



storaenso

Financial results Q4 2023

**Focus on profit improvement,
competitiveness and cash flow**

President and CEO Hans Sohlström
CFO Seppo Parvi
1 February 2024

THE RENEWABLE MATERIALS COMPANY

Full-year 2024 guidance and dividend



Earth Observatory, Geological Research Base on Svalbard Norway
Cross Laminated Timber floors and roofs by Stora Enso

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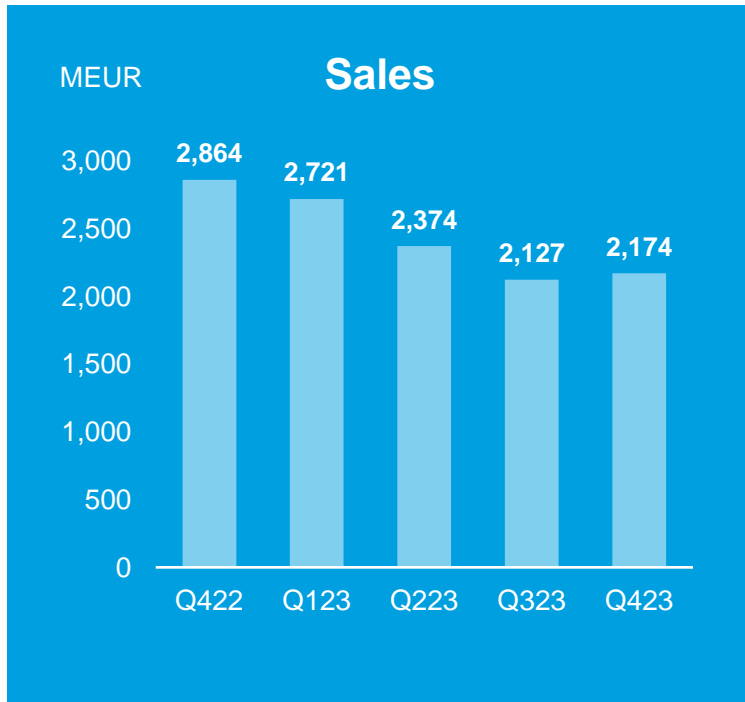
Guidance

- The full-year 2024 operational EBIT is expected to be **higher** than for the full-year 2023, €342 million

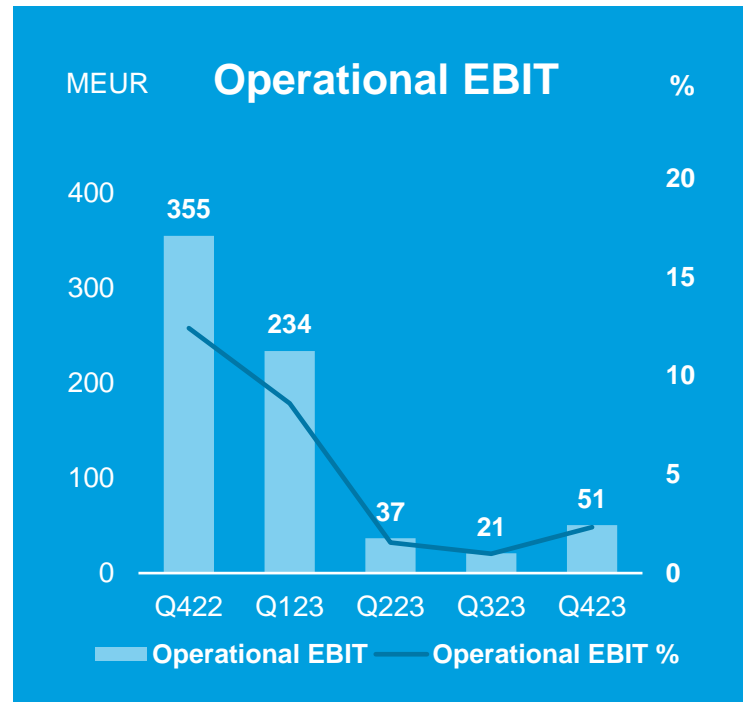
Dividend

- The Board of Directors proposes at the AGM on 20 March dividend distribution of **€0.10 per share** to be paid in April
- Additionally, it is proposed that the Board is authorised, at its discretion, to decide on a second instalment of up to **€0.20 per share**, to be paid latest in Q4/2024
- The dividend proposal reflects our commitment to providing value to shareholders despite current market uncertainty

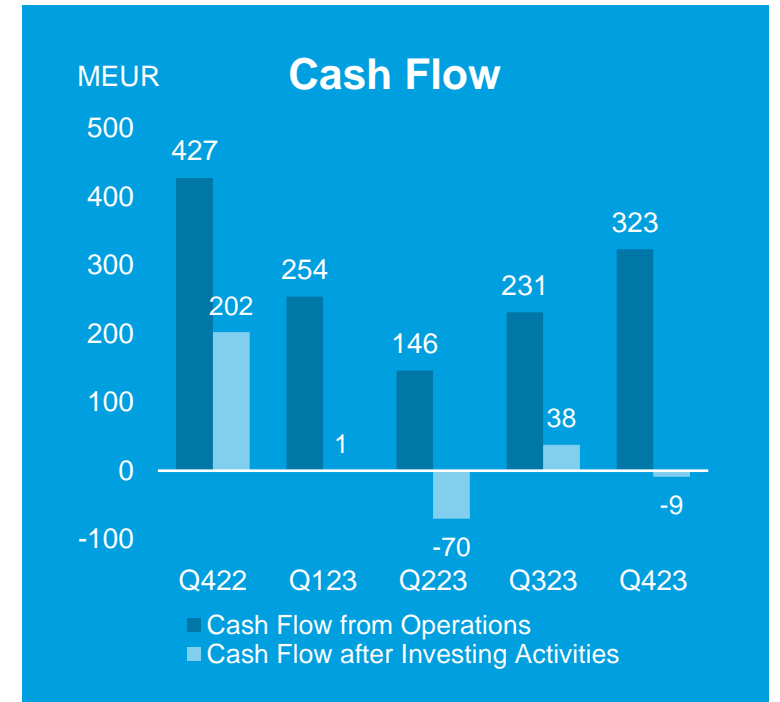
Continued market headwinds pressured especially Packaging and Wood Products businesses – easing on the cost side



- Sales decreased by 24% or by €690 million to ~€2.2 billion
- Challenging market conditions continued during the quarter



- OpEBIT decreased to €51 million
- OpEBIT margin decreased to 2.3%
- Reduced sales prices and volumes impacted profitability, despite some input costs becoming more favourable

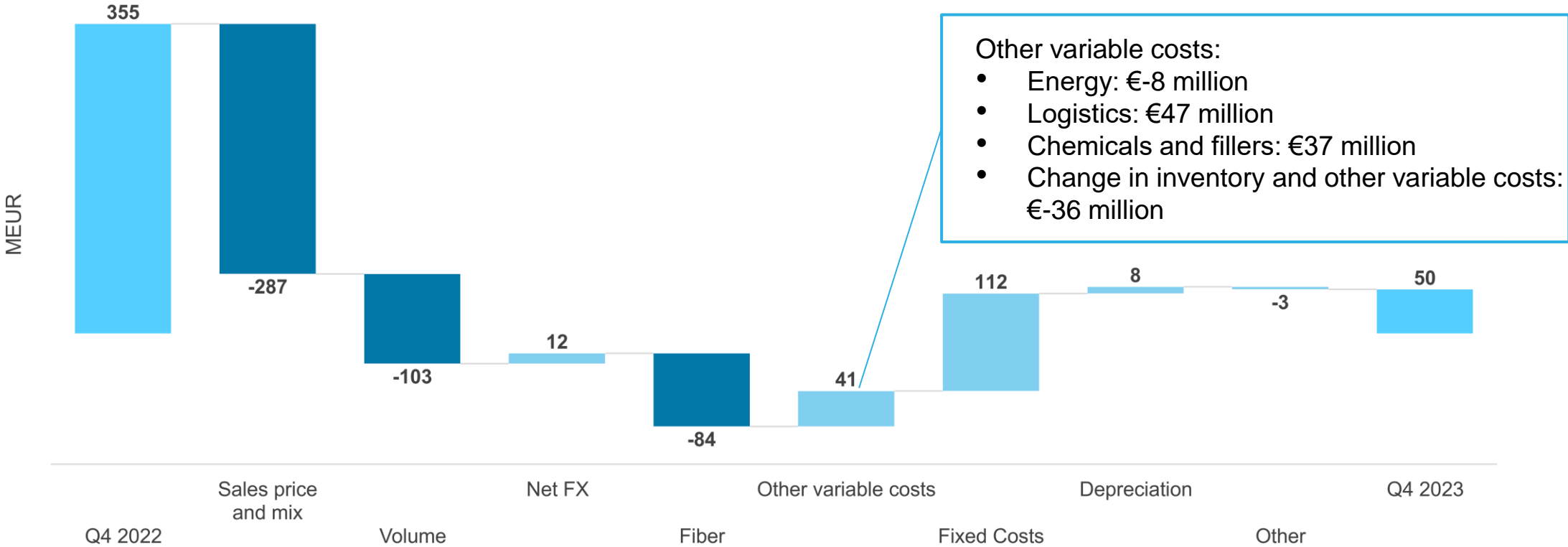


- Cash flow from operations amounted to €323 million and cash flow after investing activities to €-9 million
- Change in working capital was €207 million

Lower sales prices and volumes, and increased fiber costs adversely affected profitability despite relief from other variable and fixed costs

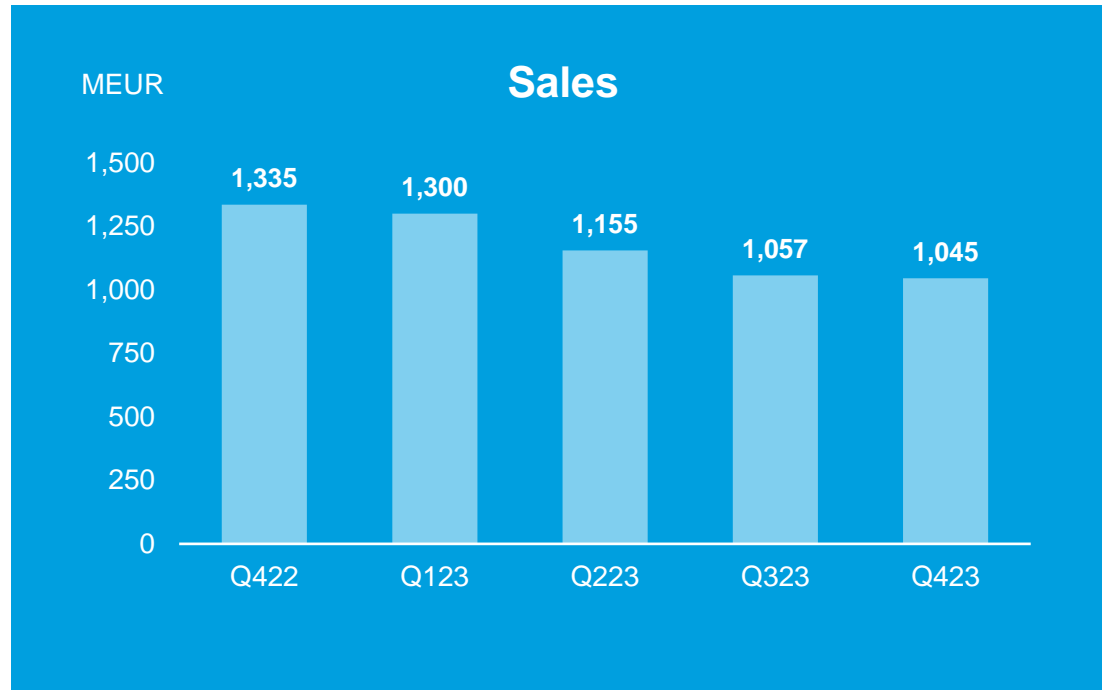


Quarterly operational EBIT variance YoY

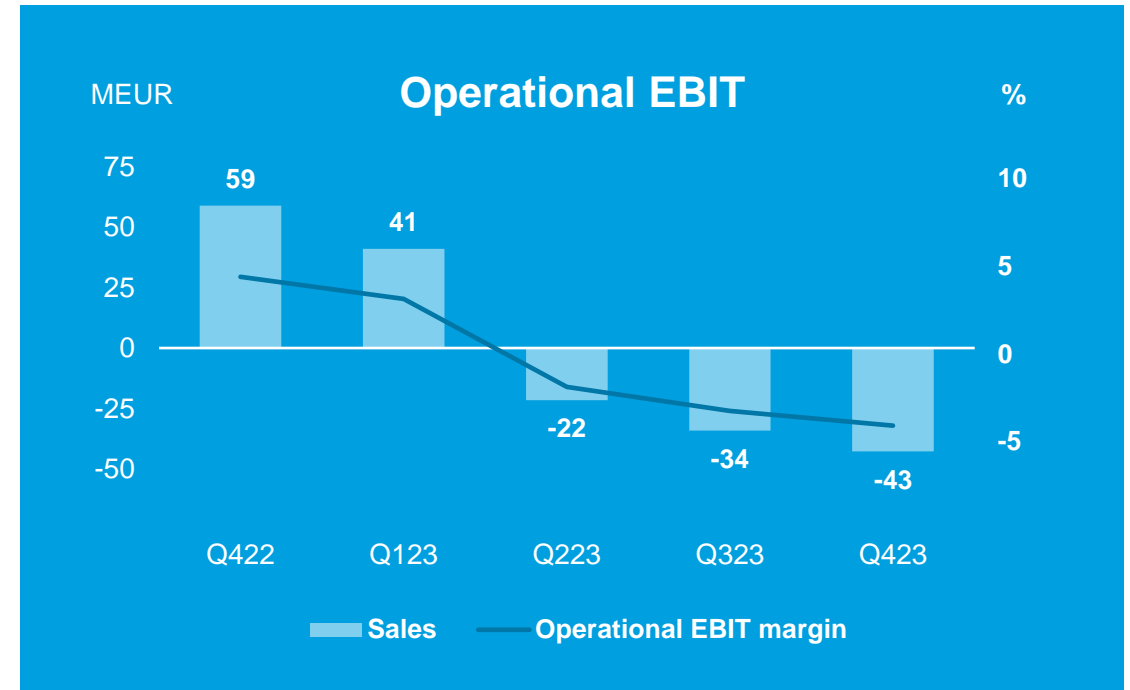


Packaging Materials

Low market demand continued, price pressure in all segments



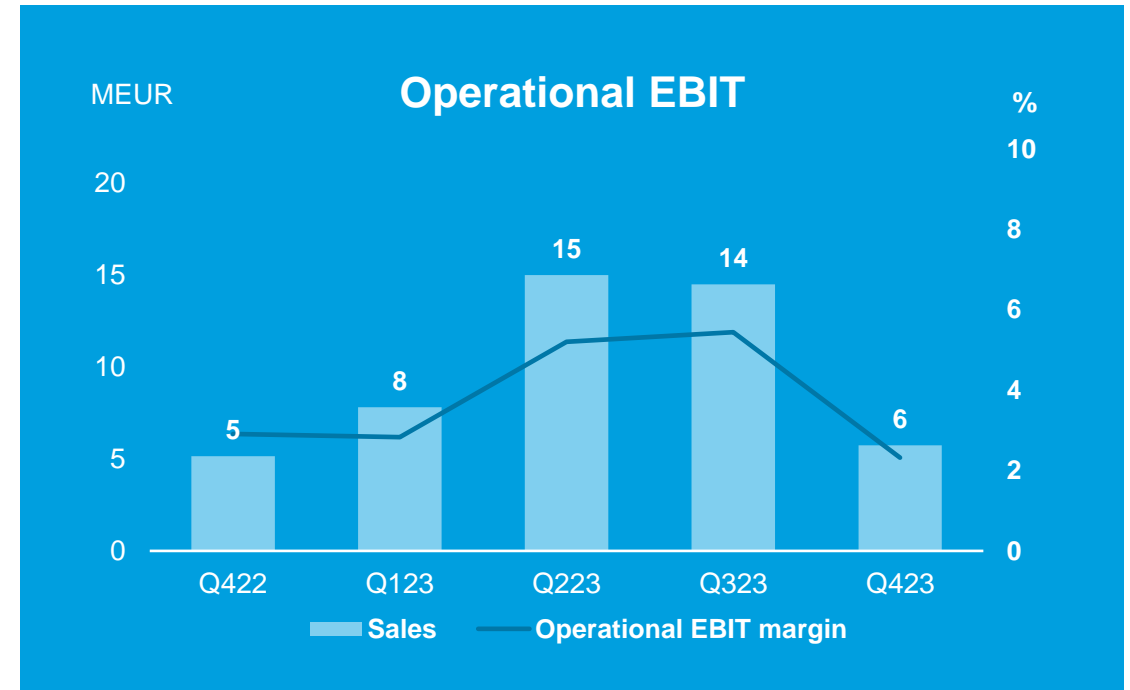
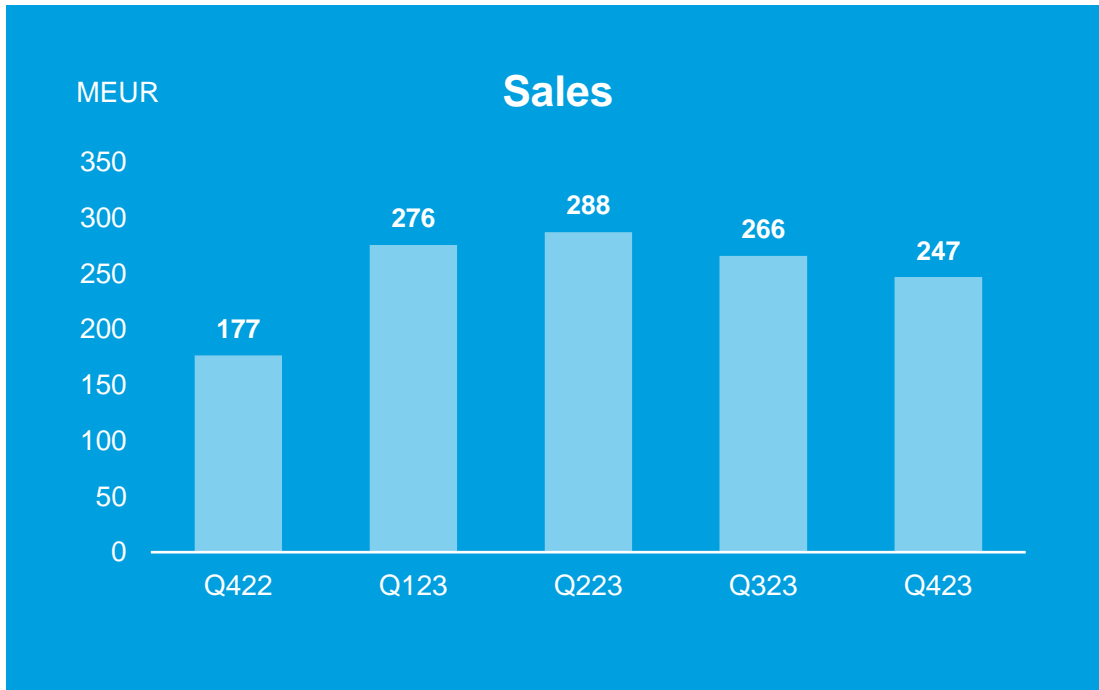
- Sales decreased by 22%, or €290 million to ~€1 billion
- Lower prices and volumes
- Consumer board market stabilised at a low level, order inflow improved
- Containerboard and paper markets remained weak



