

**SUPPLEMENT NO. 2 DATED 19 NOVEMBER 2020 TO
BASE PROSPECTUS DATED 20 MARCH 2020**



STORA ENSO OYJ

(incorporated with limited liability in Finland)

Euro 4,000,000,000

Euro Medium Term Note Programme

This Supplement No. 2 (the "**Supplement**") to the Base Prospectus dated 20 March 2020 (the "**Base Prospectus**"), constitutes a Supplement to the Base Prospectus for the purposes of Article 23(1) of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), and is prepared in connection with the Euro 4,000,000,000 Euro Medium Term Note Programme (the "**Programme**") established by Stora Enso Oyj (the "**Issuer**"). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus. The purpose of this Supplement is to incorporate the Issuer's unaudited financial information as at and for the nine months ended 30 September 2020 included in the Issuer's Interim Financial Report, January–September 2020, Q3 (the "**Q3 Interim Financial Report**") by reference into the Base Prospectus and to amend certain other sections of the Base Prospectus as specified hereinafter.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), in its capacity as competent authority under the Prospectus Regulation, to approve this document as a prospectus supplement. By approving this Supplement, the CSSF gives no undertaking as to the economic and financial opportunities of the transactions contemplated by this Supplement or the Base Prospectus or the quality or solvency of the Issuer.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

No responsibility or liability is accepted by the Arranger or any of the Dealers as to the accuracy or completeness of the information contained in this Supplement. Accordingly, no representation, warranty or undertaking, express or implied, is made by them in relation hereto.

This Supplement does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or any Dealer to subscribe for, or purchase, any Notes. Neither this Supplement nor any other information supplied in connection with the Programme or any Notes is: (i) intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Issuer, the Arranger or the Dealers that any recipient of this Supplement should purchase any Notes.

Interim Financial Report, January–September 2020, Q3

On 20 October 2020, the Issuer published its Q3 Interim Financial Report. A copy of the Q3 Interim Financial Report has been filed with the *Commission de Surveillance du Secteur Financier* and, by virtue of this Supplement, is incorporated by reference in, and forms part of, the Base Prospectus.

Due to the publication of the Q3 Interim Financial Report, the section of the Base Prospectus entitled "*Documents Incorporated by Reference*" is amended as set forth under "*Documents Incorporated by Reference*" below.

Documents Incorporated by Reference

The following text shall be inserted to become the last bullet point under the heading "*Documents Incorporated by Reference*" on page 32 of the Base Prospectus:

"

- The Issuer's Interim Financial Report, January–September 2020, Q3, except for the paragraph titled "Guidance and outlook" on page 2 and the third to last paragraph of the CEO Comment on page 4.

https://www.storaenso.com/-/media/documents/download-center/documents/interim-reports/2020/storaenso_results_q320_eng.pdf

"

The following table shall be inserted to become the first table under the heading "*Information Incorporated by Reference*" on page 32 of the Base Prospectus:

"

<i>Interim Financial Report, January–September 2020, Q3</i>	
Results summary	Page 1
Key Figures (except for the paragraph titled " <i>Guidance and outlook</i> " on page 2)	Pages 2–3
CEO comment (except the for the third to last paragraph)	Page 4
Results	Pages 5–6, 15–16
Sustainability	Page 17
Segments	Pages 7–14
Events	Pages 18–20
Financials	Pages 21–33

"

Risk Factors

The following paragraphs shall replace the first paragraph under the heading "*Any deterioration of the economy could have a material adverse effect on our business, financial condition or results of operations*" on pages 11–12 of the Base Prospectus:

"Demand for our products is primarily driven by demand for our customers' end products, such as industrial and consumer packaging, wood products, newspapers and magazines. Economic downturns characterised by declines in consumer and government spending, advertising, business investment or construction activity typically result in decreased demand for our products. Furthermore, the economic conditions have been, and are likely to continue

to be, affected by concerns over increased geopolitical tensions, including those related to the Middle East (including the impact of oil prices on the global economy) and North Korea, and political developments, such as the UK's exit from the European Union (the "EU").

