



Financial results Q3 2023

Focusing on actions for a profitability turnaround and capital release

President and CEO Hans Sohlström
CFO Seppo Parvi
24 October 2023

THE RENEWABLE MATERIALS COMPANY

New leadership - Hans Sohlström appointed President and CEO



- **Education**

- M.Sc. (Tech.)
- M.Sc. (Econ)

- **Curriculum Vitae**

- Member of the Stora Enso Board of Directors since March 2021, People and Culture Committee, and the Sustainability and Ethics Committee
- UPM-Kymmene Corporation 1988–2012 in several different leadership roles incl EVP and member of the Group Executive Team (2004-2012)
- President and CEO of Ahlstrom Oyj 2018–2022, Ahlström Capital 2016–2018, and of Rettig Group Oy 2012–2016

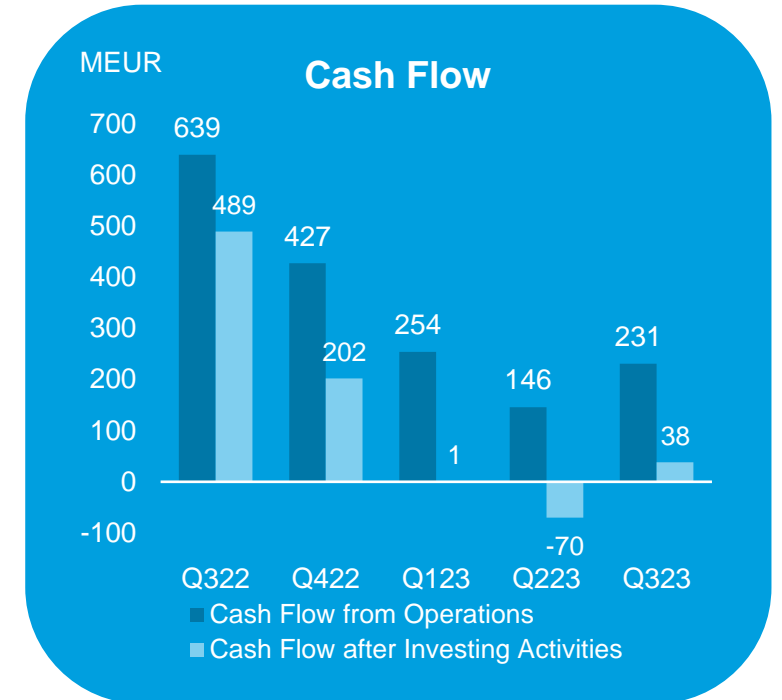
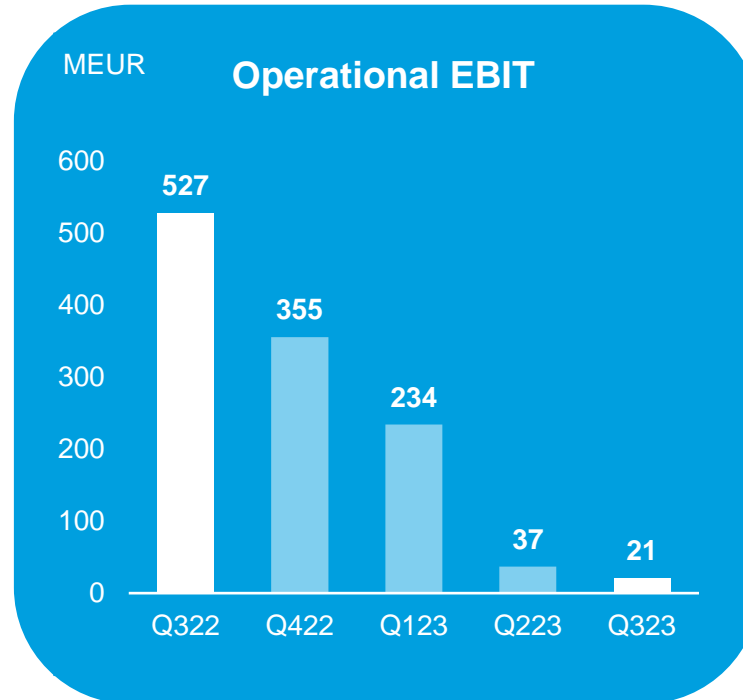
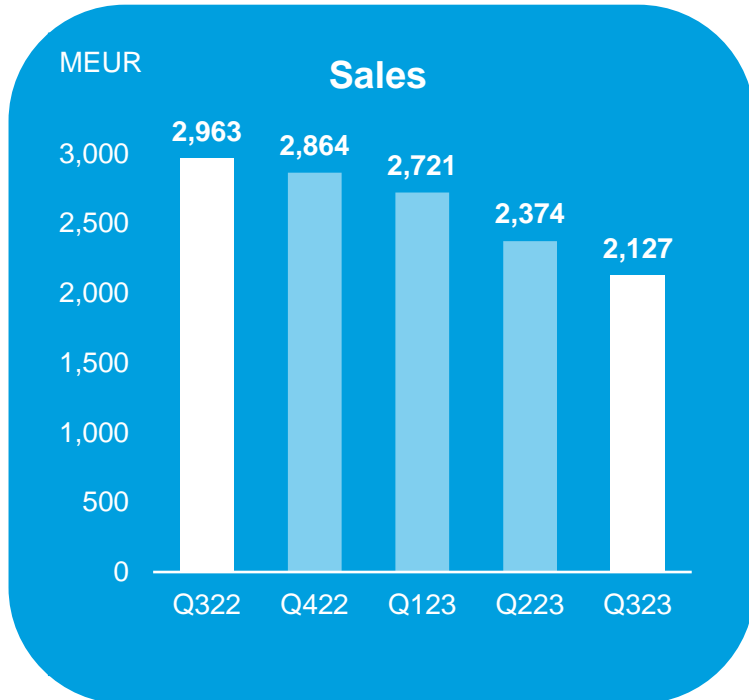
- **Shareholding**

- Bought shares for €1 million first week in office, total direct shareholding 100,620 R-shares



Continued weak underlying market affecting financial performance

Lower volumes and prices, and high input costs reduced margins further



- Sales decreased by 28% or by €836 million YoY
- Deteriorating market conditions and price pressure for all segments

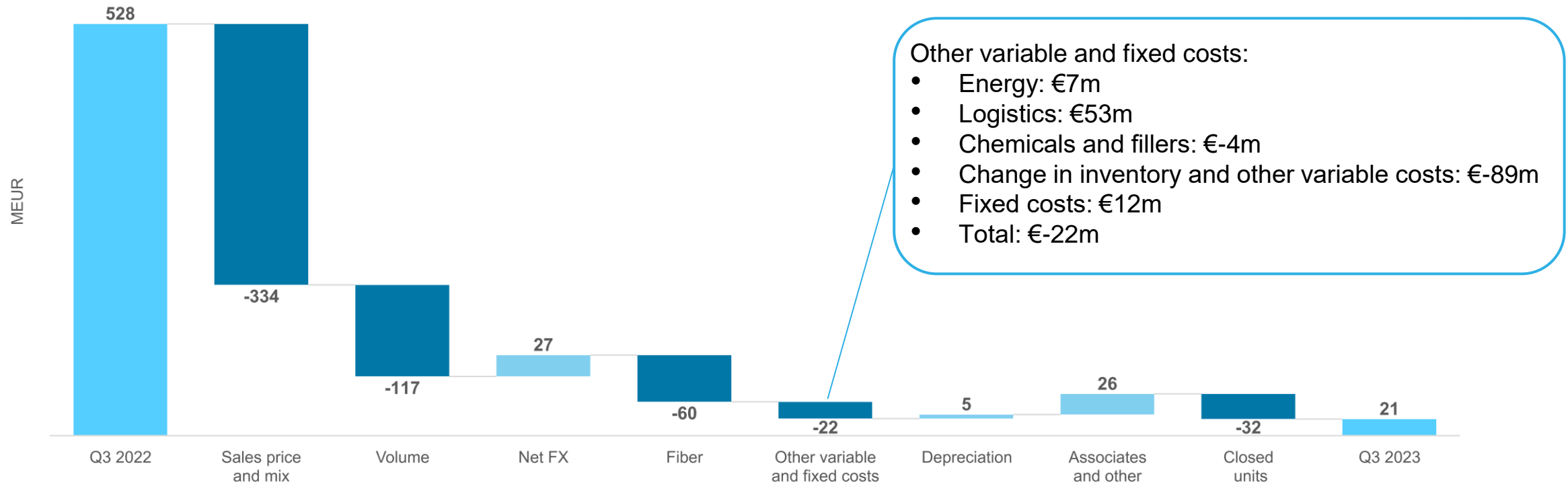
- OpEBIT decreased to EUR 21 million

- Cash flow from operations amounted to EUR 231 million
- Cash flow after investing activities was EUR 38 million

Lower sales prices and volumes together with high input costs significantly reduced profitability



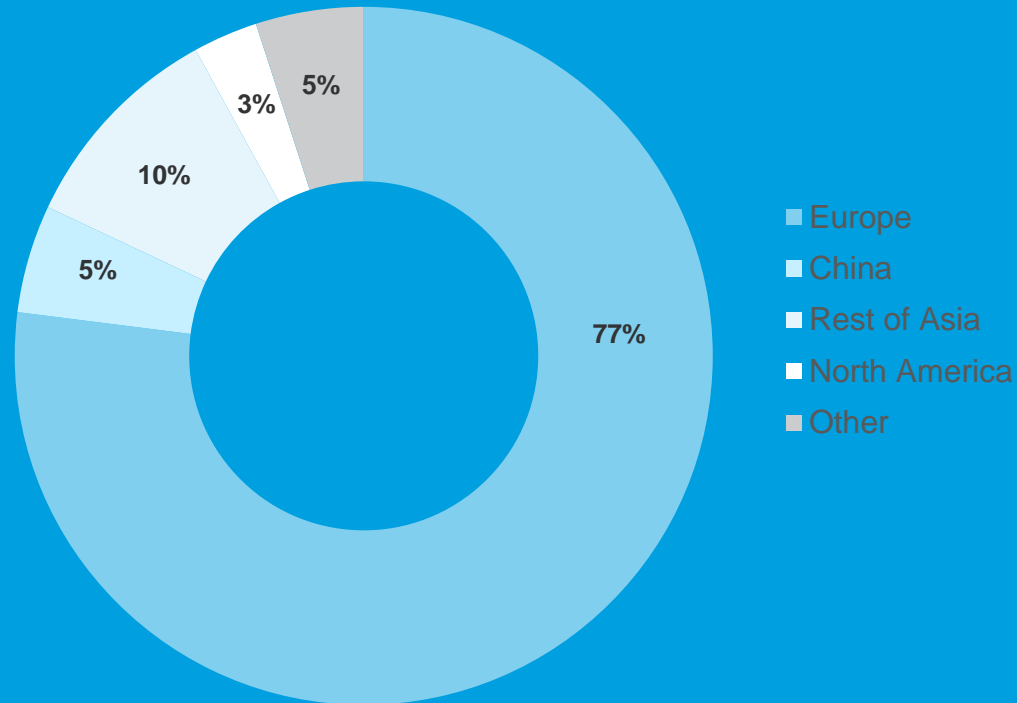
Quarterly operational EBIT variance YoY



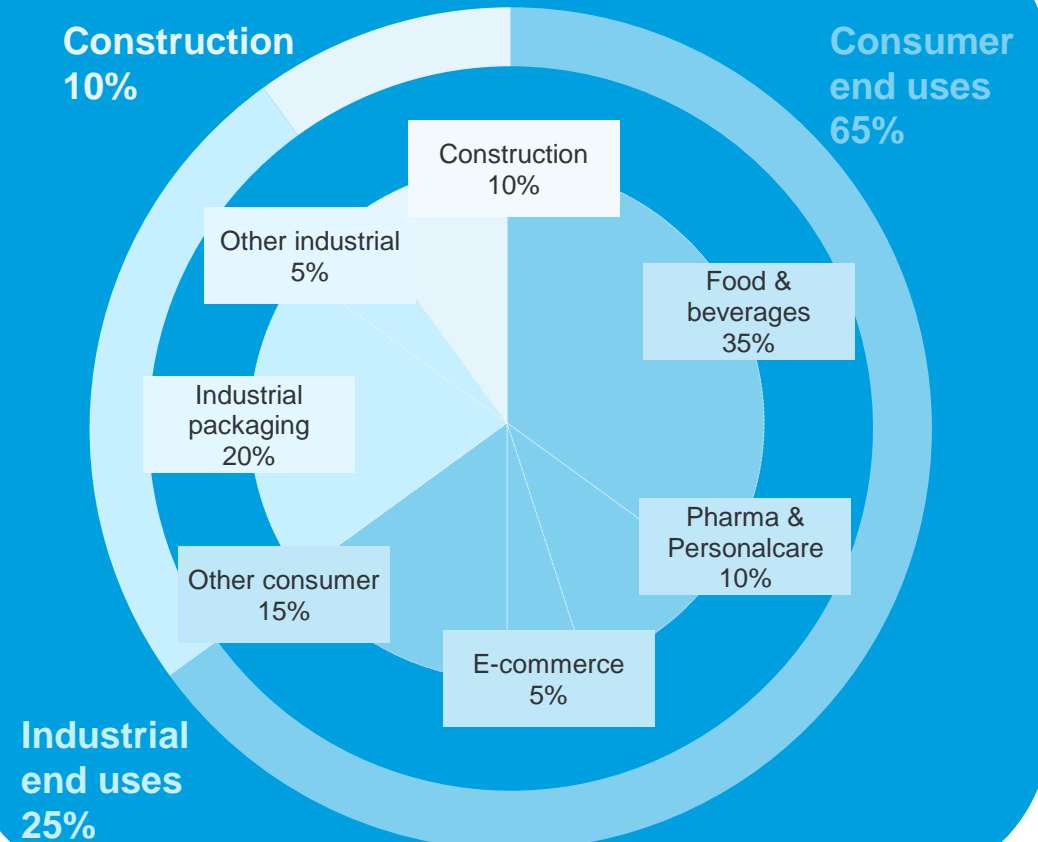
Stora Enso – End use segments and geographies