- OpEBIT decreased to €-43 million
- OpEBIT margin decreased to -4.1%
- Variable and fixed costs (excl. fiber) continued to decrease, but not enough to compensate for lower revenues
- The operational EBIT was also affected by planned maintenance stops

Packaging Solutions

Weak market conditions and price pressure continued on all markets

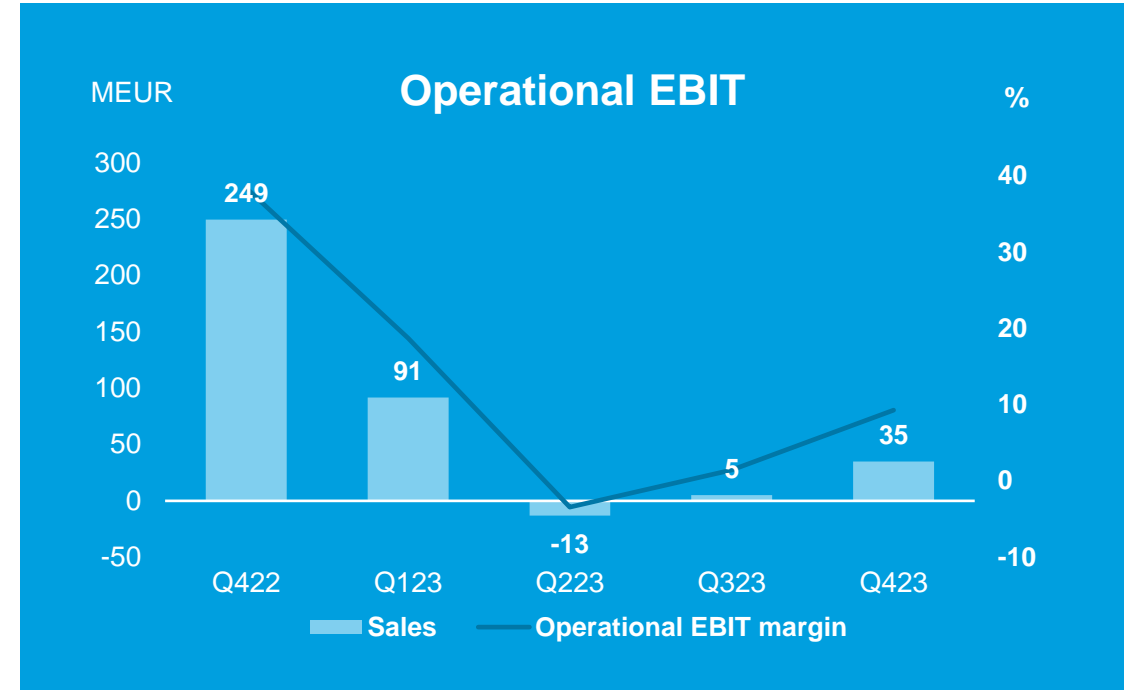
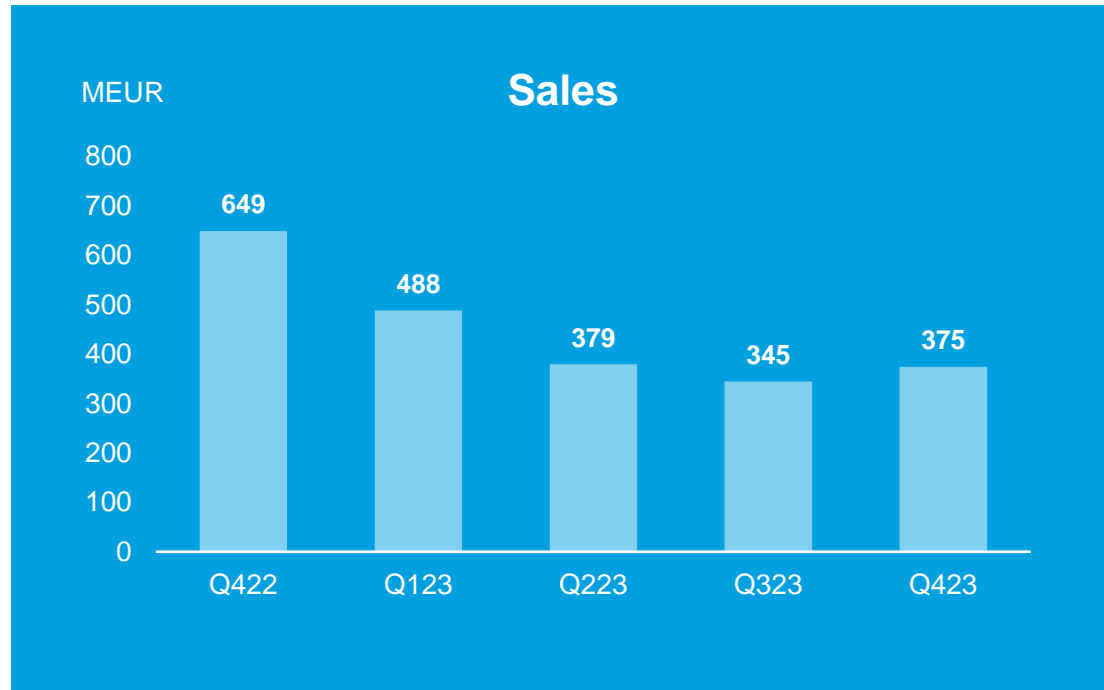


- Sales increased by 40%, or €70 million to €247 million driven by the acquisition of De Jong Packaging Group, i.e., Business Unit Western Europe
- Low but stabilised demand across most markets and segment

- OpEBIT increased slightly to €6 million
- OpEBIT margin decreased to 2.3%
- All markets, except the seasonally driven fresh-produce segment in Western Europe, improved
- Proactive cost mitigation actions supported the result development

Biomaterials

Modest improvement from Q3/2023, underlying demand continued at a weak level

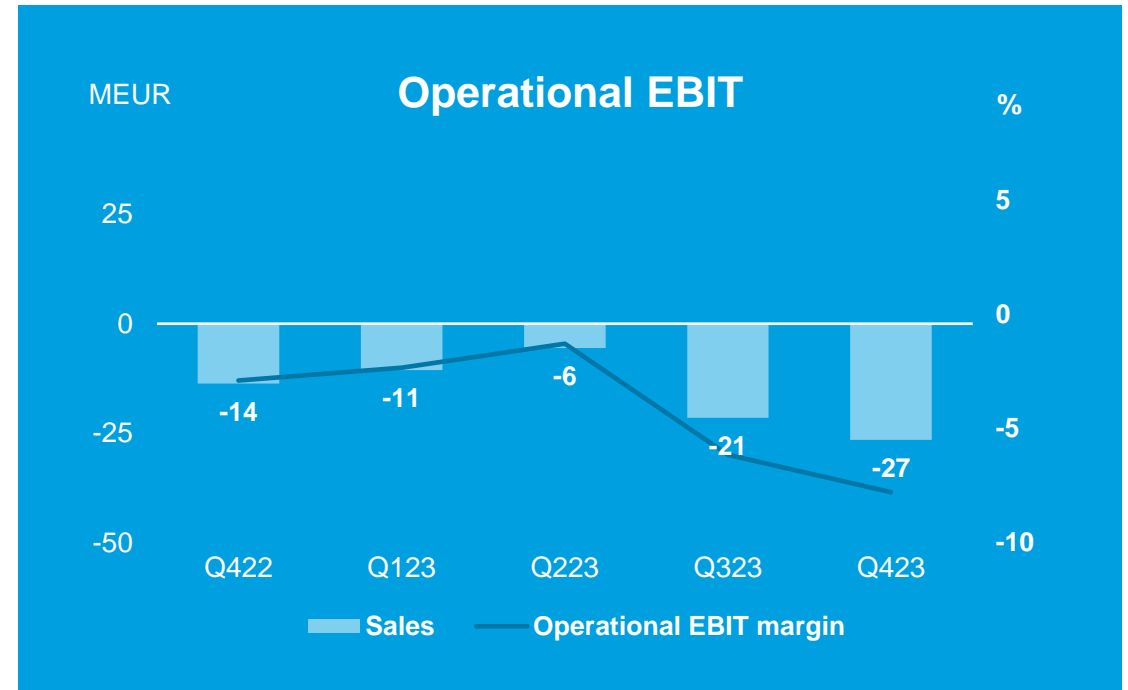
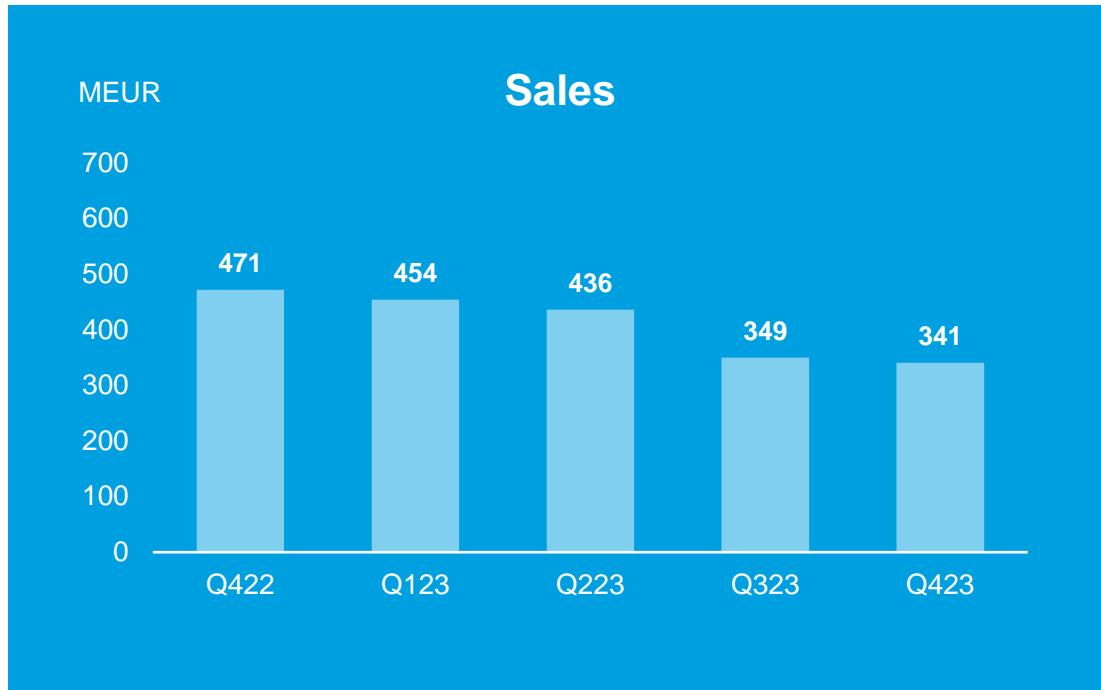


- Sales decreased from the all-time high quarterly sales in Q4/22 by 42%, or €275 million to €375 million
- Sales prices were significantly lower as demand continued at weak level, especially for board and paper segments
- The closure of the Sunila pulp mill and the annual maintenance shutdown at the Enocell site decreased volumes

- OpEBIT decreased to €35 million
- OpEBIT margin decreased to 9.3%
- Both sales prices and volumes were lower
- Variable costs were higher driven by somewhat higher wood costs

Wood Products

Continued weaker overall demand and low margins

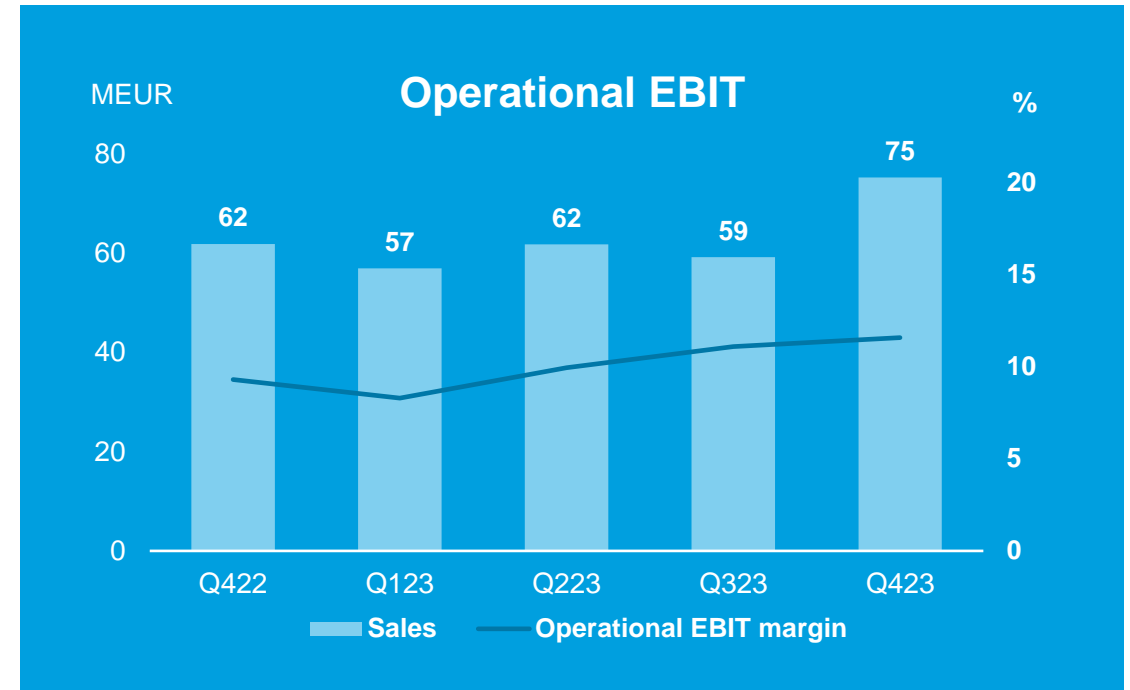
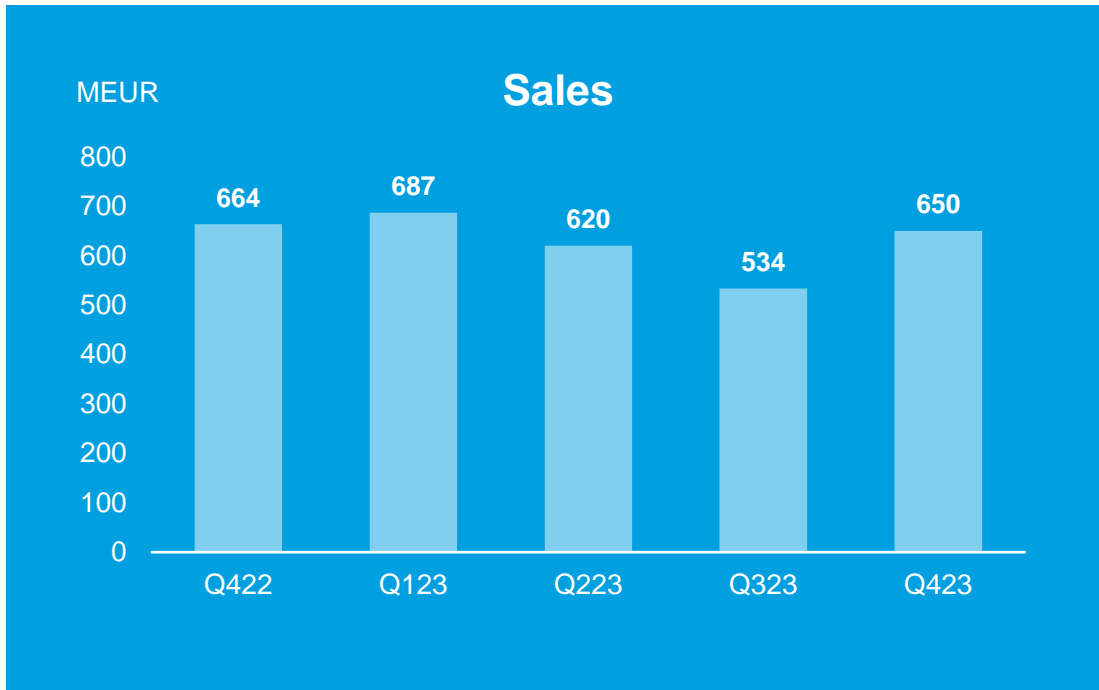


- Sales decreased by 28%, or €131 million to €341 million
- Lower sales prices and volumes, especially for sawn wood
- A substantial decline in building permits and projects reduced the demand for Cross Laminated Timber (CLT) and Laminated Veneer Lumber (LVL)

- OpEBIT decreased to €-27 million
- OpEBIT margin decreased to -7.8%
- The result was impacted by lower sawn wood prices and lower volumes
- Cost mitigation actions and production curtailments were taken to adjust to the weaker market