Furthermore, as the global economy is moving into a new phase where central banks may begin to reduce or reverse their lenient monetary policy positions in response to vigorous growth rates, such developments may give rise to significant uncertainty and also negatively affect our business conditions. In addition, turmoil in the capital and credit markets may result in decreased availability of credit, which could have an adverse effect on the global economy and, consequently, on the markets for our products. The current geopolitical circumstances pose a notable risk of an increase in protectionist measures, including further direct or indirect government support for certain participants in the countries in which we or our competitors operate, which could distort competition in the market and require companies not benefiting from such support to curtail capacity and take other measures to remain competitive. An increase in protectionist measures could materially shrink global trade.

Furthermore, economic conditions may be affected by various additional events that are beyond our control, such as natural disasters and epidemics (such as the outbreak of Middle East Respiratory Syndrome coronavirus ("COVID-19")). As COVID-19 has developed into a global pandemic, it has affected and will continue to affect our operations. The renewed increase in COVID-19 infections in parts of the world, particularly in Europe, shows that downside risks persist and the way different countries react, will have an impact on the economic conditions. We also continue to face uncertainty in the short and medium terms, with the impact of COVID-19 on the forest industry and the economy at large remaining unclear. The trend towards nationalist anti-globalist policies may grow following the COVID-19 pandemic, with border checks on both goods and people becoming more stringent and national interests promoted. There is also a risk that even the more open economies, such as those in Western Europe and Asia, enact policies in direct opposition to globalisation. Should restrictions imposed as a result of COVID-19 continue for extended periods of time or should they be broadened further in areas in which we operate, or even in areas in which we do not operate, they will continue to cause disruption to us, our employees, mills, markets, suppliers and customers, any of which could have a material adverse effect on our business, financial condition or results of operations. Further, global financial markets have experienced, and may continue to experience, significant volatility and liquidity disruptions due to COVID-19, which may adversely affect our funding costs and access to funding."

The following sentence shall replace the first sentence under the heading "*We may not be able to successfully implement our cost reduction and efficiency improvement measures*" on page 16 of the Base Prospectus:

"We have taken a number of measures to reduce our costs and achieve operating efficiencies over the past years, and we announced on 1 February 2019 that we have started to implement a profit protection programme to better prepare for potential market weakness, the target of which is to achieve EUR 400 million cost savings by the end of 2021."

The following sentence shall be removed from the second paragraph under the heading "*We are exposed to risks related to our tree plantations and forests*" on page 18 of the Base Prospectus:

"See also "*Description of the Issuer – Legal Proceedings – Legal Proceedings in Sweden*"."

Share Capital

The following paragraphs shall replace the last paragraph under the heading "*Share Capital*" on page 90 of the Base Prospectus:

"On 15 September 2020, Stora Enso announced that a total of 311 A shares were converted in R shares during the 1–31 August 2020 conversion period. The shares were recorded in the Finnish Trade Register on 15 September 2020, and trading in the new R shares commenced on 16 September 2020.

On 15 October 2020, Stora Enso announced that a total of 150 A shares were converted in R shares during the 1–30 September 2020 conversion period. The shares were recorded in the Finnish Trade Register on 15 October 2020, and trading in the new R shares commenced on 16 October 2020.

On 16 November 2020, Stora Enso announced that a total of 200 A shares were converted in R shares during the 1–31 October 2020 conversion period. The shares were recorded in the Finnish Trade Register on 16 October 2020, and trading in the new shares commenced on 17 November 2020.

As at the date of this Base Prospectus, Stora Enso has 176,254,423 A shares and 612,365,564 R shares in issue."

