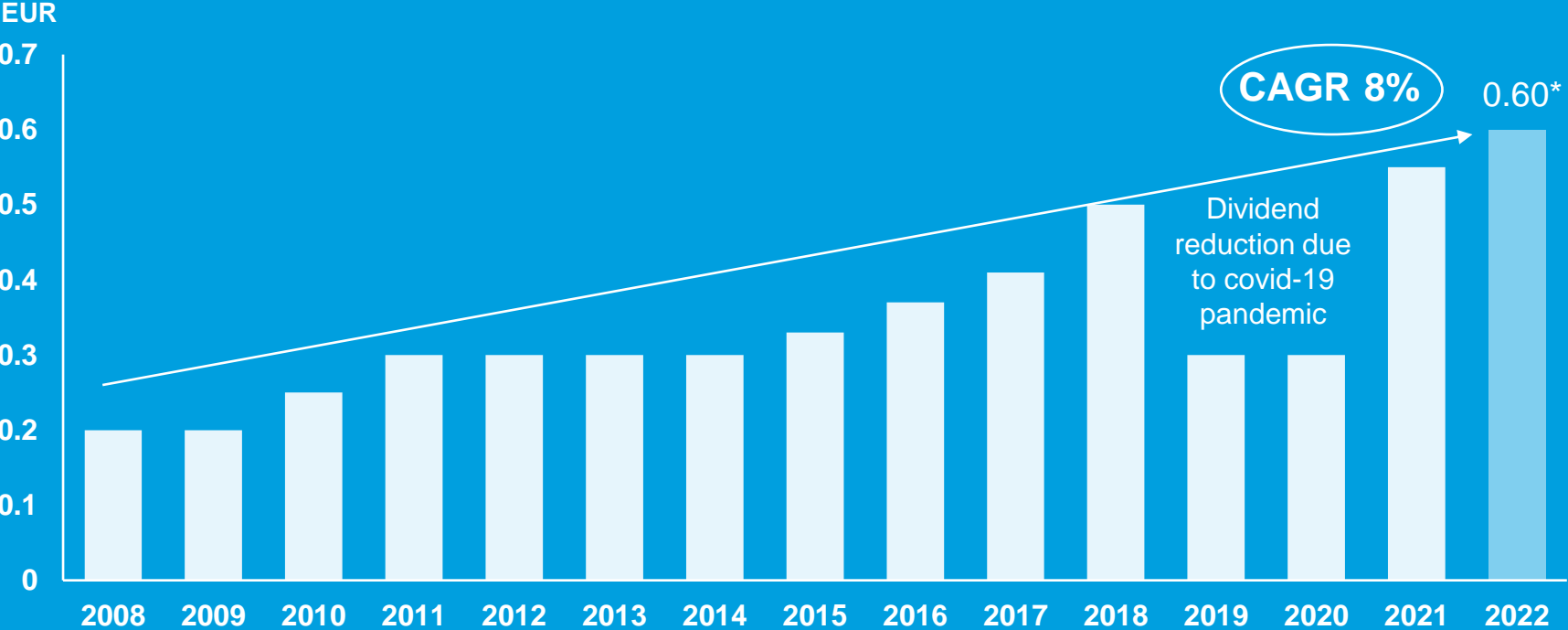
- Biological capex
- Strategic capex
- Maintenance and development capex
- Capex estimate for 2023
- Depreciation and depletion of capitalised silviculture costs

Capex for 2019-2022 and estimate for 2023 include the capitalised leasing contracts according to IFRS 16 Leases standard

Dividend proposal: to increase to an all-time high of €0.60 per share



Dividend



Target:
50% of EPS
excluding fair
valuation over
the cycle

Changes in segment reporting – exited the Paper division



Changes as of 1 January 2023

- The Paper division is discontinued
- The Maxau and Hylte paper sites are reported in Segment Other until completion of the divestments
- The Langerbrugge and Anjala sites, retained in Stora Enso, are reported as part of Packaging Materials
- The New Business units transferred from Packaging Solutions to Segment Other
- Restated figures shall be issued prior to the Q1/2023 reporting (Q1 report publication date 25 April 2023)



Annual guidance: the full-year 2023 operational EBIT is expected to be lower than for the full-year 2022 (€1,891m)



- Market conditions and inflationary pressures are expected to be more challenging in 2023 than in 2022
- To manage market volatility, measures like pricing, flexibility in product mix, capacity, inventory, sourcing and logistics, and reinforced cost control are in place
- Stora Enso benefits from its self-sufficiency in energy of 72% as well as hedging, and in wood of ~30%
- Stora Enso's extensive changes in the past three years have reshaped the Company to be financially, operationally and strategically in a stronger position for future growth



Market development

Q1/2023 market demand outlook year-on-year



Packaging Materials

The overall demand for consumer board is expected to remain stable while the overall containerboard demand is expected to remain weak

Packaging Solutions

Demand for corrugated packaging is expected to weaken in Europe

Biomaterials

Pulp demand is expected to be on par with the previous year

Wood Products

The demand for sawn wood is expected to be significantly weaker especially in Europe with the overseas markets remaining stable

Forest

Pulpwood demand is expected to remain stable, while demand for sawlogs is expected to decrease



Delivering the best FY financial performance in 22 years despite Q4 market challenges



- Our performance in 2022 demonstrates the strength of our leading market positions and our ability to be proactive and agile
- Quarterly all-time high results in Biomaterials, with continued slowdown in containerboard and sawn wood
- Investing in organic and acquisitive growth, and entering partnerships, all to drive outperformance over the cycle
- The Board proposes an all-time high dividend of €0.60 per share



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 B 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>

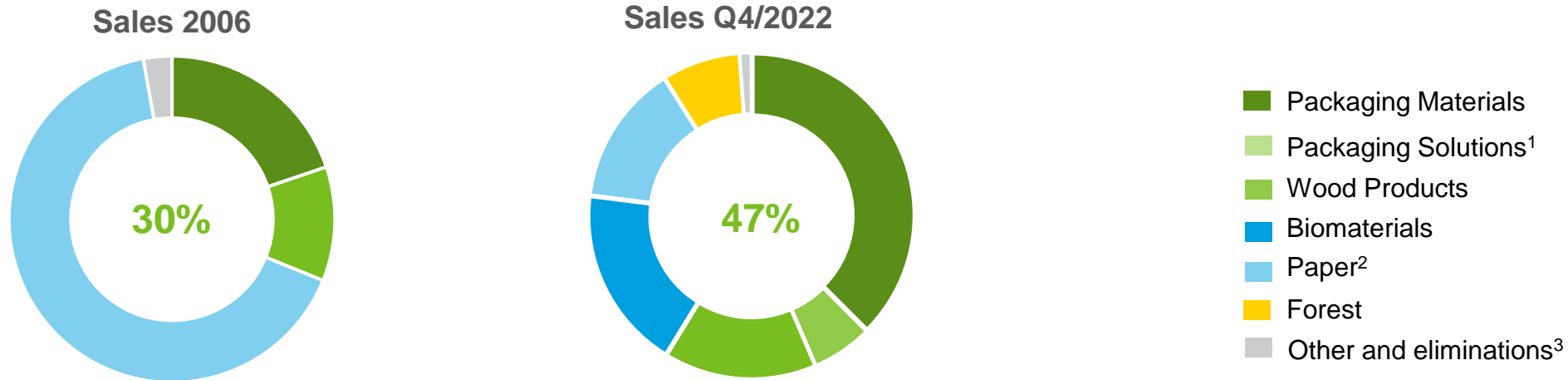
Development of long-term targets



Key long-term targets		Q4 21	Q4 22
Growth (excl. Paper) YoY	> 5%	39.0%	5%
Net debt to operational EBITDA	< 2.0x	1.1	0.7
Net debt to equity	< 60%	22%	15%
Operational ROCE excl. Forest	> 13%	20.4%	20.9%

		2021	2022
Dividend per share (EUR)	To distribute 50% of EPS excluding fair valuation over the cycle	0.55	0.60
Climate: Reduction of fossil CO ₂ e emissions (scope 1 and 2)	-50% by the end of 2030 from 2019	-18%	-27%
Climate: Reduction of fossil CO ₂ e emissions (scope 3)	-50% by the end of 2030 from 2019	0%	-27%
Circularity	100% by 2030	94%	94%
Biodiversity: Forest certification coverage	≥ 96%	99%	99%