Forest

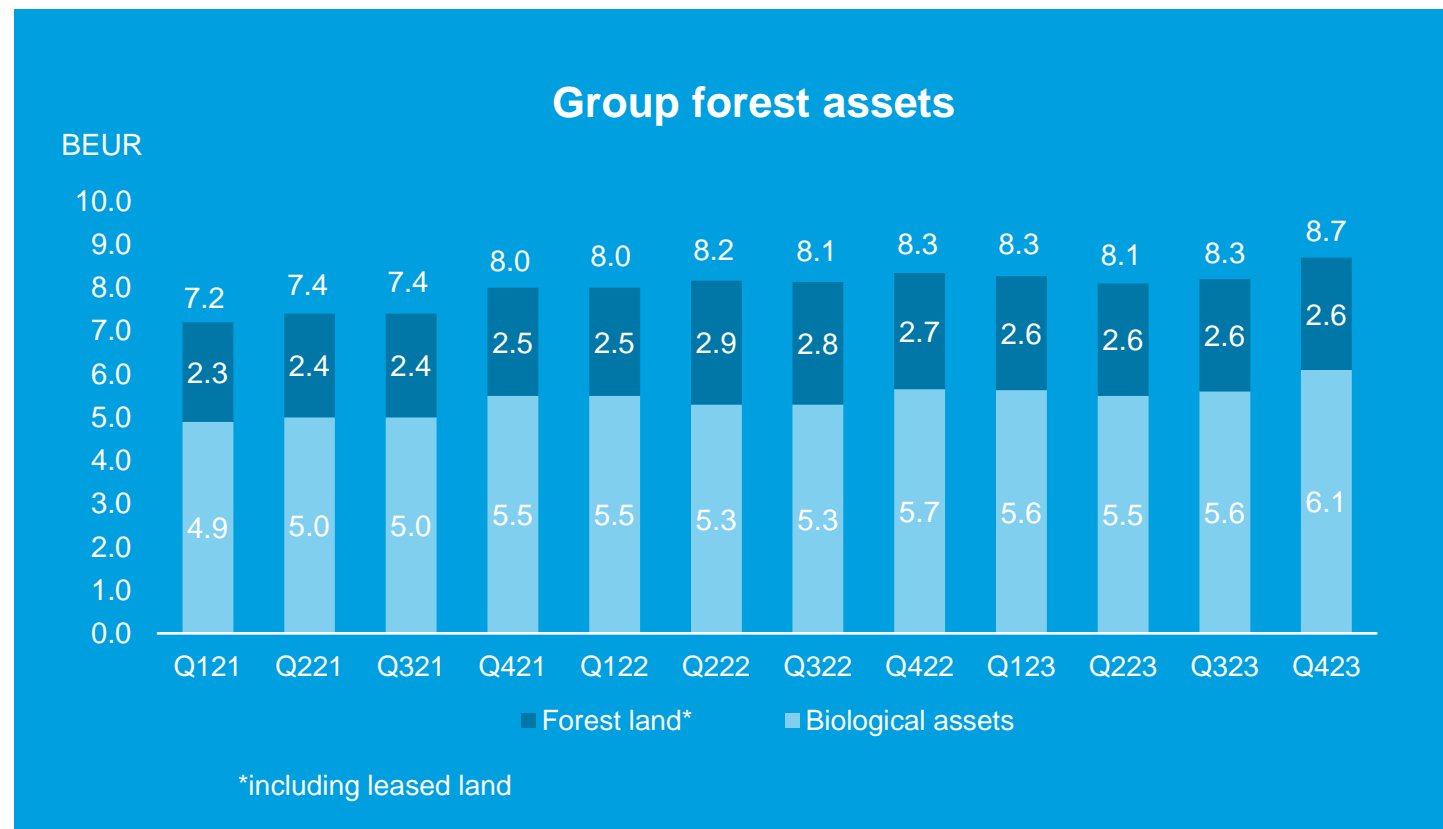
Strong performance in the Group's forest assets



- Sales decreased by 2%, or €14 million to €650 million
- The tight wood market continued, and wood prices increased
- The effect of higher wood prices was fully offset by lower volumes

- OpEBIT increased by 22%, to €75 million
- OpEBIT margin increased to 11.6%
- Strong operational performance in the Group's forest assets

Forest valuation continues to rise, driven by market price increases



- **Fair value* of €8.7 billion equivalent to €11 per share**
- €393 million higher valuation YoY driven by higher market transaction price increases
- €476 million higher valuation QoQ driven by market transaction price increases and a positive currency effect

Unlocking wind power potential with strategic initiatives



Our ambition is to **develop and significantly increase** our involvement in **wind energy** on our land from the current 1 TWh

The **total potential for wind power production** on Stora Enso's forest land in Sweden is estimated at **75 TWh** of which **~30%** can be realised long-term

Our aim is to reach **5–10 TWh** of wind power production, ramping up **from 2030 onwards**

Our recent agreement with OX2 on a **joint wind power development project** of circa 1,000 MW is a step towards our ambition



Focus on profit improvement, competitiveness and cash flow



- New profit improvement programme targeting annualised €80 million improvement of operational EBIT
- Potential reduction of approximately 1,000 employees across all divisions and group functions but without any production site closures
- The majority of savings are expected to materialise during 2025
- Programme designed to improve profits and long-term competitiveness by focusing on core activities supported by decentralised operating model
- Restructuring programme completed in December 2023 resulting in an annual operational EBIT improvement of EUR 110 million and a reduction of about 1,150 employees, together with site closures and capacity cuts

Development of long-term Group financial targets

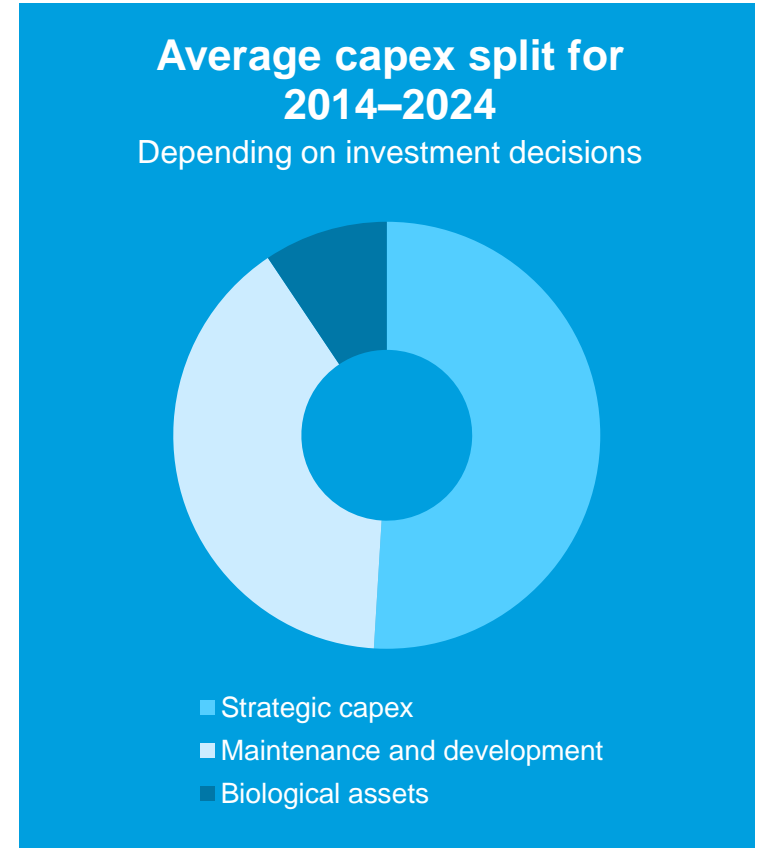
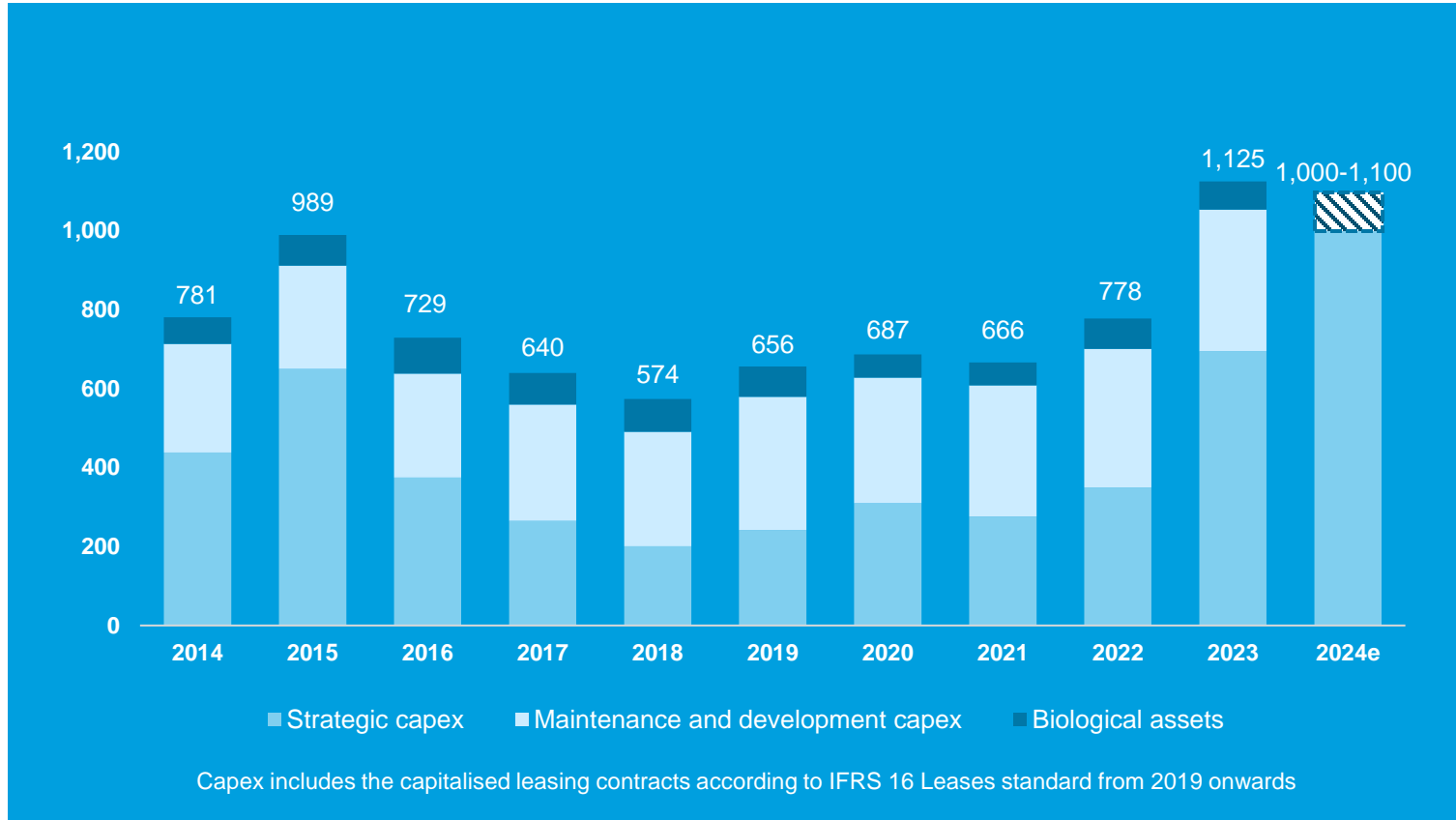


Group long-term financial targets		Q4/22	Q4/23		2022	2023	
Dividend (annual) in EUR/share	To distribute 50% of EPS excluding fair valuation over the cycle	N/A	N/A		0.60	0.10* (0.20)**	●
Growth YoY	> 5%	5%	-24%	●	17%***	-20%	●
Net debt to operational EBITDA	< 2.0x	0.7	3.2	●	0.7	3.2	●
Net debt to equity	< 60%	15%	29%	●	15%	29%	●
LTM* Operational ROCE excl. Forest	> 13%	20.4%	1.0%	●	20.4%	1.0%	●

Divisional long-term financial targets		Q4/22	Q4/23		2022	2023	
Packaging Materials	LTM Operational ROOC > 20%	18.6%	-1.6%	●	18.6%	-1.6%	●
Packaging Solutions	LTM Operational ROOC > 15%	7.9%	4.9%	●	7.9%	4.9%	●
Biomaterials	LTM Operational ROOC > 15%	25.3%	4.5%	●	25.3%	4.5%	●
Wood Products	LTM Operational ROOC > 20%	43.2%	-9.3%	●	43.2%	-9.3%	●
Forest	LTM Operational ROCE > 3.5%	3.7%	4.4%	●	3.7%	4.4%	●

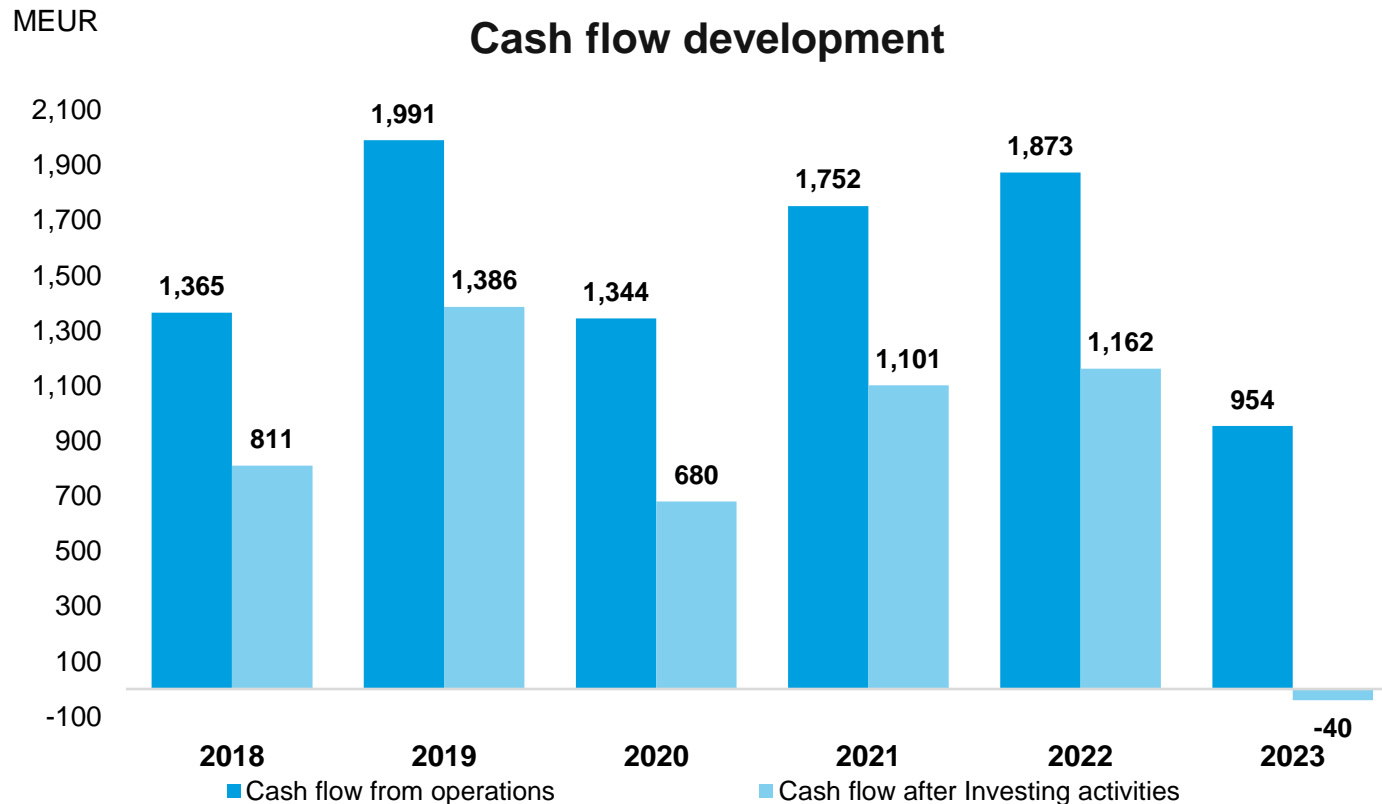
Committed growth investments proceeding as planned

Returning to average capex range of €600 - 800 million after 2024



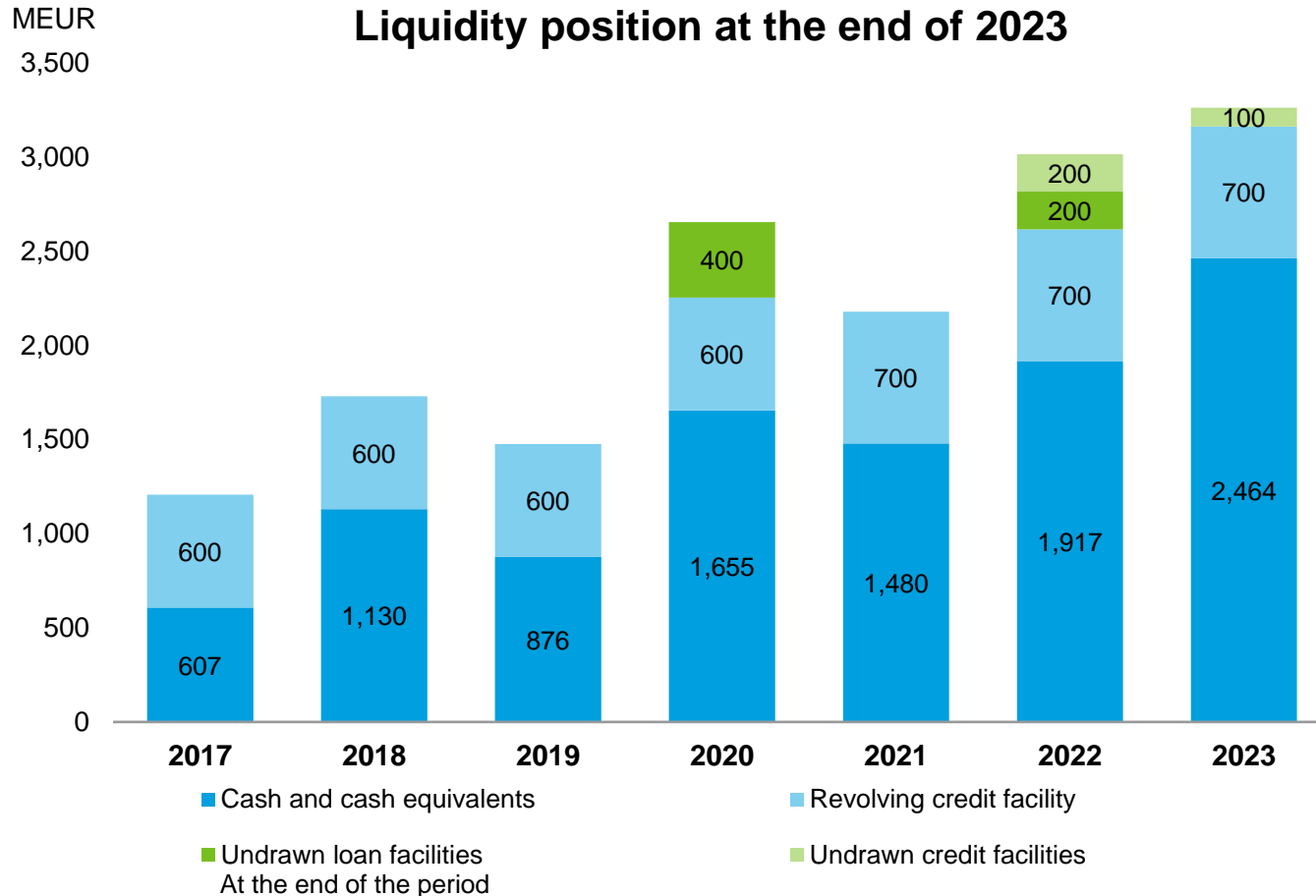
Focusing on improving cash flow

Significant improvement in working capital reduction



- Stora Enso has implemented restructuring actions during the second half of 2023 to protect its margins and cash flow
- These actions will benefit financial performance from 2024 onwards
- Full-year cash flow from operations amounted to €954 million
- Reduction of operating working capital by €650 million from the peak in the first quarter of 2023
- Investment priorities continue to be reviewed for 2024 and 2025

