

Stora Enso's strategic financial targets and historical figures according to the new divisional structure

STORA ENSO OYJ INVESTOR NEWS 19 March 2020 at 14:00 EET

On 4 December 2019 Stora Enso announced the creation of a new divisional structure. As of 1 January 2020, the divisions are Packaging Materials, Packaging Solutions, Biomaterials, Wood Products, Forest, and Paper.

Stora Enso merged its containerboard business with the Consumer Board division, creating a new Packaging Materials division. The remaining business in Packaging Solutions, together with the recently created Formed Fiber unit, constitute a more focused Packaging Solutions division.

As announced on 18 September 2019, Stora Enso established a Forest division and started reporting it separately as of 1 January 2020. The new Forest division includes Stora Enso's Swedish forest assets (including the recently acquired Bergvik Skog Väst AB) and a 41% share of Tornator with the majority of its forest assets located in Finland. The Forest division also includes wood supply operations in Finland, Sweden, Russia and the Baltic countries. Tree plantations in Latin America and China, linked to local pulp mills, continue to be reported as before under the Biomaterials and Packaging Materials divisions. After establishing the new Forest division, remaining segment Other reporting includes Group functions, logistics and other operations.

Strategic financial targets

Stora Enso has updated the strategic financial targets according to the new divisional structure. The targets according to the new divisional structure as of 1 January 2020 as well as according to the divisional structure as of 31 December 2019 are presented in the tables below.

Division	KPI	Target As of 1 January 2020	Target as of 31 December 2019
Packaging Materials	ROOC	>20%	-
Consumer Board	ROOC	-	>20%
Packaging Solutions	ROOC	>30%	>20%
Biomaterials	ROOC	>15%	>15%
Wood Products	ROOC	>20%	>20%
Forest	ROOC	>5%	-
Paper	Cash flow after investing activities to sales	>7%	>7%
GROUP	ROCE	>13%	>13%

ROOC: Operational return on operating capital
ROCE: Operational return on capital employed

Forest division segment reporting

Growth in the value of forest represents an important component of the annual operative return for long-term rotation forest assets, where typical annual wood sales and related costs do not reflect the total profitability of the forest assets. The long-term value development of standing forests is an important driver for profitability of the forestry business.

Under previous presentation principles, all changes in fair valuation of biological assets were excluded from Operational EBIT, with the exception of depletion of capitalised silviculture costs for tree plantations in Latin America and China. From 1 January 2020 onwards, the changes in the fair valuation of biological assets will be categorised in two components:

- 1) non-operational fair value changes, and
- 2) operational fair value changes.

Non-operational fair value changes of biological assets reflect the changes made to valuation assumptions and parameters. Operational fair value changes of biological assets contain all other fair value changes, mainly due to inflation and differences in actual harvesting levels compared to the harvesting plan. Operational fair value changes will be reported in Operational EBITDA, whereas non-operational fair value changes will be excluded from Operational EBITDA.

In conjunction with the new segment reporting, Stora Enso will reclassify the silviculture costs of the new Forest division from Operational EBITDA to Operational EBIT. Silviculture costs mainly relate to replanting and the tending and fertilisation of trees. As per previous presentation principles, the depletion of capitalised silviculture costs in tree plantations in Latin America and China are already included in Operational EBIT, so this change aligns the presentation of Nordic forests with plantations in Latin America and China.

All of the above-mentioned changes are related to the non-IFRS alternative performance measures. Operating profit (IFRS) remains unchanged, with both operational and non-operational fair valuation changes to be included on the line change in the net value of biological assets.

The cash outflows regarding the silviculture costs of the Group's Swedish forests will be presented in the cash flow statement as part of the investing activities instead of as operating cash flows under the previous presentation principles.

Restated figures

The restated figures for the Group, Packaging Materials, Packaging Solutions and Forest division are presented below.