Group sales by geography (Q1-Q3/2023)*

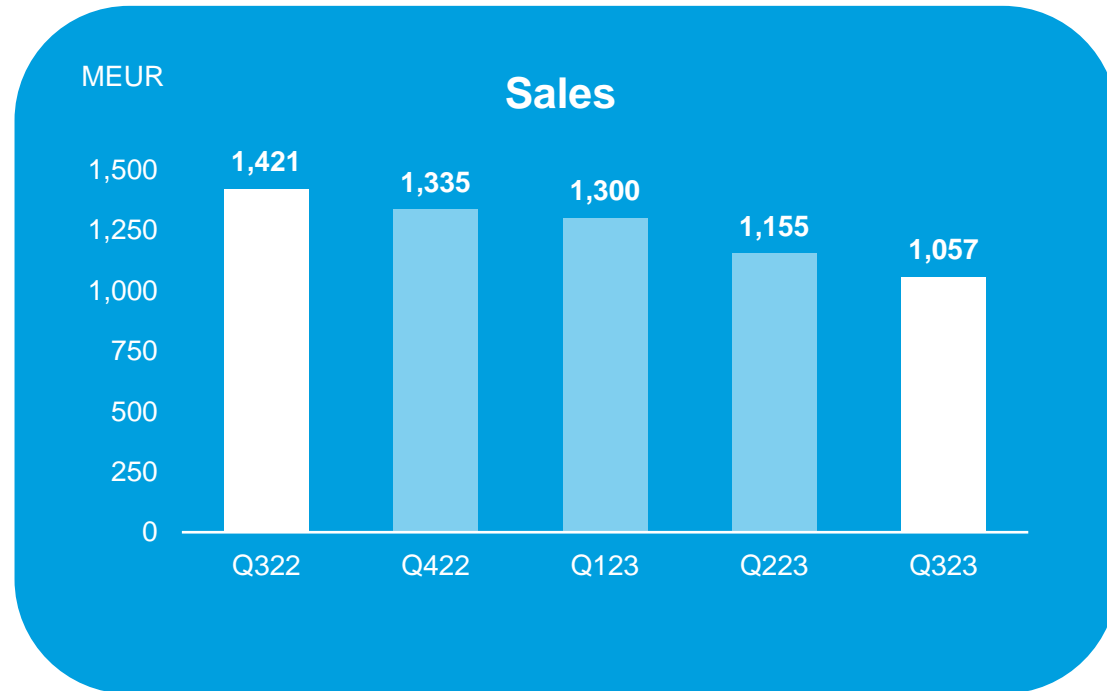


Group sales by end use (Q1-Q3/2023)*

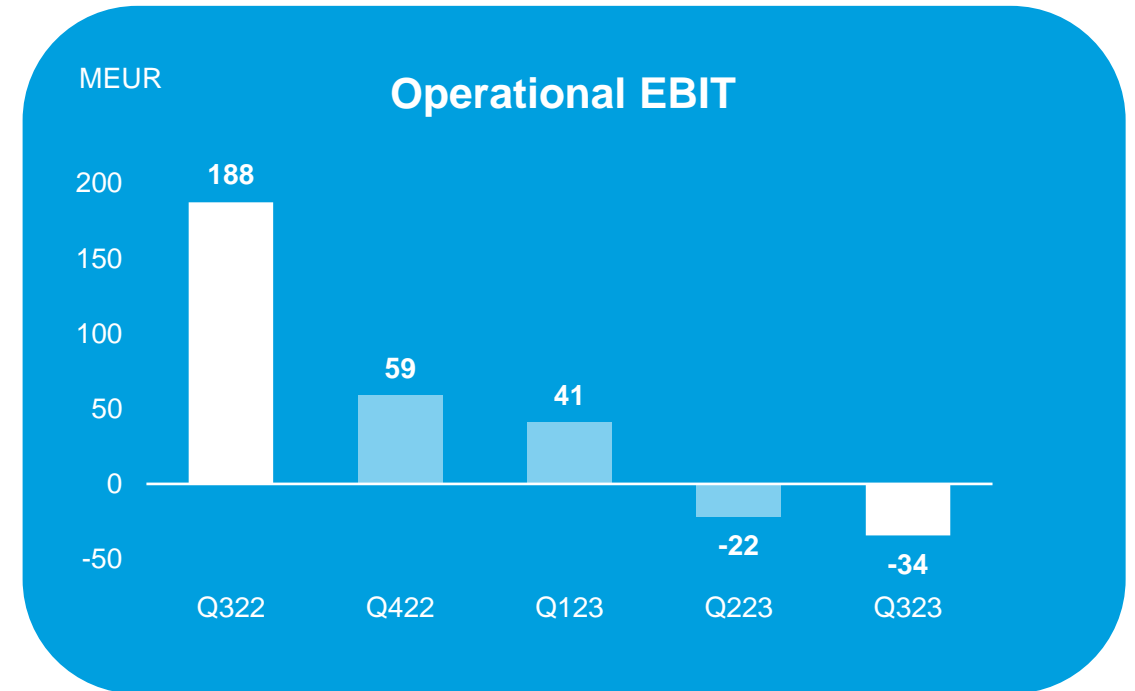


Packaging Materials

Low demand and price pressure continued



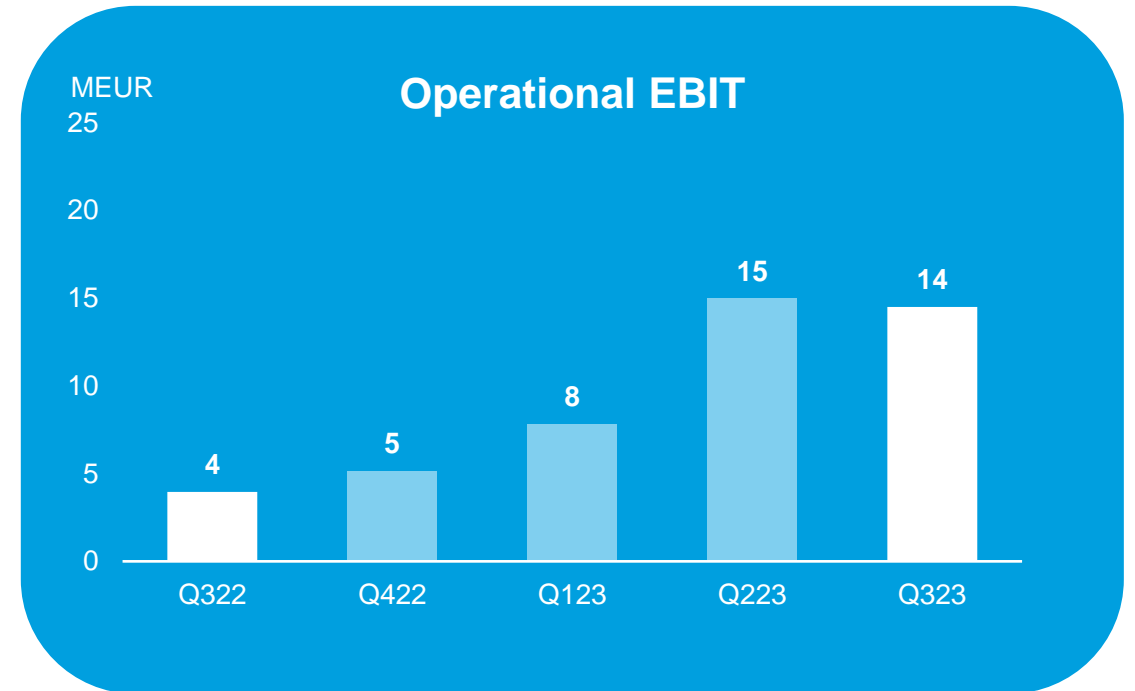
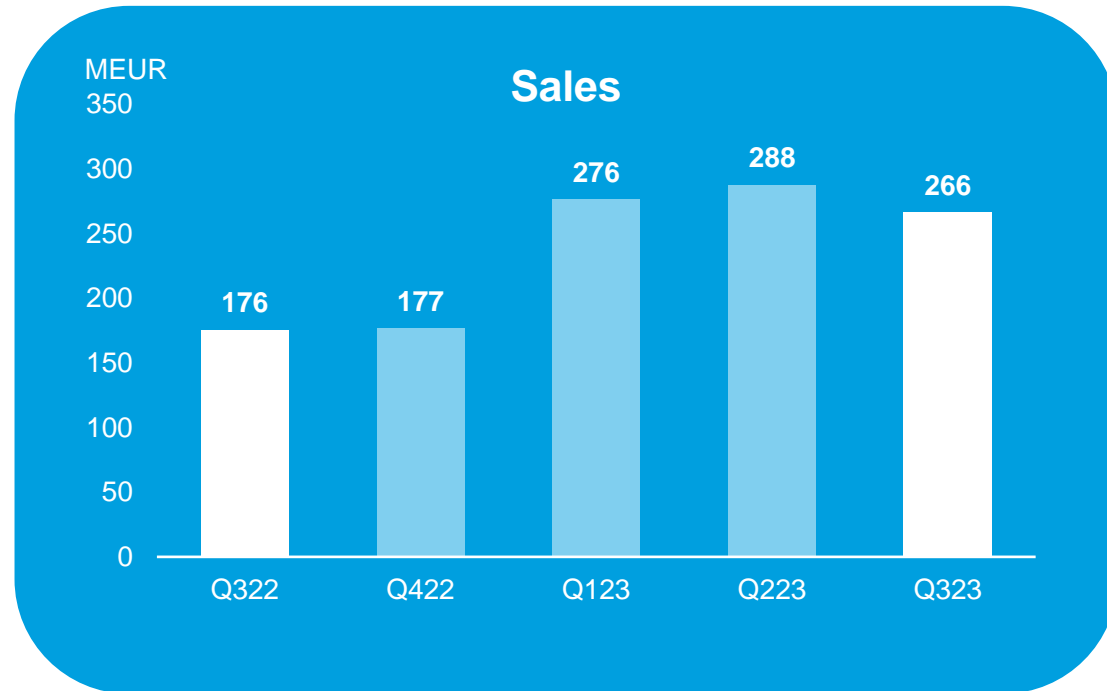
- Sales decreased by 26%, or €364 million YoY
- Sales and profitability were impacted by lower containerboard and paper prices and lower volumes for consumer board



- Operational EBIT decreased to EUR -34 million
- Variable cost decline continued, but did not fully offset topline erosion

Packaging Solutions

Weak market conditions with increased year-on-year result due to acquisition

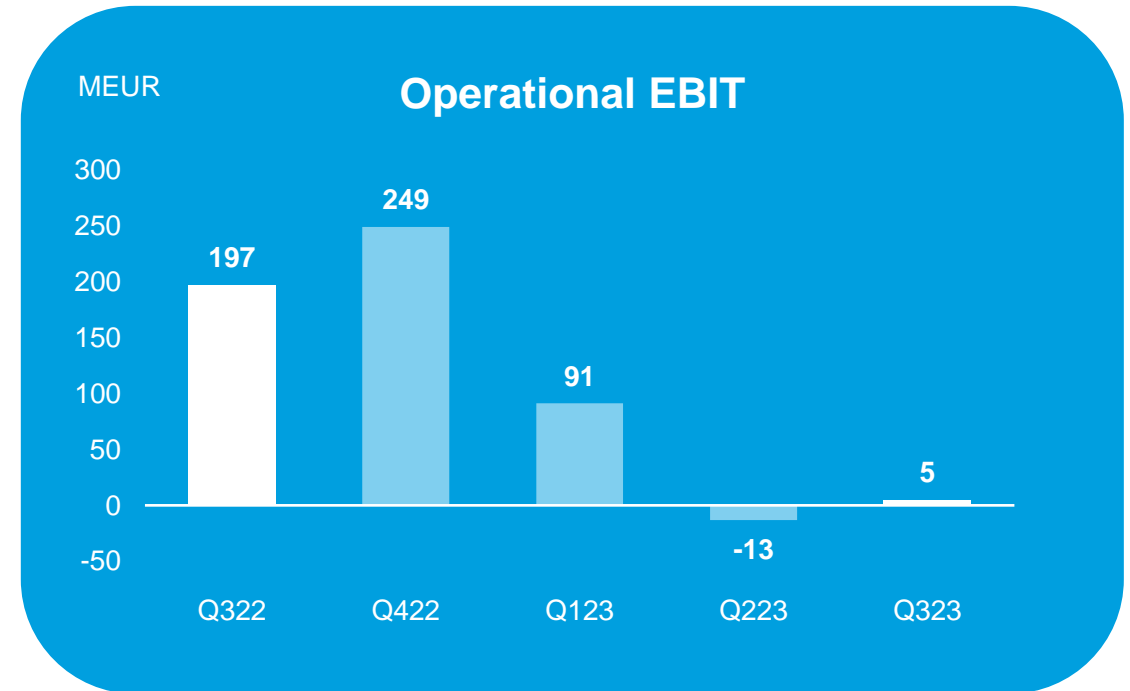
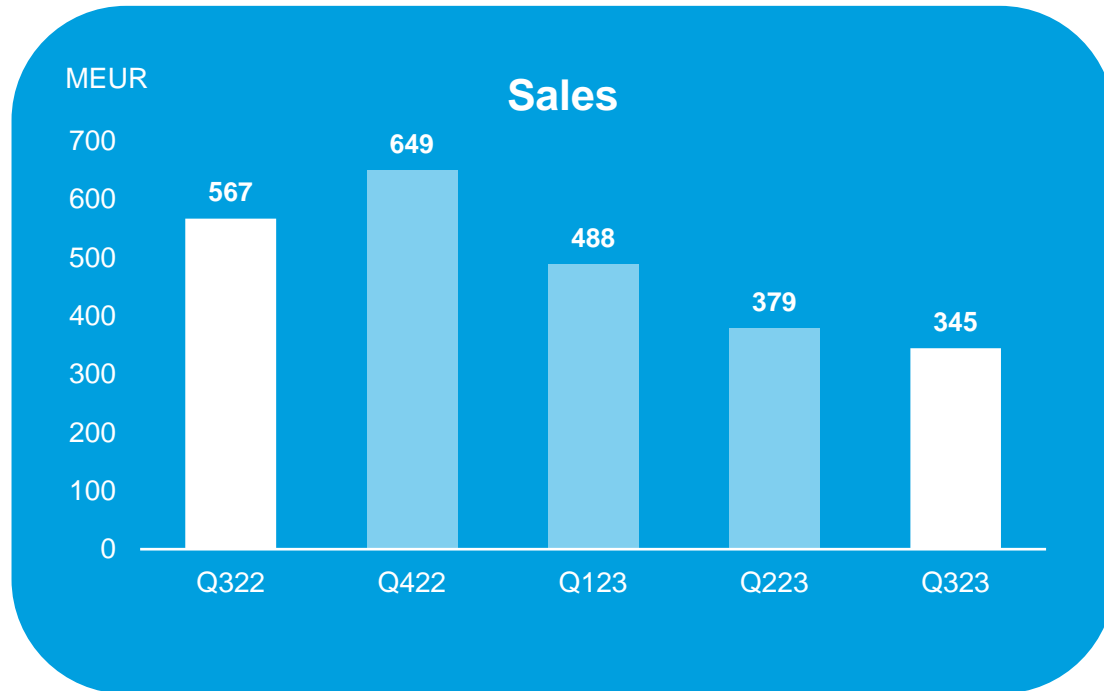


- Sales increased by 52% or €91 million YoY mainly due to acquired De Jong Packaging Group
- Price pressure continued
- Low, but stabilised demand

- Operational EBIT increased to €14 million
- Lower containerboard prices and the acquisition of De Jong more than mitigated the impact of the soft market.

Biomaterials

Continued low demand, but some improvements at the end of the quarter

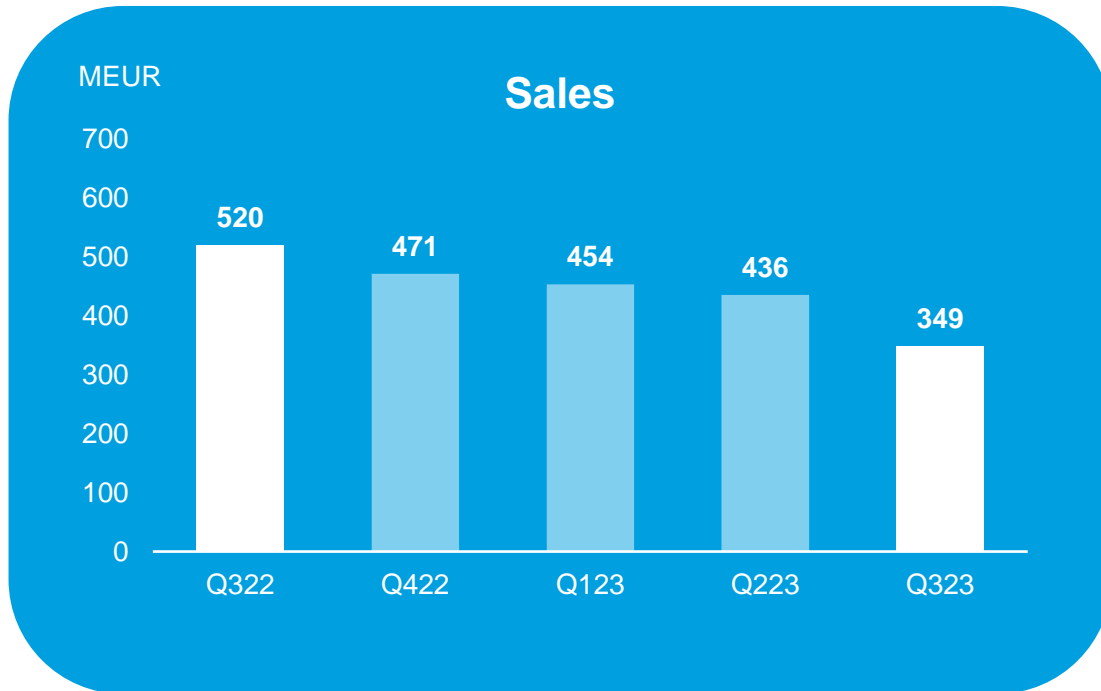


- Sales decreased by 39%, or €223 million YoY
- Sales and profitability impacted by lower sales prices and volumes, especially pulp deliveries lower due to market related curtailments

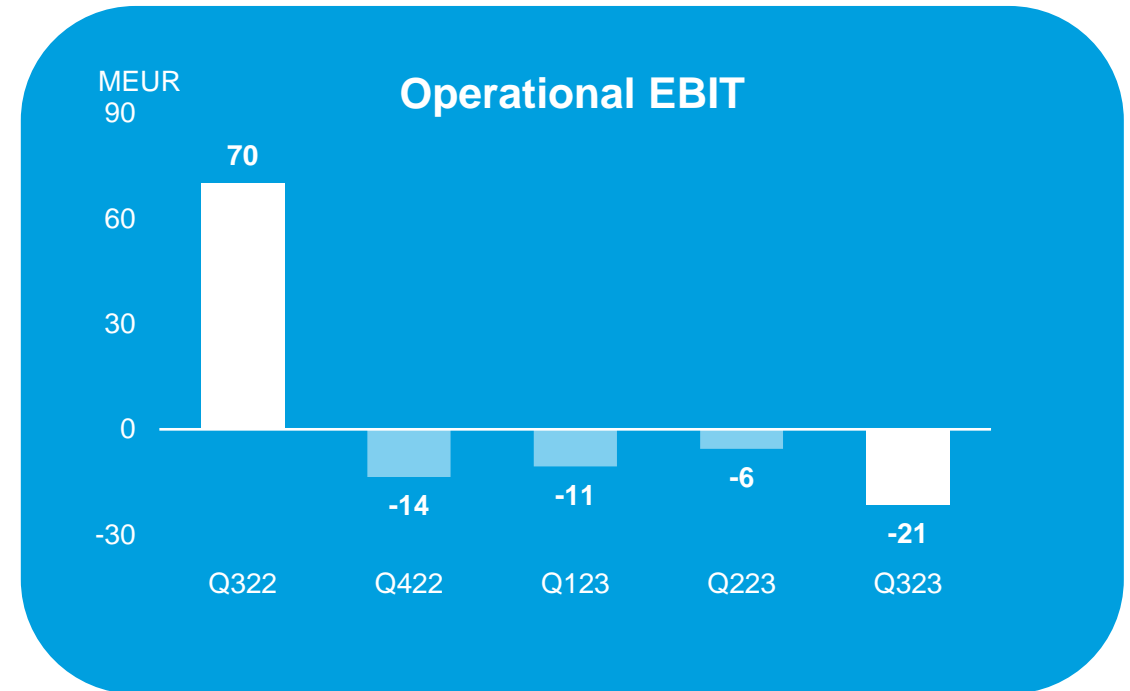
- Operational EBIT decreased to €5 million
- Variable cost stable YoY