Maintaining a strong liquidity position



- Liquidity at the end of 2023:
 - €2.5 billion cash and cash equivalents
 - €700 million committed revolving credit facility fully undrawn
 - €100 million committed credit facility fully undrawn
 - Additionally, €1.1 billion statutory pension premium loans available
- Net debt to operational EBITDA for the last 12 months at 3.2x and gearing at 29%
- No financial covenants
- Investment grades:
 - Fitch: BBB- (stable)
 - Moody's: Baa3 (stable) / P-3

Progressing towards our sustainability targets and initiatives



Committed to reaching net-zero CO2 emissions by 2040 through signing The Climate Pledge



	Climate change	Circularity	Biodiversity						
Targets	-50% reduction in absolute emissions by 2030 (Scope 1,2,3)	100% Recyclable products by 2030	Net positive Impact on biodiversity by 2050						
Status	<table border="0"> <tr> <td style="vertical-align: middle;">Scope 1 + 2</td> <td style="border-left: 1px solid black; padding-left: 10px;">-41% <i>(Q4 2023 compared to the base year 2019)</i></td> </tr> <tr> <td style="vertical-align: middle;">Scope 3</td> <td style="border-left: 1px solid black; padding-left: 10px;">-34% <i>(2023 compared to the base year 2019)</i></td> </tr> </table>	Scope 1 + 2	-41% <i>(Q4 2023 compared to the base year 2019)</i>	Scope 3	-34% <i>(2023 compared to the base year 2019)</i>	<table border="0"> <tr> <td style="vertical-align: middle;">Share of technically recyclable products</td> <td style="padding-left: 10px;">94% <i>(2023)</i></td> </tr> </table>	Share of technically recyclable products	94% <i>(2023)</i>	Target to reach 100% compliance by indicator*
Scope 1 + 2	-41% <i>(Q4 2023 compared to the base year 2019)</i>								
Scope 3	-34% <i>(2023 compared to the base year 2019)</i>								
Share of technically recyclable products	94% <i>(2023)</i>								

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

Market demand development from Q4/2023 to Q1/2024



Packaging Materials

- Demand for consumer board and containerboard expected to remain stable
- Value chain destocking is coming to an end during the first half of 2024



Packaging Solutions

- Demand for corrugated packaging in Europe expected to be stronger mainly due to the seasonally high greenhouse season



Biomaterials

- Demand for pulp expected to be slightly stronger, improving European operating rates
- Slightly weaker demand in China due to oversupply and low season



Wood Products

- Demand for sawn wood expected to be stable with some potential improvement due to increasing customer inventories
- Weaker demand expected in building solutions



Forest

- Demand for pulpwood expected to be weaker, demand for pulpwood for energy use remains strong
- Sawlog demand in Europe expected to be weaker, tight Swedish sawlog market continues



Key takes – Building a stronger future



Restructuring

- Focus on profit improvement, competitiveness and cash flow
- New profit improvement programme targets €80m annualised operational EBIT improvement
- Completed restructuring programme resulting in an annual operational EBIT improvement of €110m

Dividend

- The Board of Directors proposes a dividend distribution of €0.10 per share in April, with potential for a second instalment of up to €0.20 per share in Q4/2024

Guidance

- The full-year 2024 operational EBIT is expected to be higher vs the full-year 2023, €342 million

Disclaimer

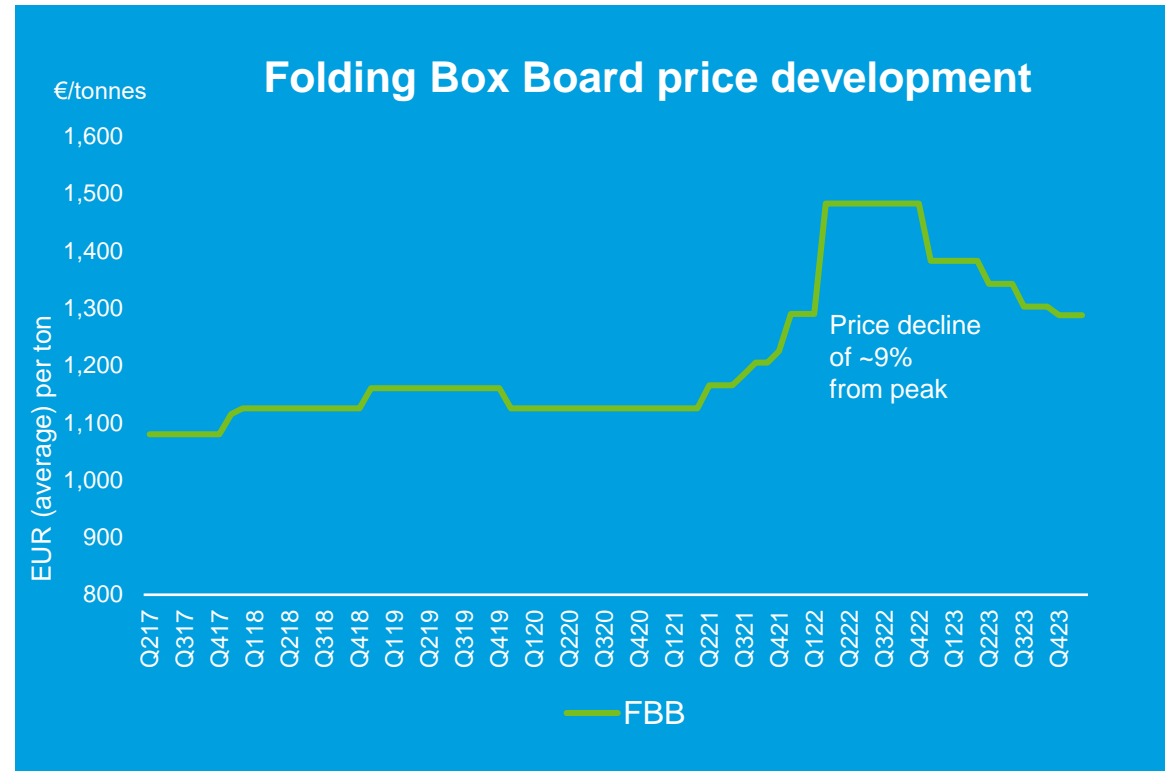
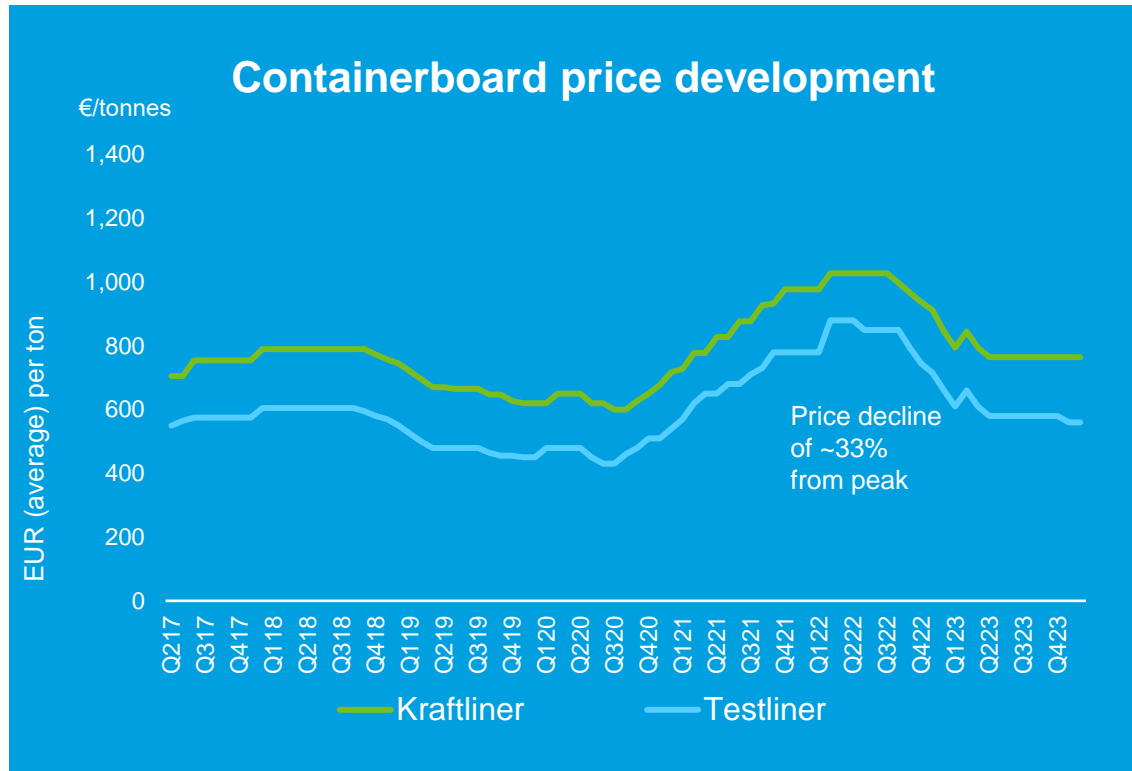


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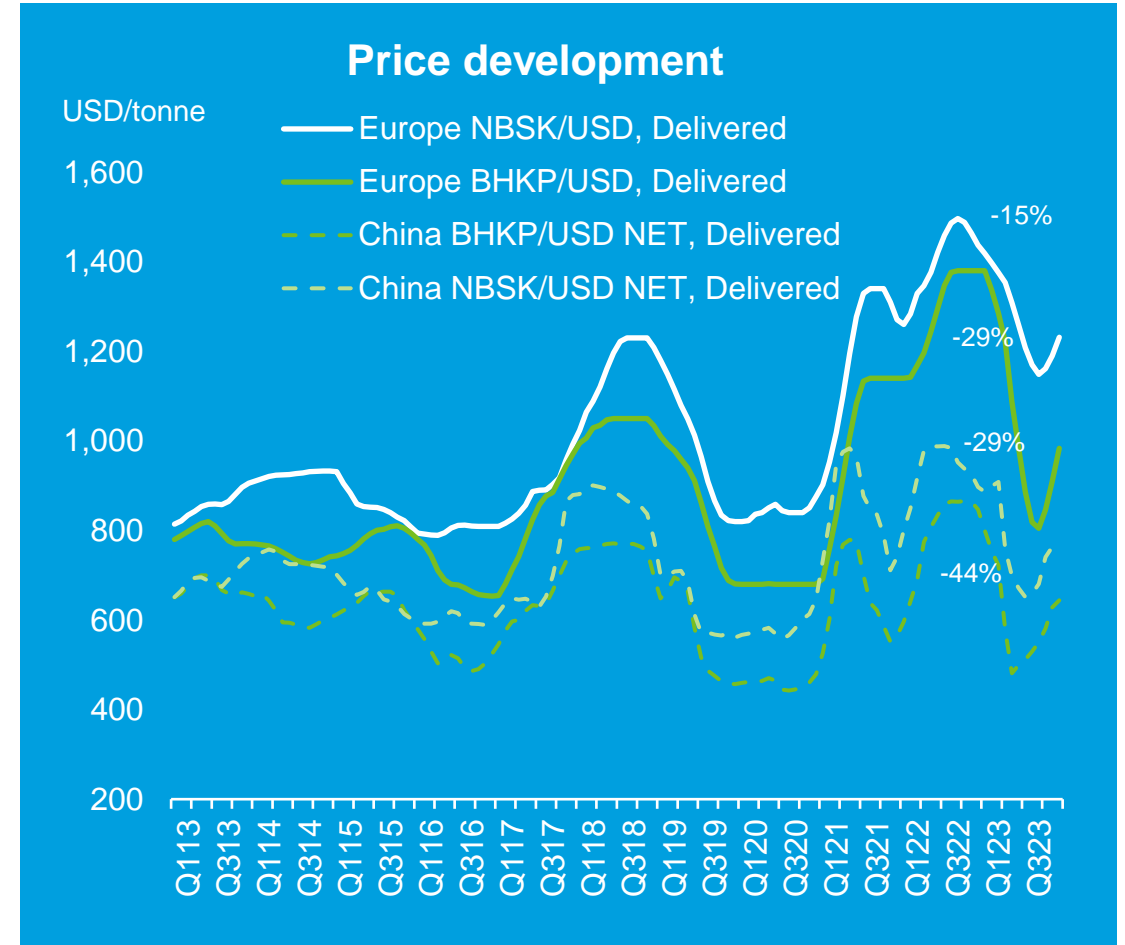
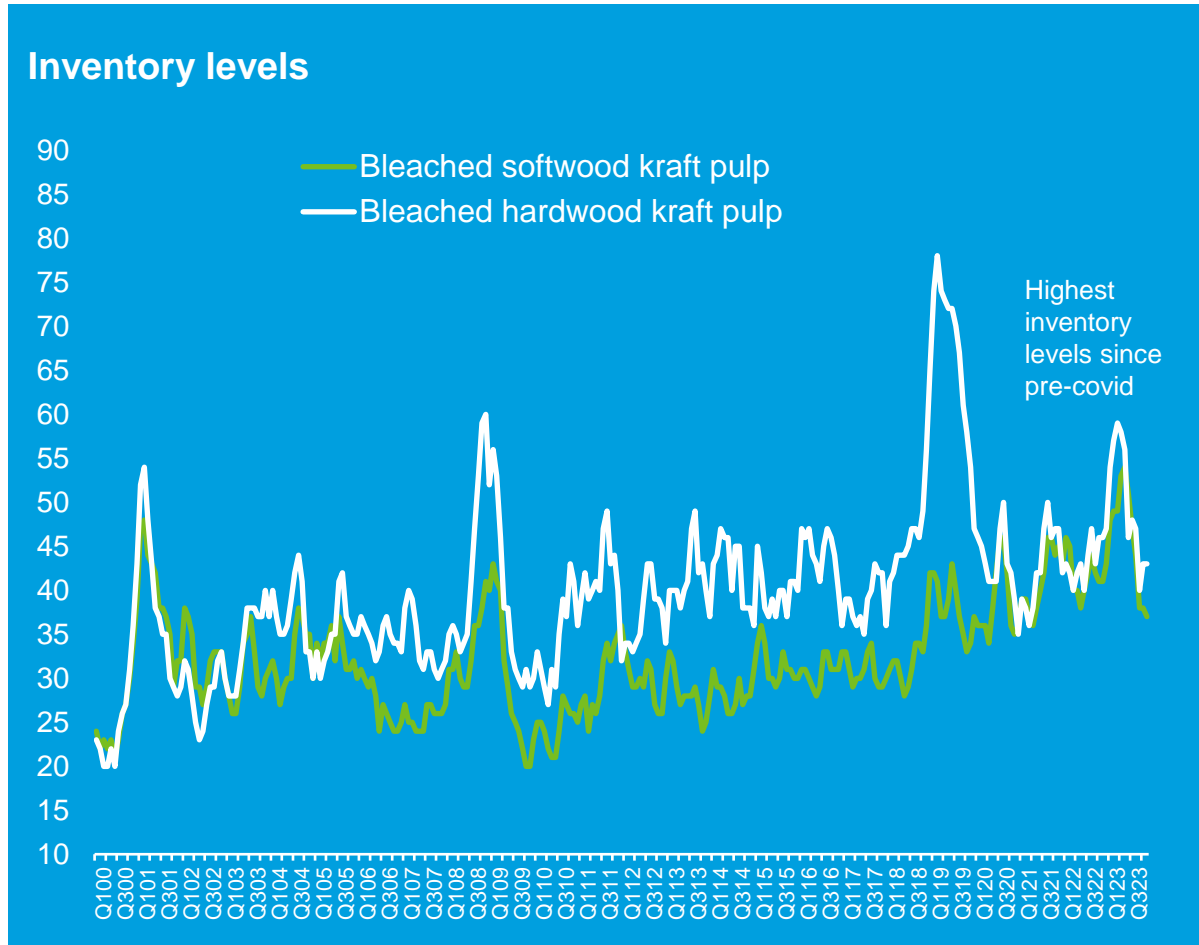