Financial Targets

The following paragraphs shall be inserted before the heading "*Trends*" on page 93 of the Base Prospectus:

"Financial Targets

Stora Enso has, as part of its overall business strategy, set itself the following long-term financial targets:

- at the Group level, distributing an annual dividend of 50 per cent. of earnings per share excluding fair valuation over the cycle;
- at the Group level, over 5 per cent. growth per annum (excluding Paper);
- at the Group level, net debt to operational EBITDA ratio of less than 2;
- at the Group level, net debt to equity ratio of less than 60 per cent.;
- at the Group level, operational return on capital employed ("**ROCE**") excluding Forest of more than 13 per cent.;
- Stora Enso has set operational return on operating capital ("**ROOC**") targets for all divisions, except for Forest, where the long-term target is set as operational ROCE, and Paper, where the long-term target is set as cash flow after investing activities to sales. The long-term operational ROOC percentage targets are over 20 per cent. for Packaging Materials, over 25 per cent. for Packaging Solutions, over 15 per cent. for Biomaterials and over 20 per cent. for Wood Products. The long-term operational ROCE target for Forest is over 3.5 per cent. including deferred tax liabilities and the long-term cash flow after investing activities to sales target is over 7 per cent. for Paper.

These financial targets are not guarantees of future financial performance. Stora Enso's actual results of operations could differ materially from those expressed or implied by these targets as a result of many factors, including but not limited to described under "Risk Factors". Any targets discussed herein are targets only and are not, and should not be viewed as, forecasts, projections, estimates or views of the Stora Enso's future performance."

Recent Developments

The following paragraphs shall replace the second and the third paragraph under the heading "*Profit Protection Programme*" on page 94 of the Base Prospectus:

"The profit protection programme targets reductions in variable and fixed costs, as market uncertainty increases. The programme includes all divisions and corporate functions. In 2019, the profit protection programme was proceeding ahead of plan and the total implemented cost savings amounted to EUR 150 million in 2019. In 2020, the programme has continued proceeding ahead of the plan and during the nine months ended 30 September 2020, the total cost savings amounted to over EUR 150 million. In the third quarter of 2020, approximately EUR 65 million of the continuous cost savings were achieved. Including the one-time cost savings, the total implemented cost saving amounted to EUR 70 million during the third quarter of 2020. The profit protection programme is to achieve EUR 400 million in cost savings by the end of 2021.

As part of the programme, Stora Enso closed Paper Machine 6 at Imatra Mills in Finland. Stora Enso also took performance improvement measures at the Ala sawmill in Sweden and the Imavere sawmill in Estonia in order to increase productivity and reduce costs."

The following paragraph shall replace the third paragraph under the heading "*Conversion of Oulu Paper Mill into Packaging Board Mill*" on page 94 of the Base Prospectus:

"Woodfree coated paper production at the Oulu mill stopped during the third quarter of 2020. As an outcome of the co-determination process started on 25 March 2019, 365 people will be made redundant by the end of year 2020. Woodfree coated paper customers will be served until the end of 2020."

The following paragraph before the heading "*Dividend*" on page 94 of the Base Prospectus shall be removed:

"As an outcome of the co-determination process started on 25 March 2019, 365 people will be made redundant. The redundancies will mainly take place by the end of year 2020, when the Oulu Mill will cease to produce woodfree coated papers."

The following paragraphs shall be inserted before the heading "*Board of Directors and Management*" on page 95 of the Base Prospectus:

Hylte Mill Restructuring

On 14 October 2020, Stora Enso announced that it had completed the co-determination negotiations concerning the closure of one standard newsprint paper machine ("**PM3**") and the deinking plant ("**DIP**") at its Hylte Mill in Sweden. The maximum personnel impact is 140 people. As a result of the co-determination negotiations, PM3 will be shut down by the end of 2020 and the DIP latest in the second quarter of 2021. Negotiations on organisational restructuring, including the risk analysis, have started. Stora Enso will continue to produce standard newsprint at Hylte, Langerbrugge and Sachsen mills. The closure of Hylte Mill PM3 will not impact Stora Enso's newsprint product offering, and Stora Enso will continue to be able to serve its customers.