Wood Products

Construction activity remains low



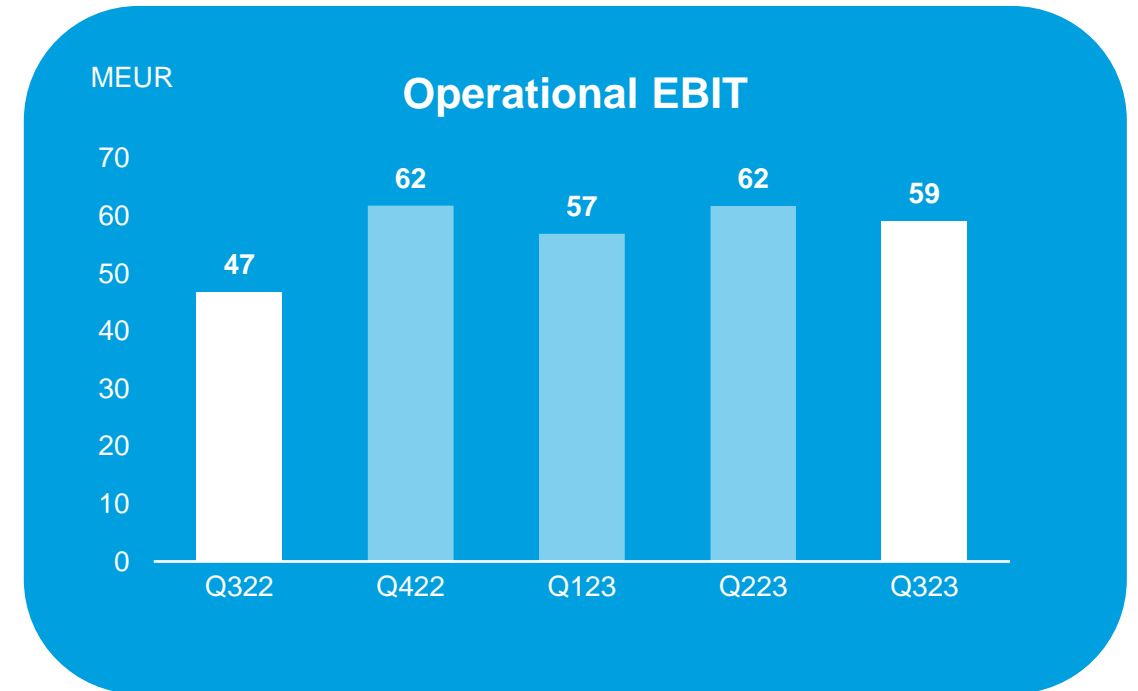
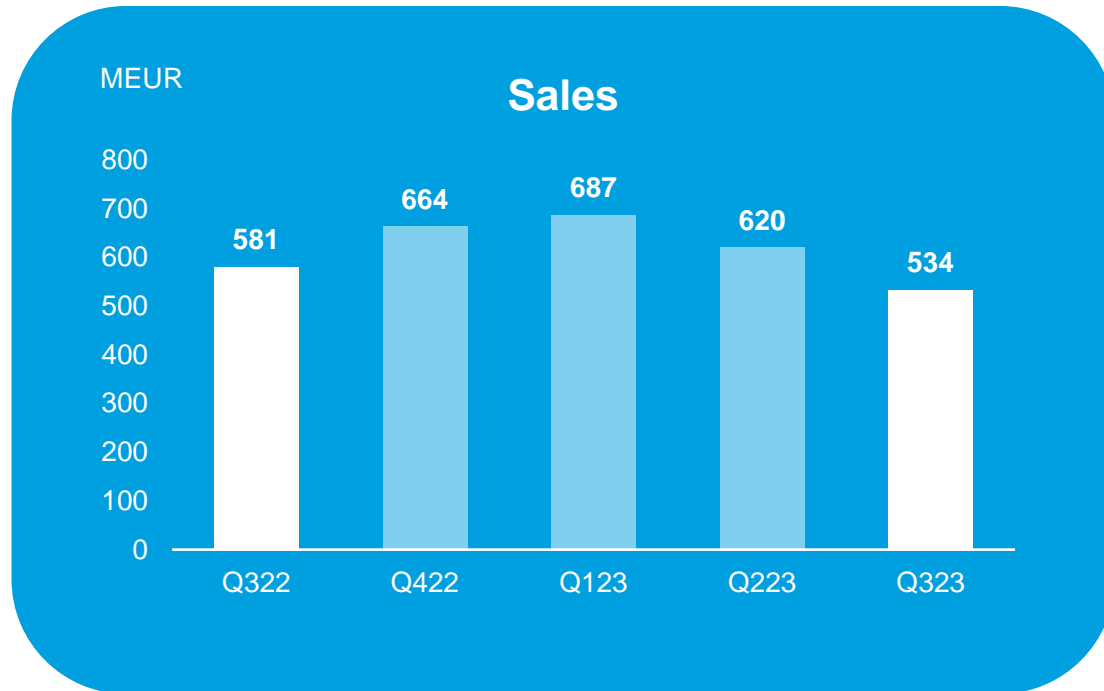
- Sales decreased by 33%, or €171 million YoY
- Sales and profitability impacted by lower sales prices and volumes, especially for sawn wood



- Operational EBIT decreased to €-21 million
- LTM OpROOC at -7.2%, long-term target >20%
- Variable cost decline continued, but not enough to offset topline erosion

Forest

Stable performance continued



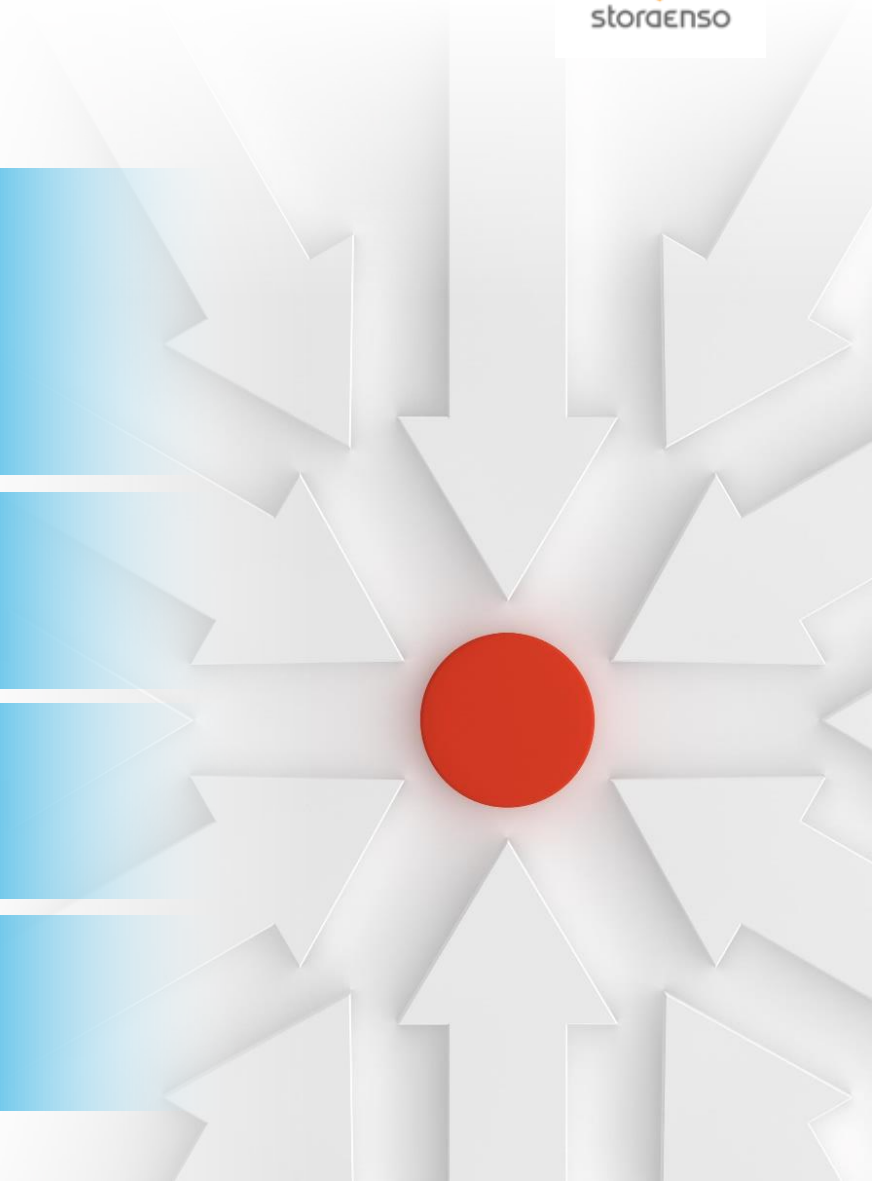
- Sales decreased by 8%, or €47 million
- Sales impacted by lower demand
- Wood prices remained high due to tight wood markets
- Forest fair value* of €8.3 billion equivalent to €10.47 per share

- OpEBIT increased by 26%, or €12 million
- Profitability remained at a stable level
- Resilient and strong operational performance in the Group's own forest assets

Our immediate key priorities and actions



- **Value creation actions**
 - Optimising sourcing and value chain
 - Enhancing commercial and operational excellence
- **Releasing capital by reducing working capital and divesting Beihai**
- **Strengthening long-term competitiveness through asset strategy**
- **Building a high-performance culture and organisation**



Development of long-term Group financial targets

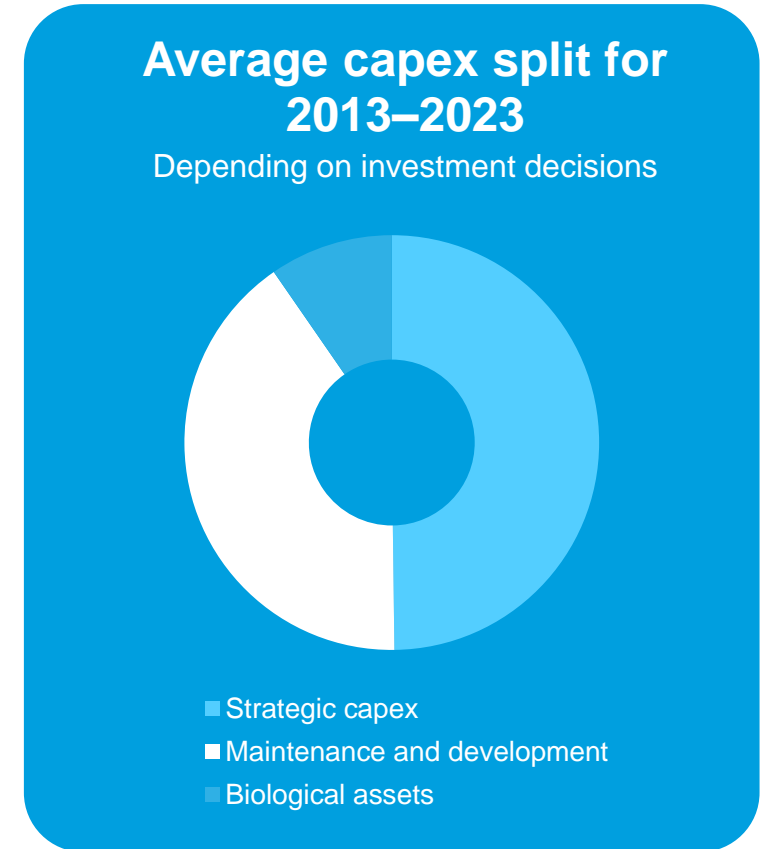
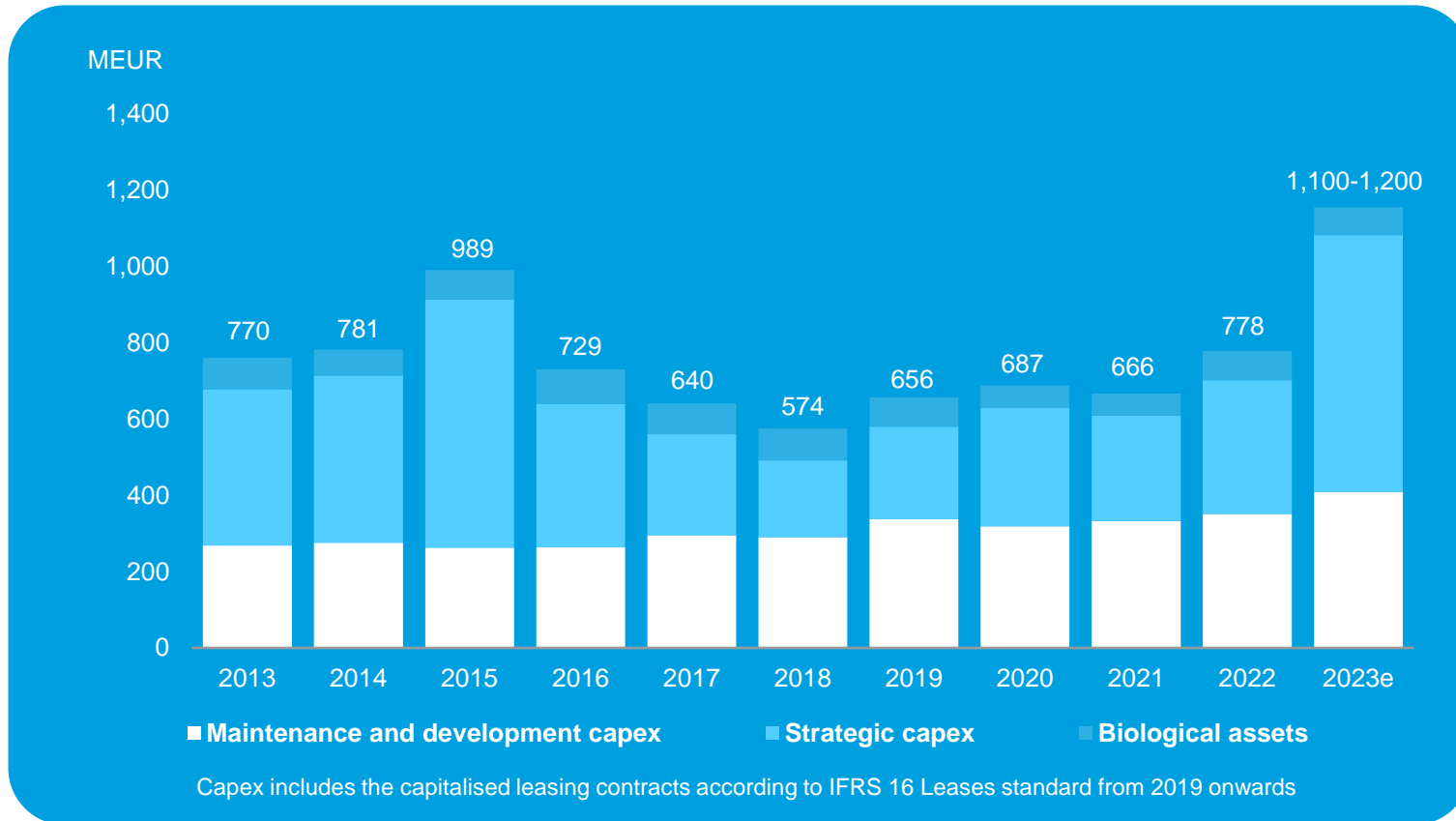
Another weak quarter compared to a very strong last year



Group long-term financial targets		Q3/22	Q3/23		2022	
Dividend (annual)	To distribute 50% of EPS excluding fair valuation over the cycle	N/A	N/A		0.60	●
Growth YoY	> 5%	15%	-28%	●	17%	●
Net debt to operational EBITDA	< 2.0x	0.8	2.4	●	0.7	●
Net debt to equity	< 60%	17%	28%	●	15%	●
LTM* Operational ROCE excl. Forest	> 13%	22.1%	4.7%	●	20.4%	●

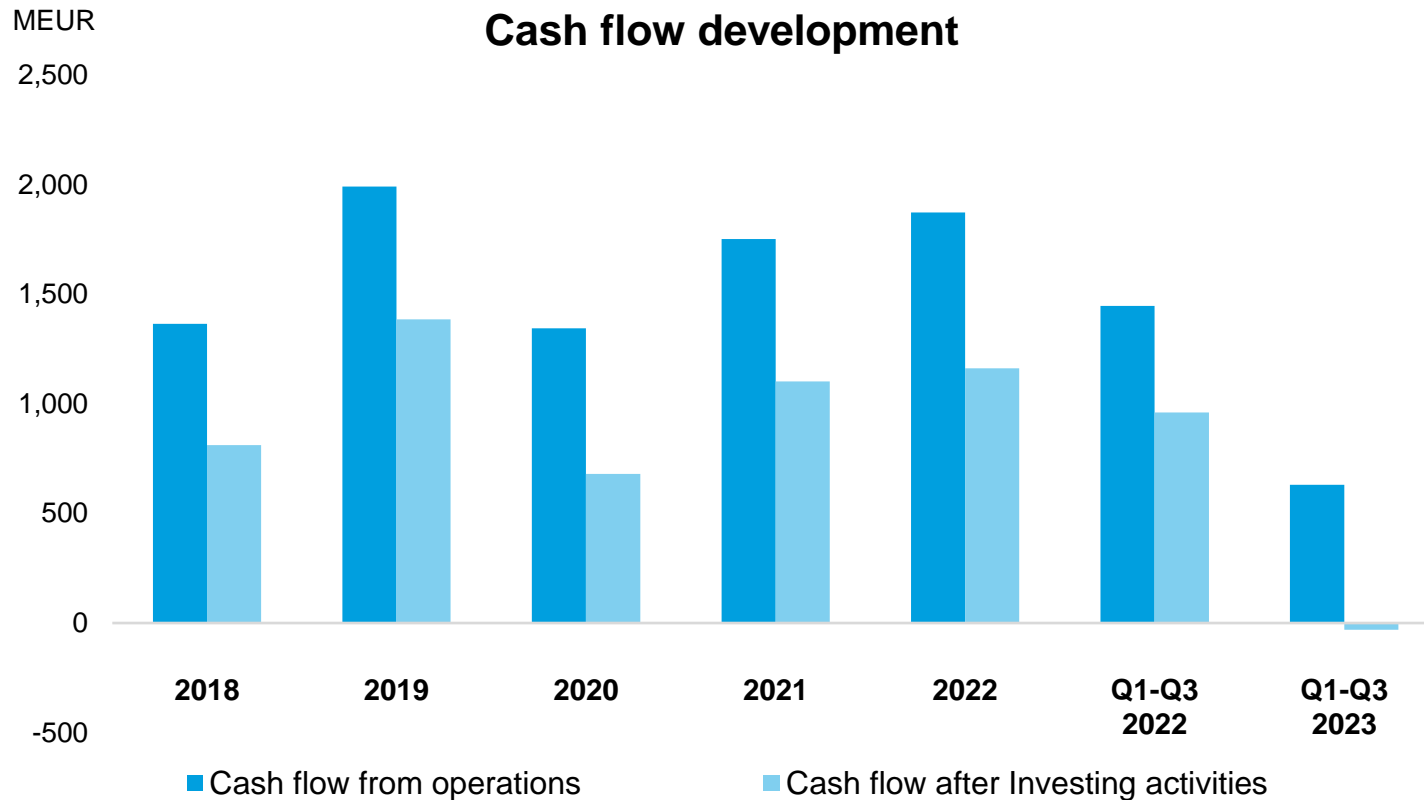
Divisional long-term financial targets		Q3/22	Q3/23		2022	
Packaging Materials	LTM Operational ROOC > 20%	21.0%	1.2%	●	18.6%	●
Packaging Solutions	LTM Operational ROOC > 15%	14.0%	6.0%	●	7.9%	●
Biomaterials	LTM Operational ROOC > 15%	22.9%	12.2%	●	25.3%	●
Wood Products	LTM Operational ROOC > 20%	58.5%	-7.2%	●	43.2%	●
Forest	LTM Operational ROCE > 3.5%	3.5%	4.3%	●	3.7%	●