THE RENEWABLE MATERIALS COMPANY

Weak packaging demand reduced prices for containerboard and Folding Box Board



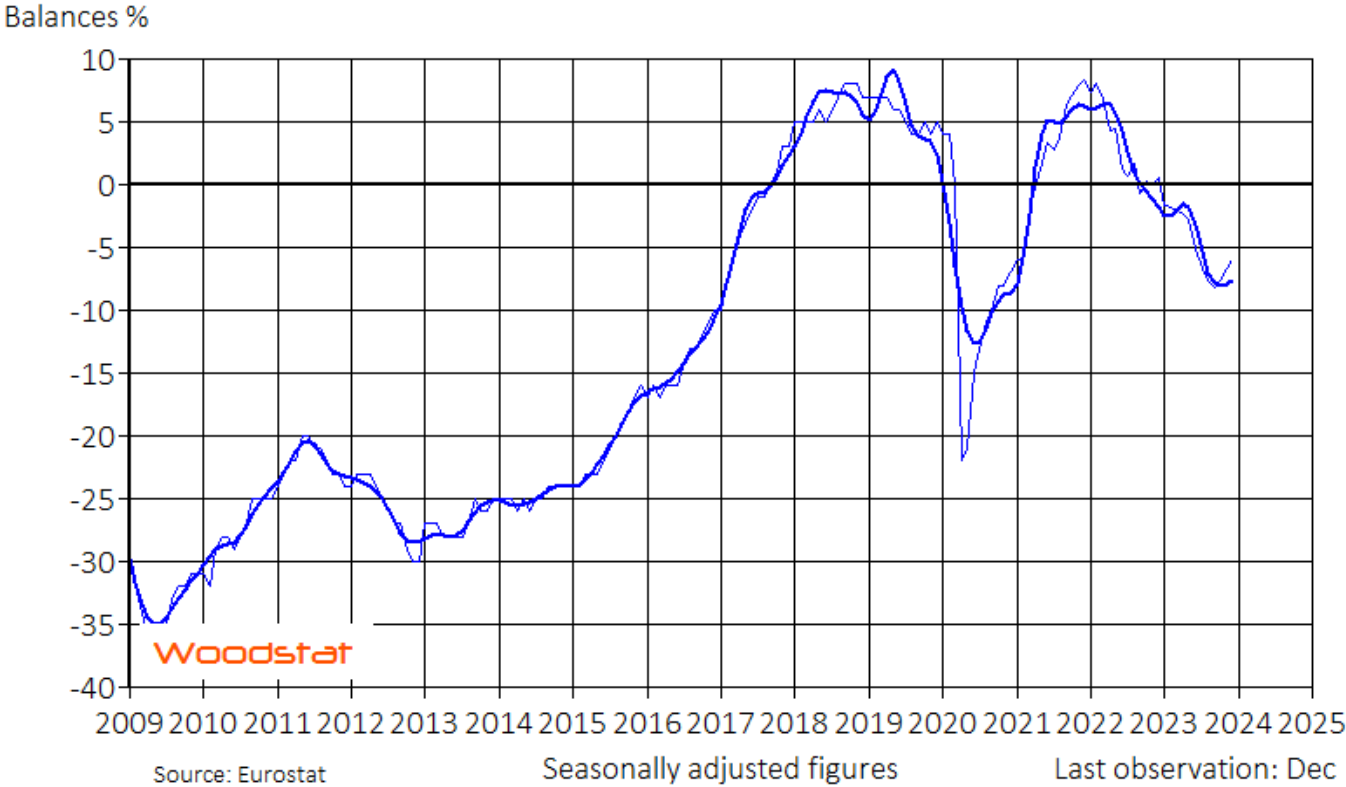
Pulp restocking is over, slight recovery in pulp prices



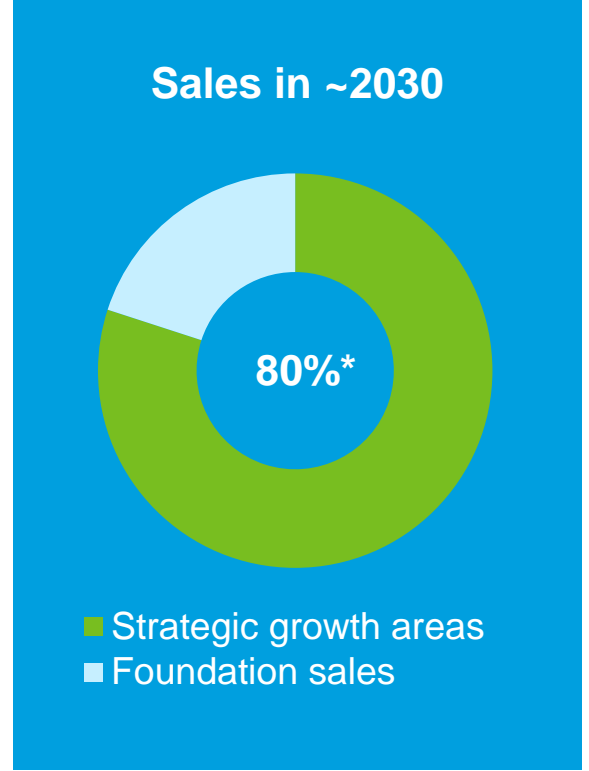
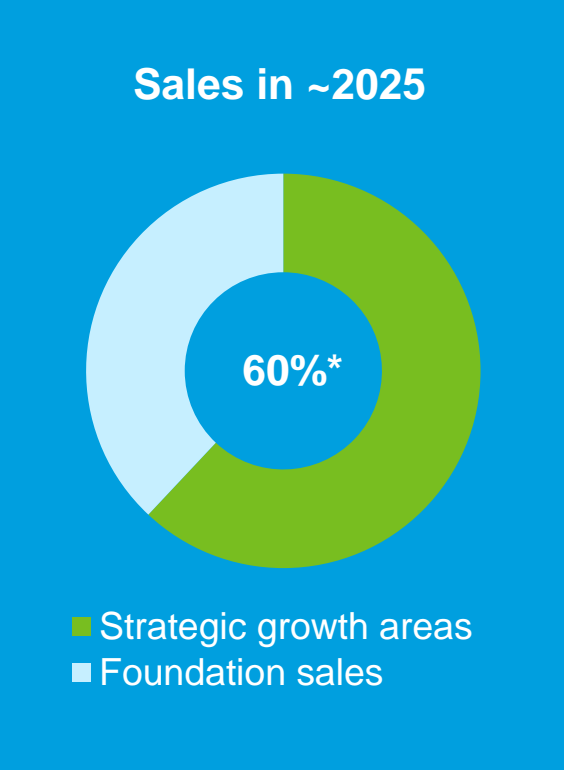
Continued weak construction and housing market weighs on Wood Products' performance



EU construction Monthly construction confidence indicator

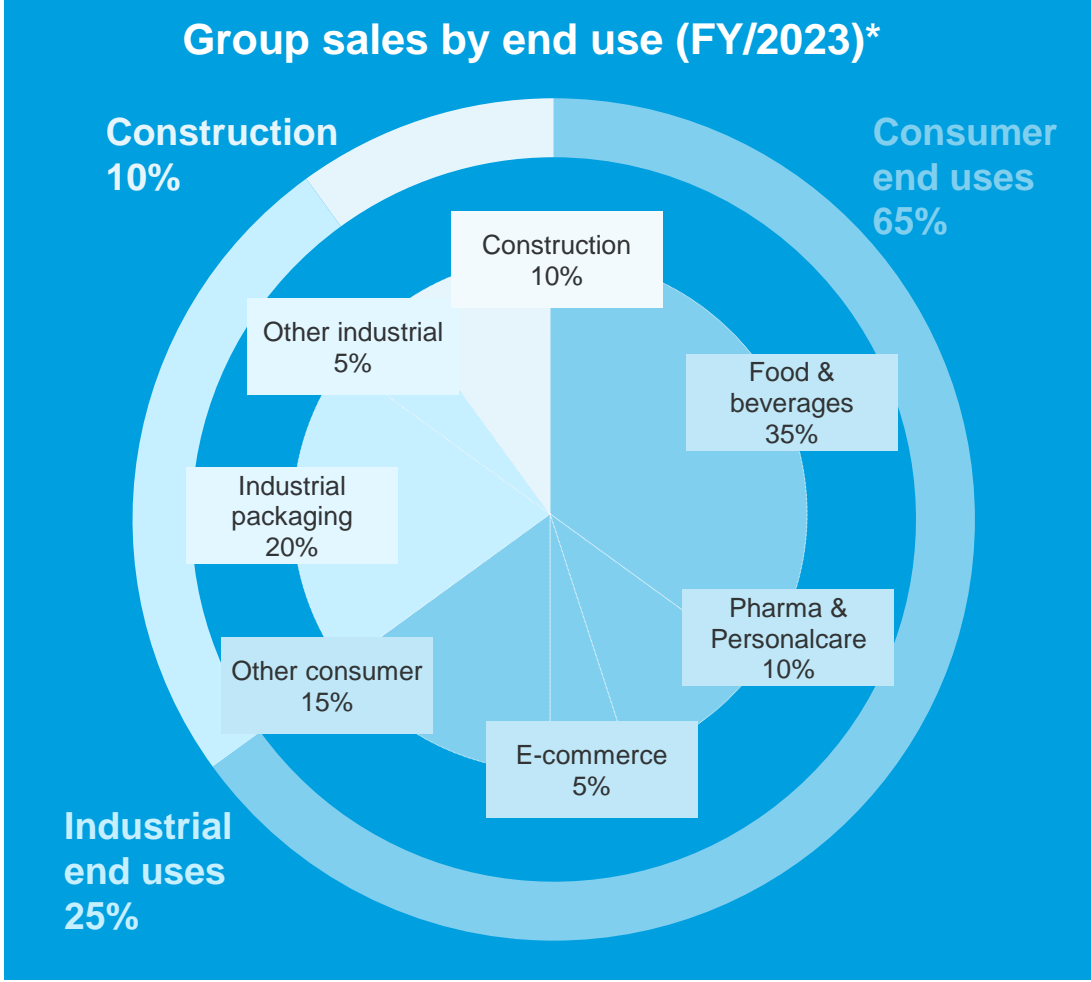
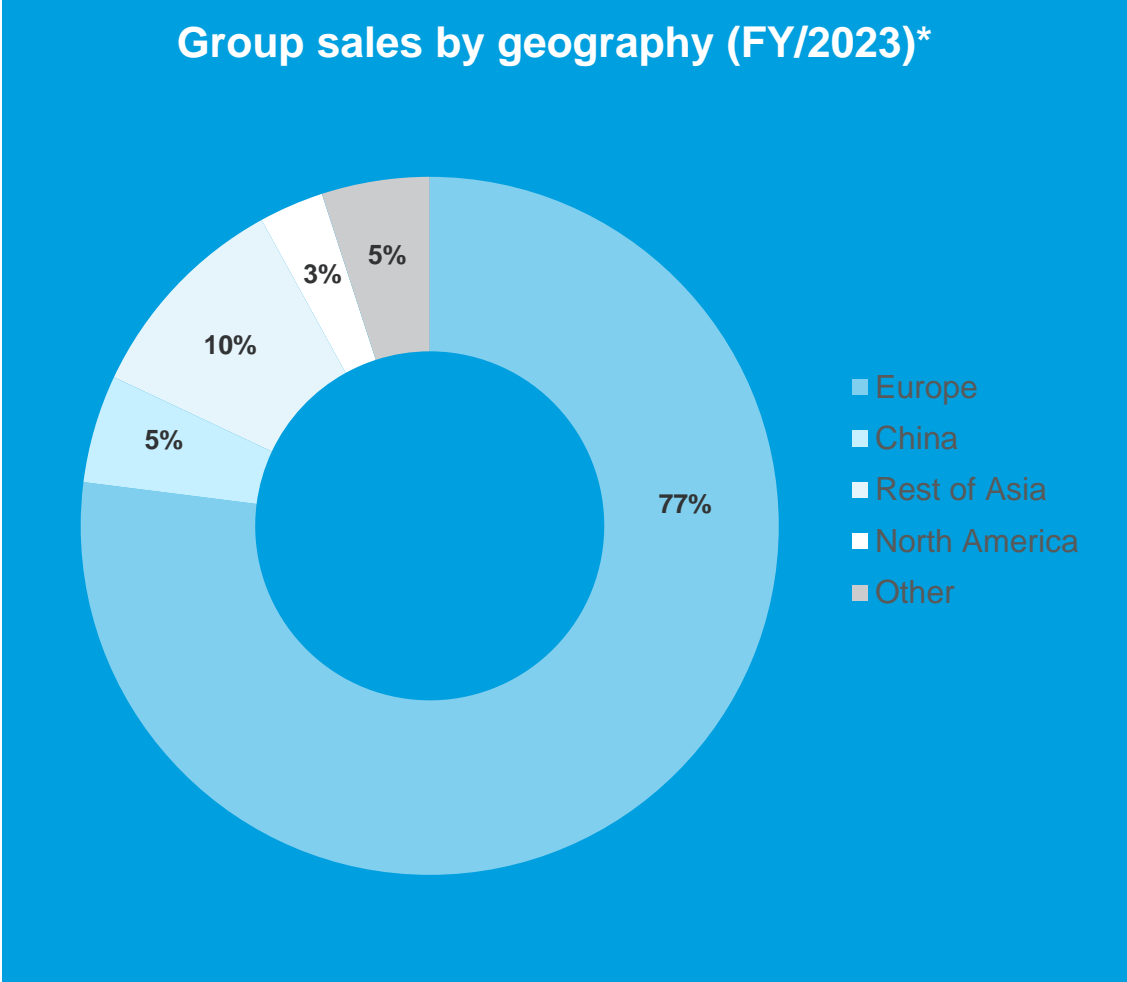


Strategic growth areas represented 55% of Group sales in Q4/2023



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

Stora Enso – End use geographies and segments



*Excl. Forest division and Beihai

Development of long-term targets



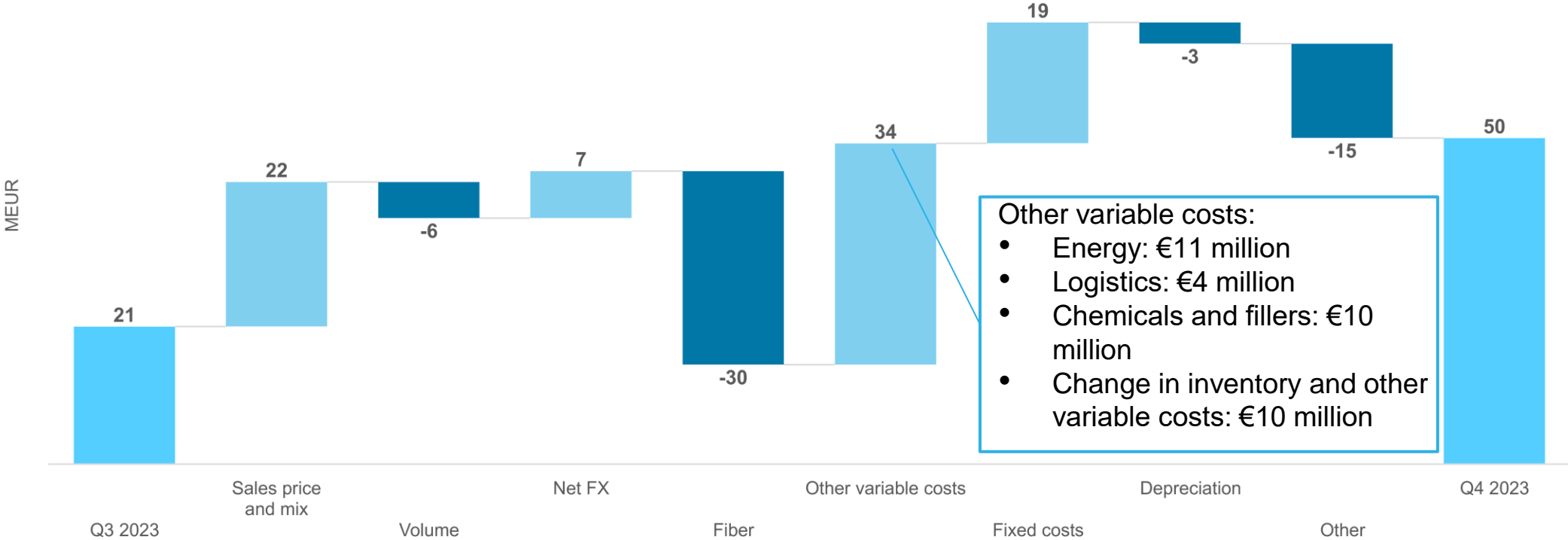
Financial performance		Q4/2022	Q4/2023
Growth YoY	> 5%	5%	-24%
Net debt to operational EBITDA	< 2.0x	0.7	3.2
Net debt to equity	< 60%	15%	29%
Operational ROCE excl. Forest	> 13%	20%	1%
Dividend per share (EUR)	To distribute 50% of EPS excluding fair valuation over the cycle	0.60	0.10* (0.20)**

Sustainability performance		FY/2022	FY/2023
Climate: Reduction of fossil CO ₂ e emissions (scope 1 and 2)	-50% by the end of 2030 from 2019	-27%	-41% ↑
Climate: Reduction of fossil CO ₂ e emissions (scope 3)	-50% by the end of 2030 from 2019	-24%	-34% ↑
Circularity	100% by 2030	94%	94%
Biodiversity: Forest certification coverage	≥ 96%	99%	99%

The pressure on variable and fixed costs other than the fiber costs eased during the fourth quarter - improving profitability