Strategic growth areas 47% of sales Q4/2022



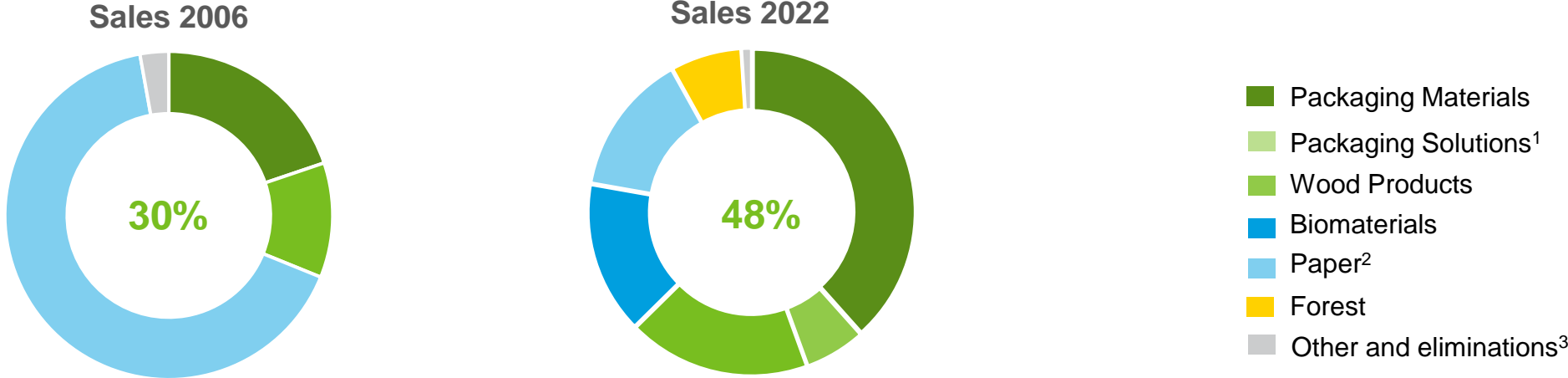
Strategic growth areas include Packaging Materials, Packaging Solutions, Biomaterials Innovations (part of Biomaterials) and Building Solutions (part of Wood Products)

¹ In 2006 included in Packaging Materials

² In 2006 included merchants

³ In 2006 included Forests

Strategic growth areas 48% of sales FY2022



Strategic growth areas include Packaging Materials, Packaging Solutions, Biomaterials Innovations (part of Biomaterials) and Building Solutions (part of Wood Products)

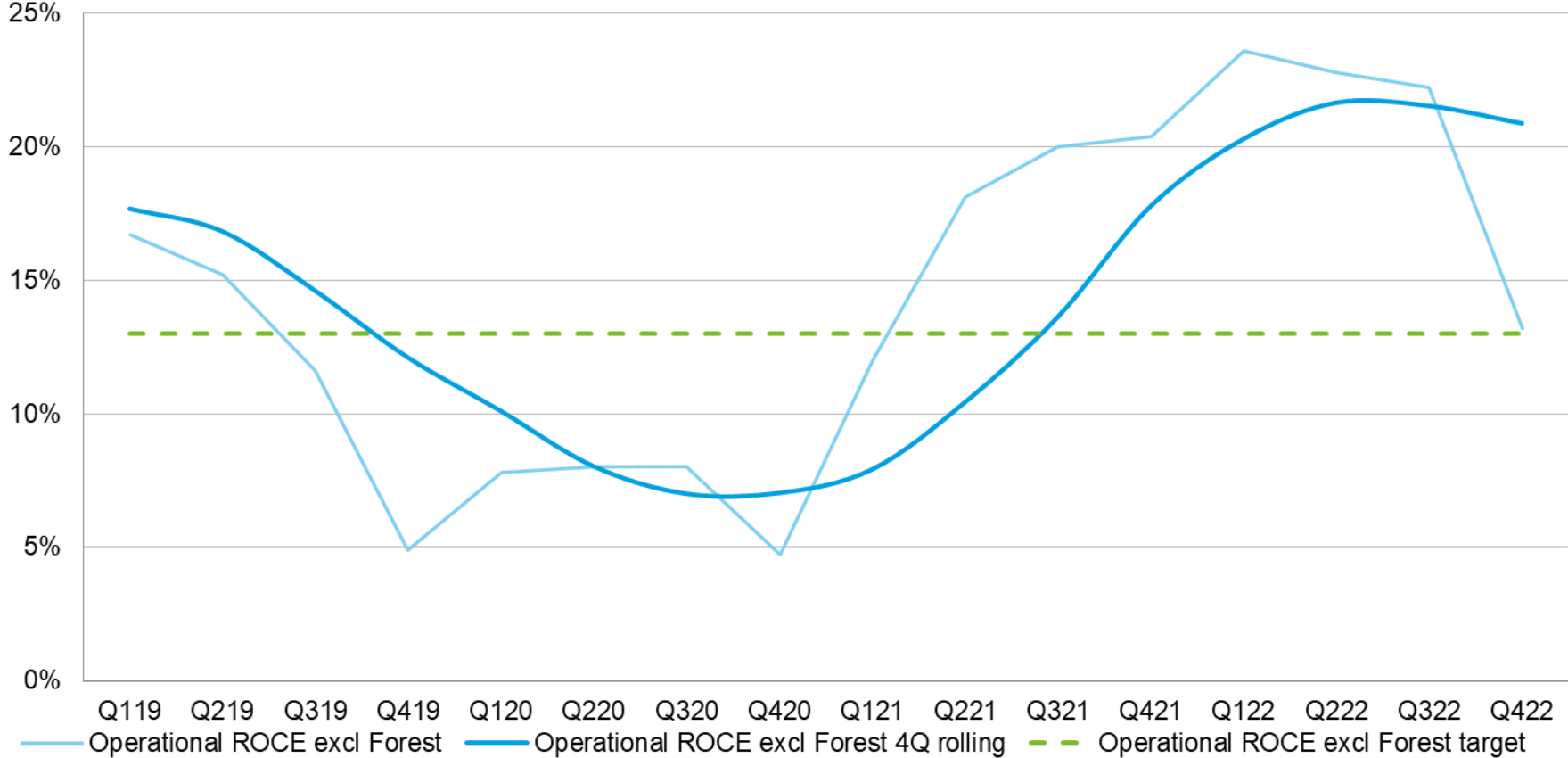
¹ In 2006 included in Packaging Materials
² In 2006 included merchants
³ In 2006 included Forests