Change in Stora Enso's Forest Assets Valuation Method

On 20 October 2020, Stora Enso announced that it had decided to start using a valuation method for its forest assets in the Nordic region based on market transaction data and change the accounting policy from the fourth quarter of 2020 onwards. Preliminary estimations, based on transactions in those areas in which Stora Enso has forest land, indicate that the value of the Group's forest assets, including leased land, will be between EUR 6.5 billion and EUR 7.0 billion, compared with the end of third quarter of 2020 book value of EUR 5.4 billion.

The review of the fair value will be completed during the fourth quarter of 2020 and will take into account the latest transaction prices. Deferred tax liability will be recognised based on the difference between the forest assets' book value and their value for tax purposes in the same manner as currently calculated.

Forest assets are defined as standing growing trees and the related forest land. From the fourth quarter of 2020 onwards, forests assets in Sweden will be valued by using a market approach method based on the forest market transactions in the areas where Stora Enso's forests are located. Therefore, forest land, currently accounted at cost, will be measured using the revaluation method and this is considered as a change in accounting policy. In Sweden, reliable market transaction data is available and provides a more transparent and observable valuation basis.

For the Finnish forest assets (through Stora Enso's 41 per cent. ownership in Tornator), the market approach is not considered a reliable valuation method as the market data is not available with enough details, for example in terms of forest cubic meters of the traded estates. As a result, there is no change in valuation method for biological assets. However, Stora Enso's share of the forest land, currently accounted at cost, will be measured in Stora Enso's books by using the revaluation method.

For the plantation forests, there will not be any change in the valuation method as there is no reliable market transaction data available. Plantation forest land will continue to be accounted at cost and will be classified as a separate asset class as compared to Nordic forest land to reflect the different nature, usage and characteristics. The main difference is the short-term growing cycle of 6–12 years in plantations versus the long-term growing cycle of 60–100 years in Nordic forests. There are also differences in regeneration methods, forest management and use of the assets for other purposes.

Most of the change in the value of forest assets relates to land. The revaluation of land, net of deferred taxes, will be reported in other comprehensive income. The revaluation of biological assets is expected to be recognised as a positive non-operational fair valuation item, together with the related deferred tax impact, in the income statement of the fourth quarter of 2020.

Updated Strategy and Financial Targets

On 11 November 2020, Stora Enso announced that it had updated its strategy and certain financial targets, to support the Group's focus on growth and value creation.

Stora Enso has defined its three focus areas for growth as follows:

- **Packaging Materials and Packaging Solutions**, driven by high demand for plastic free and eco-friendly circular packaging. According to Stora Enso, it holds leading market positions and sees attractive investment options.

- **Building Solutions**, within Stora Enso's Wood Products division, driven by a growing wooden buildings market. Stora Enso offers alternatives to fossil-based construction material and is a leading global supplier.
- **Biomaterials innovation**, where Stora Enso's agenda is focused on lignin, and targets strong growth in new applications and markets.

At the foundation for value creation, and supporting Stora Enso's growth areas, Stora Enso has recognised the following market growth drivers:

- Stora Enso's substantial forest assets, securing a renewable, cost-competitive fibre base.
- Stora Enso's sawmills in the Wood Products division, providing fibre to the pulp mills and serving as a base for growth in building solutions.
- Stora Enso's pulp mills, supporting the board and paper manufacturing and providing strong cash flow, with highly competitive eucalyptus pulp production facilities in Latin America and specialty pulp mills in the Nordics.

Paper will continue to be run in order to maximise cash flow in the declining market.

To summarise, Stora Enso will focus on leading positions and accelerated growth in packaging, building solutions and its biomaterials innovation programme. Stora Enso's innovation initiatives will be concentrated in the areas of new sustainable packaging materials, sustainable barriers and its biochemical platform in lignin. Stora Enso's forest, traditional wood products and market pulp will make up the foundation for value creation in Stora Enso.

Stora Enso's capital expenditure is expected to be in the range of EUR 675–725 million in 2021. The Group will be allocating capital expenditure selectively to the above-mentioned focus areas for growth. The annual depreciation and depletion of capitalised silviculture costs is forecast to be EUR 600–640 million.