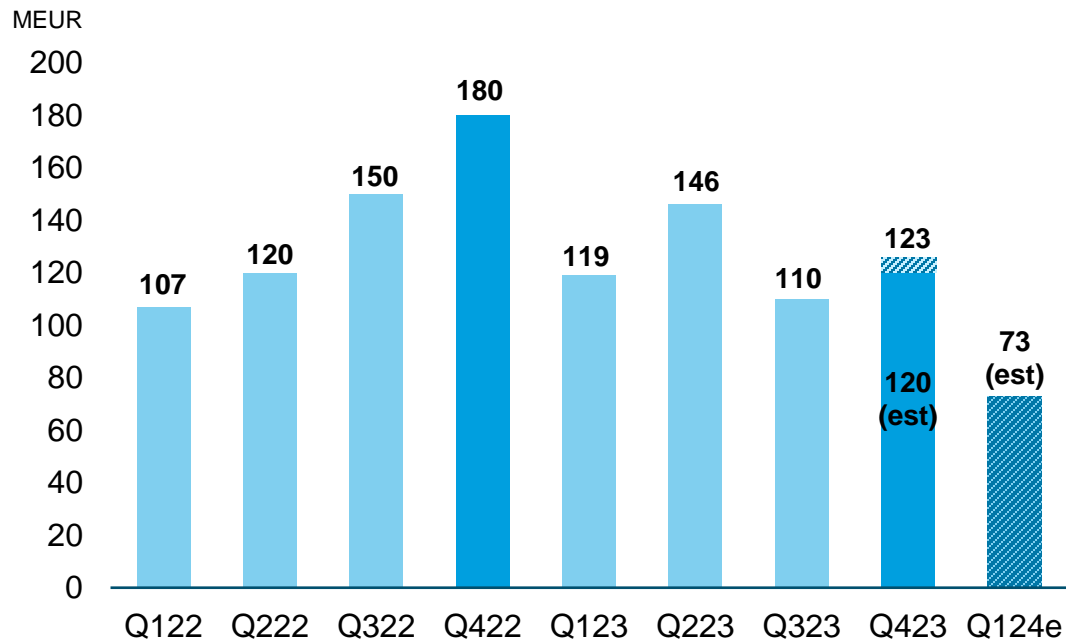
Quarterly operational EBIT variance QoQ



Maintenance shutdowns impacting quarterly results

Maintenance shutdowns in 2023

Group total planned maintenance impact on operational EBIT



Planned maintenance shutdowns in 2024

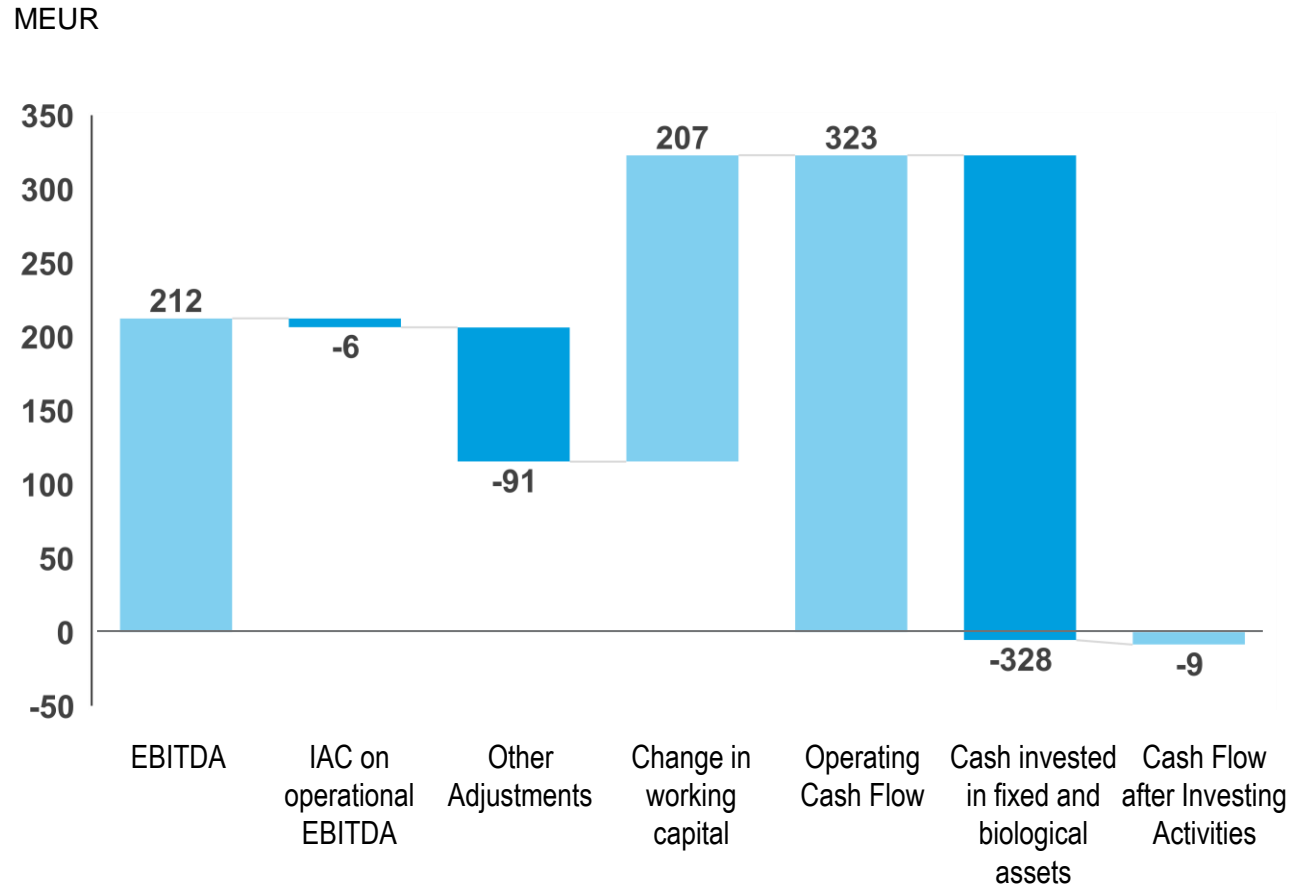
Packaging Materials
 Q1: -
 Q2: Beihai, Ostroleka, Langerbrugge
 Q3: Anjalankoski, Heinola, Ostroleka, Oulu, Varkaus
 Q4: Fors, Imatra, Skoghall

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

Packaging Materials
 Q1: -
 Q2: Beihai, Langerbrugge
 Q3: Ostroleka, Oulu, Varkaus, Heinola
 Q4: Anjalankoski, Fors, Imatra, Skoghall

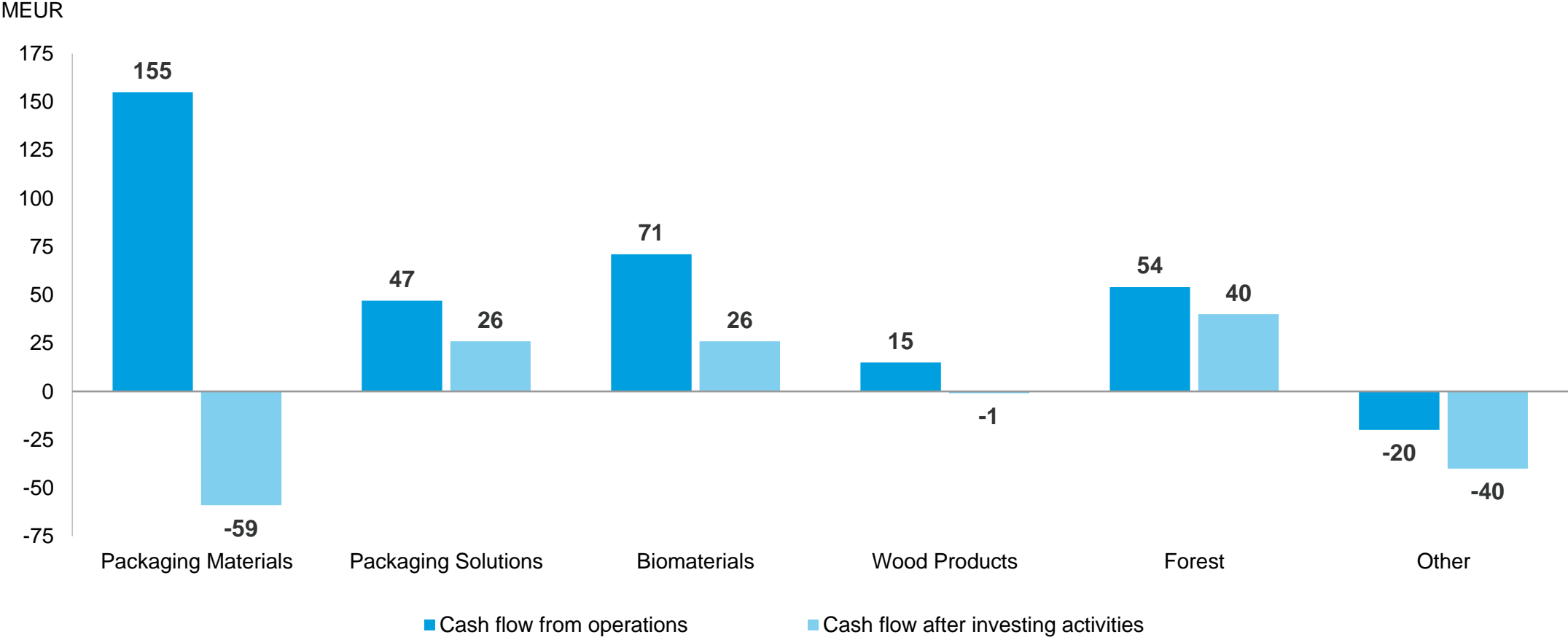
Biomaterials
 Q1: -
 Q2: Montes del Plata, Skutskär
 Q3: Enocell, Veracel
 Q4: -

Working capital improved due to restructuring actions

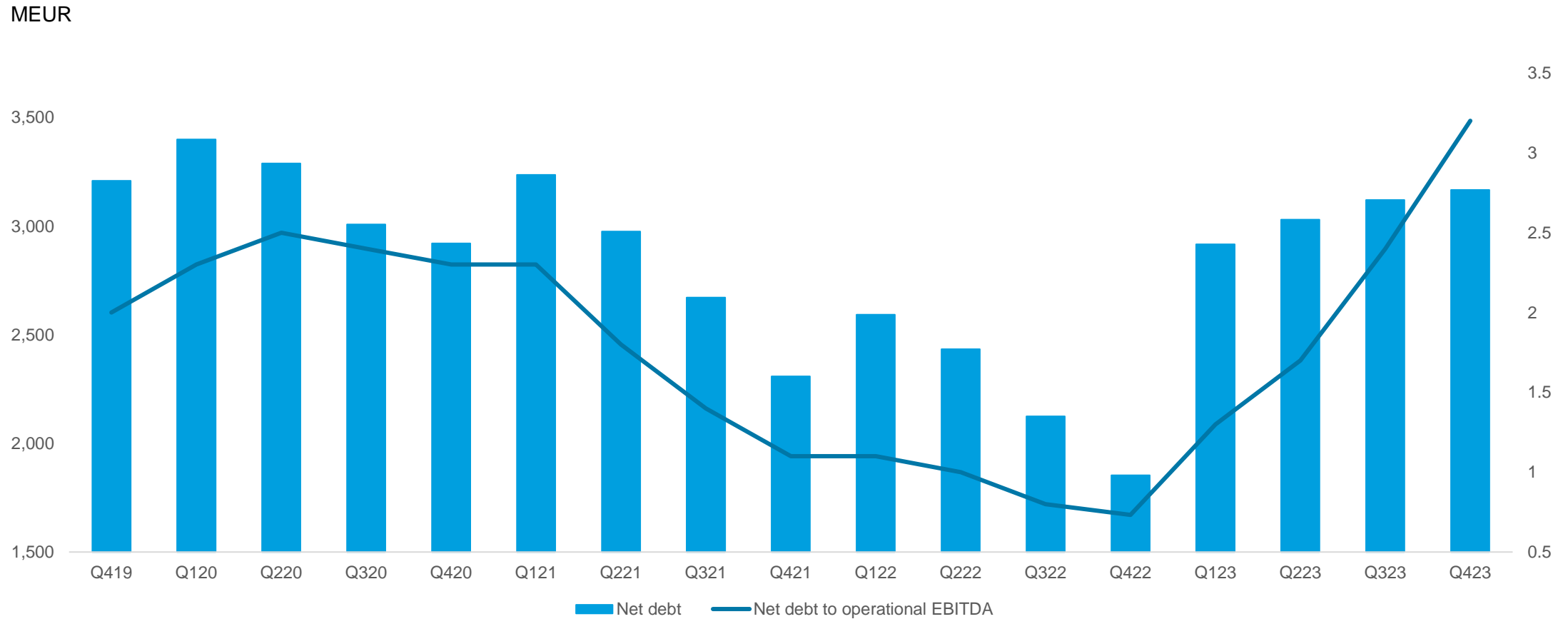


- Cash flow after investing activities was €-9 (38) million
- Working capital decreased by €207 million, mainly due to lower inventories and trade receivables, and higher trade payables.
- Cash spent on fixed and biological assets was €328 million, of which the majority related to strategic investments
- Payments related to the previously announced provisions amounted to €12 million

Cash flow by divisions in Q4/2023

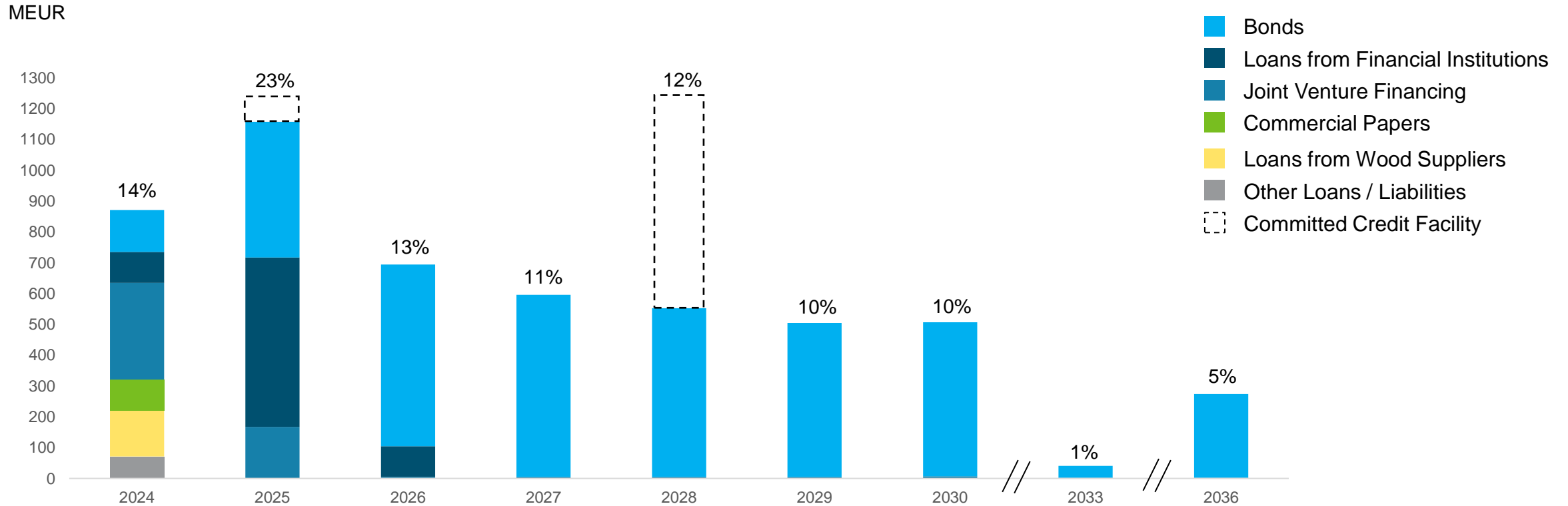


Year-on-year net debt to operational EBITDA



Maturity profile 2023

December 2023



Division overview (sales, opEBIT and opEBIT margin)