Operational EBIT by segments

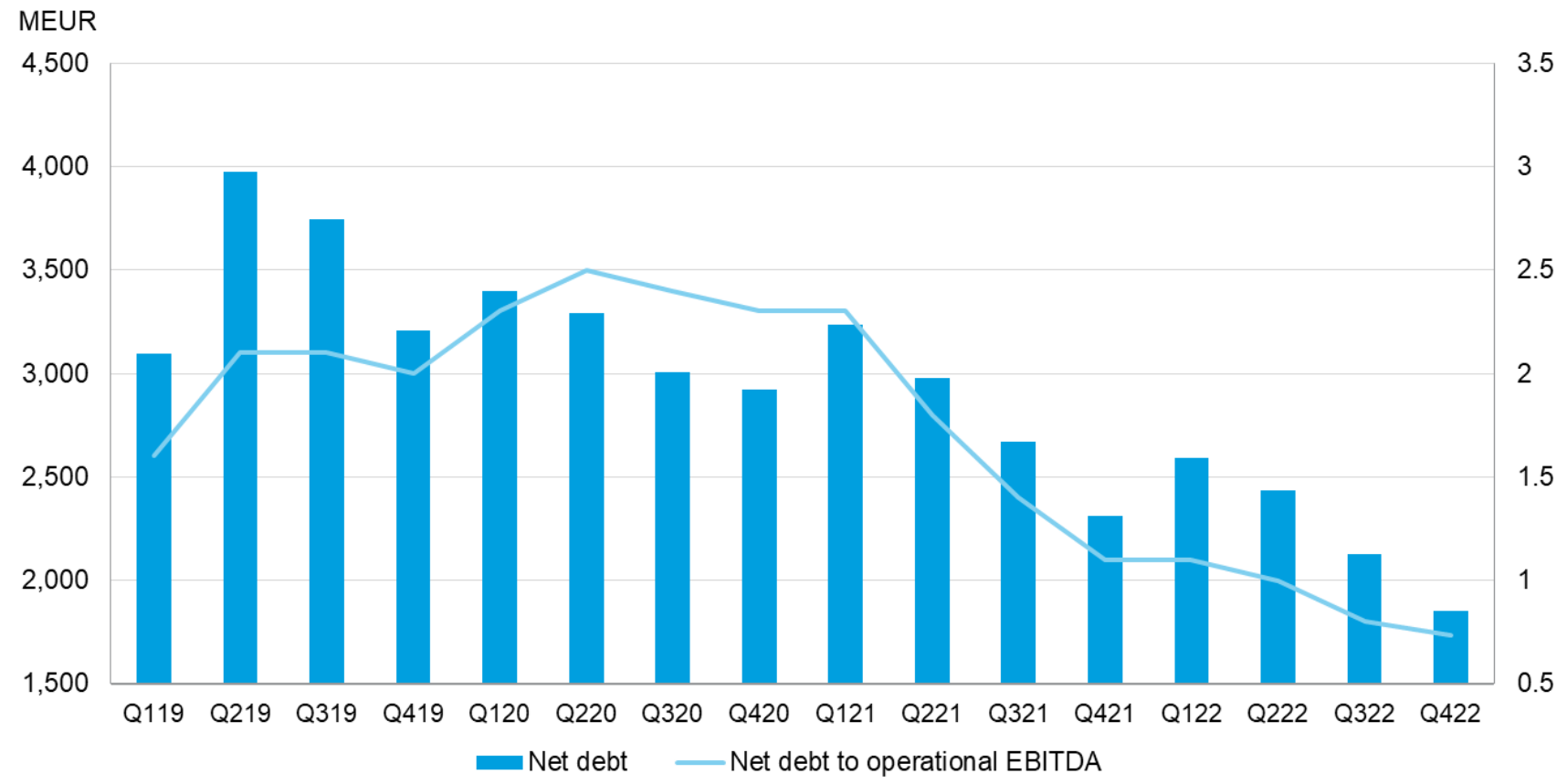


MEUR	Q422	Q421	Change % Q422-Q421	Q322	Change % Q422-Q322
Packaging Materials	31	133	-77.0%	181	-83.1%
% of sales	2.7%	12.5%		15.0%	
Packaging Solutions	-1	12	-107.0%	1	-188.3%
% of sales	-0.5%	5.6%		0.5%	
Biomaterials	249	167	49.2%	197	26.3%
% of sales	38.4%	33.9%		34.8%	
Wood Products	-14	89	-115.3%	70	-119.4%
% of sales	-2.9%	17.5%		13.5%	
Forest	62	48	29.5%	47	32.0%
% of sales	9.3%	8.0%		8.1%	
Paper	49	-10	591.0%	49	-0.2%
% of sales	11.6%	-2.6%		10.5%	
Other	-1	-17	96.0%	-12	94.3%
% of sales	-0.2%	-6.1%		-4.4%	

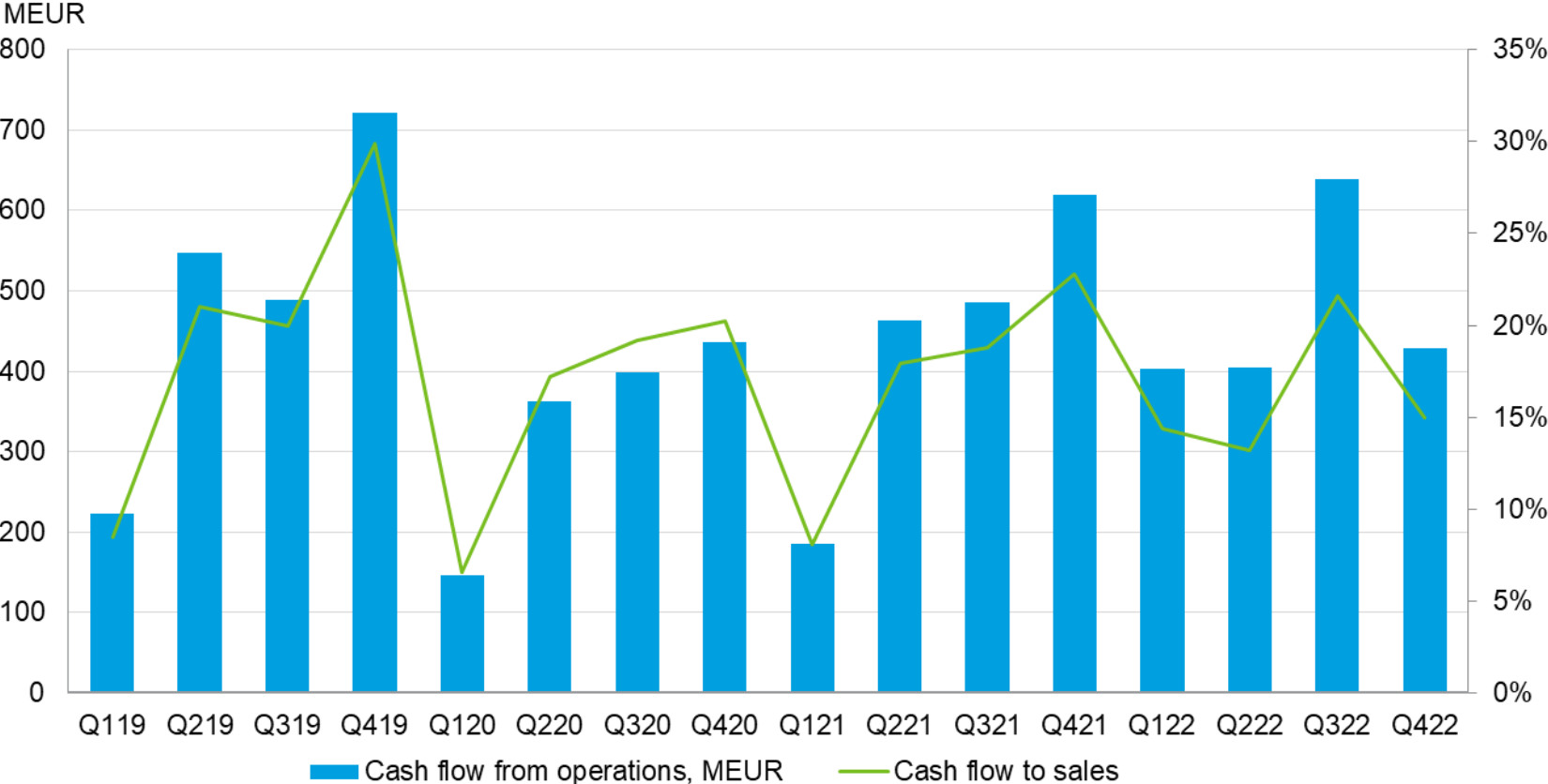
Development of operational ROCE excluding Forest