In connection with the updated strategy, Stora Enso also revised its long-term financial targets, including Group level targets for growth and return on capital employed as well as divisional targets for Packaging Solutions and Forest. See "*Financial Targets*" above.

Feasibility Study for Expanding Pulp and Board Capacity at Skoghall Mill

On 11 November 2020, Stora Enso announced that it had decided to commence a feasibility study and environmental permit application process on enhancing and expanding the pulp- and board-making capabilities at its Skoghall Mill in Sweden. The investment would leverage the mill into an integrated, more cost-competitive and environmentally-friendly producer of packaging board and bleached softwood market pulp. The investment would serve customers globally and further establish Stora Enso as a provider of high-quality, renewable packaging materials.

The feasibility study will evaluate a possible upgrade and expansion of existing integrated pulp capacity from 370,000 tonnes to 780,000 tonnes annually and a possible increase of 120,000 tonnes in board capacity. After the investment, the mill would be integrated close to 100 per cent., with an additional 220,000 tonnes of softwood market pulp.

If the investment is approved following the feasibility study and environmental permit application process, the capital expenditure for the upgrade and expansion is estimated to be

approximately EUR 800–850 million. The feasibility study is expected to be completed by the end of 2021. Production would start earliest in the fourth quarter of 2023. Currently, Skoghall Mill has an annual production capacity of 885,000 tonnes of packaging board."

Board of Directors and Management

Group Leadership Team

The following paragraph shall replace the first paragraph under the heading "*Per Lyrvall*" on page 99 of the Base Prospectus:

"Executive Vice President, Legal, General Counsel, Country Manager Sweden."

The following paragraph shall be removed before the heading "*Jari Suominen*" on page 100 of the Base Prospectus:

Noel Morrin

Executive Vice President, Sustainability.

Born 1958. BSc. (Biology and Chemistry). Irish citizen.

Member of the Group Leadership Team since April 2015 when he joined the Company. Has held several leadership positions in the field of sustainability and environmental affairs, most recently, as SVP for Sustainability & Green Support at Skanska AB in Sweden between 2005 and 2015 and as Group Environment Director at RMC Plc. Prior to that, held senior positions at UK National Environmental Technology Centre, the British NGO Business in the Community and ICI Plc."

The following paragraphs shall be removed before the heading "*Corporate Governance Regime*" on page 101 of the Base Prospectus:

Appointed Members of the Group Leadership Team

Katariina Kravi

On 14 May 2020, Stora Enso announced that it has appointed Katariina Kravi as Executive Vice President, Human Resources and a member of the Group Leadership Team starting 1 September 2020.

Born 1967. Master of Laws. Finnish citizen.

Member of the Group Leadership Team as of September 2020 when she joins the Company.

Prior to joining Stora Enso, Chief People and Culture Officer at Tieto Oyj in 2019 and Executive Vice President, Human Resources between 2012 and 2019, Vice President, Human Resources, Markets at Nokia Oyj between 2008 and 2012, and Vice President, Human Resources, Multimedia Business Group between 2004 and 2007. Has also held various human resources leadership roles at Nokia Oyj between 1997 and 2003.

Annette Stube

On 20 August 2020, Stora Enso announced that it has appointed Annette Stube as Executive Vice President, Sustainability and a member of the Group Leadership Team starting 1 September 2020. Stube succeeds Stora Enso's current Executive Vice President, Sustainability Noel Morrin who retires in the end of 2020.

Born 1967. M.Sc. (Psychology), Executive Board Education from Copenhagen Business School. Danish citizen.

Member of the Group Leadership Team as of September 2020 when she joins the Company.

Prior to joining Stora Enso, Head of Sustainability at A.P. Moller–Maersk A/S between 2008 and 2020, and Director of Sustainability programmes at Novo Nordisk A/S between 1998 and 2008.

Member of the Board of Directors of Fortum Oyj since 2020."

The following paragraphs shall be inserted before the heading "*Corporate Governance Regime*" on page 101 of the Base Prospectus:

Katariina Kravi

Executive Vice President, Human Resources.