Prioritising committed growth investments while putting some initiatives on hold



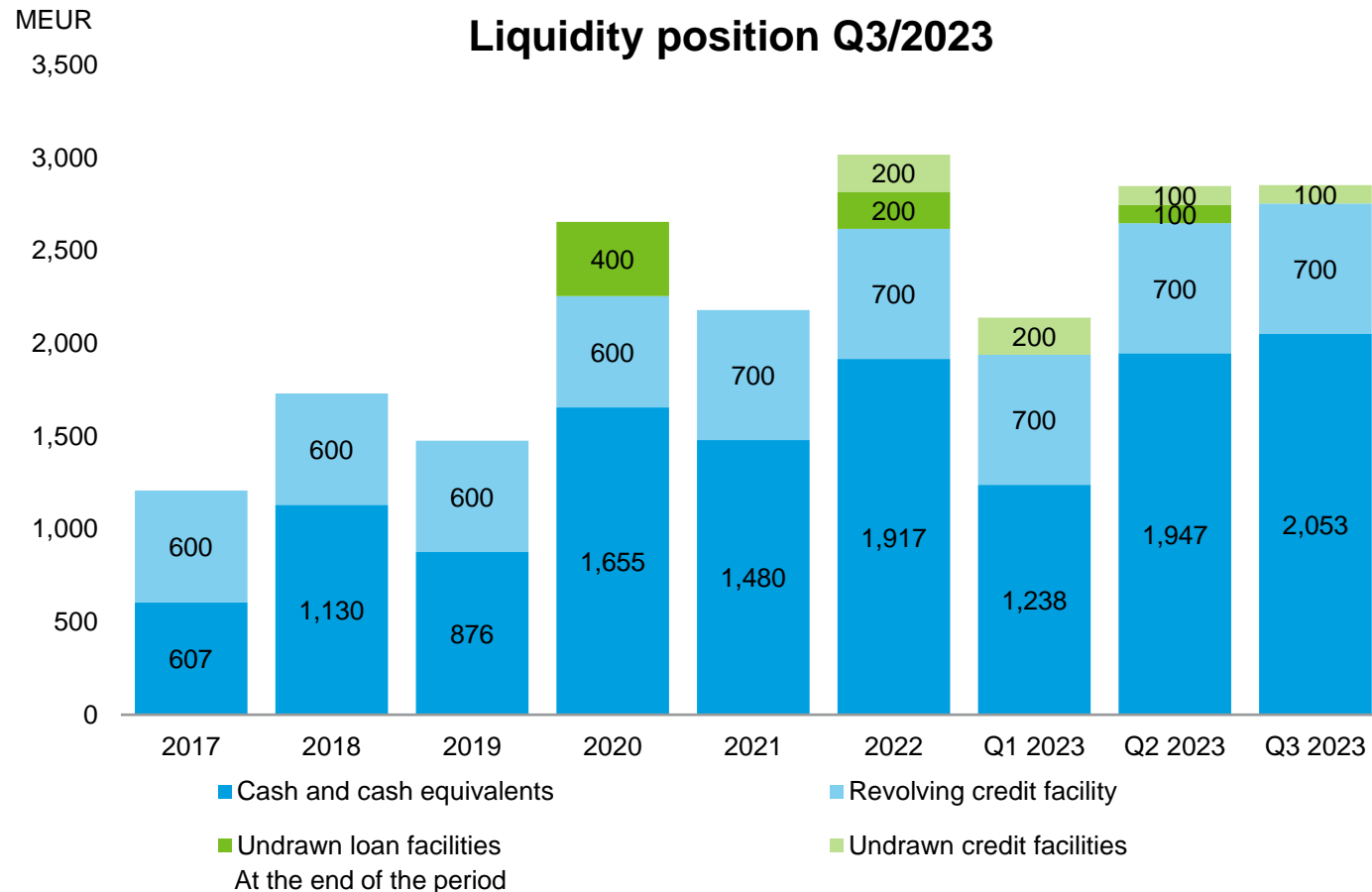
Focusing on improving cash flow

Currently low profitability and committed investments are impacting cash flow



- Focus on improving cash flow
 - Capital release
 - Divestment of Beihai
- Significant reduction of working capital since Q1/2023 and work continues
- Investment priorities have been reviewed for this and next year

Maintaining a strong liquidity position



- Liquidity at the end of Q3/2023:
 - €2,053m cash and cash equivalents
 - €700m committed revolving credit facility fully undrawn
 - €100m committed credit facility fully undrawn
 - Additionally, €1,100m statutory pension premium loans available
- Net debt to operational EBITDA for the last 12 months at 2.4x and gearing at 28%
- No financial covenants

Progressing towards our sustainability targets and initiatives



	Climate change	Biodiversity	Circularity				
Targets	<p>-50% reduction in absolute emissions by 2030 (Scope 1,2,3)</p>	<p>Net positive Impact on biodiversity by 2050</p>	<p>100% Recyclable products by 2030</p>				
Status	<table border="1"> <tr> <td>Scope 1 + 2</td> <td> <p>-41% <i>(Q3 2023 compared to the base year 2019)</i></p> </td> </tr> <tr> <td>Scope 3</td> <td> <p>-27% <i>(2022 compared to the base year 2019)</i></p> </td> </tr> </table>	Scope 1 + 2	<p>-41% <i>(Q3 2023 compared to the base year 2019)</i></p>	Scope 3	<p>-27% <i>(2022 compared to the base year 2019)</i></p>	<p>Target to reach 100% compliance by indicator*</p>	<p>Share of technically recyclable products 94% (2022)</p>
Scope 1 + 2	<p>-41% <i>(Q3 2023 compared to the base year 2019)</i></p>						
Scope 3	<p>-27% <i>(2022 compared to the base year 2019)</i></p>						

*The indicators are: high stumps, deadwood, soil and water, habitats, buffer zones and tree retention

Developing bio-based incremental growth opportunities continues



Biodegradable and recyclable packaging foams to replace fossil-based packaging foams



Bio-based anode material to replace mined or fossil-based materials in batteries



Replacing fossil solutions with safe, renewable binder solutions

Continued weak overall sequential market demand outlook for Q4/2023



Packaging Materials

- Demand for consumer and containerboard is expected to be stable at a low level
- Destocking is expected to come to an end



Packaging Solutions

- Demand for corrugated packaging in Europe is expected to be stable at a low level



Biomaterials

- Demand for pulp is expected to be slightly stronger but remain at a low level
- Global pulp inventories are decreasing from peak levels
- New capacity entering the market



Wood Products

- Demand for sawn wood and building solutions is expected to be weaker
- The building activity in the construction industry continues to be low



Forest

- Demand for pulpwood is expected to be slightly stronger
- Demand for pulpwood for energy use remains strong
- High demand for sawlogs in Sweden is expected to keep the log market tight

Focusing on actions for a profitability turnaround and capital release

Results

- Delivering unsatisfactory poor result with continued weak underlying demand and margin pressure across divisions

Immediate priorities and actions

- Value creation
 - Optimising sourcing and value chain
 - Enhancing commercial and operational excellence
- Releasing capital by reducing working capital and divesting Beihai
- Strengthening long-term competitiveness through asset strategy
- Building a high-performance culture and organisation

Restructuring

- Progressing with the ongoing restructuring to focus capital allocation, annual improvement of operational EBIT of €110m

Outlook and guidance

- Continued weak overall sequential market demand outlook for Q4/2023
- Reiterating FY2023 operational EBIT to be significantly lower than for the FY2022 (€1.9bn)



Disclaimer

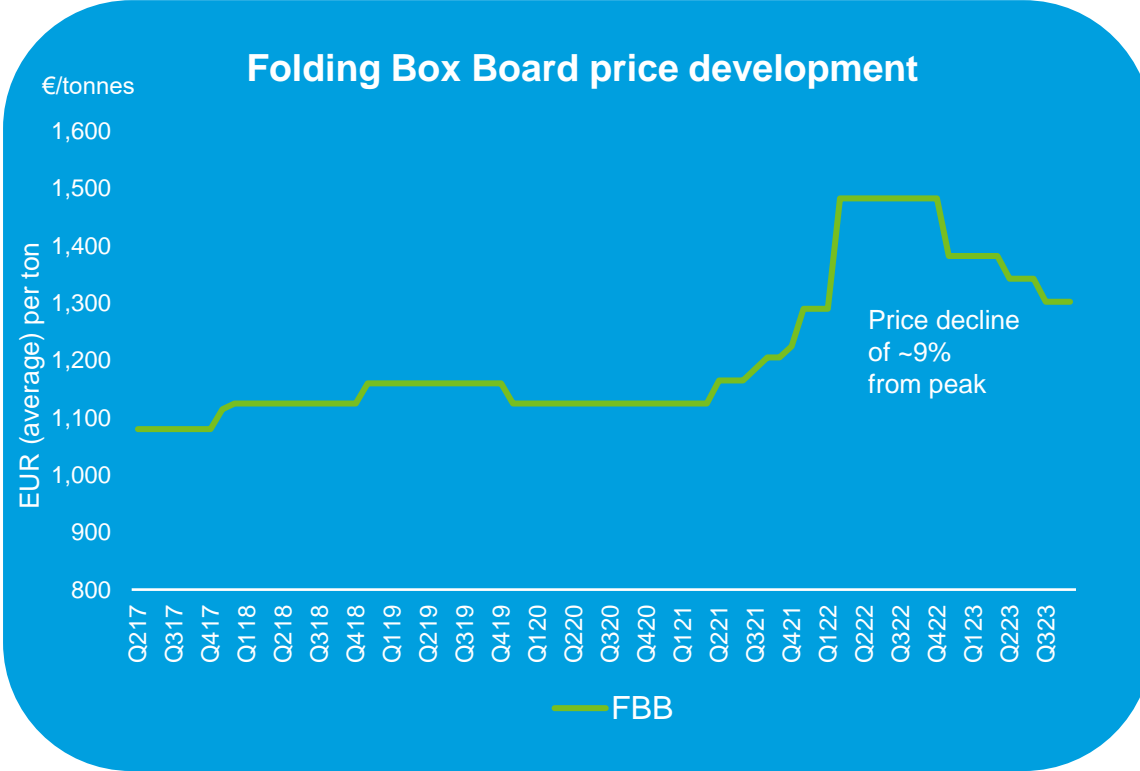
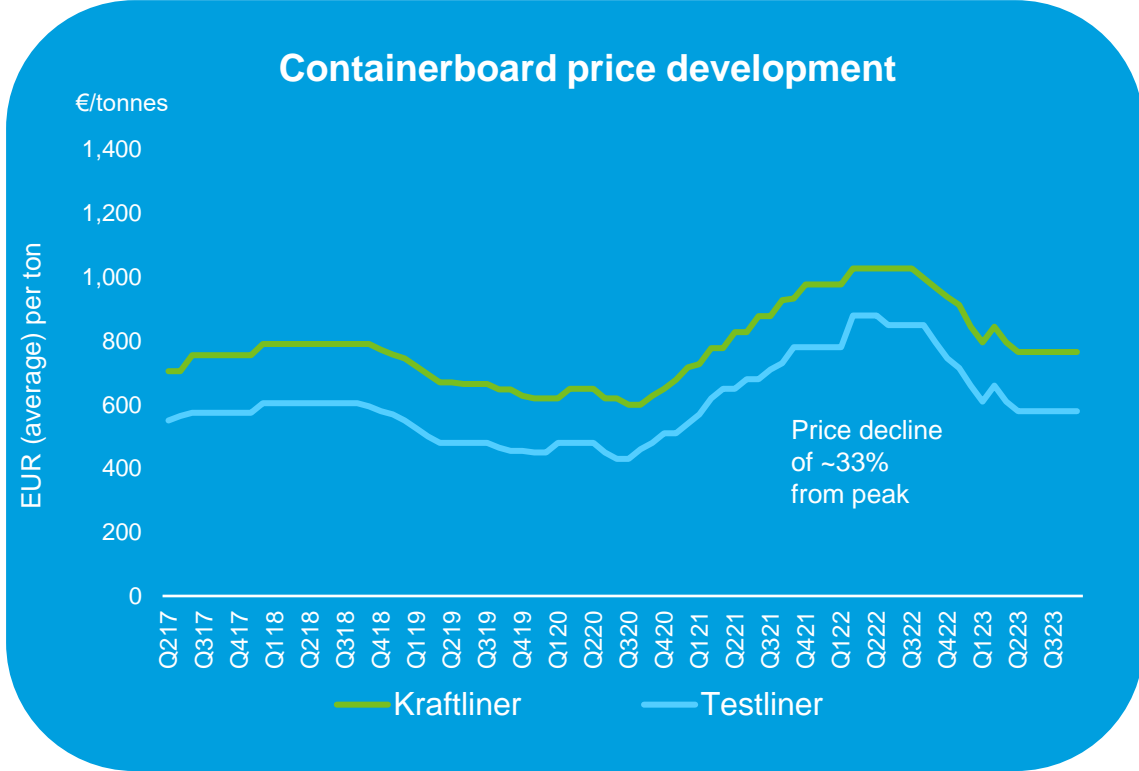


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THE RENEWABLE MATERIALS COMPANY

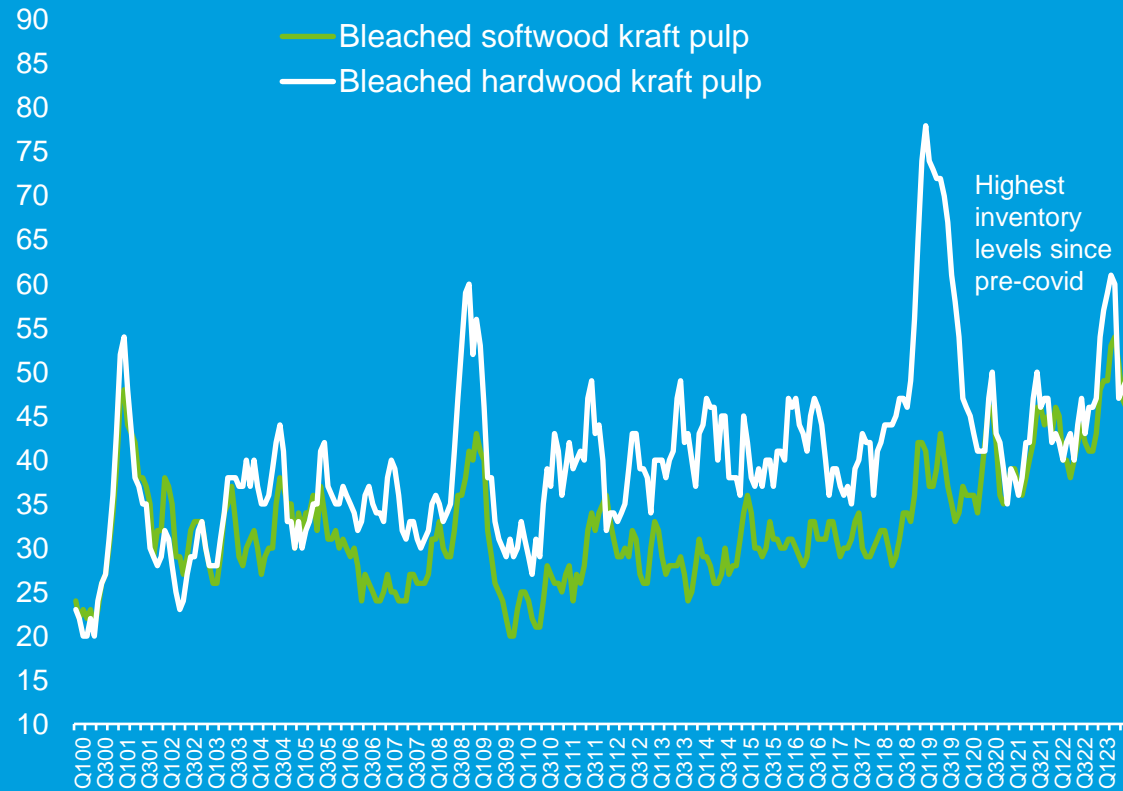
Weak packaging demand reduced prices for containerboard and Folding Box Board