As published: Sales EUR million

	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Consumer Board	2 563	614	640	675	634	2 622
Packaging Solutions	1 247	293	299	316	338	1 344
Biomaterials	1 464	341	331	394	398	1 635
Wood Products	1 569	374	380	412	403	1 622
Paper	2 856	694	690	712	760	3 066
Other	3 396	819	786	868	922	3 425
Inter-segment sales	-3 040	-724	-725	-770	-821	-3 229
Total	10 055	2 411	2 402	2 608	2 635	10 486

Restated: Sales EUR million

	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Packaging Materials	3 193	755	791	833	814	3 350
Packaging Solutions	703	171	168	182	182	707
Biomaterials	1 464	341	331	394	398	1 635
Wood Products	1 569	374	380	412	403	1 622
Forest	2 321	558	518	603	642	2 285
Paper	2 856	694	690	712	760	3 066
Other	1 076	262	268	265	280	1,141
Inter-segment sales	-3 127	-743	-746	-793	-845	-3 321
Total	10 055	2 411	2 402	2 608	2 635	10 486

Packaging Materials: Sales

	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Consumer Board	2 564	614	640	676	634	2 624
Containerboard	630	141	151	157	180	727

As published: Operational EBITDA

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Consumer Board	433	95	119	118	101	423
Packaging Solutions	212	36	48	58	70	313
Biomaterials	356	21	67	133	135	550
Wood Products	153	26	39	47	40	199
Paper	318	71	76	76	95	345
Other	70	11	26	3	30	48
Total	1 542	259	376	435	471	1 878

Restated: Operational EBITDA

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Packaging Materials	574	115	146	156	157	684
Packaging Solutions	71	16	21	20	14	52
Biomaterials	356	21	67	133	135	550
Wood Products	153	26	39	47	40	199
Forest	145	43	37	25	39	122
Paper	318	71	76	76	95	345
Other	-4	-14	10	-3	3	-26
Total	1 614	277	397	455	484	1 925

Total change	71	18	21	20	13	48
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Packaging Materials: Operational EBITDA

	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Consumer Board	434	96	120	118	101	424
Containerboard	139	19	27	38	56	260

As published: Operational EBITDA margin %

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Consumer Board	16.9%	15.6%	18.6%	17.5%	15.9%	16.1%
Packaging Solutions	17.0%	12.2%	16.0%	18.4%	20.7%	23.3%
Biomaterials	24.3%	6.1%	20.3%	33.7%	33.9%	33.6%
Wood Products	9.8%	7.0%	10.3%	11.5%	10.0%	12.3%
Paper	11.1%	10.2%	11.0%	10.7%	12.5%	11.3%
Other	2.1%	1.3%	3.3%	0.3%	3.3%	1.4%
Total	15.3%	10.8%	15.7%	16.7%	17.9%	17.9%

Restated: Operational EBITDA margin %

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Packaging Materials	18.0%	15.2%	18.5%	18.7%	19.3%	20.4%
Packaging Solutions	10.2%	9.6%	12.6%	11.0%	7.6%	7.4%
Biomaterials	24.3%	6.1%	20.3%	33.7%	33.9%	33.6%
Wood Products	9.8%	7.0%	10.3%	11.5%	10.0%	12.3%
Forest	6.2%	7.7%	7.2%	4.2%	6.1%	5.3%
Paper	11.1%	10.2%	11.0%	10.7%	12.5%	11.3%
Other	-0.3%	-5.5%	3.9%	-1.1%	1.2%	-2.3%
Total	16.0%	11.5%	16.5%	17.5%	18.4%	18.4%

Total change	0.7%	0.7%	0.9%	0.8%	0.5%	0.5%
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Packaging Materials: Operational EBITDA margin %

	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Consumer Board	16.9%	15.6%	18.7%	17.5%	15.9%	16.1%
Containerboard	22.1%	13.5%	17.6%	24.0%	31.0%	35.7%

As published: Operational EBIT

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Consumer Board	250	51	73	72	54	231
Packaging Solutions	135	16	29	39	51	245
Biomaterials	233	-12	39	103	103	427
Wood Products	105	14	27	35	29	165
Paper	213	44	50	50	69	234
Other	17	0	13	-12	17	23
Total	953	112	231	287	324	1 325

Restated: Operational EBIT

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Packaging Materials	339	57	86	98	98	444
Packaging Solutions	46	10	15	14	8	32
Biomaterials	233	-12	39	103	103	427
Wood Products	105	14	27	35	29	165
Forest	99	31	25	11	33	88
Paper	213	44	50	50	69	234
Other	-32	-19	2	-11	-4	-38
Total	1 003	124	245	299	335	1 352
Total change	50	12	14	12	11	27

As published: Operational EBIT margin %

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Consumer Board	9.7%	8.3%	11.3%	10.7%	8.6%	8.8%
Packaging Solutions	10.8%	5.5%	9.6%	12.3%	15.1%	18.2%
Biomaterials	15.9%	-3.5%	11.7%	26.1%	25.8%	26.1%
Wood Products	6.7%	3.6%	7.2%	8.6%	7.2%	10.2%
Paper	7.4%	6.3%	7.3%	7.0%	9.1%	7.6%
Other	0.5%	-0.1%	1.7%	-1.4%	1.9%	0.7%
Total	9.5%	4.6%	9.6%	11.0%	12.3%	12.6%