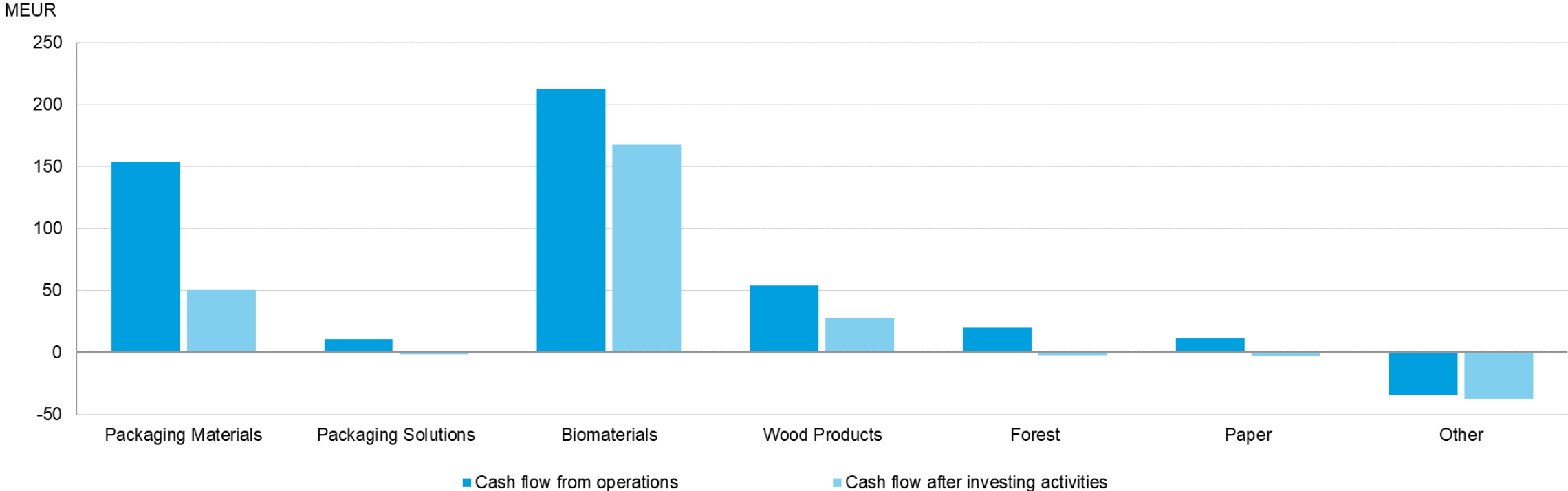
Year-on-year net debt/Operational EBITDA



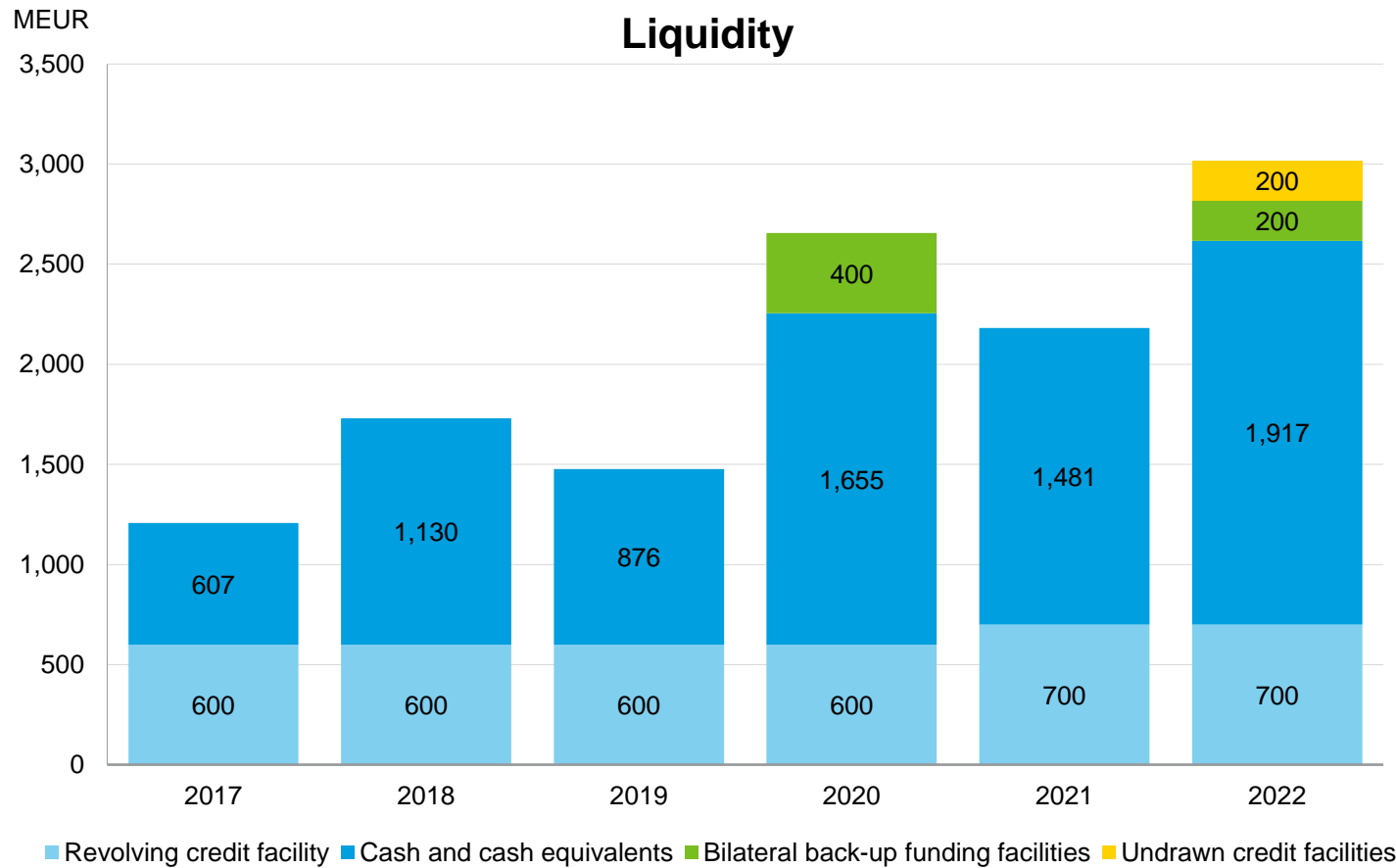
Cash flow development



Cash flow by divisions in Q4/2022



Strong liquidity position



- Liquidity at the end of 2022:
 - €1,917m cash and cash equivalents
 - €700m committed revolving credit facility fully undrawn
 - €200m committed bilateral back-up funding facilities fully undrawn
 - €200m committed credit facilities fully undrawn
 - €1,050m 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 0.7x and net debt to equity 15%

