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<b>Corporation:</b>	Stora Enso Oyj
<b>Title:</b>	Capital Markets Day 2020
<b>Speakers:</b>	Annica Bresky, President and CEO Seppo Parvi, CFO  Moderator: Ulla Paajanen, SVP, Head of Investor Relations
<b>Date:</b>	11 November 2020
<b>Duration:</b>	92 min

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## Presentation Video

People all over the world want an eco-friendly lifestyle made easy. And products are evaluated in new ways.

How will this product affect the ocean? Is it plastic-free, biodegradable and recyclable? Is it made from fossil-based materials or from natural bio-based resources?

Packaging is a critical area as it uses 40% of the world's plastic. Most of this plastic is made from oil and when it ends up in nature, it stays there for 100s of years.

Recycling can reduce the problem, but not solve it. We all need to rethink and replace fossil-based materials with solutions for renewable and biodegradable sources. A new competitive frontier has opened up among brands. The winners are those who make it easy for people to choose a package for an eco-friendly lifestyle.

And this eco-evolution goes way beyond cheese and cosmetic packaging, it includes everything, from household appliances to cars. Wooden buildings that store carbon instead of releasing it are now replacing buildings of steel and concrete.

Through collaboration with customers, industry partners, recyclers and innovators, we will make the fossil-free circular economy an everyday reality.

Are you looking for a partner to accelerate the materials eco-evolution? Start by talking to us. Stora Enso, The Renewable Materials Company.

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## Annica Bresky

Welcome to Stora Enso's Capital Markets Day, and thank you so much for joining us. I would have been nice, if we could have been in the same room with you, and also to have my leadership team with us. But these are new times, so I'm running this from our Innovation Centre in Stockholm together with our CFO, Seppo Parvi.

Today's moderator is our Head of Investor Relations, Ulla Paajanen. Ulla, please take us through these practicalities before we kick this off.

## Ulla Paajanen

Thank you, Annica. Good afternoon, everyone. I'm Ulla Paajanen, Head of Investor Relations here at Stora Enso. You are warmly welcome to our Capital Markets Day 2020. We are living an extraordinary year, which prevents us meeting personally. We still want to offer you as good experience as ever in virtual format.

We will start the day with Annica's strategy presentation, diving into our growth opportunities and how we will create value. This is followed by our CFO, Seppo Parvi, who will speak about value creation, capital allocation, supported by strengthening balance sheet.

I also want to remind you that during the day, you can send your questions to us through a tab in the webcast that says, "Send a question to the speaker." We are namely ending the day with a Q&A session.

Both Annica and Seppo will take your questions during that part of the program. We are also planning to take breaks during the day for all of us to stretch legs and to take some refreshments. I will now hand it back to Annica, so for her to share her views how we are planning to shape our future.

## Annica Bresky

So I'm really excited to have you here today with us. It is time for us to share the outcome of our strategy process and the work that we, the Stora Enso team, and the Board of Directors have focused on during this extraordinary year.

It is about how we are shaping our business for accelerated growth in value, by focusing on our 3 leading positions. We are entering a new phase in our transformation journey. But before I go into the strategy part, I would like to recap and talk about our position as The Renewable Materials Company.

To start off, as you saw from the opening film, consumers are demanding change. They want an eco-friendly lifestyle made easy and our customers are looking for solutions to meet these demands. We meet our customers' challenges with our renewable, recyclable, plastic free materials.

And this brings to me the megatrends. And, yes, we are all aware there are a number of megatrends out there, impacting companies and societies across the globe. What is important here is the urgent need to solve the climate crisis. Otherwise, we risk our future. And people look for solutions that help them lead more eco-friendly lives.

# FLIK

And we are the solution for consumers' new demand. Our promise to the world is that everything that's made with fossil-based materials today can be made from a tree tomorrow. It is also the foundation of our entire innovation agenda. And we contribute to combating global warming by substituting materials from finite fossil sources.

The last 10 years, our forest absorbed annually about 3 million tonnes of carbon dioxide from the atmosphere. And what I would like to highlight here is that we are clearly a net-positive contributor to preventing global warming and very few businesses can claim that.

In 2019, our total climate benefit was 12 million tonnes of CO<sub>2</sub>. So by substituting fossil-based materials, our products saved an estimate 20 million tonnes in 2019 and this is as much as the annual emissions of 5.1 million cars.

So a wide range of solutions, they really help combat global warming by solving many of our customers' material challenges. So just take a look at a few of those. Food and beverage companies, they are looking for ways to replace plastics and be more circular.

This is the case also for many retailers. And the construction industry has a major challenge to reduce carbon emissions and waste. So now, let's talk a little bit about how we will shape our business for higher growth and value. We have selected our Packaging Businesses, Building Solutions and Biomaterials Innovations as our key focus areas for growth.

Our Forest, Traditional Wood Products and market pulp make up the foundation for value creation in our company. The forest is the source of everything, ensuring our long-term fiber supply and securing future businesses. It is a valuable asset, an asset, which is growing.

Pulp is the base for our production in Board and Packaging Materials, as well as the innovation within Biomaterials. Cost competitive pulp is key. And especially, our Latin American production facilities are strong cash contributors.

Our Traditional Wood Products business is the foundation for a value-adding offering within building solutions and it supports our production facilities with fiber supply. Our Paper division is a strong cash generator with assets and products that can be competitive on the market.

So now, let's focus more about our growth areas: Packaging, Building Solutions and Biomaterials Innovations.

So why have we chosen these ones? This is where we can build on our strengths and on our competitive advantage. We have leading market positions in high-margin products, strong and competitive assets, industry-leading competence and control of our renewable resource wood.

Packaging will represent the majority of our future growth with margins potentially exceeding 20%. In Building Solutions, we target to triple our sales, and also here we have margins close to 20%.

Our platform for Biomaterials Innovations could be a substantial business one day, big enough to be a division of its own. Here, we aim for margins exceeding 35% in for us new markets. We strongly believe in the potential of this portfolio. And all in all, this focus will generate sustainable and profitable growth.

So how will we focus our innovation resources to the key opportunities that we have identified? Well, we will zoom into new sustainable packaging materials, sustainable barriers and our biochemical

# FLIK

platform in lignin. Speed to market is essential and we will drive this through collaboration with other parties and an open innovation approach.

So to summarise, we see significant potential for profitable growth with high-margin areas. The majority is generated in our packaging businesses. And I will now go through each and every one of our businesses, starting with packaging.

Our two divisions, Packaging Materials and Packaging Solutions, have premium positions in very attractive segments. We are number 1 in consumer board in Europe, number 2 in packaging board in Europe, and number 4 in consumer board globally. So here, we can really build on this strong market position to leverage our growth and our margins.