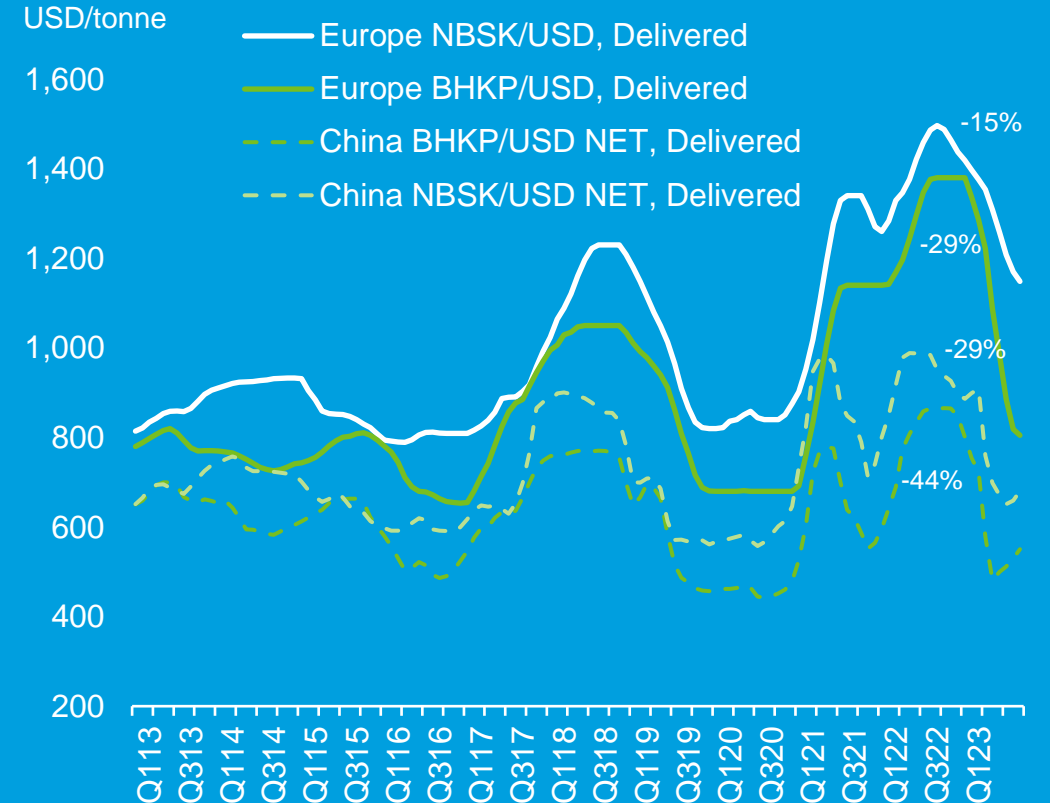
Weak demand and large amount of additional capacity entering the market reduce pulp prices and increase inventories



Inventory levels



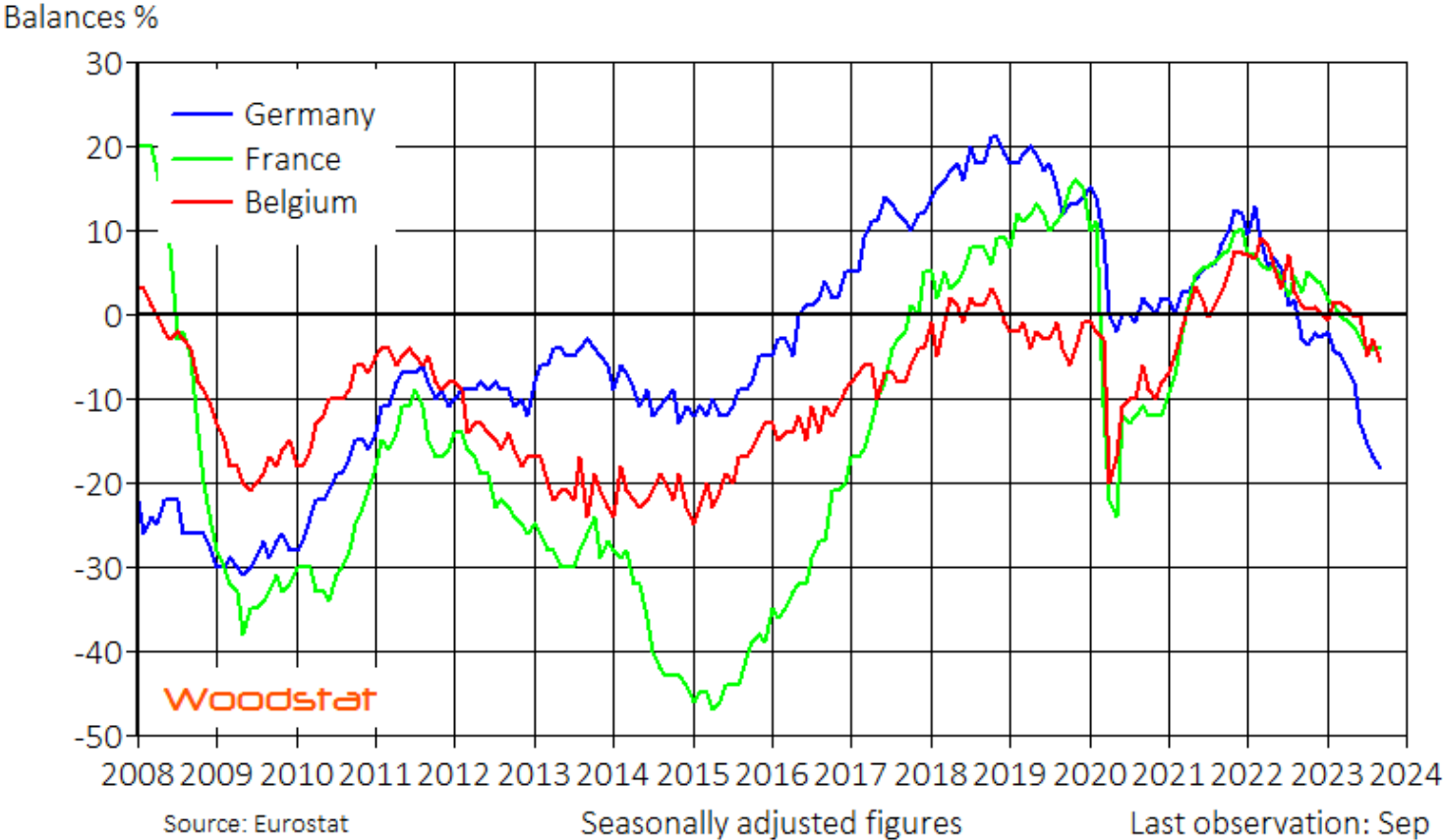
Price development



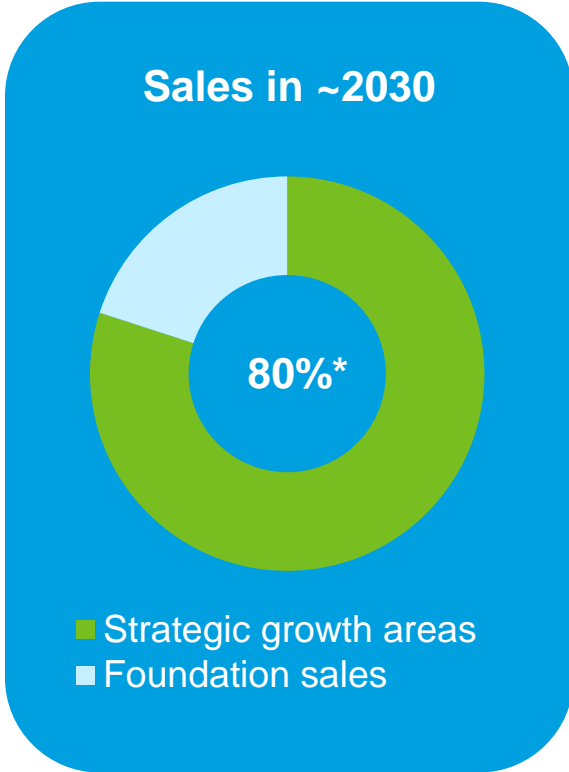
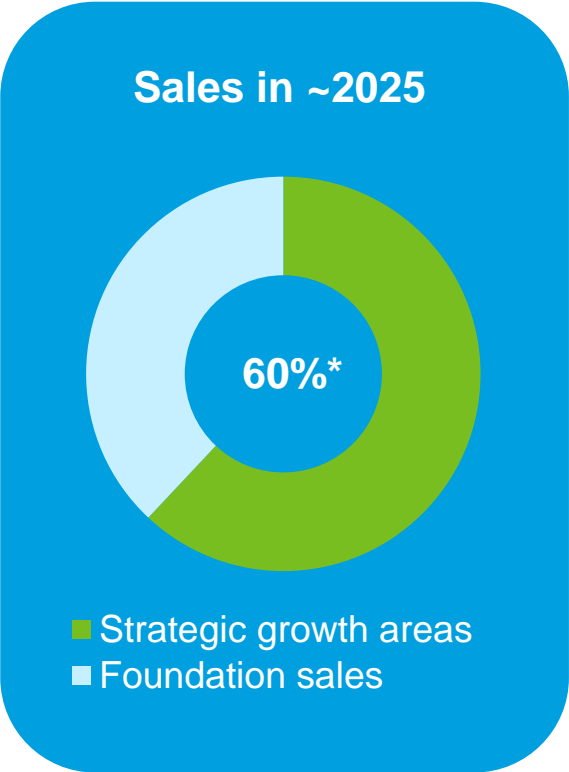
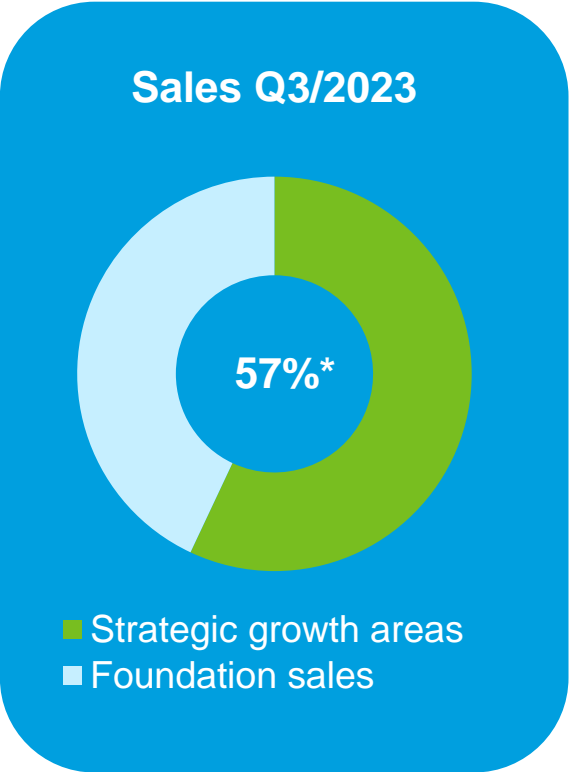
Continued weak construction and housing market weighs on Wood Products' performance



EU construction Monthly construction confidence indicator



Strategic growth areas represented 57% of sales in Q3/2023



*Strategic growth areas include Packaging Materials, Packaging Solutions, Biomaterials Innovations (part of Biomaterials), Building Solutions (part of Wood Products) and New business (part of Segment Other)
**Foundation businesses include Pulp in Biomaterials, Traditional Wood Products in Wood Products, Forest and Paper

Development of long-term targets



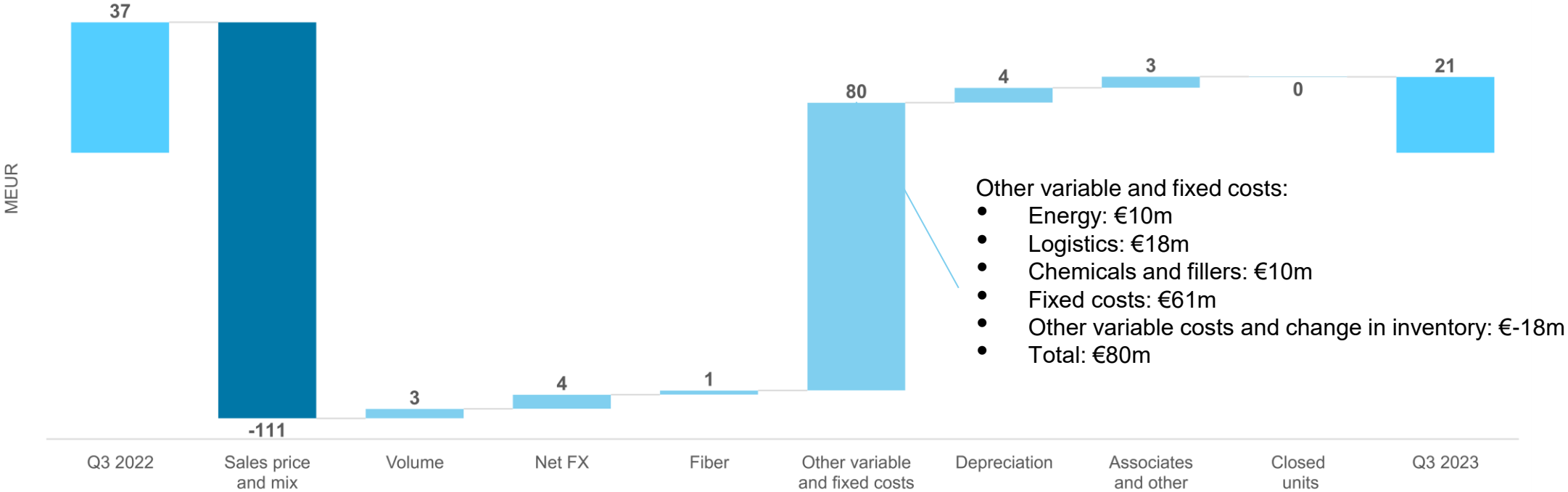
Financial performance		Q3/2022	Q3/2023
Growth YoY	> 5%	15%	-28%
Net debt to operational EBITDA	< 2.0x	0.8	2.4
Net debt to equity	< 60%	17%	28%
Operational ROCE excl. Forest	> 13%	22%	5%
Dividend per share (EUR)	To distribute 50% of EPS excluding fair valuation over the cycle	N/A	N/A

Sustainability performance		FY/2021	FY/2022
Climate: Reduction of fossil CO ₂ e emissions (scope 1 and 2)	-50% by the end of 2030 from 2019	-14%	-27%
Climate: Reduction of fossil CO ₂ e emissions (scope 3)	-50% by the end of 2030 from 2019	-4%	-27%
Circularity	100% by 2030	94%	94%
Biodiversity: Forest certification coverage	≥ 96%	99%	99%

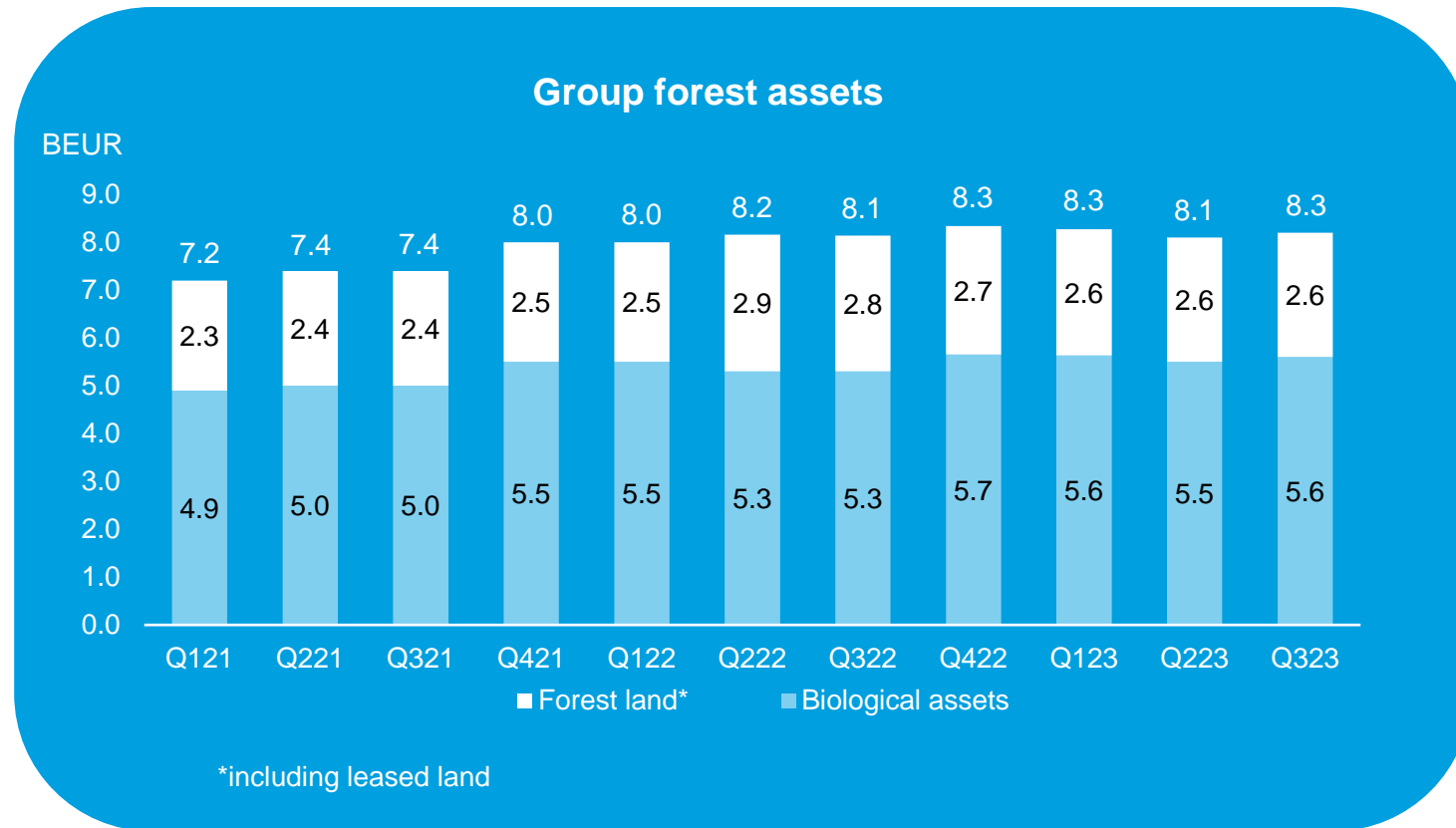
Continued low market demand drove sales prices down, lower input costs partly mitigate margin pressure