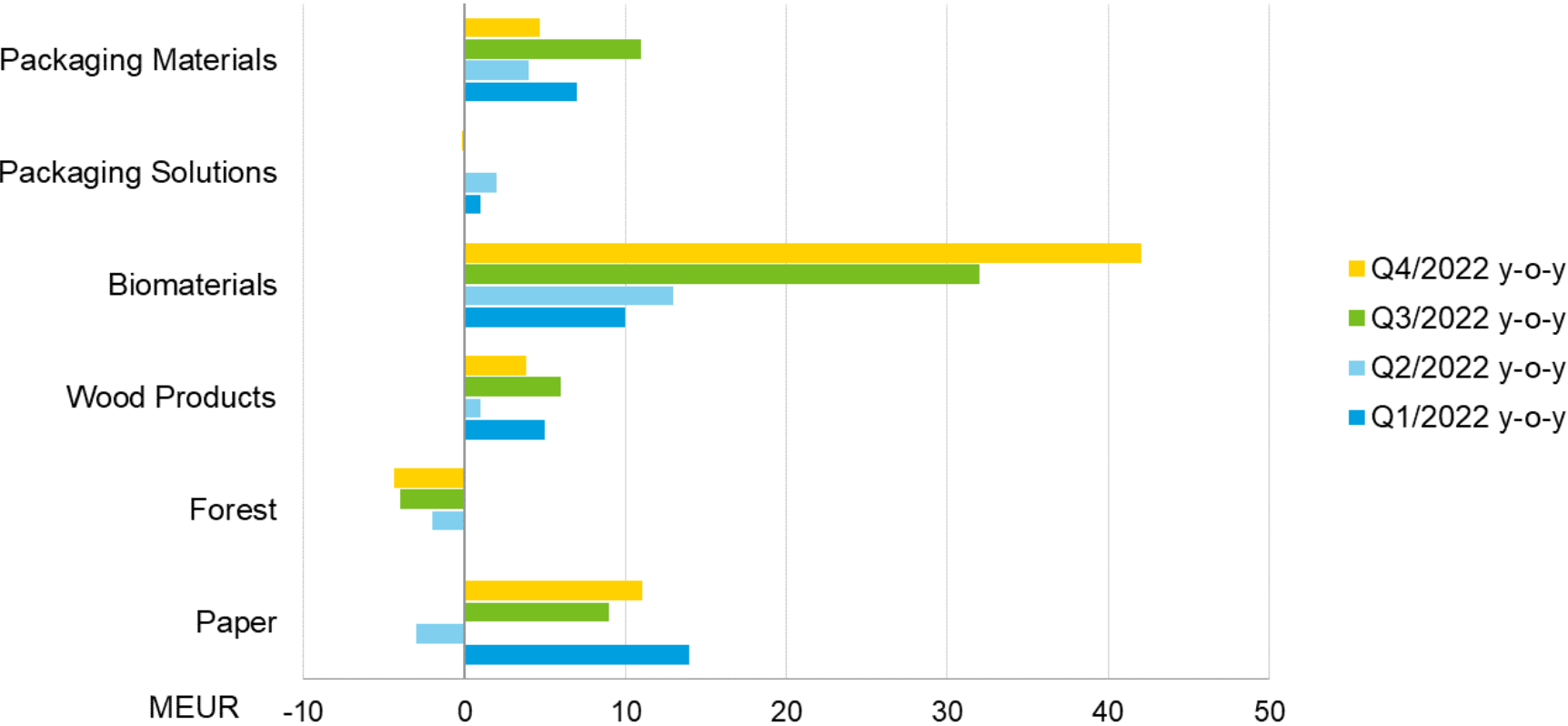
Net Financial Items



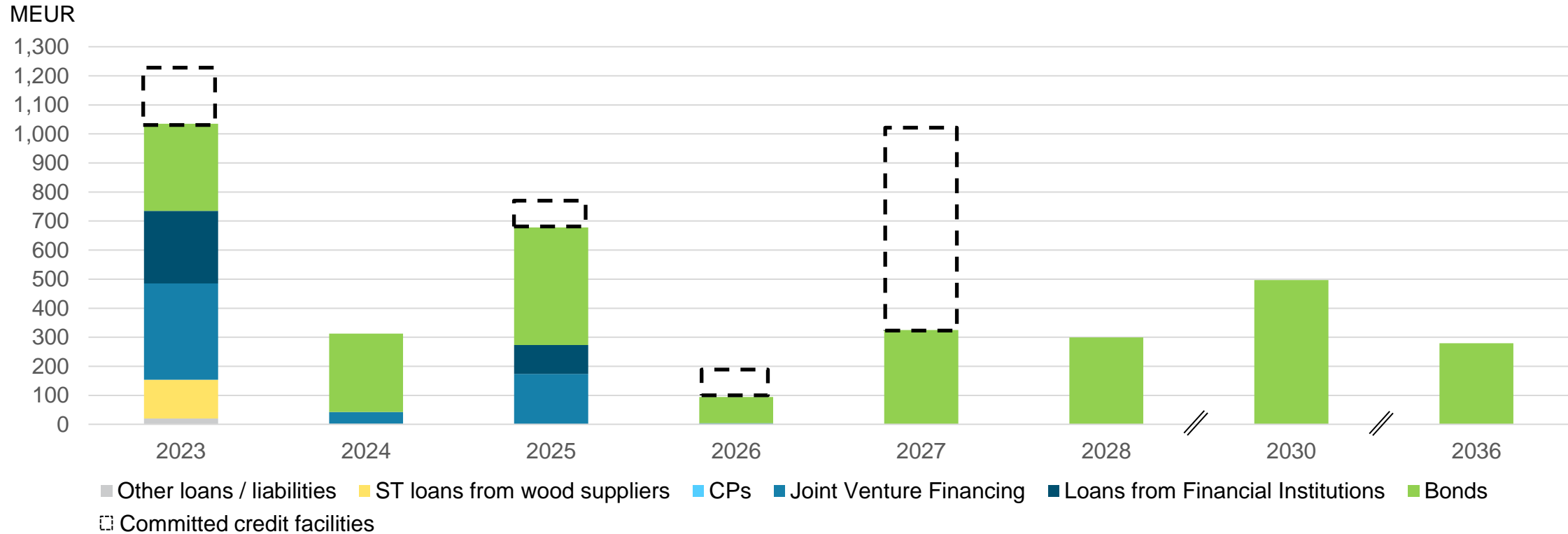
MEUR	Q4 2022	Q4 2021	Change MEUR Q422/ Q421	Q3 2022	Change MEUR Q422/ Q322
Net interest expense	-21	-30	8	-27	6
Average interest rate*	3.3%	3.1%		3.3%	
Foreign exchange gains and losses	-9	-5	-4	-9	0
Other financial items, of which	-9	-11	2	-27	18
Pension costs (IAS 19R)	-1	-1	0	-1	0
Other items	-8	-10	2	-26	18
Total net financial items	-39	-46	6	-63	24

*Quarterly gross interest expense divided by average gross debt

Net FX by division



Maturity profile at the end of 2022

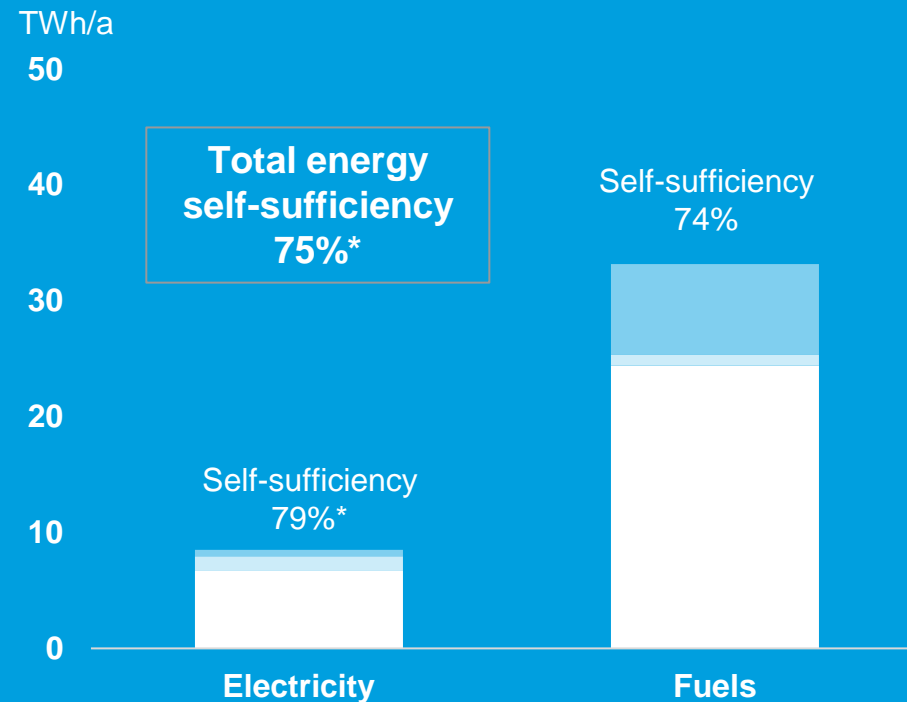


Committed credit facilities are fully undrawn and mature in 2023 and 2027 (€900m in total). A €100m undrawn bank loan matures in 2025 and another €100m undrawn bank loan matures in 2026.