As you can see, we have a proven track record. And I would like you to note that we have stayed resilient and performed well even during a year like this, maintaining margins and returns, and we have more or less grown in line with the market.

Moving over to our Packaging Solutions and our Converting business, we can notice that we have a strong regional position in Northern and Eastern Europe as well as in China. This business is largely a regional business. We have clear synergies with Packaging Materials that we take advantage of.

And one thing that I would like you to note is that converting business enables us to have direct co-creation and innovation with brand owners and retailers. In that way, we speed up the innovation and the introduction of new Packaging Materials and Solutions on the market, like for instance in plastic substitution.

Also, our Packaging Solutions business provides solid returns, and performance is especially strong in Europe. So now, let's move over to our strategic choices in Packaging.

We see significant growth opportunities for eco-friendly packaging. We have attractive investment options in Packaging Materials. We will drive packaging innovation closer to consumers. So, when we see these drivers, what are the factors behind these opportunities?

Well, as seen, especially this year, there has been a big shift in consumer behaviors, with growing e-commerce, on-the-go and home delivery market developing very rapidly. Also, the role of packaging in protecting food and hygiene has been re-emphasised. There is also an increasing demand in eco-friendly and low CO2 alternatives. And this is having a big impact on the total packaging market. A market that is vast, worth EUR 850 billion and growing by 4.5% per year.

For Packaging Materials, our target markets are Europe and Asia. And even if there is overcapacity short-term in some grades, these markets grow at a rate of 8 board machines per year. Our very cost-efficient production in Finland, Sweden, Poland and China serves our customers globally.

So let's now take a look where we have the most attractive investment opportunities in Packaging Materials. In order to develop world-leading and highly competitive sites, we will focus on brownfield investments, meaning our existing production sites, with special attention to our integrates.

Here, we will invest in increased production capacity, and improved our product and cost competitiveness. We will also explore opportunities to consolidate the market through selective M&A. And Seppo will talk a little bit more about capital allocation in his part of the presentation.

# FLIK

As you know, we have already taken such a step with our Oulu conversion. When fully ramped up, Oulu will generate EUR 300 million sales increase for Packaging Materials. The project is going on according to plan, and we will start production around New Year. The design capacity is expected to be reached by end of second quarter next year. And the long-term demand for kraftliners in e-commerce and food applications is increasing. So actually, this is quite a good timing.

Full commercialisation of our products will be reached by end of next year. The ongoing conversion of Oulu is however not the only opportunity that we have. We would like to take the next step in Skoghall, to also enable growth of our Consumer Board offering. We have an attractive product portfolio, local supply of wood in the very sweet spot of our forest holdings.

We will target to fully integrate Skoghall on the chemical pulp side and debottleneck the current machines. The mill is already today very cost competitive and this rebuild of the pulp mill would also be the foundation for any future major capacity increases in the board mill.

As you know, the environmental permit process takes some time, so we want to start the feasibility study in the permitting process already now. Depending on the outcome, we can be ready for a decision earliest by the end of this year and the start up by end of 2023.

Now, let's move over to converting, where we can take a more active role to push the demand for eco-packaging in the market. We can do this through our partnerships and collaborations with customers and brand owners, by expanding our packaging design services through selective organic growth in converting or through selective M&A.

In addition, forward integration in cartonboard or containerboard increases pricing stability. So we will explore all these options. And by becoming more active in converting, we will also drive packaging innovation to substitute plastics in our value chain.

And it is a key priority for us to speed-up this innovation and our commercialisation. This includes formed fiber, biofoam, biobarriers and films. As you can see, the addressable market for these products and innovations are big and growing significantly. And the margin potential is highly attractive.

So to summarise, by investing in our packaging business, becoming more active in converting, and accelerating the commercialisation of innovations, we have significant growth potential in Packaging with margins exceeding 20%. We will create the leading eco-friendly packaging company in Europe.

Now, let's move over to Wood Products. We have 2 businesses: Building Solutions and Traditional Wood Products. And if you're wondering, what we mean by Building Solutions, let's take a look at a short video.

## Presentation Video

So what exactly is Building Solutions at Stora Enso? We ask to the Director of R&D for Building Solutions, Matthew Linegar.

# FLIK

These are the main products that we sell today, CLT, LVL, rib panels, glulam, posts and beams, as well as planed and classic sawn timber. But we also have applications, in other words, how do we use these products? We use them to make floors and ceilings, walls. So for example, CLT could be used as a floor or a wall.

How then do you combine all these applications? And that's where concepts come in. These are the guidelines and specifications that we provided before under the old name, Building Systems. But systems was the wrong word. It gave people the idea that we were selling the full system or the entire building, but we're not.

We are selling products. And we're now guiding our customers, so that they can create cost-competitive wooden buildings. And that could be a residential multi-storey building, for example, or it could be a school, or it could be an office.

We're establishing the guidelines and know-how required, so that others can start constructing more in wood, but it goes further than that. We are working on providing digital services right across the value chain. Some services are already there. Like our online design tool, Calculatis. We've got 360, an app to help show you where a particular panel needs to be placed.

We're working on digitalising logistics, tracking and tracing every product, and then ensuring the right pieces of wood go into the truck in the right order for the construction team. We're adding intelligence into the wood with sensors that detect moisture, for example.

Then there's technical support. We're there throughout the project and after to provide our customers with support to ensure everything goes correctly. We can make all of this happen, because behind everything we do at Wood Products is an innovation in R&D team working with developing new products, applications and concepts all of the time. This kind of expertise and experience is one of the things that make us stand out against our competitors.

The other big advantage we have over our competitors is that because of our size, our history and stability, we have the capacity and ability to provide materials for large projects without any major problems. So this is how Building Solutions will support the strategy of transforming from a supplier to a provider of solutions.

Products, applications and concepts, and adding to all of these are our digital services and our expertise and knowledge, our technical support, logistics and R&D.

With this setup, we'll be able to meet the needs of all our customers, old and new, and compete even better with other building materials, now that we can provide solutions right across the value chain.

## **Annica Bresky**

I hope you now understand why we are excited about Building Solutions. We can really revolutionise the construction industry. So let's take a look at our market position. We are Europe's biggest sawmilling

# FLIK

company and the second largest global supplier of wood-based building solutions. We have a very strong product offering with global reach. More than 40% of our sales is outside of Europe.

So we have a strong foundation to build on. The market for Building Solutions is growing about 10% and it is a high margin business. Over the years it has brought stability in good and in bad times as you can see in these graphs.