Quarterly operational EBIT variance QoQ



Forest valuation

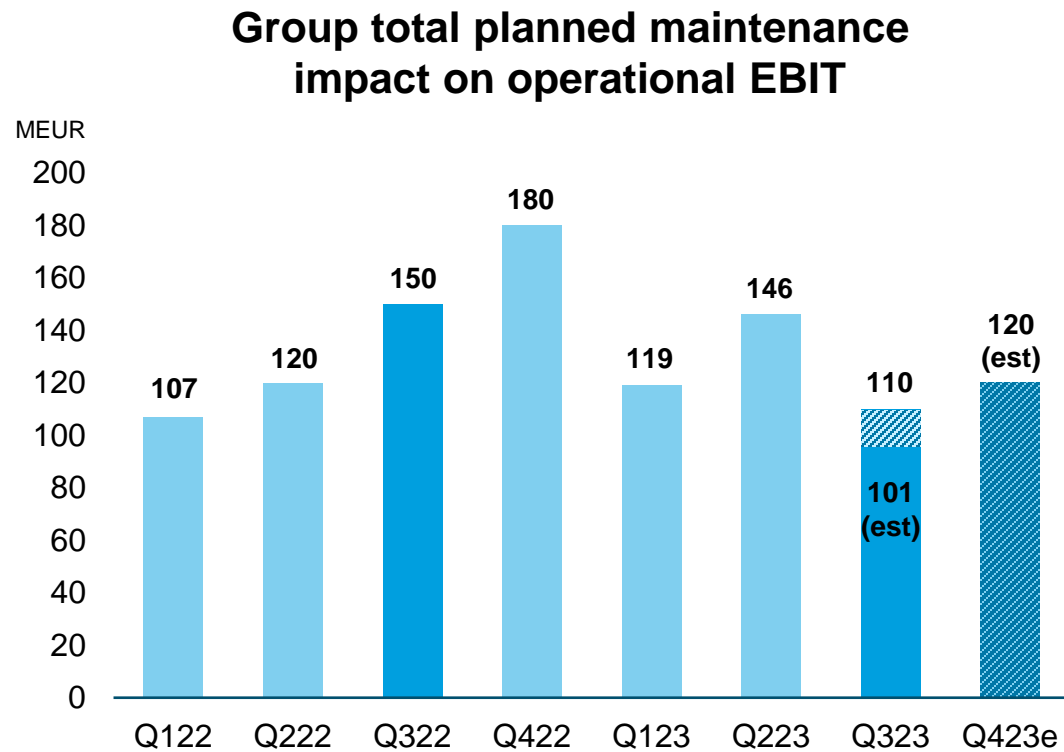


- Fair value* of €8.3 billion equivalent to €10.47 per share
- €191 million higher valuation QoQ mainly due to stronger SEK

*Market transaction-based forest property prices in Finland and Sweden updated in the Q2 and Q4 reporting



Maintenance shutdowns impacting quarterly results



Planned maintenance shutdowns in 2023

Packaging Materials

- Q1: -
- Q2: Beihai, Ostroleka, Langerbrugge
- Q3: Anjala, Heinola, Ostroleka, Oulu, Varkaus, Ingerois
- Q4: Fors, Imatra, Skoghall

Biomaterials

- Q1: Veracel
- Q2: Montes Del Plata, Skutskär
- Q3: -
- Q4: Enocell

Planned maintenance shutdowns in 2024

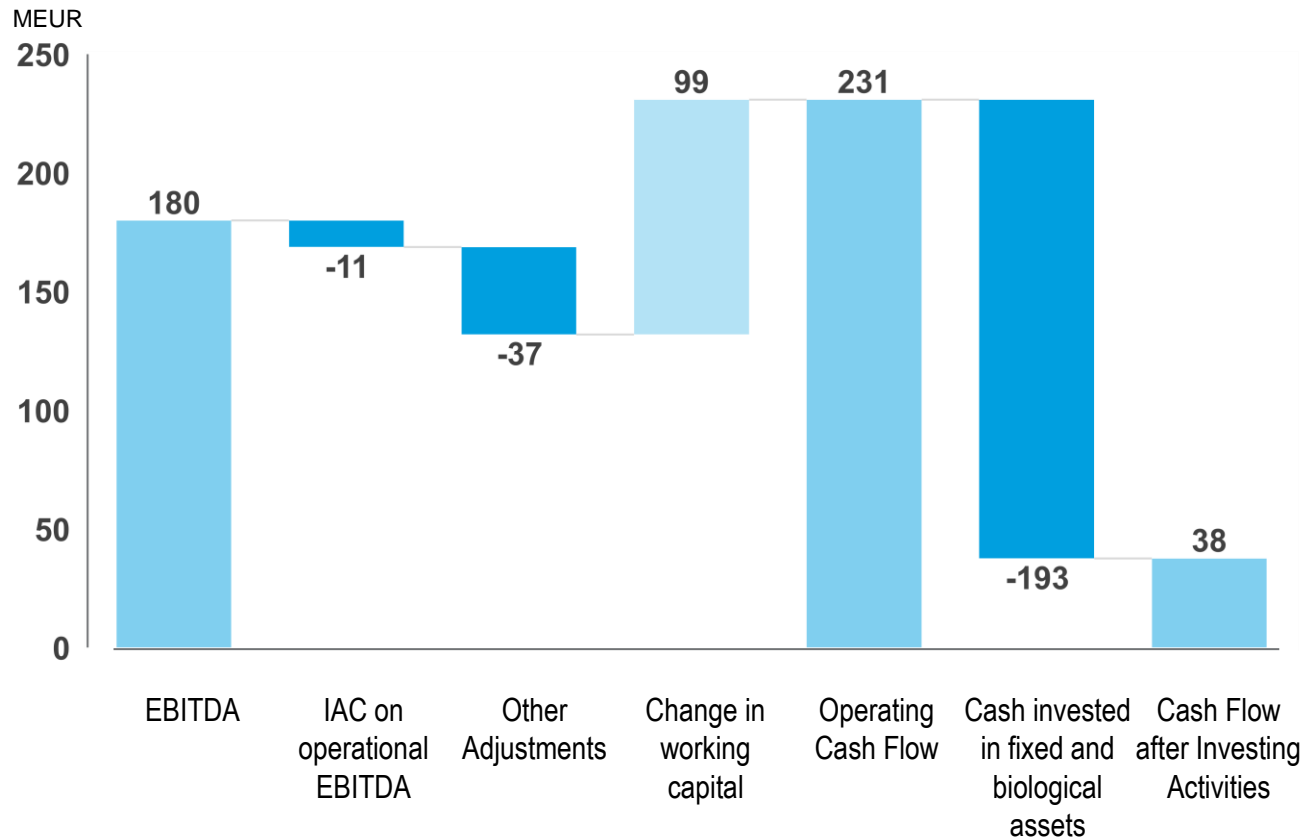
Packaging Materials

- Q1: Langerbrugge
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Biomaterials

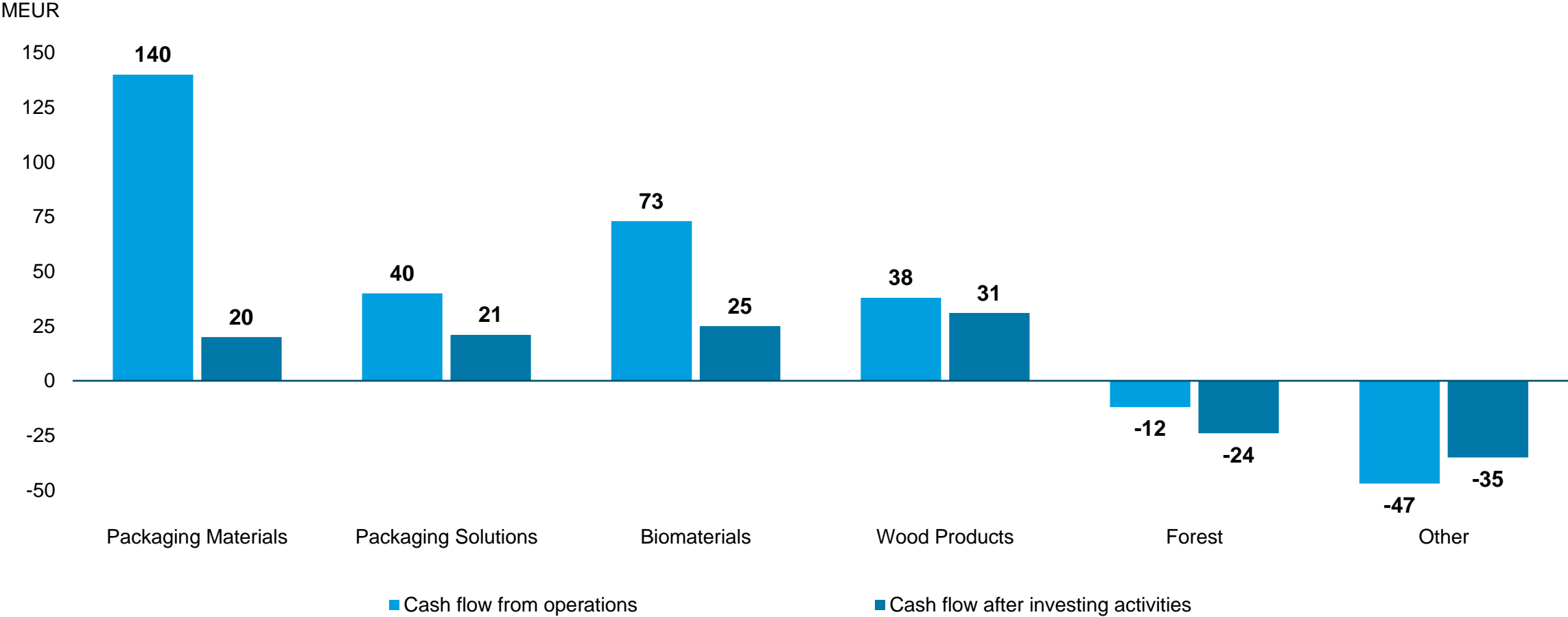
- Q1: -
- Q2: Montes Del Plata, Skutskär
- Q3: Enocell, Veracel
- Q4: -

Cash flow impacted by working capital development and high capex - focus on improving cash flow

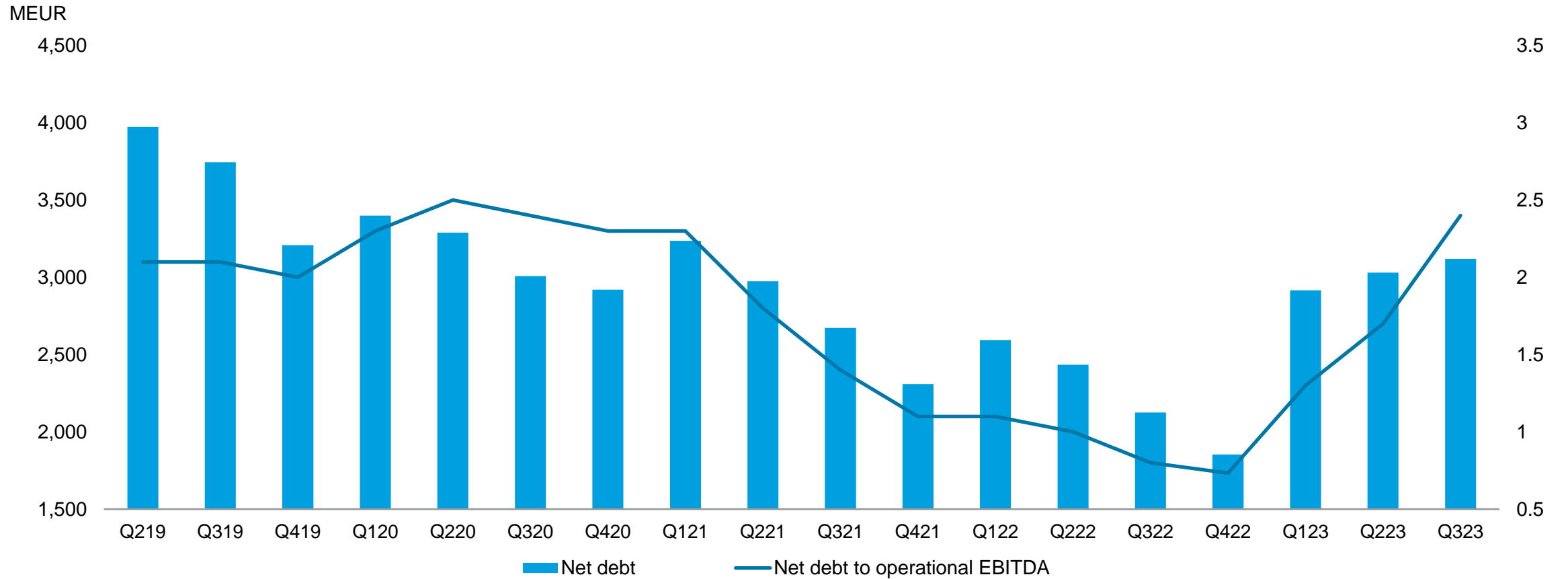


- Cash flow after investing activities was €38 (489) million
- Working capital decreased by €99 million, mainly due to lower inventories and trade receivables, and was partly offset by lower trade payables.
- Cash spent on fixed and biological assets was €193 million, of which the majority related to strategic investments
- Payments related to the previously announced provisions amounted to €12 million.