Our business is resilient to energy price fluctuations



Group energy balance estimate excl. JVs FY2023

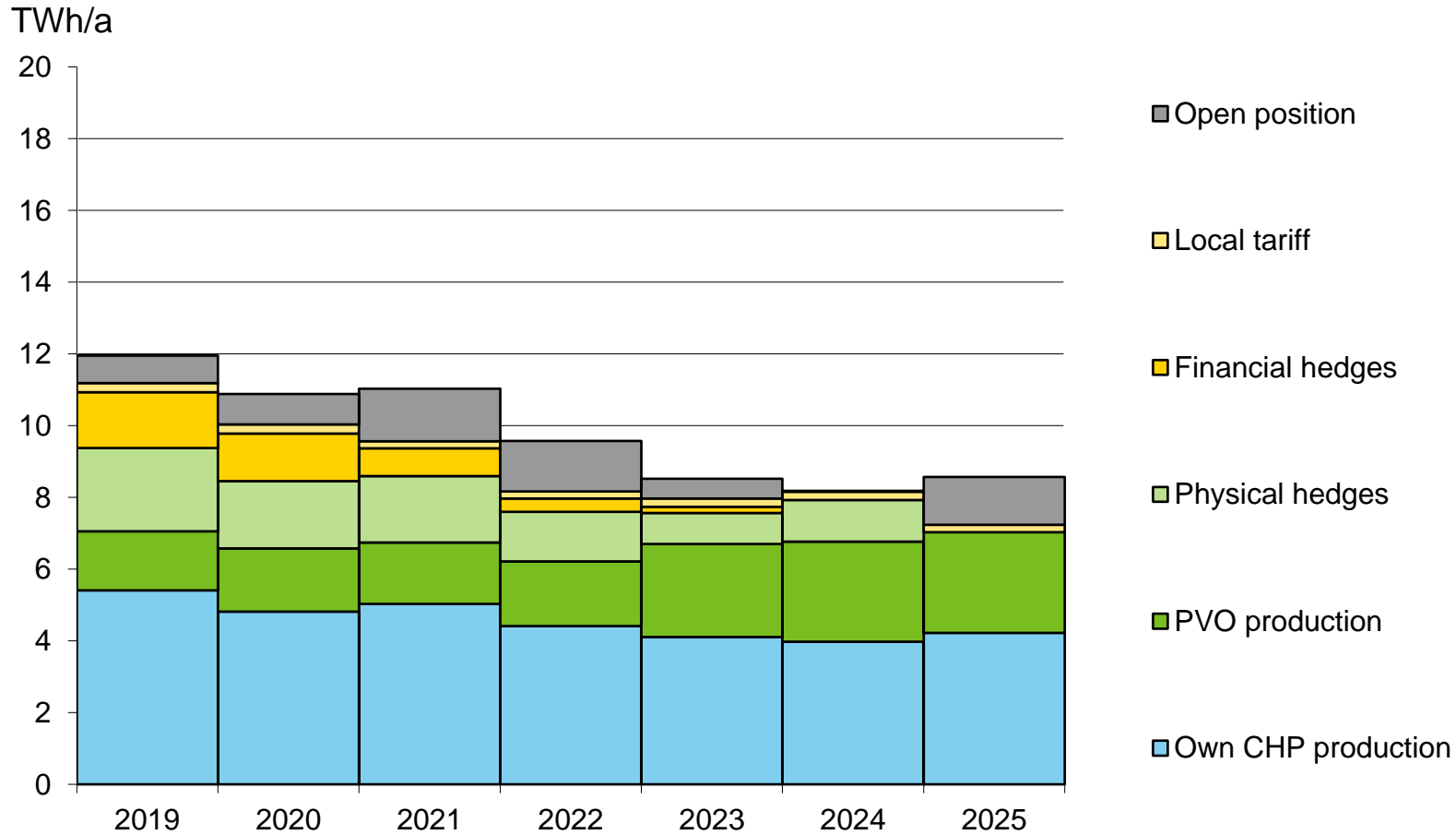


Impact on non-hedged volume on operating profit from 10% change for the next 12 months in:	EUR million p.a.
Electricity market price	~24.3
Fossil fuel price	~12.6
Energy hedging in 2023	~80%
Energy costs of total costs in 2021	~9%

*Including OL3 impact

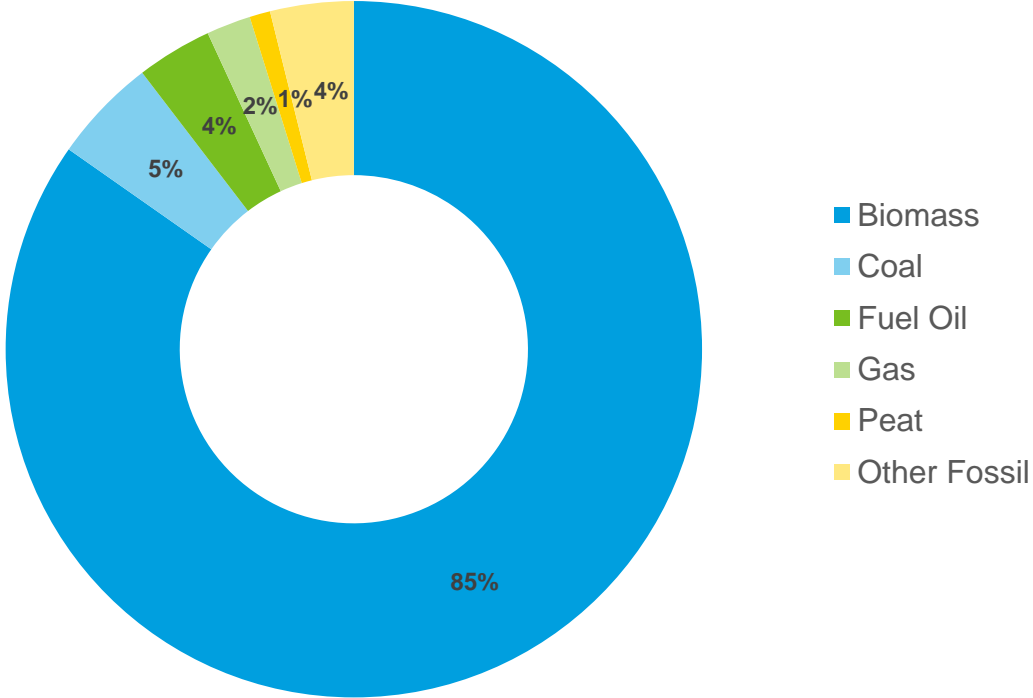
Stora Enso electricity supply-demand estimate FY/2022

Pulp, paper and board mills in Europe and overseas



Stora Enso fuels Q4/2022

Pulp, paper and board sites in Europe and overseas



Total Q4 fuel consumption was 8.9 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

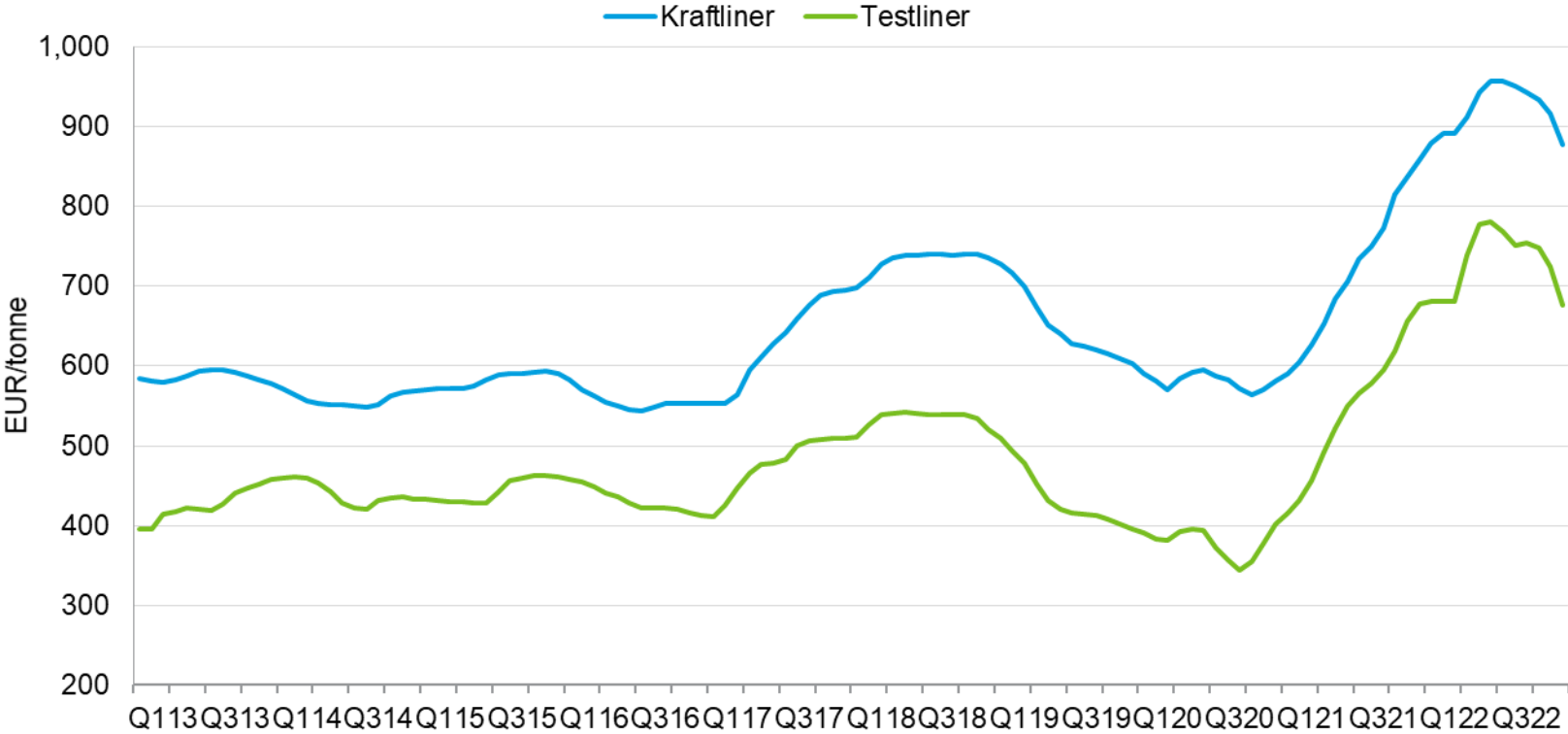
Site	Date	Grade	Capacity reduction, t
Hylte PM1	Dec 2012	Newsprint	180,000
Ostroleka PM2	Jan 2013	Containerboard	85,000
Hylte PM2	May 2013	Newsprint	205,000
Kvarnsveden PM11	May 2013	Newsprint	270,000
Veitsiluoto PM1	Apr 2014	Coated magazine	190,000
Corbehem Mill	July 2014	LWC	330,000
Varkaus	Aug 2015	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