So to summarise, we have attractive growth opportunities in Building Solutions. And we aim to capture a larger share of the value chain. So what are the main drivers?

Well, carbon storage, safer workplaces, lower building costs and faster construction. Another driver is legislation that is increasingly promoting wood and construction. And if you look at the market share, compared to other materials, there is really room to grow.

Cross laminated timber is the key enabler for mass timber construction and building solutions. And our global market share in CLT is 20%. We have built a strong footprint in Europe, continuously investing since 2008. And this year, we took the decision to invest in another CLT line in Czech Republic, growing our capacity by 44% and enabling us to capture opportunities in the Central European market.

I'd like to emphasise that we are not only capturing growth with capacity investments. Like you have seen in the film, we develop new business models and services. This includes, for instance, prefabrication of wooden buildings and digitalisation tools, new areas for the old-fashion construction industry, like RFID sensors to monitor the health of the building are other examples. In other words, we are transforming our Wood Products offering to value-adding solutions. And we are transforming our classic sawmills to sites with an end-to-end focus.

Our long-term target is to triple our sales in building solutions with sustainably improved profitability. Before we conclude this section, I would like to show you a short video, how building in wood helps combat climate change.

## Presentation Video

People are voicing their demands loud and clear. They want a climate-friendly low-carbon lifestyle made easy. As construction materials used in the world today account for 11% of the global CO2 emissions, there is a need to shift from non-renewable construction materials like steel and concrete to renewable low-carbon and circular building materials such as wood.

Wooden buildings store carbon their entire lifetime, instead of releasing it, contributing to green cities and communities. And people living or working in wooden buildings have lower heart rates, perform better and report improved ability to focus.

Through collaboration with customers, construction companies, architects and innovators. We will make the fossil-free circular economy and carbon-neutral buildings an everyday reality.

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Annica Bresky

Our next topic is Biomaterials. As you are aware, we are an integrated pulp producer with cost-efficient standalone assets. It's also here where we have our Competence Centre for developing future materials.

Currently, we are one of the top chemical pulp producers in the world. We have the broadest portfolio, with specialised mills within different end uses, and that helps us spread the risk. The pulp market as you are aware is highly cyclical. 60% of our pulp is used internally, mainly in Packaging Materials, supporting our growth ambitions.

And coming back to cyclicity, we have seen a couple of cycles during the years. And I would like to bring your attention that we have managed this well with solid average returns and good cash flow.

So what is our focus moving forward?

We will continue to strengthen the competitiveness of our sites. But market pulp will not be an area for growth for us. We see our pulp mills as the platform for developing new biomaterials and I will come back to that in just a few minutes.

We see that we have limited opportunities to create leading positions in standalone market pulp. So going forward, we will support Packaging Materials with integrated pulp, maintain the cost competitiveness of our already very profitable Latin American production sites and develop higher value products in our Nordic mills.

Moving now over to Biomaterials Innovations, we are focusing our innovation platform in 3 areas, all based on lignin: carbon for energy storage, bio-binders and carbon fibers. These are truly breakthrough innovations, where we have the best-in-class knowledge, and very good collaborations and partnerships in place.

All these areas can be significant businesses with attractive margins. The coming years, we are ready to take the next steps from pilot to scale up and commercialisation.

Now, let's move over to Forest. As you know, we are one of the largest private forest owners in the world. And we have a strong wood-sourcing position close to our sites. We recently announced that we are moving to a transaction-based valuation method for our Nordic holdings, resulting in significant value increase. And Seppo will go through the details in his part in just a little bit later.

Our Forest division is providing stable financial returns and strengthens our balance sheet. So, moving over now to our strategic choices. We want to be the leader in sustainable forest management and through our innovation efforts increase forest growth. So how will we do this?

Our sustainable managed forests are an important part of climate change mitigation. So our target is to be the leader with focus on biodiversity, land-use climate benefit and resilient local communities. All these questions are challenging because the timelines are very long in forestry, 7 years minimum for Eucalyptus, and 70 to 100 years for Nordic forests. But we do have a key competitive advantage, in the experience and the knowledge of our people. So let me share with you a development that I personally find very exciting.

# FLIK

By using big amounts of data, geological, local weather conditions, long-term climate projections, et cetera, we can build digital twins of the forest. And what does this mean? Well, this would be a revolution in forest management.

We would be able to move from general forest practices to precision forestry, fit for what is specific for a certain region or perhaps even for a single tree. In combination with our tree breeding and biotechnology programs, we will not only increase the growth rate, but also be able to engineer fibers suitable for different end uses and create resilience towards, for instance, pests or climate change.

But it is not all in the far future. By 2040, our target is to substantially increase our harvesting by 10% to 15% in a sustainable manner. This is a challenge that we're very excited to deliver on. So now, we have reached our last section, Paper.

As you are aware, here, we are experiencing tough times, we will continue to adapt to the market conditions with the target to generate strong cash flow.

And the trend speaks for itself. We believe that we have a new baseline for demand. So looking ahead, the decline is estimated to continue at a rate of just above 5%. So restructuring is really necessary, and we will continue to take action when needed.

And we have a good solid track-record. Since 2006, we have reduced our paper capacity by close to 70% to ensure strong cash flow. So what does this mean in practice? Well, we have closed 17 machines and 4 mills, converting 2 sites and divested 13 mills, a quite painful exercise, but unfortunately necessary.

So in the third quarter of this year, we decided to close down 1 machine in Hylte. And we are back on track once again with a positive cash flow. Summarising now with our strategic choices, we will continue to focus on cost and capacity reductions. We will also give paper higher operational independence and I'll get back to that just shortly.

Restructuring is the name of the game for Paper. And if someone, of course, would ask me today if we want to consolidate, we are open for such a discussion. But we are proud and committed to is to deliver strong customer service. And you can see here in the graph that we have been improving year by year.

To be able to adapt faster to challenging market conditions, we believe that paper needs a higher degree of operational independence. This way, we can increase operational flexibilities scale costs, adapt processes and tools to the division's requirement.

Now, we have reached the end of the strategy part. And it is time to take a 20-minute break. And after that, I will hand over to our CFO, Seppo Parvi.

## Seppo Parvi

Welcome back from the break. I'm very impressed by our teams that have managed to work on the strategy to identify the growth opportunities during these exceptional times. Now, we must make sure that we allocate resources accordingly. Annica went through the key points of our strategy already in her part. I shall now go through how we shall support the strategy implementation.

# FLIK

I shall through how we allocate capital and strengthen our balance sheet to make it all happen. In my presentation, I will focus on 4 key areas: recently announced, forest fair valuation method change; our cash flow, which has been our focus during this year; capital allocation going forward; and then finally, our revised long-term financial targets announced this morning.