Cash flow by divisions in Q3/2023

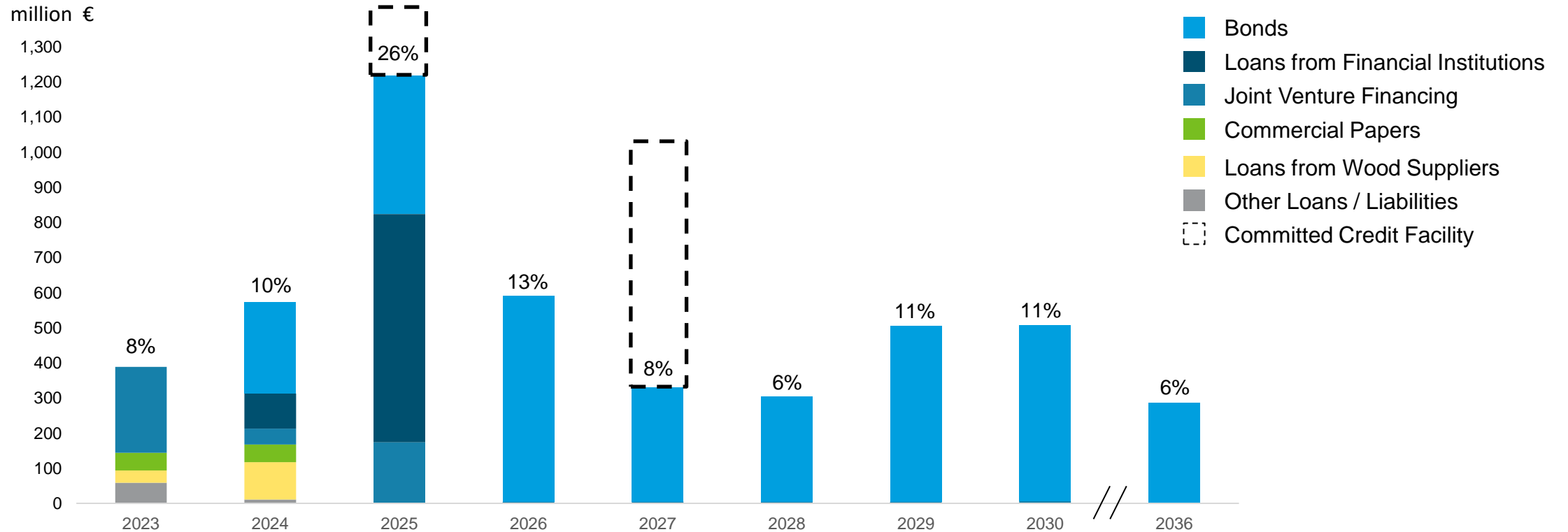


Year-on-year net debt to operational EBITDA



Maturity profile 2023

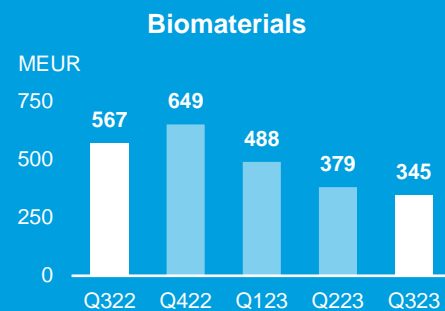
September 2023



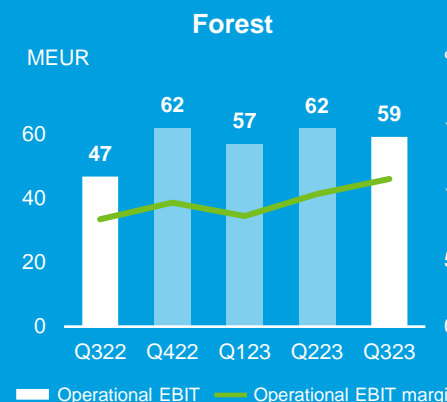
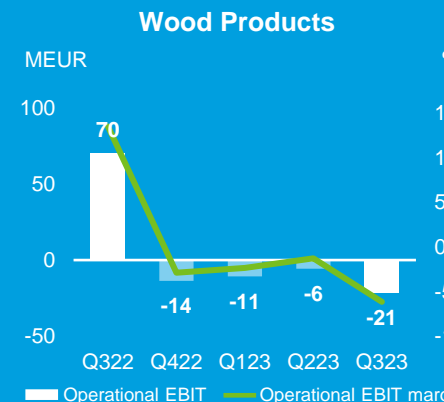
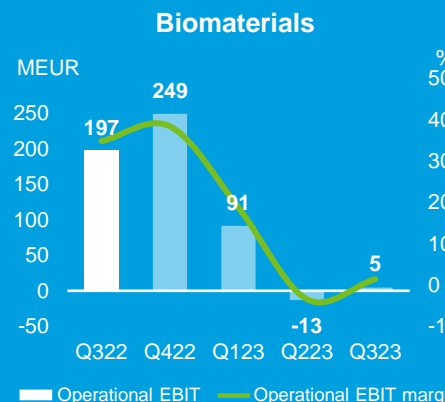
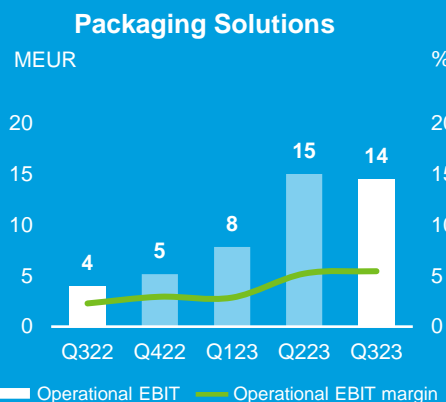
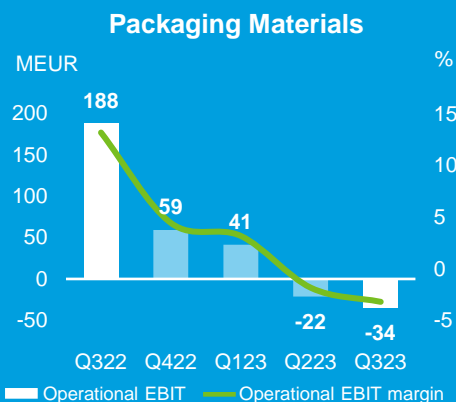
Division overview (sales, opEBIT and opEBIT margin)



Sales



Operational EBIT and Operational EBIT Margin

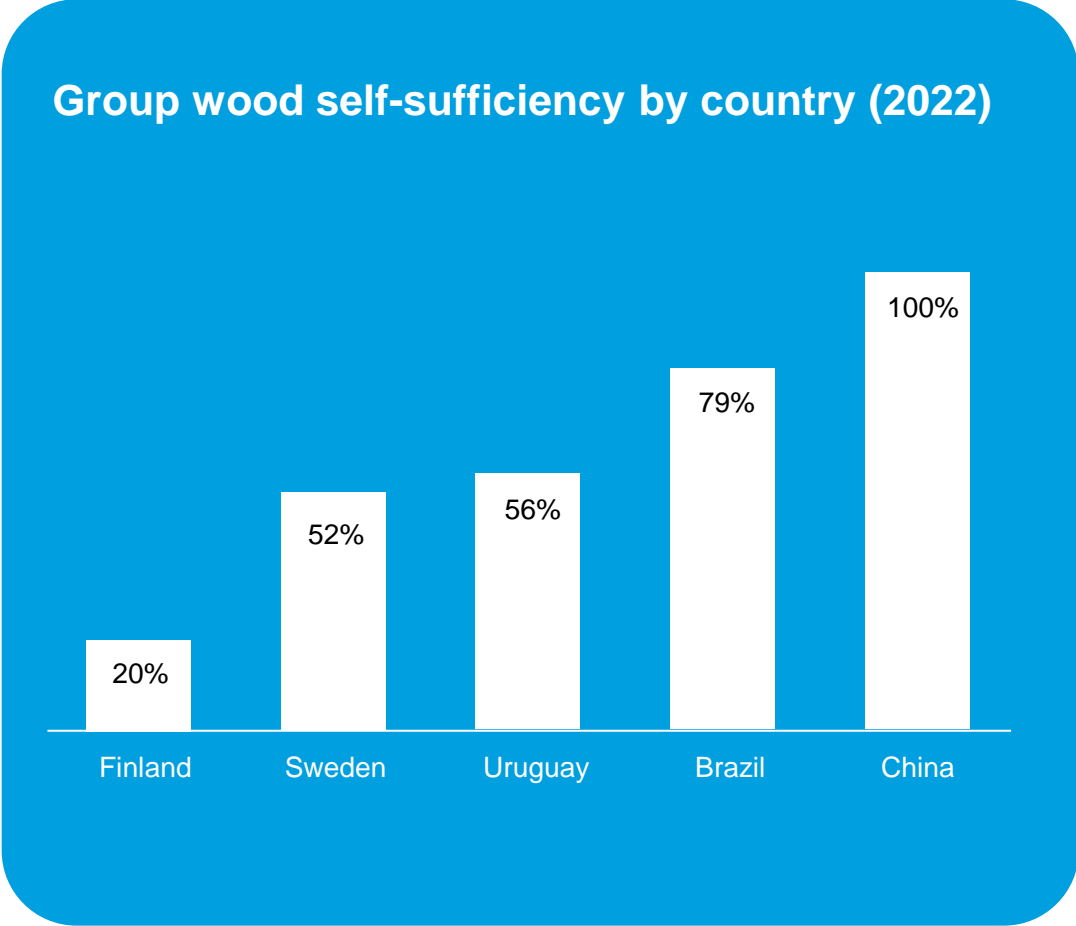
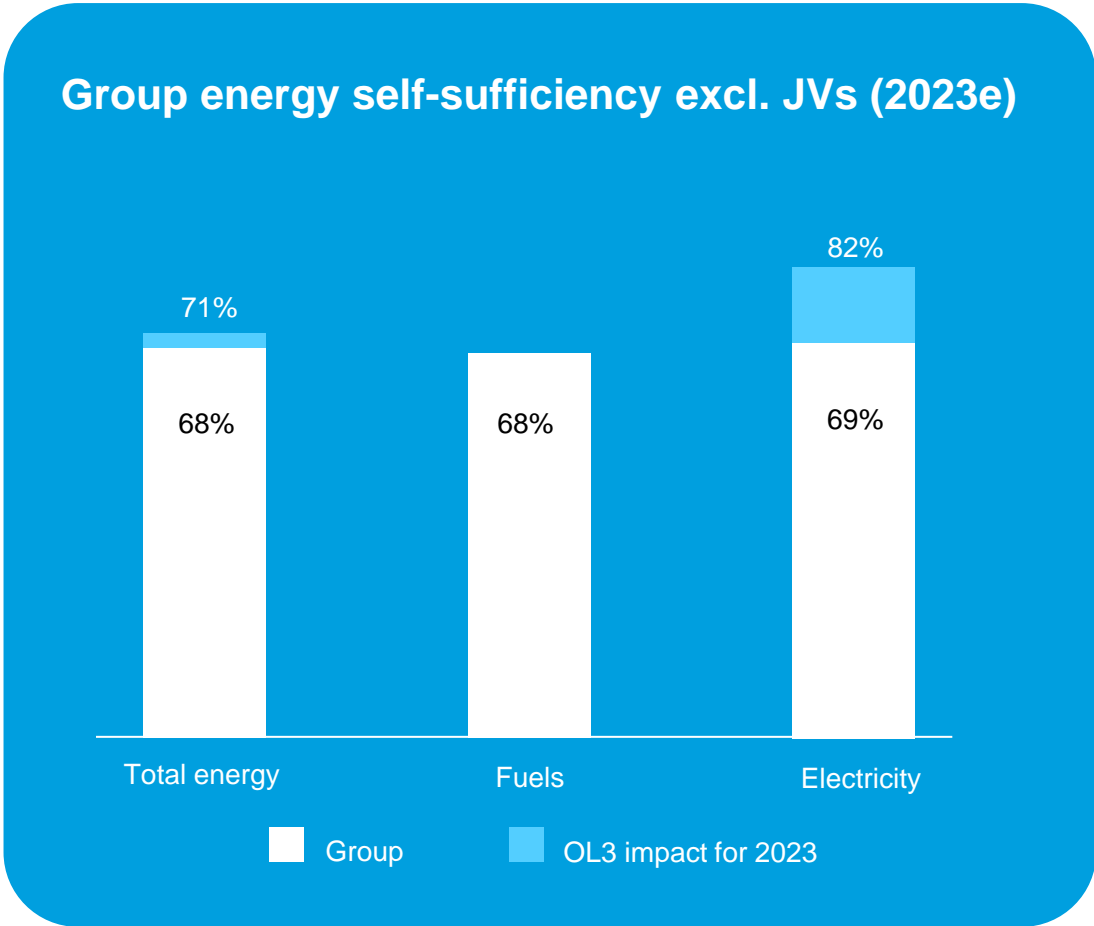


Operational EBIT by segments



MEUR	Q3/23	Q3/22	Change % Q323-Q322	Q2/23	Change % Q323-Q223
Packaging Materials	-34	188	-118.2%	-22	-58.6%
% of sales	-3.2%	13.2%		-1.9%	
Packaging Solutions	14	4	266.1%	15	-3.3%
% of sales	5.4%	2.3%		5.2%	
Biomaterials	5	197	-97.5%	-13	137.6%
% of sales	1.4%	34.8%		-3.4%	
Wood Products	-21	70	-130.6%	-6	-285.3%
% of sales	-6.1%	13.5%		-1.3%	
Forest	59	47	26.4%	62	-4.2%
% of sales	11.1%	8.1%		10.0%	
Other	-15	29	-152.7%	-9	-65.4%
% of sales	-8.5%	5.0%		-4.3%	

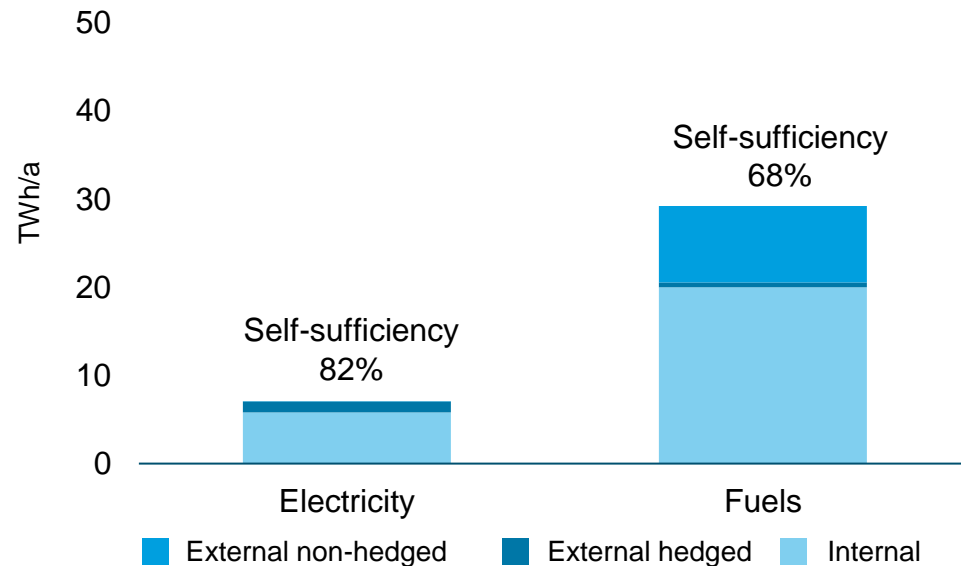
The Olkiluoto 3 nuclear power plant increases Group's energy self-sufficiency to 71%



Energy balance in detail



Group energy balance estimate excl. JVs (2023e)

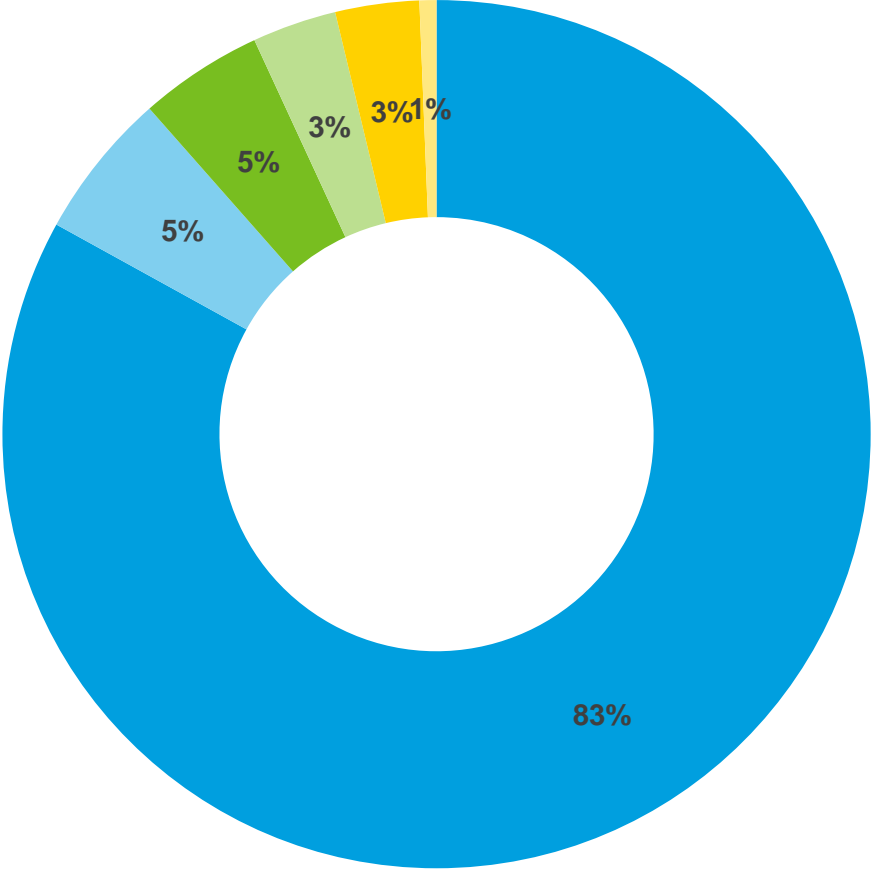


Impact on non-hedged volume on operating profit from 10% change for the next 12 months in:	EUR million p.a.
Electricity market price	~2.4
Fossil fuel price	~7.9

Energy hedging in 2023	~80%
Energy costs of total costs in 2022	~9%

Mainly biomass used as fuel

Group fuel consumption Q3/2023



Stora Enso Group's total Q3/2023 fuel consumption was 6,2 TWh.