Restated: Operational EBIT margin %

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Packaging Materials	10.6%	7.5%	10.9%	11.7%	12.0%	13.3%
Packaging Solutions	6.6%	5.9%	8.9%	7.5%	4.1%	4.5%
Biomaterials	15.9%	-3.5%	11.7%	26.1%	25.8%	26.1%
Wood Products	6.7%	3.6%	7.2%	8.6%	7.2%	10.2%
Forest	4.3%	5.6%	4.8%	1.7%	5.1%	3.9%
Paper	7.4%	6.3%	7.3%	7.0%	9.1%	7.6%
Other	-3.0%	-7.4%	0.9%	-4.1%	-1.5%	-3.3%
Total	10.0%	5.1%	10.2%	11.5%	12.7%	12.9%
Total change	0.5%	0.5%	0.6%	0.5%	0.4%	0.3%

As published: Operating capital

EUR million	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Consumer Board	2 100	2 166	2 244	2 287	1 951
Packaging Solutions	962	945	961	954	923
Biomaterials	2 496	2 631	2 638	2 633	2 462
Wood Products	647	679	701	699	621
Paper	657	764	835	839	796
Other	4 601	4 119	4 027	2 340	2 204
Total	11 462	11 303	11 406	9 752	8 955

Restated: Operating capital

EUR million	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Packaging Materials	2 824	2 861	2 938	2 976	2 627
Packaging Solutions	241	251	267	265	246
Biomaterials	2 496	2 631	2 638	2 633	2 462
Wood Products	647	679	701	699	621
Forest	4 138	3 641	3 722	2 009	1 940
Paper	657	764	835	839	796
Other	460	477	305	330	264
Total	11 462	11 303	11 406	9 752	8 955

As published: Return on operating capital (ROOC)

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Consumer Board	12.3%	9.5%	13.2%	12.8%	10.3%	11.9%
Packaging Solutions	14.4%	6.8%	12.1%	16.3%	21.8%	27.2%
Biomaterials	9.4%	-1.9%	5.9%	15.6%	16.2%	17.9%
Wood Products	16.6%	8.2%	15.8%	20.3%	17.7%	28.1%
Paper	29.3%	24.7%	25.1%	23.8%	33.7%	30.2%

Restated: ROOC

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Packaging Materials	12.4%	8.0%	11.9%	13.2%	14.0%	16.9%
Packaging Solutions	18.9%	16.4%	23.1%	20.5%	11.8%	14.6%
Biomaterials	9.4%	-1.9%	5.9%	15.6%	16.2%	17.9%
Wood Products	16.6%	8.2%	15.8%	20.3%	17.7%	28.1%
Forest	3.3%	3.2%	2.7%	1.5%	6.6%	4.7%
Paper	29.3%	24.7%	25.1%	23.8%	33.7%	30.2%

Group Return on capital employed (ROCE)

	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
ROCE as published	9.8%	4.2%	8.7%	11.3%	14.0%	15.5%
ROCE restated	10.3%	4.7%	9.2%	11.8%	14.5%	15.8%
Total change	0.5%	0.5%	0.5%	0.5%	0.5%	0.3%
ROCE excluding Forest division restated	12.8%	5.0%	11.7%	15.2%	16.7%	18.9%

Net debt / operational EBITDA

	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Net debt / operational EBITDA as published	2.1	2.2	2.2	1.7	1.1
Net debt / operational EBITDA restated	2.0	2.1	2.1	1.6	1.1
Total change	-0.1	-0.1	-0.1	0.0	0.0

As published: Reconciliation of operational profitability

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Operational EBITDA	1 542	259	376	435	471	1 878
Depreciation and depletion of equity accounted investments (EAI)	-6	-1	-1	-2	-2	-7
Operational decrease in the value of biological assets	-51	-11	-14	-13	-13	-66
Depreciation and impairment excl. IAC	-533	-136	-130	-134	-133	-479
Operational EBIT	953	112	231	287	324	1 325
Fair valuations and non-operational items ¹	544	600	-25	-25	-7	45
Items affecting comparability (IAC)	-192	-32	-36	-120	-4	20
Operating profit (IFRS)	1 305	680	170	142	313	1 390

¹ Fair valuations and non-operational items include CO₂ emission rights, valuations of biological assets and the Group's share of income tax and net financial items of EAI.