I start with the forest valuation. Forest fair valuation method has been discussed with many of you already during the past year-and-a-half. Should we change the method? How it could be applied in different countries?

After careful consideration, we have now concluded that we shall change the fair valuation method. One of the key questions has been why to change? So why do we change the method?

First of all, importance of forests as a valuation driver has increased. Forests are a significant part of our balance sheet. Also, the difference between the market value and fair value of the forest has become quite significant overtime.

From Q4, we will change our valuation method and start using market-transaction-based fair valuation for Sweden, and there will be also some changes in Finland. We have seen that market practices currently changing and already several companies have implemented transaction-based method, in the Nordic countries. This applies to our Nordic assets and mainly Sweden. We will not change our plantation valuation method due to lack of sufficient market transaction data and shorter harvesting cycles.

Next to summarise the changes. Here you can see where the changes are. In Sweden, we will implement market transaction-based method. In Finland, the forest land currently accounted at cost will be revalued using discounted cash flow method based on future net cash flow streams, including income from sources such as hunting rights, wind power leases and soil materials. As there is no available standing stock data of the traded estates available in Finland, we shall not change the valuation method for the Finnish biological assets.

In our plantations located in Brazil, Uruguay and China, there will not be any change. This shall lead to significant increase in the forest valuation. According to our preliminary estimations, the value of the Group's forest assets, including leased land, will increase from the current EUR 5.4 billion, up to EUR 7 billion.

We will use average prices per region from external sources. We'll still need to decide if these values 1 year or 3-year averages. There also some other parameters to be confirmed and that is why we have now given a preliminary range. There shall be significant forest value increase in Sweden. But the change is not material in Finland.

We estimate that our biological assets fair value in Sweden will increase from EUR 3.3 billion, up to EUR 3.7 billion. Forest land value is expected to increase significantly from current EUR 0.3 billion, up to EUR 1.6 billion.

Many of you have already wondered about the valuation per hectare. We estimate that the range would be about EUR 4,200 to EUR 4,600. Location of the forest is an important driver for the valuation and our forests are located mainly in Central Sweden.

There are large differences between regional transaction prices, as you can see also from the graph on the right-hand side. Southern Sweden stands out from the graph, but prices have increased also steadily

# FLIK

in Central Sweden. It is fair to note that 83% of our forests are in Central Sweden and the rest in the North.

We are one of the largest private forest owners globally. We have over 2 million hectares of forest land, out of which 1.6 million is productive land. Our annual forest growth is exceeding harvesting above 1 million cubic meters. And we are a truly global forest owner.

Here, you can find a global map covering our forest assets. In addition to Finland and Sweden, we have forests also in Brazil, Uruguay and China. It is worth to mention that our forests absorbed annually 3 million tonnes of CO<sub>2</sub> and 98% of wood comes from the certified forests.

Next, I shall move to cash flow. I believe that cash flow is the key to success in business. It is heartbeat of any company and also one of the key enablers for the strategy implementation. We have worked on cash flow also earlier, but during this year we have put on it even additional focus. This is also visible on our cash flow this year.

Our cash flow has remained strong, despite lower profitability. Our successful and effective working capital management has strengthened our cash flow this year.

If you look at the graph on the right-hand side, you can see over EUR 0.5 billion reduction of our working capital since Q1 2019. I believe that there is potential for another EUR 100 million or EUR 200 million to be released further.

In connection with Q3 report, we increased profit protection programme target from EUR 350 million to EUR 400 million for continuous cost savings. All in all, the profit protection program is proceeding ahead of the plan. And I'm very proud of our organisation, showing good sense of urgency in both cases, reducing working capital and finding profit protection opportunities. Cash flow is key to good liquidity also.

One of the first actions this spring was to secure our liquidity for the coming couple of years. Our liquidity buffer is currently at EUR 2.2 billion. Going forward, we continue to monitor the development of the business environment and take steps to keep adequate liquidity at all times. We continue to have a good access to various funding sources. And we have limited maturities in the near future.

We have utilised windows on the bond market to prolong our maturity structure and to take advantage of the low interest rates. We continue to do the same also going forward.

Next from cash flow and liquidity to capital allocation. It is important that our strategy is also reflected on capital allocation, and that we allocate major part of the capital expenditure to identified growth areas. And we should not forget our shareholders either.

Annica already highlighted best growth opportunities. We have identified three focus areas. Those are packaging, meaning our Packaging Materials and Packaging Solutions divisions and Building Solutions, as well as innovative Biomaterials.

Many of you already earlier asked about our capital expenditure plans for the next year. In order to grow in those three selected growth areas, we need to be more selective in our capital expenditures. Next year, our CapEx is estimated to be in the range of EUR 675 million to EUR 725 million. This is about the same as in 2020. It includes last payments for Oulu conversion as well.

# FLIK

It is worth noticing that in this year, we have prioritised projects in order to improve cash flow, and some projects have been delayed to next year. This means that normally capital expenditure now could have been higher leading to lower investments in 2021.

Next, more in general when it comes to capital allocation. Strong cash flow is key to capital allocation. We will allocate capital for sustainable profitable growth projects and we expect our CapEx to be at or below depreciation over the cycle. This is in line with our earlier policy. We will accelerate our growth by selective M&A, especially in packaging businesses.

Our revised long-term dividend target is to distribute half of the earnings per share, excluding fair valuations over the cycle.

Next, more on revised long-term financial targets including our fine-tuned dividend policy. As part of the strategy process, it is natural to look at the long-term financial targets as well. This is important for the strategy implementation and direction.

We have three changes at group level. Fine-tuned dividend policy, as already mentioned, is to distribute half of the earnings per share, excluding fair valuations over the cycle. Fair valuation changes are non-cash items. We have changed this because we have now large forest assets in our balance sheet. When it comes to growth, we are now more specific and new target is to grow over 5% per annum. This makes our ambition level clearly visible.

Our return on operational capital employed (ROCE) target is now excluding forest, and it is more than 13% return over the cycle. This is now reflecting better performance of the industrial operations. Our forest value increases annually, because we do not cut all the growth. We leave every year about 20% of the growth to the forest, increasing the biomass volume continuously. Target for the forest division is set separately.

At divisions, there are 2 changes. Packaging Solutions' new operational return on capital target is now over 25%. It has been reduced, as we have now introduced and included new businesses, such as formed fiber and biocomposites. New businesses always in the beginning have additional costs to develop them.