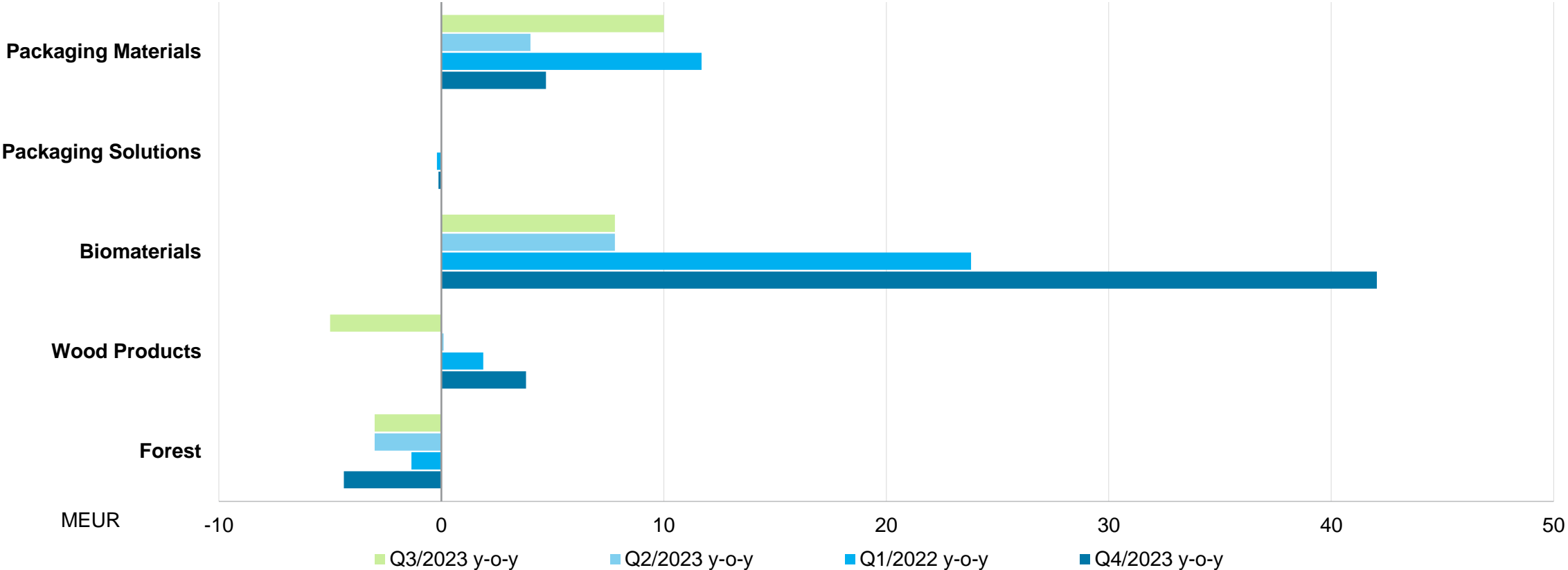


Net Financial Items

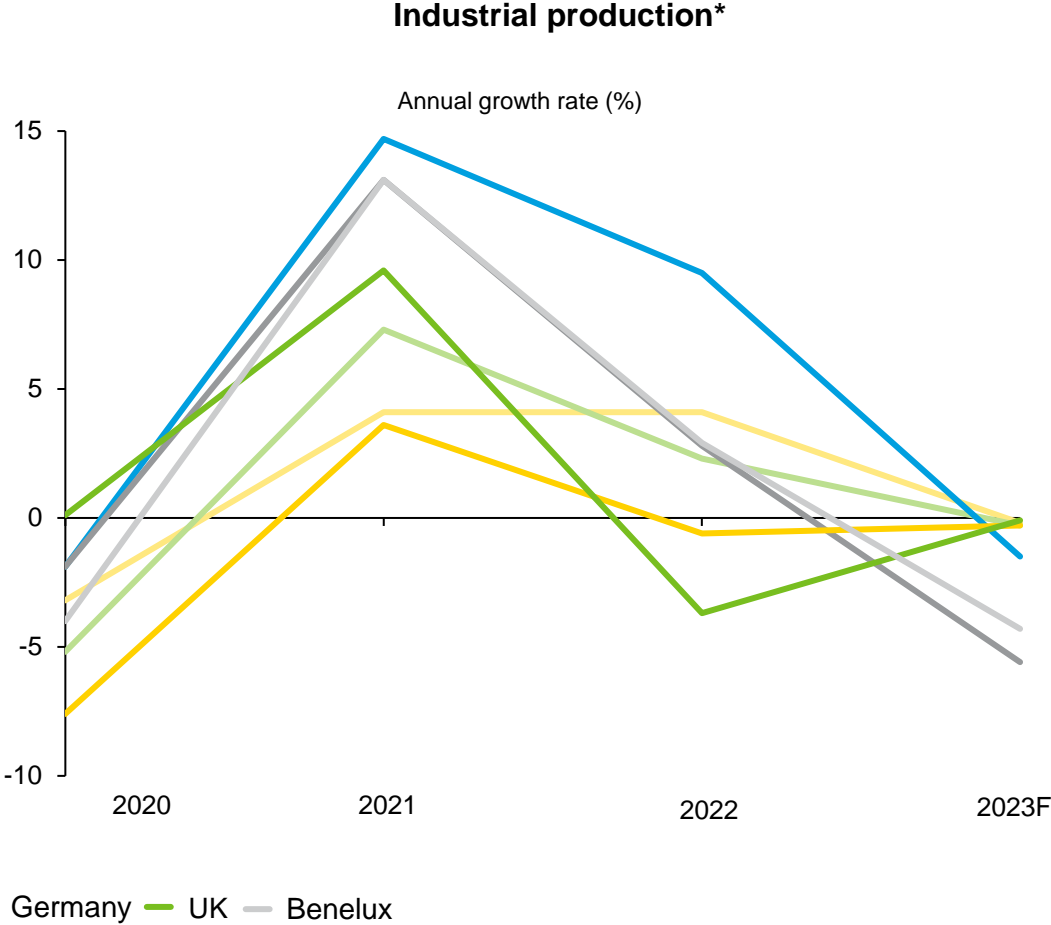
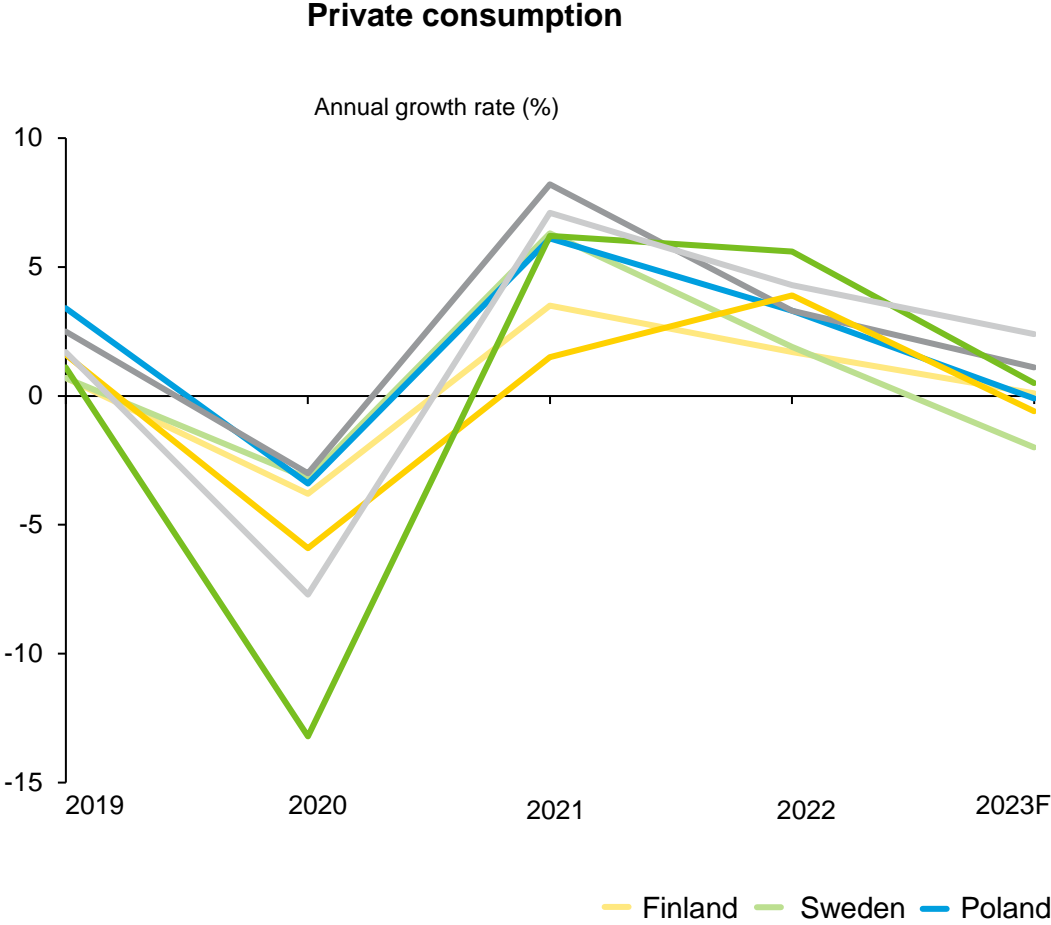


MEUR	Q3/23	Q3/22	Change MEUR Q323/ Q322	Q2/23	Change MEUR Q323/ Q223
Net interest expense	-29	-27	-2	-28	-1
Average interest rate*	3.8%	3.3%		3.5%	
Foreign exchange gains and losses	-7	-9	2	-22	15
Other financial items, of which	-4	-27	23	-1	-3
Pension costs (IAS 19R)	-2	-1	-1	-1	-1
Other items	-2	-26	24	0	-2
Total net financial items	-40	-63	23	-51	11

Net FX by division

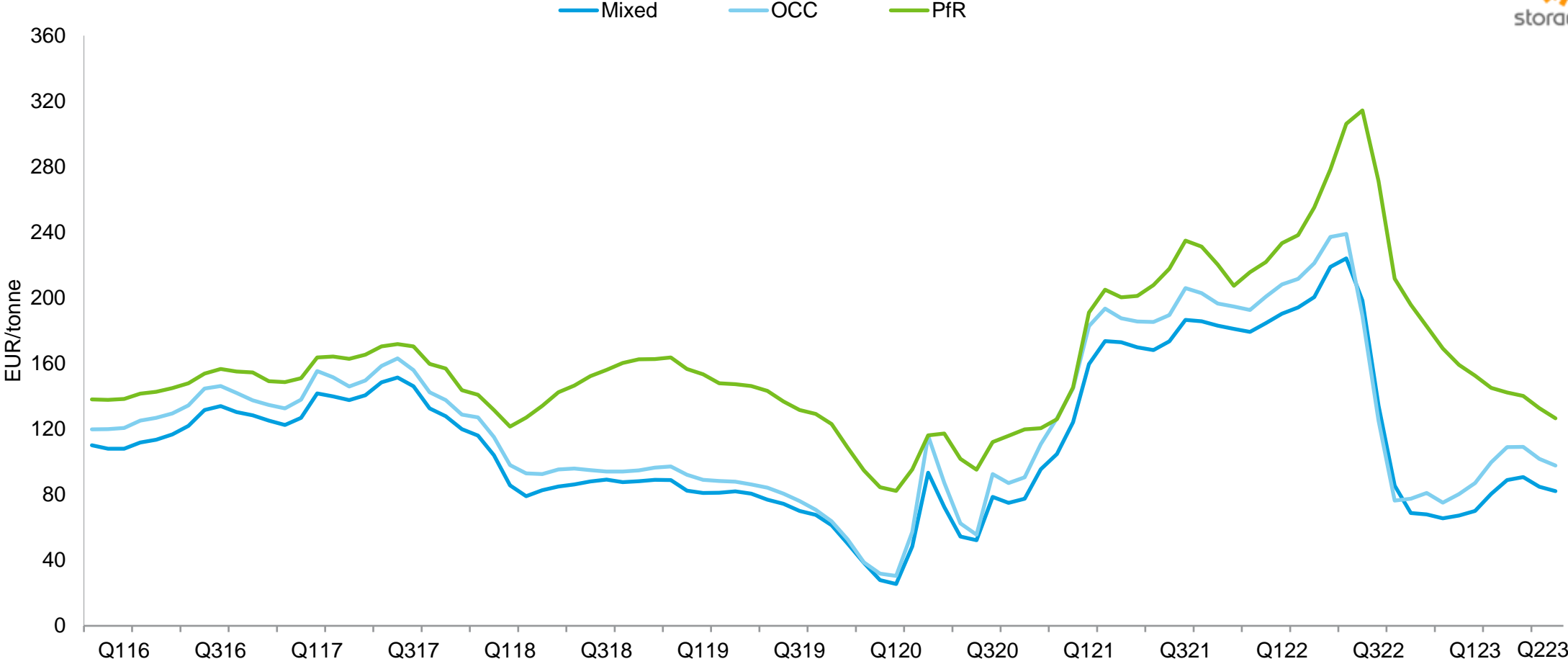


Indicators driving the demand for Packaging

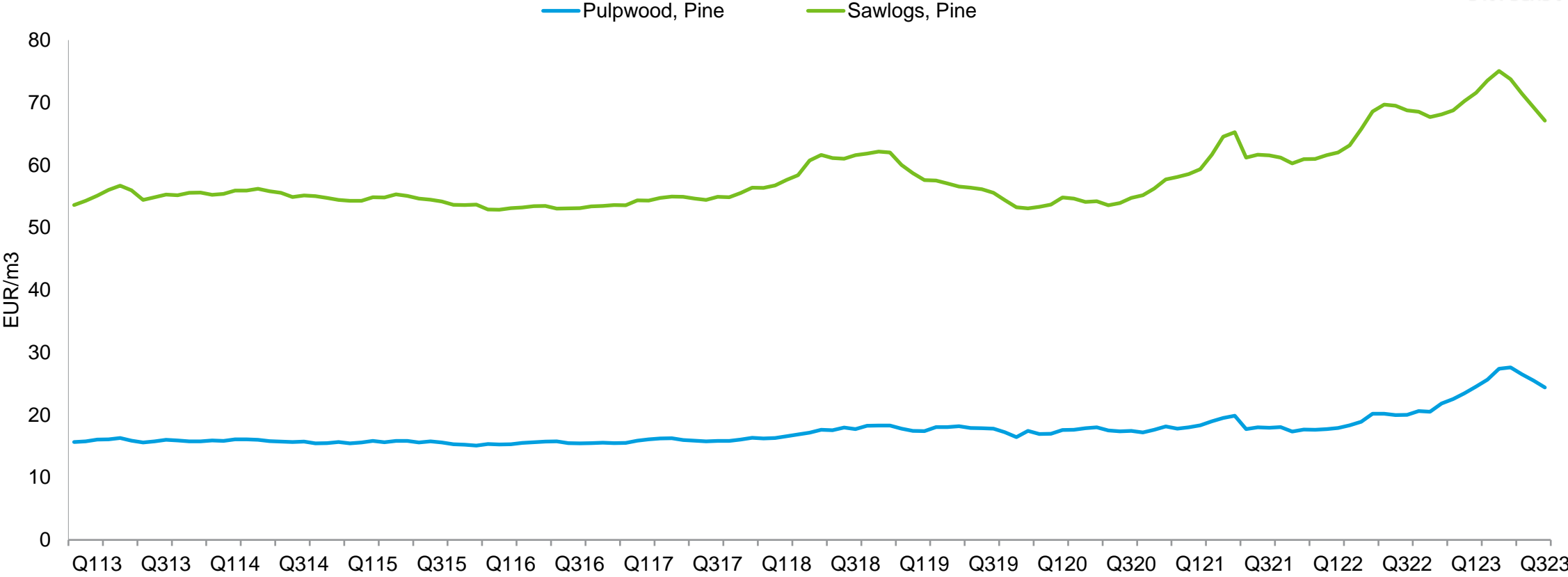


Source: OECD Economic Outlook, Consensus, European Economic Forecast, Note* = industrial production excluding Luxembourg (from the Benelux data)

Paper for recycling prices



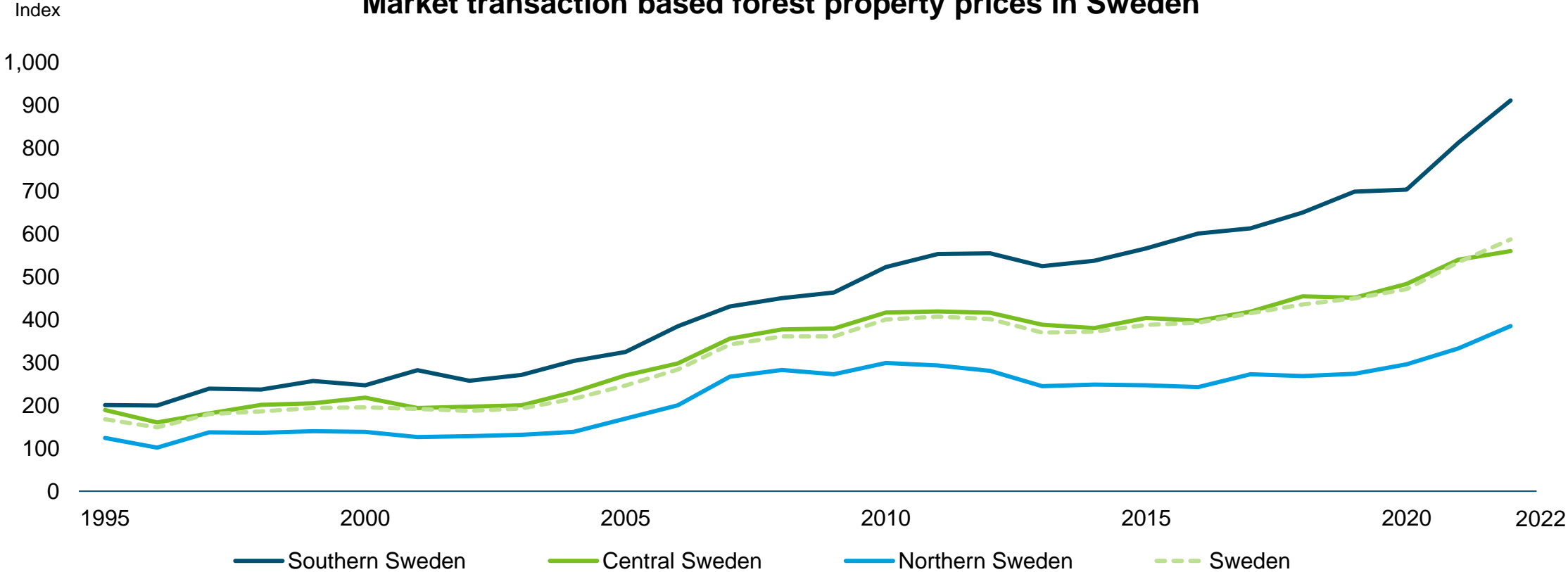
Pulpwood and sawlog prices in Finland



Market transaction prices continued to increase in 2022



Market transaction based forest property prices in Sweden



ESG ratings and recognition Q3 2023



Climate A-,
Forest B and
Water B



Highest
recognition
level, Platinum,
Total score 82
out of 100

**FTSE
Russell**

ESG rating
4.4 out of 5



ESG QualityScore
highest possible
score (1*)
in Social, and
Environment



ESG rating
AAA (highest
possible score)



ESG rating
14.4* out of 100

**Transition
Pathway
Initiative**

Top-ranked
in both
management
quality and
carbon

VigeoEiris***

ESG rating
71 out of 100



THE RENEWABLE MATERIALS COMPANY