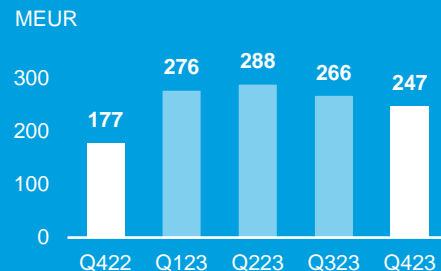


Sales

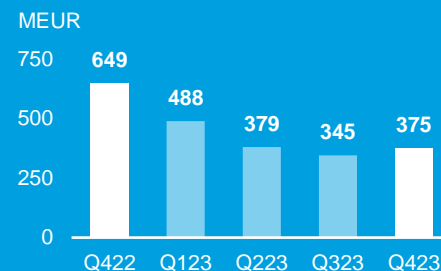
Packaging Materials



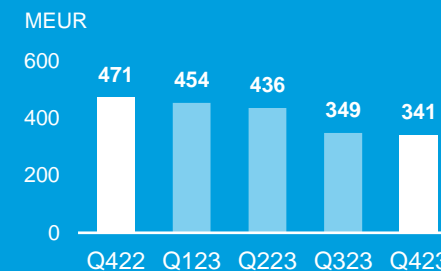
Packaging Solutions



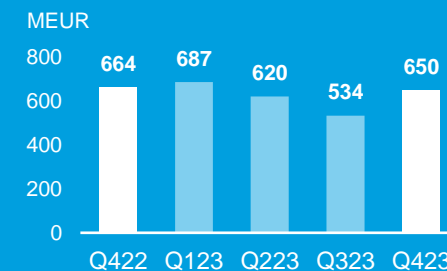
Biomaterials



Wood Products

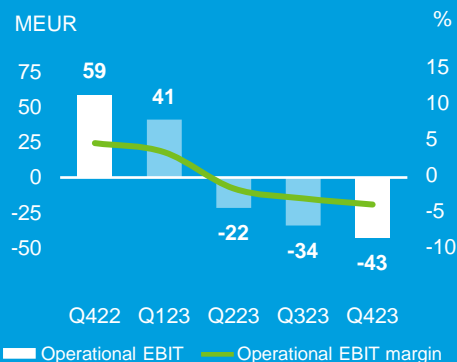


Forest

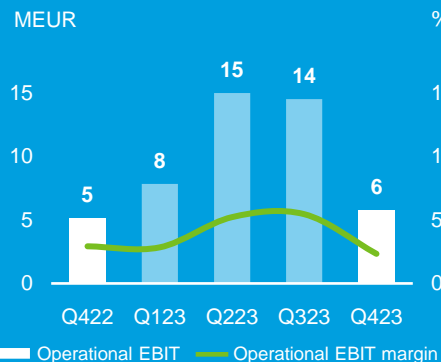


Operational EBIT and Operational EBIT Margin

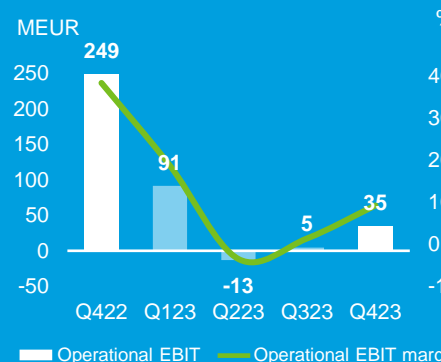
Packaging Materials



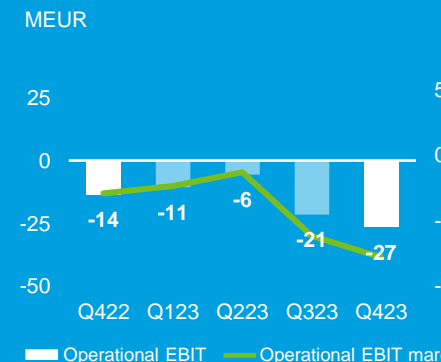
Packaging Solutions



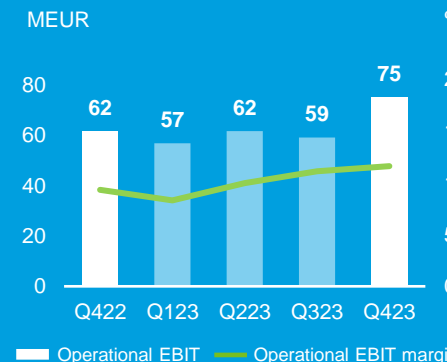
Biomaterials



Wood Products



Forest

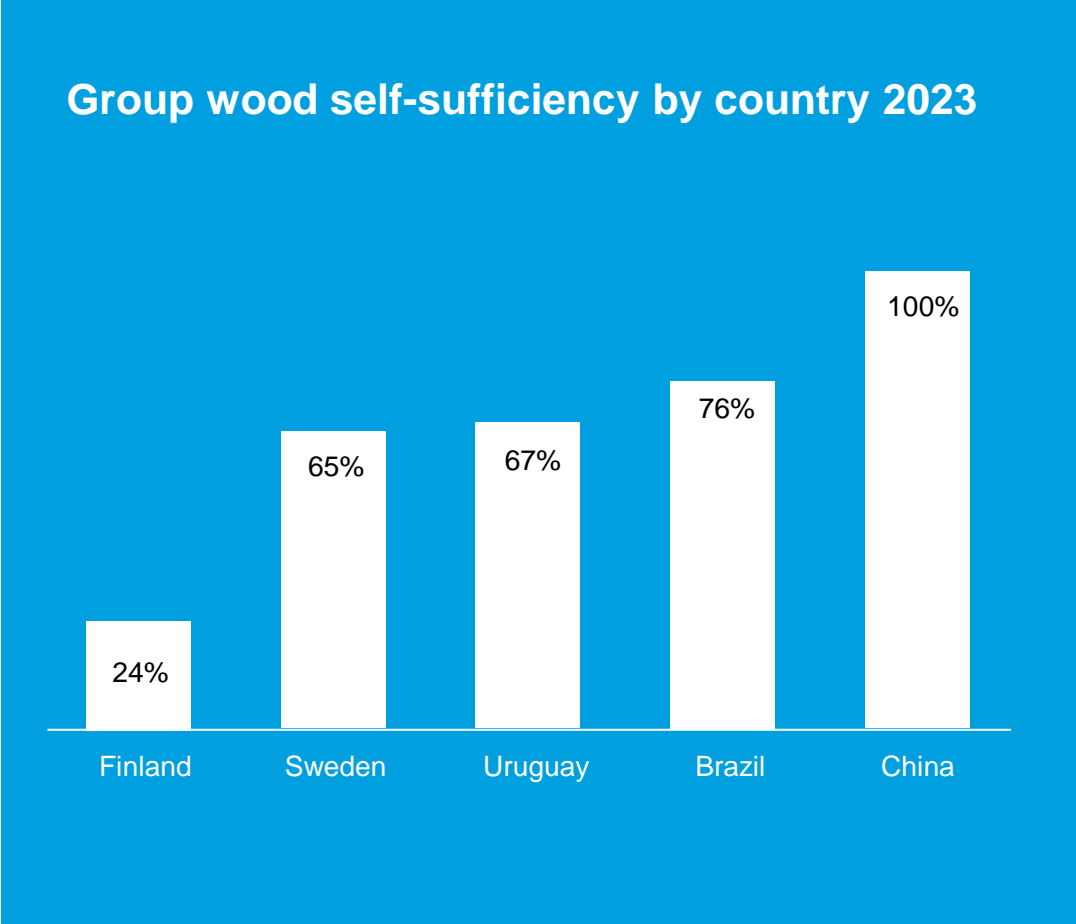
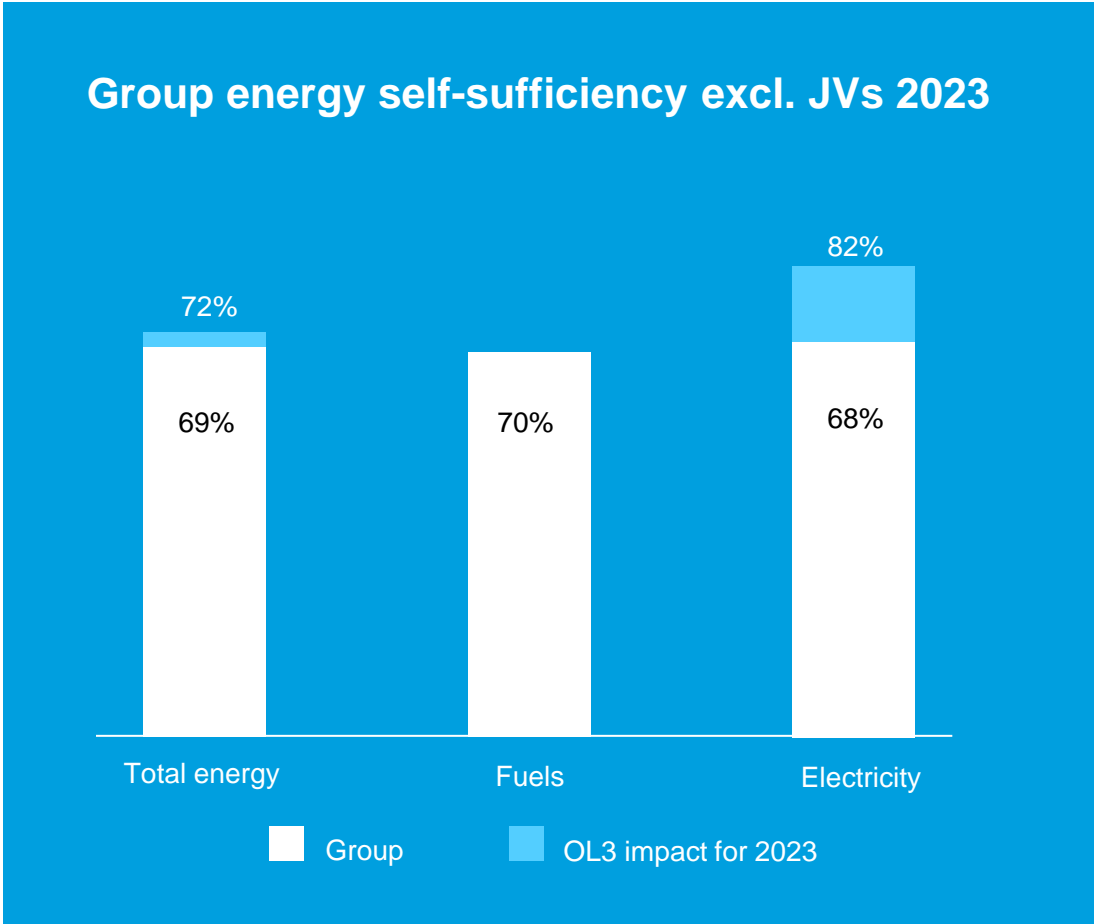


Operational EBIT by segments



MEUR	Q4/23	Q4/22	Change % Q4/23-Q4/22	Q3/23	Change % Q4/23-Q3/23
Packaging Materials	-43	59	-172.4%	-34	-25.0%
% of sales	-4.1%	4.4%		-3.2%	
Packaging Solutions	6	5	11.3%	14	-60.4%
% of sales	2.3%	2.9%		5.4%	
Biomaterials	35	249	-86.1%	5	n/m
% of sales	9.3%	38.4%		1.4%	
Wood Products	-27	-14	-94.7%	-21	-23.6%
% of sales	-7.8%	-2.9%		-6.1%	
Forest	75	62	21.7%	59	27.2%
% of sales	11.6%	9.3%		11.1%	
Other	-1	14	-110.0%	-15	91.0%
% of sales	-0.7%	2.6%		-8.5%	

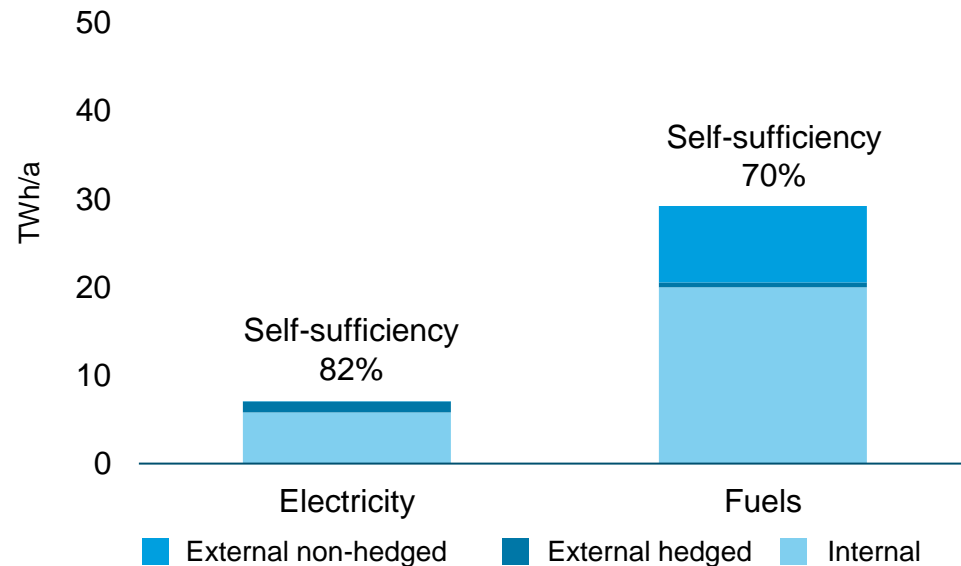
Stora Enso's energy self-sufficiency 72% FY/2023



Energy balance in detail



Group energy balance estimate excl. JVs 2023



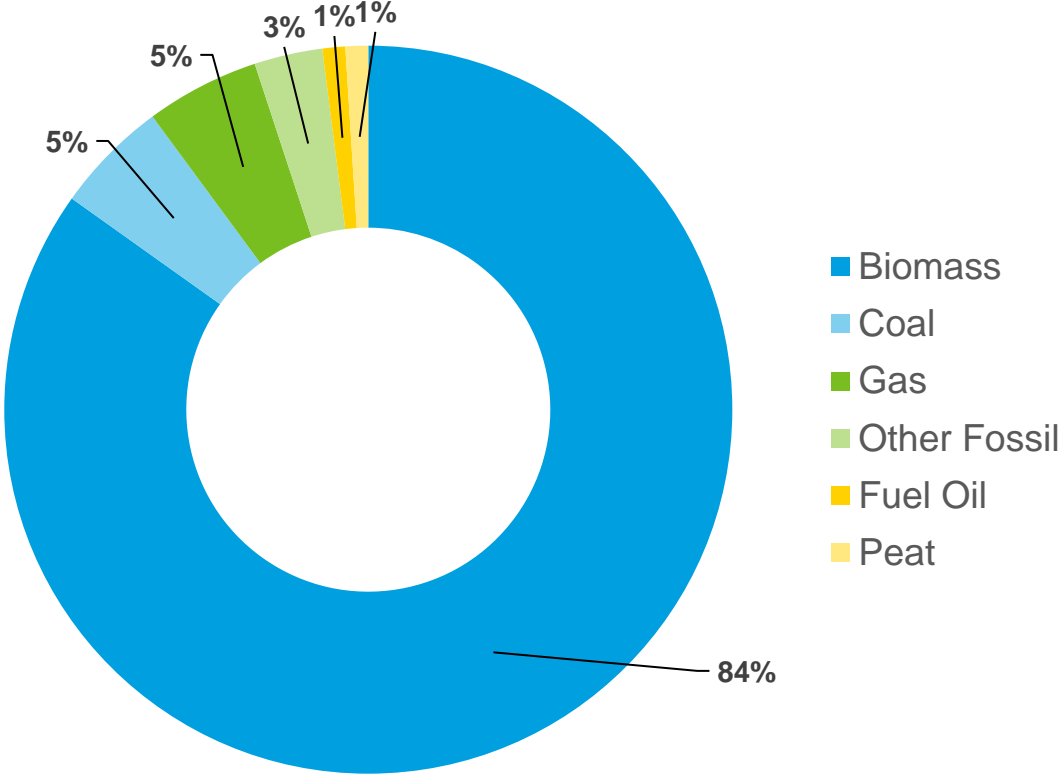
Impact on non-hedged volume on operating profit from 10% change for the next 12 months in:	EUR million p.a.
Electricity market price	~2.4
Fossil fuel price	~7.9

Energy hedging in 2023	~87%
Energy costs of total costs in 2023	~7%

Biomass as primary fuel source



Group fuel consumption Q4/2023



Stora Enso Group's total Q4/2023 fuel consumption was 6,9 TWh

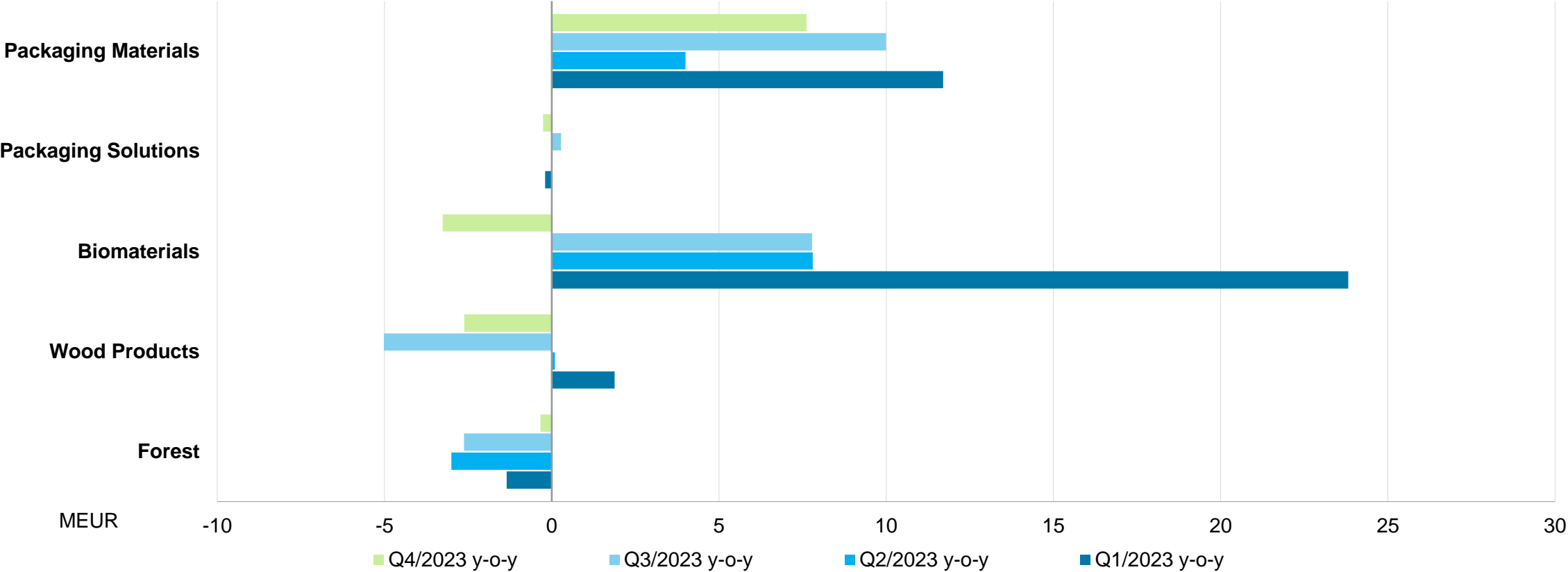


Net Financial Items



MEUR	Q4/23	Q4/22	Change Q4/23-Q4/22	Q3/23	Change Q4/23-Q3/23
Net interest expense	-30	-21	-9	-29	-1
Average interest rate*	4.0%	3.3%		3.8%	
Foreign exchange gains and losses	9	-9	18	-7	16
Other financial items	-31	-9	-22	-4	-27
Total net financial items	-52	-39	-13	-40	-12