Forest's new operational return on capital employed target is now over 3.5% including deferred tax liabilities. This reflects better the returns of the large forest assets after the valuation method change. It also takes into account the deferred tax liabilities relating to them.

Here is a summary covering the four key areas that I wanted to highlight today. New forest fair valuation method will reflect better, the true value of the forest assets we have. Due to the economic uncertainty, we will continue to focus on cash flow and working capital management. This is also important for the strategy implementation.

Our capital allocation shall reflect our strategic growth targets. We have also revised long-term financial targets which are well aligned with the new strategy.

And now, we will have a short 15-minute break, and then we will continue with the Q&A session.

# FLIK

## Annica Bresky

Welcome back. Before the Q&A, let me just recap our key messages. We are shaping our business for higher growth and value. We have a clear strategy to grow in Packaging, Building Solutions and Biomaterials Innovations. We develop our foundation in Forest, Traditional Wood Products and market pulp, while paper generates cash. This is a new phase in our transformation journey. We build on our strengths for long-term competitive advantage to deliver profitable growth.

And now, I know that you are eager to ask a lot of questions. So let's move over to the Q&A. Ulla?

## Ulla Paajanen

Thank you, Annica. And the first question is about corrugated packaging. You aim to take a more active role in corrugated packaging. Does this mean increasing your footprint through acquisition or organic investment in a meaningful way or engaging more with the brand owners and retailers?

## Annica Bresky

I think this is an excellent question. And as I said, it is about, first of all, strengthening and working in collaborations and partnerships. This is crucial. So that part is integral to design a new type of packaging. But we also have a good footprint from which we can grow organically. And as I said, we are actively looking into the M&A area as well. As we know, this is regional business and we are being active in all the three areas mentioned.

## Ulla Paajanen

Okay, thank you. And we can now move further in this converting type of interest here. We have a question here that say, can you talk about the opportunity for consumer board? You are number one player in consumer board, but you have not traditionally been in converting. How do you think about the medium-term, what the opportunities there?

## Annica Bresky

Well, in consumer board, there are several different end-uses, of course, liquid being one. And here in liquid packaging, there are already strong players that are our customers that we work very closely with, and the market is quite well consolidated. So there, we do not see that it is a road of opportunity for us.

But if we look at carton board and other types of packaging, there might be opportunities for us that we would like to explore. And if we also look at our formed fiber business, it is also going further down in the value stream for food packaging applications. So that is also an area that we are looking into.

# FLIK

**Ulla Paajanen**

Okay, thank you. And then, we lowered the Packaging Solutions target, the financial target. So how does this fit into the picture of going more to the strategy or in the converting integration and more to expanding in there, if we are lowering the strategic target or the financial target in that?

**Annica Bresky**

As Seppo described, we have done now a thorough analysis of our different businesses and we have put in Packaging Solutions, the new areas where we would like to expand, such as biofoams or biocomposites, and formed fiber. And all of these, of course, take a while to ramp up and have costs with them. So that's the main reason why we set a target that is reflecting the business situation that we have in Packaging Solutions. I don't know if you would like to add something, Seppo.

**Seppo Parvi**

Yeah, I would add that underlying return on capital is not changing as such. It's more that we are putting now more efforts in these new businesses that we are developing. There is a cost to develop a business.

**Annica Bresky**

Yeah.

**Ulla Paajanen**

Okay, thanks. And then, there is a question about, could you indicate what kind of profits the new Skoghall investment could generate per year? How incremental profits are derived from lower OpEx, and how much through liquid packaging board products or a shift of mix? How should we look at the ramp-up phase? And how should one look at the project risks?

**Annica Bresky**

All these questions are, of course, excellent questions. And you have to remember, we are starting the feasibility study. One of the main areas is to go through kind of these – and answer these questions. And as you see, the ramp-up is not going to take place until 2024. We will start building earliest by 2023. And we may have a possible decision on this investment by end of this year. So before that, we will not

# FLIK

be able to comment on your questions, but by end next year then we will be ready to have some answers for you.

## Ulla Paajanen

Okay, thanks. So then, maybe before we go to the other divisions, we might look into some of the CapEx questions here. In your CapEx for 2021, you mentioned last payment for Oulu, and some projects being pushed into 2021 from 2020. Are there any new growth projects that should contribute in 2021 or 2022? If so, what are they?

## Seppo Parvi

Well, there are no big major type of growth or development projects in the total. It's number of small and large capital expenditure projects. Relating to all, it's something like EUR 50 million that is moved from or which is still left to be paid in next year.

## Ulla Paajanen

And let's remain in this financial part. On capital allocation, can you elaborate on priority ranking between planned CapEx, selective M&A and shareholder distribution?

## Seppo Parvi

Like I said in my presentation, it all starts from the cash flow. And when it comes to allocating CapEx between the different divisions, we have clearly now identified the growth areas, the three growth areas that Annica went through in her presentation. And, of course, they have the first priority when it comes to allocating the capital.

Of course, we take rest of the – take care of the remaining businesses as well, it's sort of part of the foundation. No question of that. But major part, of course, are those three. They depend, of course, on opportunity, return of those investments, and how we see that the market opportunities develop.

## Ulla Paajanen

Good. Well, then, there's a question around CapEx again that, you mentioned CapEx at or below depreciation over the cycle, but near-term in 2021, 2022, 2023, given the Skoghall investment, should we expect it to be above depreciation yet before declining back?

# FLIK

## Seppo Parvi

Well, I think you have seen those earlier that when we have big projects, I think it's natural that capital expenditure can be above the normal level, which is like we said, at or below depreciation and depletion of the forest assets or biological assets. And we have shown in the past, that when the big projects are over, we are able to bring it down.

And I think it's premature to talk more about Skoghall related capital expenditure today. But you have to remember that the capital expenditure relates to Skoghall, if we decide to go ahead, will be spread over at least three year period.

## Annica Bresky

And the major part here will be at end of 2022 and 2023, when the actual construction if, as you say, we decide to do that will take place. So it will not impact 2021 in that sense.

## Ulla Paajanen

We are now changing our strategy from a market pulp to more integrated pulp. There is a question from the audience interested in, are we planning to make Biomaterials as an independent company?

## Annica Bresky

No. There are no such plans. As said, Biomaterials is the foundation for value creation and also for our Biomaterials Innovations platform. So we will, I think we have done a good job in specialising our Nordic mills, and we have good value creation or very strong value creation from our Latin American joint ventures. So, no, there are no such plans.

## Ulla Paajanen

Okay. Then a question about Building Solutions. What is the integration today? Do you need incremental upstream capacity to grow this business?