Born 1967. Master of Laws. Finnish citizen.

Member of the Group Leadership Team since September 2020 when she joined the Company.

Prior to joining Stora Enso, Chief People and Culture Officer at Tieto Oyj in 2019 and Executive Vice President, Human Resources between 2012 and 2019, Vice President, Human Resources, Markets at Nokia Oyj between 2008 and 2012, and Vice President, Human Resources, Multimedia Business Group between 2004 and 2007. Has also held various human resources leadership roles at Nokia Oyj between 1997 and 2003.

Annette Stube

Executive Vice President, Sustainability.

Born 1967. M.Sc. (Psychology), Executive Board Education from Copenhagen Business School. Danish citizen.

Member of the Group Leadership Team since September 2020 when she joined the Company.

Prior to joining Stora Enso, Head of Sustainability at A.P. Moller–Maersk A/S between 2008 and 2020, and Director of Sustainability programmes at Novo Nordisk A/S between 1998 and 2008.

Member of the Board of Directors of Fortum Oyj since 2020.

Tobias Bäärnman

Chief Strategy and Innovation Officer.

Born 1977. M.Sc. (Finance). Swedish citizen.

Member of the Group Leadership Team since 1 November 2020. Joined the Company in 2017 first as SVP Controlling, Strategy and IT for Consumer Board division until December 2019. Chief Strategy and Innovation Officer until 31 October 2020.

Prior to joining Stora Enso, Finance Director at Iggesund Paperboard. He has held various positions at Statoil and Procter and Gamble.

Teemu Salmi

CIO and Head of IT & Digitalisation

Born 1973. B.Sc. (Computer Science). Swedish citizen.

Member of the Group Leadership Team since 1 November 2020. Joined the Company in 2017.

Prior to joining Stora Enso, various executive positions at Ericsson, most recently as SVP and Head of business unit IT & Cloud in Middle East & Africa."

Shareholders' Nomination Board

The following paragraph shall replace the last paragraph under the heading "*Shareholders' Nomination Board*" on page 102 of the Base Prospectus:

"On 8 September 2020, Stora Enso announced that the Shareholders' Nomination Board is composed of the following members: Jorma Eloranta (Chair of the Board of Directors of Stora Enso), Hans Stråberg (Vice Chair of the Board of Directors of Stora Enso), Harri Sailas (Chair of the Board of Directors of Solidium) and Marcus Wallenberg (Chair of the Board of Directors of FAM). The Shareholders' Nomination Board has re-elected Marcus Wallenberg as its Chair."

Significant or Material Change

The following paragraphs shall replace the paragraphs under the heading "*Significant or Material Change*" on page 114 of the Base Prospectus:

"There has been no significant change in the financial performance or financial position of the Issuer and its subsidiaries taken as a whole since 30 September 2020.

Save as disclosed (i) in the Q3 Interim Financial Report and (ii) under "*Risk Factors—Any deterioration of the economy could have a material adverse effect on our business, financial condition or results of operations*", there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2019."

General

Copies of this Supplement and the Q3 Interim Financial Report can be obtained from the registered office of the Issuer and the specified office of the Paying Agents in each case at the address given at the end of the Base Prospectus. In addition, such documents will be available free of charge from the principal office in Luxembourg of Banque Internationale à Luxembourg, *société anonyme*, and will also be published on the Luxembourg Stock Exchange's website (www.bourse.lu).

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail. Capitalised terms used in this Supplement and not otherwise defined shall have the meanings given to them in the Base Prospectus.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

In accordance with Article 23(2) of the Prospectus Regulation, investors who have already agreed to purchase or subscribe for the Securities before this Supplement is published and where the Securities have not yet been delivered to the investors at the time when the significant new factor, material mistake or material inaccuracy arose or was noted, have the right, exercisable within two working days after the publication of this Supplement, to withdraw their acceptances. The last date for such withdrawal is 23 November 2020. Investors should contact the Issuer for the exercise of the right of withdrawal.