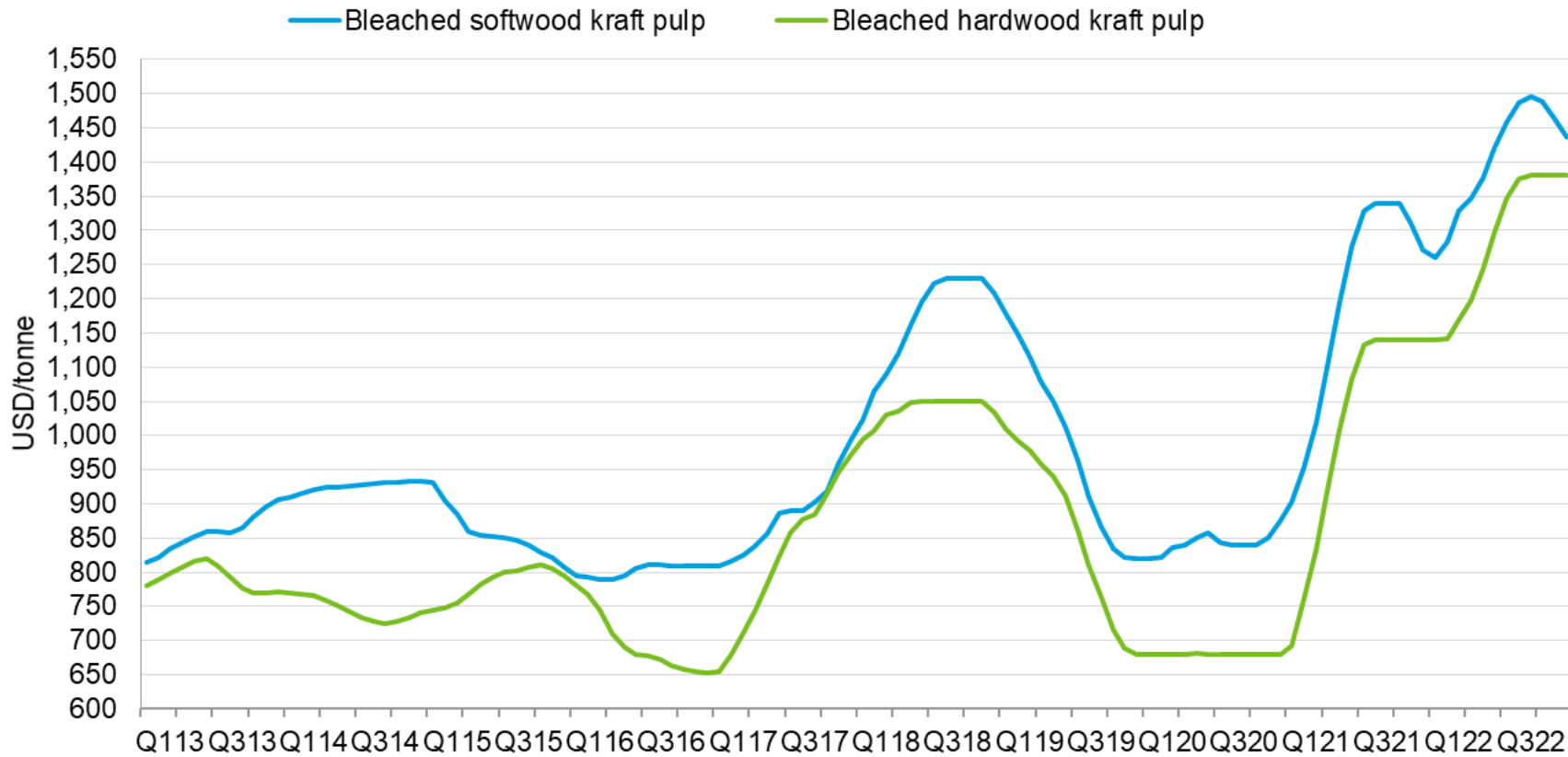
Site	Date	Capacity reduction, m ³
Veitsiluoto Sawmill	2006	100,000
Honkalahti Sawmill	2006	90,000
Sauga Sawmill	2007	130,000
Sollenau Sawmill	2007	110,000
Näpi Sawmill	2007-2008	100,000
Kotka Sawmill	2007-2008	70,000
Paikuse Sawmill	2008	220,000
Zdirec Sawmill	2008	120,000
Ybbs Sawmill	2008 & 2009	200,000
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