## Annica Bresky

Very good question. No, we have ample sawmill capacity to support the growth of CLT development. So here we will choose the best projects as we have done since 2008. But now with an accelerated kind of pace, so Ždírec is the latest one. We did Gruvön a couple of years ago. And we will continue to do so, to get the value creation from the Wood Products division.

# FLIK

And we do believe that it is when we find these more composite products, when we go out to – from commodity, even if commodity is part of Wood Products, that we can find high-margin business and grow that side, and we have proven track record of that.

## Seppo Parvi

And it is exactly what it means when we say that Traditional Wood Products mainly sawmilling is part of the foundation.

## Annica Bresky

Yes.

## Seppo Parvi

So that's something we can build on when it comes to this new product.

## Ulla Paajanen

Good. Your statement that whatever is made from fossil-based materials can be made from fiber is interesting. Is there enough fiber to drive growth? You say that you can harvest 10% to 15% more from your forest. With your sales growth target of more than 5%, it suggests that your fiber needs would increase by more than 150%. Where would the fiber come from?

## Annica Bresky

That is an interesting question. If we go now to, I mean, the fossil-based materials like, if we take oil for instance, it is based from all the biological assets that have been through thousands of years become oil. So when we say that everything that's made out of fossil-based materials today can be made from a tree tomorrow. That is the innovation agenda that we see ahead of us. But, of course, we will not do everything.

As I've said today, we will have focus in the areas where we see that we have the best opportunities, and that is within, for instance, bio-barriers supporting our Packaging Business, or if it is within the lignin area from our Biomaterials Innovations platforms. So it is all about being selective.

Then if we look at the fiber and so on, we need to remember that we always also become more and more resource efficient. And as I said, when we plant our forests, we have the ability to choose the fibers that are appropriate for the right end uses. So the good thing or the beautiful thing with our

# FLIK

business is that, that we utilise the full tree in the different areas, the beautiful parts for Building Solutions, then we have other parts of the trees that are more suitable for packaging. And that is kind of where we find the resources.

If we look at our forests, they grow more than we harvest. And that I think we all need to remember. And we are shifting our business models, I mean, 20 years ago we used to have 70% in paper. Today, we have our businesses in other areas. So there is enough fiber to support the growth that we are targeting.

## Seppo Parvi

Maybe couple of more points to add on top of what Annica already mentioned. So, you also should remember that when it comes to new innovative biomaterials quite often we have the raw material already, it's just that how we use it in more efficient manner instead of burning it like as black liquor as example, we can take lignin. So it doesn't mean that we need to harvest more. And secondly, we are also working on reducing basis weight, when it comes to board. It again means that more square meters with less tonnes. And those also right across is coming through.

## Annica Bresky

Absolutely. If we look just that last 15 years, I think we have reduced by 30% the material usage in packaging boards, for instance. So I think this is kind of the platform that we are working on, resource efficiency and also the innovations based on different types of fibers.

## Ulla Paajanen

Very reassuring to hear that. So, next one is about Biomaterials and the Innovations there. In your Innovation business in Biomaterials, you mentioned this can be a significant business and potential warranting its own division. What is the timeline on this? What capital requirements are needed to get you there? And why do you expect such a high margin, if you think said 35%?

## Annica Bresky

These are breakthrough innovations. If we take one area such as carbon for energy storage, we know now that the trend for electrification for instance will demand more batteries. And parts of the batteries are products that we can derive from our own processes, based on lignin. Now, giving a timeline in this is always difficult. We are in pilot now. So we are scaling up our pilots next year. And then depending on how that goes and how we design our processes, this journey will continue. So it's very difficult to give an exact timeline.

# FLIK

But as I said, the market is very big. And we have very competitive positions. We have leading knowledge in this area. So we are confident that, as I said, sooner or later, we might have a totally new division based on this innovation platform. And there is ample of lignin out there. There are big amounts of lignin. So it's really about the knowledge of how we use that material for these areas that we presented in our platform.

## Ulla Paajanen

Good. Thank you. And we have already spoken a bit about M&A. But there is a particular interest that where do you want to grow segment geographies and why, and this is with M&A?

## Annica Bresky

Our Packaging Businesses is where we see our greatest M&A opportunities. So we will look into that. If we look geographies and building solutions to have collaborations perhaps within further down in the value chain, if we see that there is opportunities there to support the growth within construction. If we look at Packaging Solutions, for instance, there, it's Central Europe, that we have opportunities and where we have good integration opportunities with our current Packaging Materials.

And for Packaging Materials, if there are good opportunities to consolidate the market, that is something that we look into. But more specific than that we cannot be. We, of course, look at the opportunities that are out there and make an assessment all the time of what is fitting us strategically.

## Ulla Paajanen

Good. Thanks. Then maybe linked to M&A is, this is sort of a reverse to M&A. Your Latin American pulp mills are good-quality low-cost assets. However, if you don't want to grow in the market pulp is there an argument for disposing one of the JVs and redeploying that capital in the packaging, potentially accelerating forward integration via M&A?

## Annica Bresky

This is, of course, something that we are not having any decision on. As you say it is a very good cash flow from the Latin American JVs. And, of course, here we have the opportunity to, if possible, to take either a bigger part of the JV or to also use for funding. But we have not seen that as an area that we will do in – to fund other initiatives. We see good opportunities to debottleneck our mills in Veracel. And also, Montes del Plata still has a lot of work to do to reach kind of its full potential. So that is our focus short-term.

# FLIK

## Seppo Parvi

And I would add that, even if we are saying that we don't see market pulp as a growth area, it doesn't mean that market pulp would not be important business for us. And if you think about capital allocation and growth opportunities, we see better, bigger opportunities for us in the packaging and building solutions and innovative biomaterials. It's of course matter of choices.

## Ulla Paajanen

Okay, good. Thanks. Then there is about the partnerships. I appreciate that speed to market is paramount. When you talk about partnership is that with customers or companies you co-operate products with? If the latter, how do you crystallise value from those co-operative agreements? What does open innovation mean? Is that cross-industry co-operation or something else?

## Annica Bresky

Oh, this is a fantastic question, I think, with so many dimensions. If we start with collaboration, it is both. So it is customer collaboration. And if I take some examples, we can say that our collaboration with Tetra Pak, for instance, in enabling recycling or circularity, where we are looking at what we can do in our mill in Ostrołęka to make sure that we take back used beverage cartons in Europe, and recycle them, and enable easier recycling. That is one of the types of innovations, and we have many of those going on in collaboration with our customer base. So that is where we drive kind of also the new Packaging Solutions on the market.