Restated: Reconciliation of operational profitability

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Operational EBITDA¹	1 614	277	397	455	484	1 925
Depreciation and depletion of equity accounted investments (EAI)	-16	-2	-3	-7	-3	-28
Silviculture costs ²	-62	-15	-19	-15	-13	-66
Depreciation and impairment excl. IAC	-533	-136	-130	-134	-133	-479
Operational EBIT	1 003	124	245	299	335	1 352
Fair valuations and non-operational items ³	494	588	-39	-37	-18	18
Items affecting comparability (IAC)	-192	-32	-36	-120	-4	20
Operating profit (IFRS)	1 305	680	170	142	313	1 390

¹ Restated Operational EBITDA includes operational fair value changes of biological assets of EUR 50 million for 2019 and EUR 27 million for 2018. In addition, the Nordic forests silviculture costs of EUR 21 million for 2019 and EUR 20 million for 2018 have been presented under Operational EBITDA.

² Including damage to forests

³ Fair valuations and non-operational items include CO₂ emission rights, **non-operational fair value changes** of biological assets and the Group's share of income tax and net financial items of EAI. Non-operational fair value changes of biological assets reflect changes made to valuation assumptions and parameters, usually during the annual valuation process. Operational fair value changes of biological assets are included in Operational EBITDA and contain all other fair value changes, mainly due to inflation and differences in actual harvesting levels compared to the harvesting plan.

Reconciliation of operational profitability: Change

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Operational EBITDA	71	18	21	20	13	48
Depreciation and depletion of equity accounted investments (EAI)	-10	-1	-2	-5	-1	-20
Silviculture costs	-11	-4	-5	-2	0	0
Depreciation and impairment excl. IAC	0	0	0	0	0	0
Operational EBIT	50	12	14	12	11	27
Fair valuations and non-operational items	-50	-12	-14	-12	-11	-27
Items affecting comparability (IAC)	0	0	0	0	0	0
Operating profit (IFRS)	0	0	0	0	0	0

As published: Cash Flow from Operations

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Consumer Board	476	145	163	113	56	339
Packaging Solutions	248	55	69	65	60	272
Biomaterials	423	66	114	138	105	438
Wood Products	183	57	57	51	19	147
Paper	344	97	118	70	59	222
Other	305	302	-34	112	-76	-52
Total	1 980	721	488	548	223	1 365

Restated: Cash Flow from Operations

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Packaging Materials	632	175	189	167	101	580
Packaging Solutions	93	26	43	10	14	30
Biomaterials	423	66	114	138	105	438
Wood Products	183	57	57	51	19	147
Forest	370	273	47	112	-61	-34
Paper	344	97	118	70	59	222
Other	-55	32	-76	3	-14	-18
Total	1 991	725	493	550	223	1 365
Total change	11	4	5	2	0	0

As published: Cash Flow after Investing Activities

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Consumer Board	328	98	135	84	11	177
Packaging Solutions	135	8	26	53	48	172
Biomaterials	266	11	82	104	69	327
Wood Products	135	42	47	38	8	80
Paper	264	72	99	47	46	175
Other	258	287	-41	102	-89	-119
Total	1 386	518	347	428	94	811

Restated: Cash Flow after Investing Activities

EUR million	2019	Q4/19	Q3/19	Q2/19	Q1/19	2018
Packaging Materials	401	87	133	132	50	351
Packaging Solutions	58	16	27	5	10	-1
Biomaterials	266	11	82	104	69	327
Wood Products	135	42	47	38	8	80
Forest	333	258	37	104	-66	-55
Paper	264	72	99	47	46	175
Other	-71	32	-78	-2	-23	-64
Total	1 386	518	347	428	93	811

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Part of the bioeconomy, Stora Enso is a leading global provider of renewable solutions in packaging, biomaterials, wooden constructions and paper. We believe that everything that is made from fossil-based materials today can be made from a tree tomorrow. Stora Enso has some 26 000 employees in over 30 countries. Our sales in 2019 were EUR 10.1 billion. Stora Enso shares are listed on Nasdaq Helsinki (STEAV, STERV) and Nasdaq Stockholm (STE A, STE R). In addition, the shares are traded in the USA as ADRs (SEOAY). storaenso.com

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