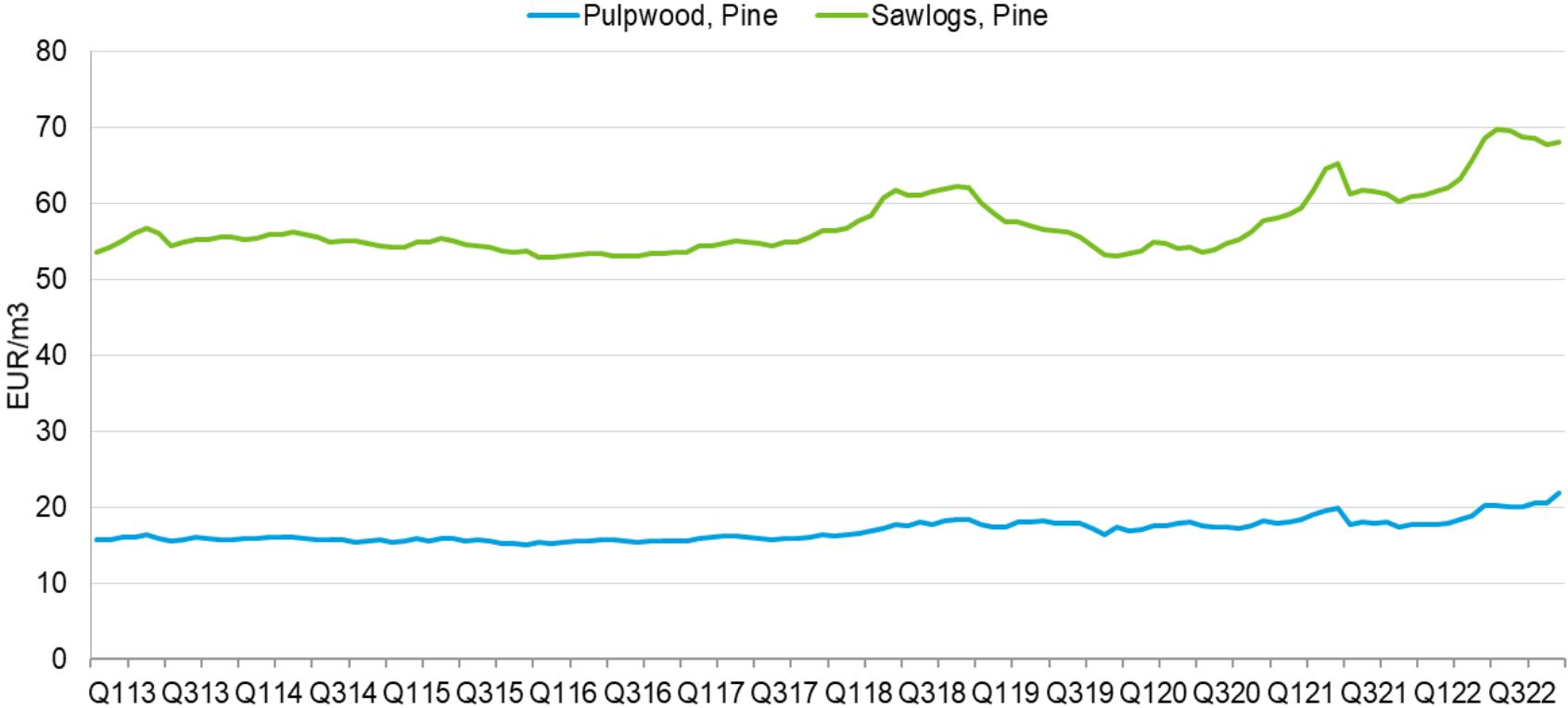
Source: FOEX

Pulp price development



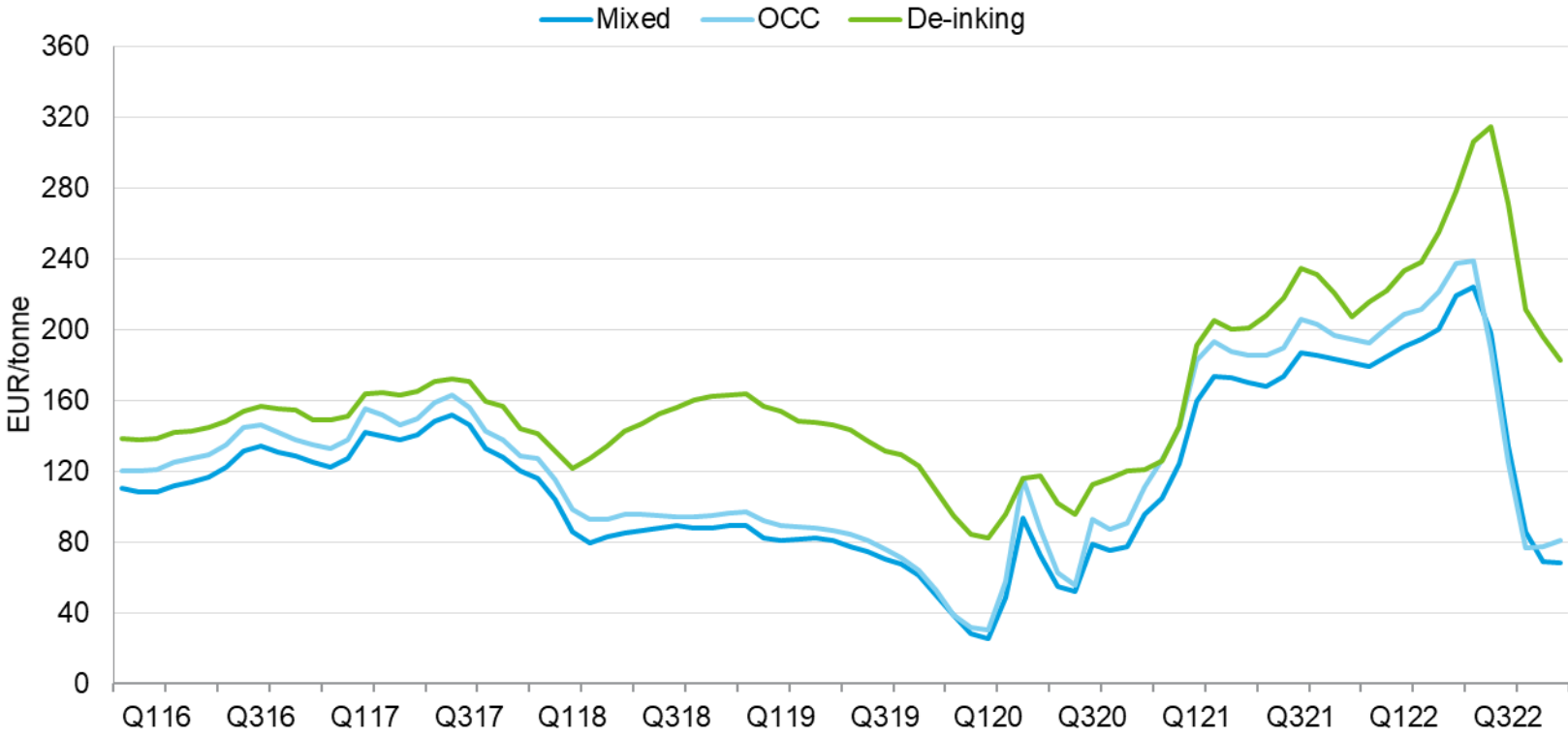
Source: FOEX

Pulpwood and sawlog prices in Finland



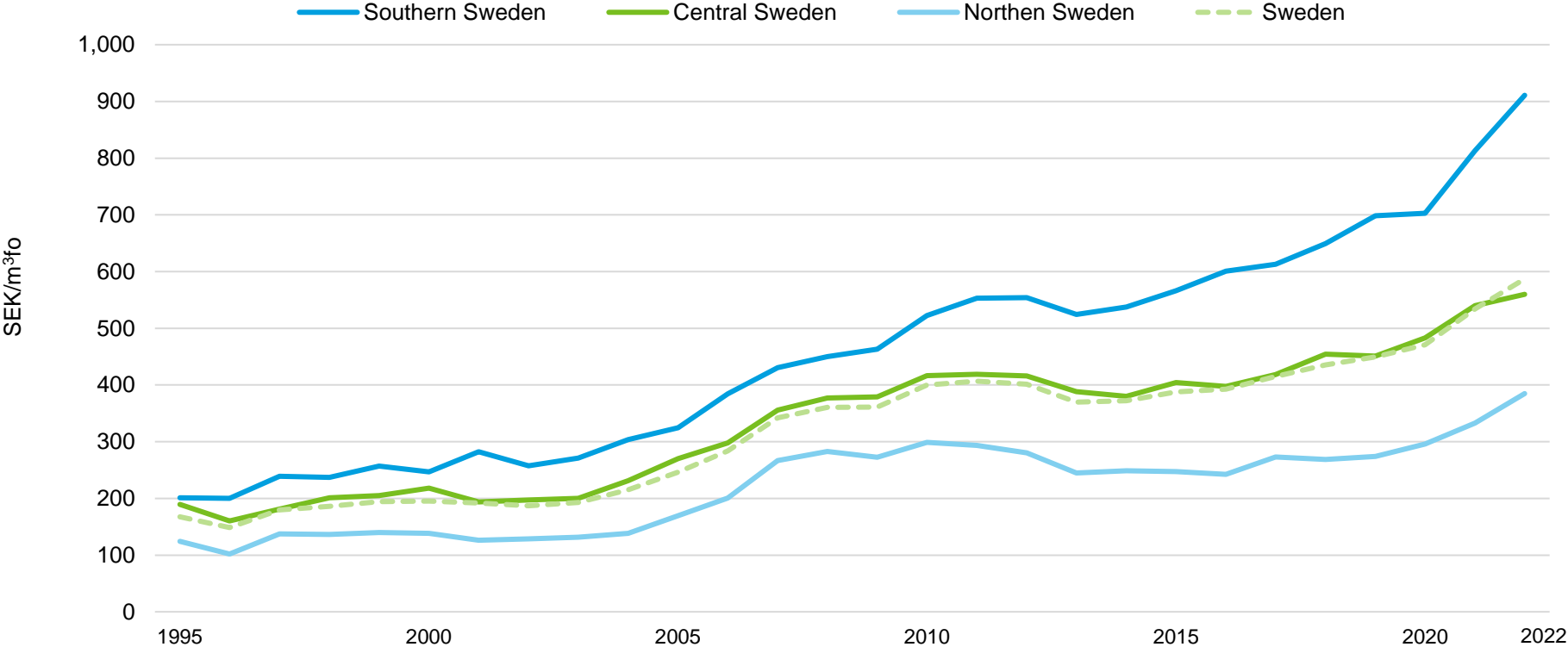
Source: Luonnonvarakeskus

Paper for recycling prices



Source: FOEX

Market transaction-based forest property prices in Sweden



Source: Ludvig & Co 26 January 2023 report, based on nominal prices

THE RENEWABLE MATERIALS COMPANY