But then, there are also other collaborations that we do across industries. If I mentioned in the digitalisation area, if we want to drive innovation there, we are collaborating with our space, that's called Combient Foundry, where many companies utilise their resources to drive automation, digitalisation in their operations, and in different parts of the company.

And then, if we look at product innovation, here, of course, we are scanning constantly start ups, for instance. I think we have scanned over 1,100 different start ups. And in 2018, we were mentioned as the most start up friendly company in Finland. And here we also find new ideas and areas of collaborating.

And when we talk about open innovation, for me, this means that it has to be win-win for both partners. And the speed of change, it means that you cannot get stuck in the legal kind of IPR discussions, because then you are not able to move quick enough. So having trusted partners, where we work long-term together, we believe that that is the foundation for success here and we're doing that across many, many areas.

## Ulla Paajanen

# FLIK

Thanks. Then we come back to Skoghall. Regarding the plant investment in Skoghall, what is the expected to return of that EUR 800 million to EUR 850 million investment? Regarding the capacity expansion in Skoghall, you plan plausibly to increase paperboard capacity by 120,000 tonnes? What paperboard grades would that be?

## **Annica Bresky**

If I start with the last question, it will be the product mix that we have in Skoghall, which is liquid board, and then CKB or CUK, the brown boards for food applications. So it is within the product mix that we are already running in Skoghall. And regarding the first question, we need now an environmental permit and environmental permit discussions take quite time. And we also need to do the complete feasibility study.

And then, we will be able to answer the financial questions that you are answering. So it's a little bit premature now, when we have done our feasibility study at the end of next year, we will have all the specifics. And we will also then decide if we will go ahead or not. So we have actually not decided to invest in Skoghall yet. It is the start of the journey. But we see a good attractive opportunity here.

## **Ulla Paajanen**

Marcus always want to have all the information.

## **Annica Bresky**

I understand that. I understand. You're impatient. But you have to wait a little bit more.

## **Ulla Paajanen**

Yes. Well, then there's a bit more holistic question here. Actually, there's somebody needs here a bit of a clarification, what we announced today. So what is the main change in today's announced strategy from the previous, please highlight where this is different and how this will change your return in incremental investment?

## **Annica Bresky**

I think that's a good question. And as you know, we have a very broad portfolio. And before where we were speaking, we were saying that we have Paper division that's running for cash, and then we have the other five growth divisions. So the major difference here is that we clearly point out where we see the best and most attractive opportunities to drive growth, where we have leading positions and

# FLIK

strengths that really differentiate us from others. And that's where we also will allocate our strategic CapEx in more disciplined way. I don't know if you would like to comment anymore, Seppo?

**Seppo Parvi**

Yeah, I think looking back, so I think we are more specific now that where do we expect the growth to come. Some of you on the market, reading the comments this morning, said it was sort of obvious, but now it's clearly spelled out. I think that is one important difference compared to our previous strategy statements and comments. And another thing I think is quite important step, as I also clearly defined, that we don't see market pulp as a growth area. Even though, as I mentioned, it doesn't mean it wouldn't be important, it's not a growth area.

**Annica Bresky**

Yes.

**Seppo Parvi**

And then that we have also clearly now defined roles of different parts of the business portfolio, those three different categories, if you wish, also more structured in that sense.

**Annica Bresky**

And if we connect to our innovations as well, the question about are we driving too many initiatives has come in, in some questions before from analysts and investors. We have also streamlined there and seen, okay, so where do we really think that we have good opportunities to have sizable businesses to be able to funnel the resources that we have in the areas that make the most impact? And that has also been a work that we've been doing during this year.

**Ulla Paajanen**

Good. We have talked a lot about the M&A already, but I think there is one good angle in one of the questions here. Financing potential M&A, do we consider issuing new shares in order to finance an acquisition?

**Seppo Parvi**

# FLIK

I think it's again a good question, but a bit premature. Of course, those are things that need to be addressed once we get there. But obviously, we are a public company. So we can issue shares, yes. Then it's also, of course, up to shareholders, if that is the route, and their opinion. Secondly, of course, we have been generating good cash flow in the past. And I see no reason why we would not be able to do the same going forward. But like I mentioned in my presentation today, we put a lot of effort and focus on cash flow successfully. So that's another source and we have good access to funding on the market as well. So I think we have many different alternatives, depending on the size of the transaction and timing.

## Ulla Paajanen

Yes, good. And then, we have a question from Paper – for Paper actually. What is your current capacity utilisation in Paper division? Do you have needs to close further capacity in order to reach closer to an optimal capacity utilisation?

## Annica Bresky

We don't generally comment on capacity utilizations. But what we can say is that it is a demanding and tough situation. We announced the closure of Hylte machine some months ago. And I believe that we need now to see on which level the demand stabilises on, but clearly, there is going to be a need for continued structural actions on the market. And we will take the necessary actions if and when we see that fit and come back to that.

## Ulla Paajanen

Okay, good. Then sort of a technical question about the forest valuation, and how we are planning to go forward with that? So, from what time period is the transaction data that is used in the valuation of the Swedish forest land? And the second question is, are you going to acquire/build database for future transaction-based valuation of your Finnish forest land?

## Seppo Parvi

Okay, thank you. Good question. And I know that many have been struggling about those parameters. And like, I mentioned, there are still a number of parameters that we are working on. And that is exactly why we are giving a range, not an exact figure yet.

When it comes to time period, the horizon we are working on, typically, you are using as 1 year or 3-year averages, both have its positives and negatives. And that's something that we are working on, should it be shorter-term or longer-term. And that's something we will decide now, before we come out with the final figure in connection to Q4 reporting.

# FLIK

Then when it comes to Finland, the challenge is that, that there is this good data when it comes to transactions and prices per hectare. But there is not information available on standing stock, basically forest cubic meters per hectare in the trades that have been done. And the difficulty is that, for us as a private player, it's very difficult to collect that information, if it is not readily available somewhere in a database.

And in Sweden, the public data and availability of data is better and that's why we're able to do it here. In Finland, currently, unfortunately, we are not able to do it. But we have done some benchmarking and comparison based on the prices paid per hectare in the regions, where we have forests in Finland.

And actually, those are not far away from our current valuation in Finland. And that's why we also felt comfortable to continue with discounted cash flow method as earlier, when it comes to biological assets in Finland. And I should like mention, we are doing a revaluation of the forest land in Finland also like we are doing in Sweden, but there the change is not material.

## Ulla Paajanen

Thank you, Seppo. I hope it clears some of the questions out of the market about the Finnish forest valuation method we are using. And then, we're going back to the graphic paper. Have you seen or do you expect any negative impact from the new lockdowns in Europe? And once we get a vaccine for COVID-19, do you expect a meaningful recovery in Paper?