Net FX by division

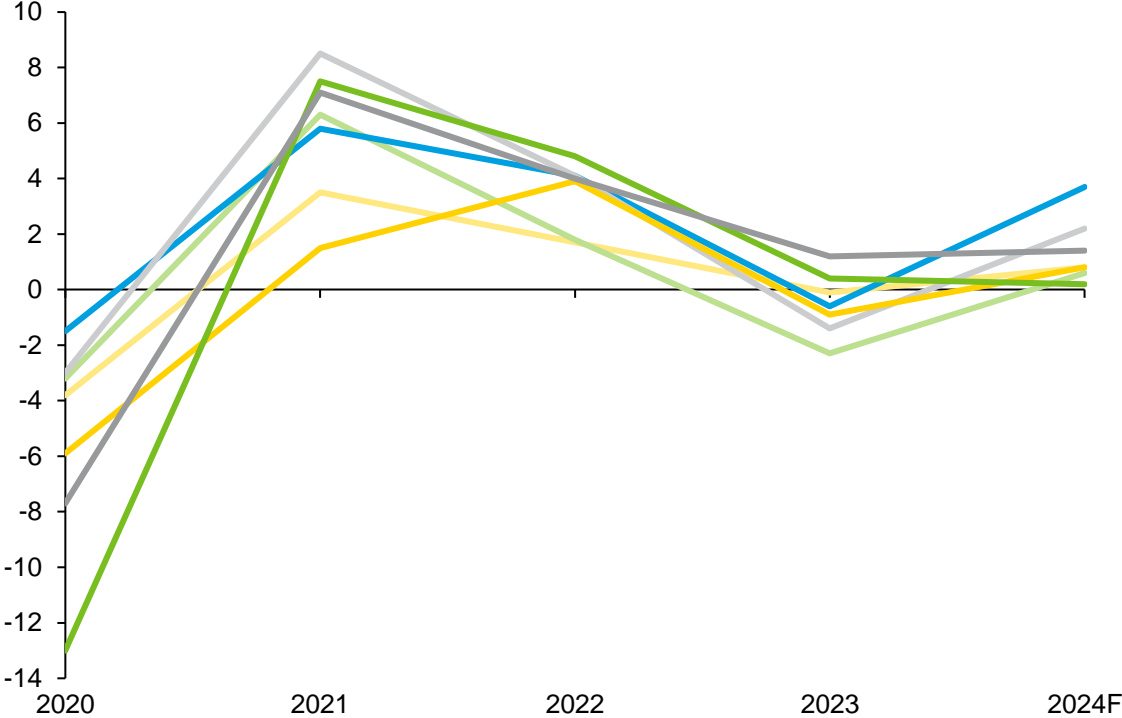


Indicators for demand development in Packaging



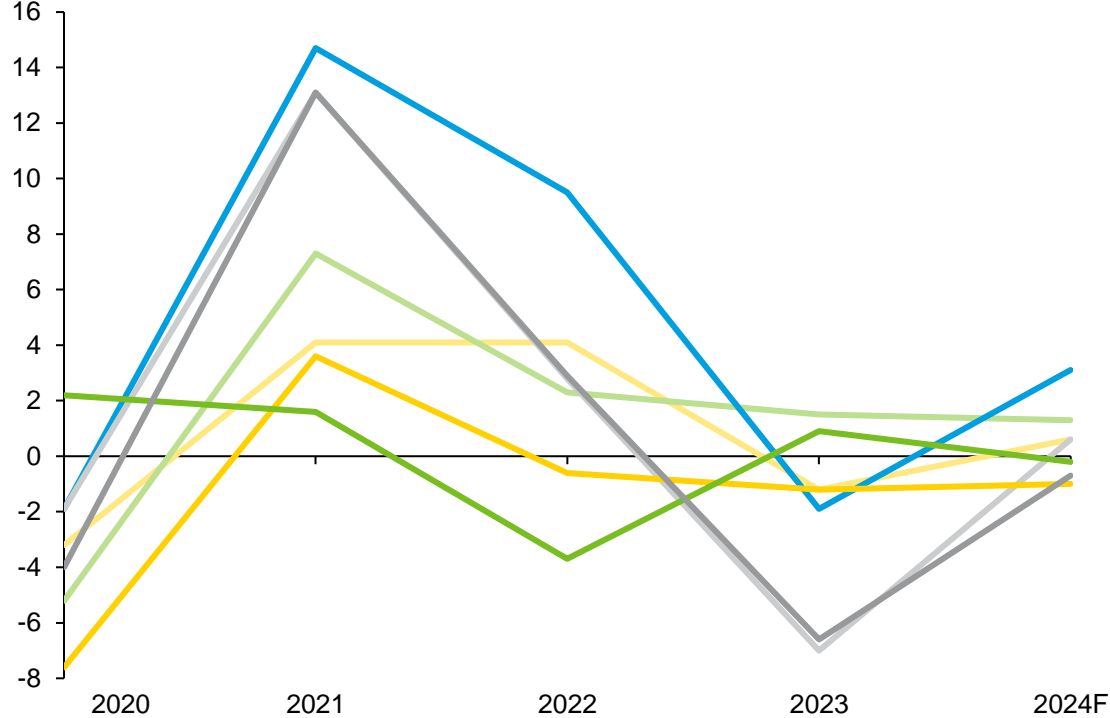
Private consumption

Annual growth rate (%)



Industrial production*

Annual growth rate (%)



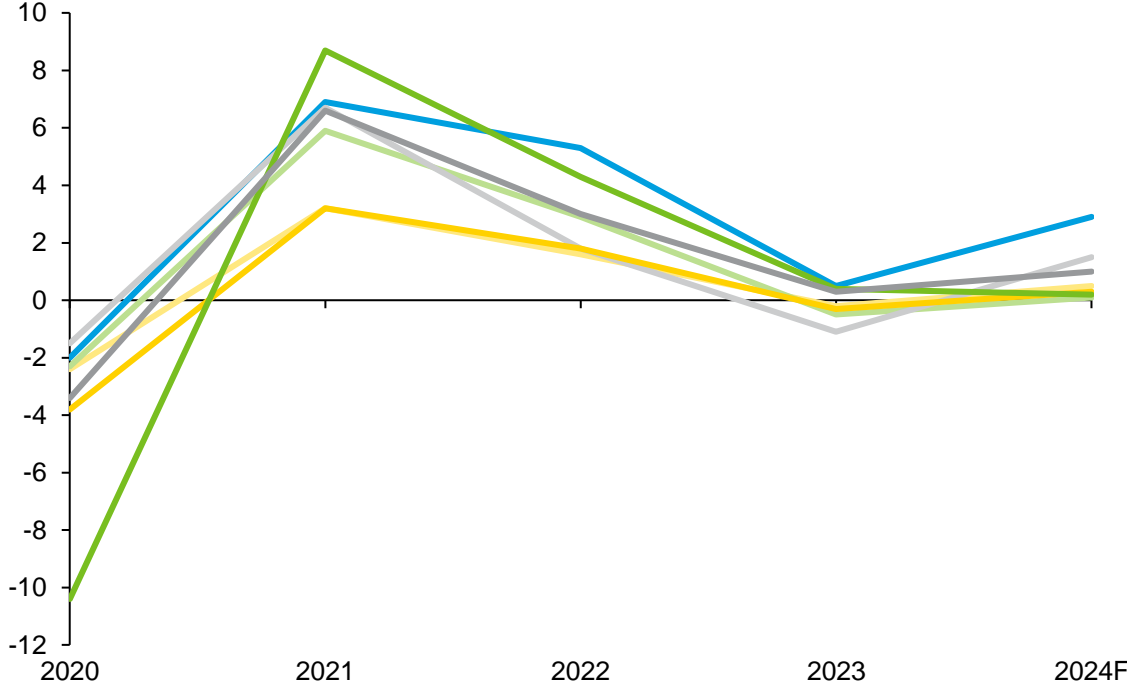
— Finland — Sweden — Poland — Baltics — Germany — UK — Benelux

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

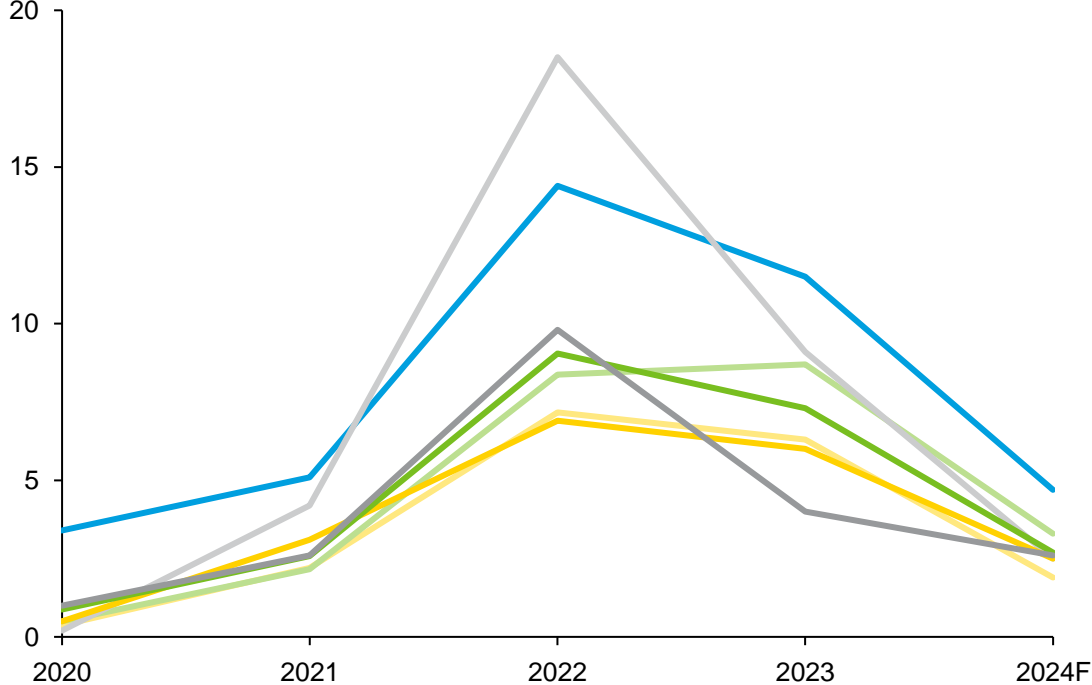
Indicators for demand development in Packaging



GDP
Annual growth rate (%)



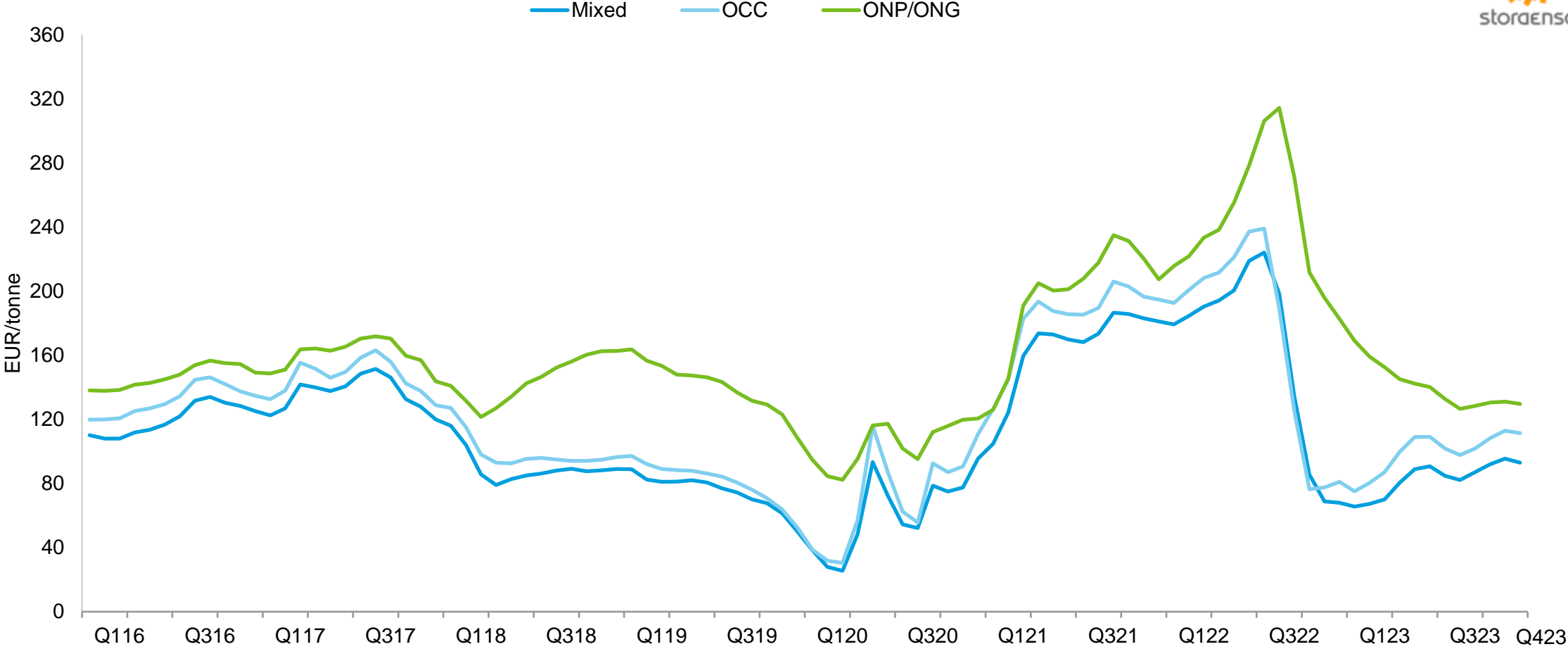
Inflation
Annual growth rate (%)



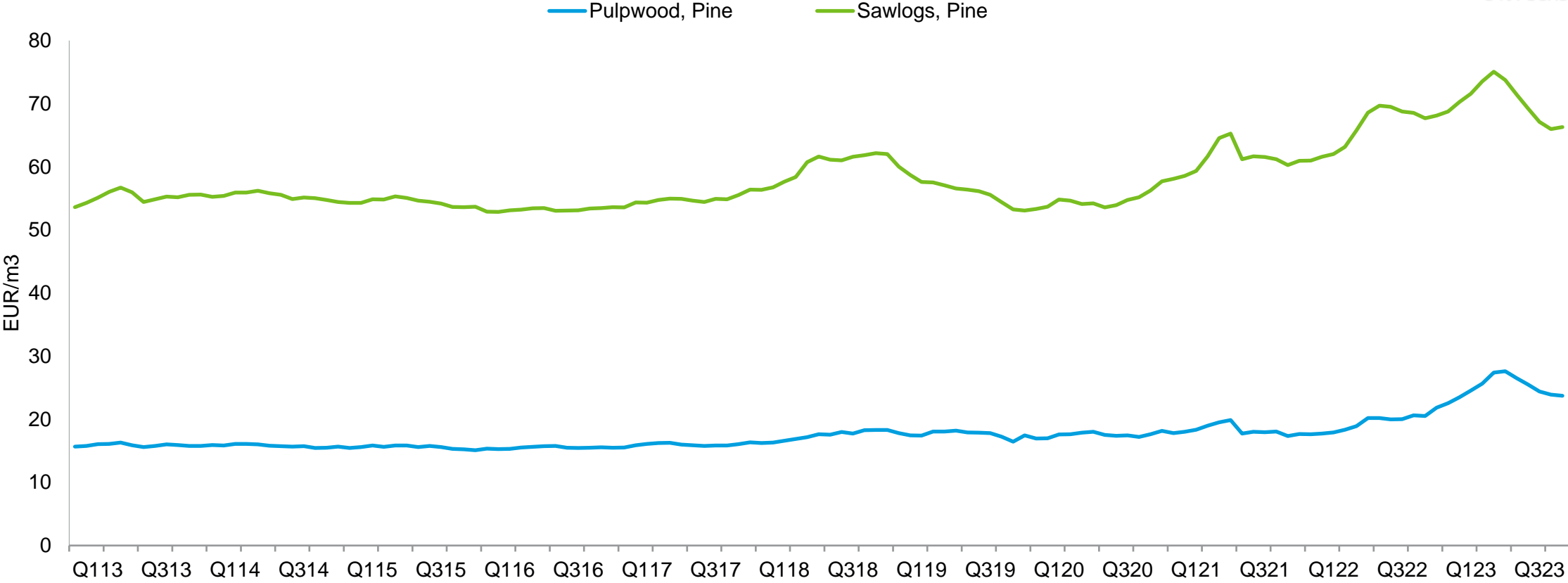
— Finland — Sweden — Poland — Baltics — Germany — UK — Benelux

Source: Consensus, European Economic Forecast

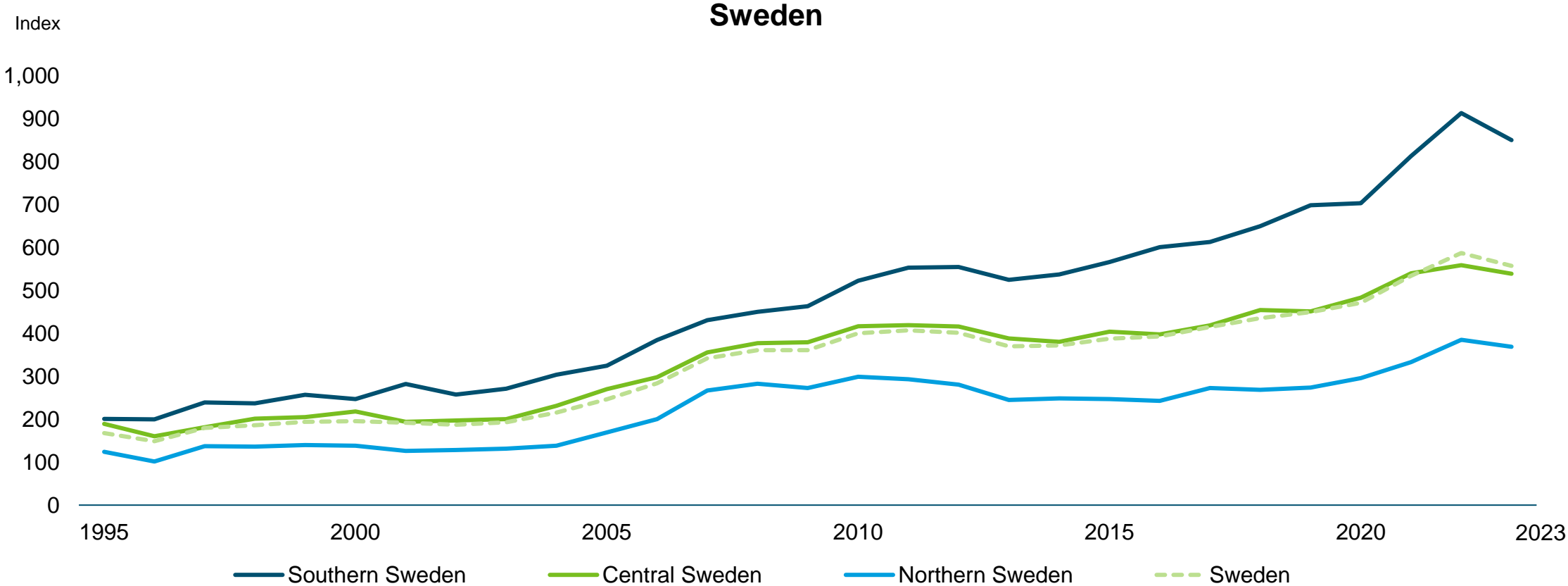
Paper for recycling prices



Pulpwood and sawlog prices in Finland



Forest property market transaction-based price development



ESG ratings and recognition in Q4/2023





THE RENEWABLE MATERIALS COMPANY