## Annica Bresky

Well, those are the \$10 million questions. So that is why I say that, we need also to assess where the market comes back to. And, of course, getting a vaccine is one of these parameters that we need to see how much the market bounces back, if it bounces back. We personally believe that we will not be coming back to the – we have a new base level. We will not be coming up back to pre-corona demand. So therefore, we expect that we would need to continue to make restructuring measures.

## Ulla Paajanen

Okay, good. Then there is an interest towards our lignin applications. An investor asks, can you update us the prospects for lignin application for energy storage, bio-binders and carbon fibers, ambitious up to 2025 and 2030?

## Annica Bresky

As I said, previously, these are breakthrough innovation areas. You see the markets are quite big, so – and the growth is big in this markets that we are targeting. But we need to go through the phases of having a pilot where you know if your process works, so we have moved into that stage now. And if that

# FLIK

is successful, then the next stage is to build kind of a bigger site, where you can really run the process as if it's kind of to a scale-up position.

So when we are ready with that, when we have optimised in the pilot phase, we know exactly how we will construct the process to be the best process in the scale-uping phase. So having the patience of doing these initial steps, also make sure that you take less risks then when you want to scale up your production, so that's why this is a key step that we will focus on the coming year. If successful, then we will proceed and come back with more information during the next year.

## Ulla Paajanen

Good, thanks. Then another very different topic, you are planning to increase logging in Sweden. Is it possible to do it climate friendly? How?

## Annica Bresky

Yes, of course, it is. We have to remember that when forests are growing, they are absorbing carbon dioxide. And when they reach their mature age, then they stop growing and start potentially releasing CO<sub>2</sub> to the atmosphere. And we are not harvesting out of the holdings that we have, we are only harvesting part of the growth. So we are not even harvesting the full growth of the forest that we have.

So looking back, for instance 100 years, we have seen that our sustainable forest management practices has led that Sweden has 50% more forest today – no, 30% in Sweden and in Finland 50% more forests today than we had 100 years ago. So this is really a testimony that we can do both.

And then, if we look at the substitution effect, because that is where we have the biggest climate impact. If you substitute something that's based out of oil, a plastic package with a package made out of renewable materials, the substitution effects, that's where you have the biggest climate potential. If you make a building out of wood and use less steel and less cement and concrete, that is where you have the best climate impact.

So I do believe that it's not either or it's actually both. And having the ambition with long-term owners in our company, and also us as a company that's been here for centuries, we really want to make sure that our forests are here not only for tomorrow, but for hundreds of years to come. And that is what's driving us when we develop our forest management processes, in a sustainable way.

## Seppo Parvi

Yeah. And I would add to that, it should be noticed actually we offer solutions for climate warming. And by practicing sustainable forest management, we do it in a sustainable manner. So, in that sense, I wouldn't be too much worried about this.

# FLIK

**Annica Bresky**

Also, if – I mean, we are climate positive today. So the more consumers want renewable products, the more positive climate impact we have.

**Ulla Paajanen**

Good. Thank you both. It's such a positive message we have here about that. Then, interesting question, many and very significant part of the group within paper, biomaterials and wood products are not selected as prioritised growth areas. Would it make sense to focus not only capital allocation, but also the group's overall operational presence? Is there not too high a share of cash flow or harvesting-focused businesses in the group?

**Annica Bresky**

If you can just repeat the last, is there...?

**Ulla Paajanen**

Is there not too high share of cash flow or harvesting-focused businesses in the group?

**Annica Bresky**

Well, I don't believe that's the case actually. If we look at our sawmill operation that is the foundation to be able to grow the Building Solutions. So in our sawmills, we make continuous investments further down the value chain. So they are a precondition for us to be able to grow our Building Solutions business. And if we look at our pulp business, as we have said, we have 60% of our pulps integrated. We will continue to work to have even more of our pulp integrated. And those are the platforms for our Biomaterials innovations. So I wouldn't say that that's the case.

**Seppo Parvi**

You should rather see it as part of the supply chain.

**Annica Bresky**

Exactly.

# FLIK

## Seppo Parvi

And then businesses have different roles. And the beauty of our business is that our businesses are in many ways integrated, not always physically but virtually, meaning it starts from harvest, it goes to sawmill, it goes to making CLT, LVL elements or planks, then it goes to pulp mill, then we make board or paper. And then we can make/convert boxes or some other products. And that's the beauty of the business.

But you need those to identify where you put your money. And you'd think about the growth opportunities and best opportunities.

## Annica Bresky

Yes. With the market and so on, but perhaps allocation of strategic investments or major steps will not be taken in those businesses.

## Ulla Paajanen

Okay. We have talked today about Oulu and Skoghall expansions in Packaging Materials side. Now, we have a question, what kind of development options do you see for the Beihai Mill? Does the market growth warrant capacity additions there?

## Annica Bresky

What we see with Beihai Mill is that we need to continue our journey to create the market of premium consumer board products and we are well on our way there. We are doing debottlenecking investments. So we are able to increase kind of the capacity in minor ways by continuously optimising the production there. So the design capacity, for instance, was 450,000, now we are up running 500,000, and potentially, we might be able to run 550,000 tonnes in the same mill.

But the main part here is to continue the journey of introducing premium products on the Chinese market and that is what we are focusing on in Beihai.

## Ulla Paajanen

Good, thanks. So then about Building Materials or Building Solutions, I believe this is referring to. Will Building Solutions be reported separately from the rest of wood products on a divisional basis in the future?

# FLIK

**Annica Bresky**

No, we don't see that in the future, they are very much integrated. And as I said that the sawmill operations is the foundation on which we will build end-to-end value chains with our customers. So that is not a priority.

**Ulla Paajanen**

Okay, good. Then, is Stora Enso planning to build lignin capacity at more sites than Sunila. What lignin capacity will Stora Enso have in 5 to 10 years' time?

**Annica Bresky**

I cannot really answer in 5 to 10 years' time, how much lignin capacity we will have. Totally, the lignin is a market where you can acquire it from the open market. I think it's about – was it 4 million tonnes, if I don't remember, totally wrong. So we're building the pilot plant in Sunila and we can then use the lignin that we have in the different other sites to kind of support that site. So I don't have any more specific on that, Seppo?

**Seppo Parvi**

No, and if I remember correctly, our capabilities would be something of 450,000 tonnes.

**Annica Bresky**

Yeah, 450,000 tonnes of lignin. But it is a market where you can acquire it also from other partners. So the important thing here is the knowledge about the process. And the actual kind of processes set up. That is where we have the leading position in lignin. And then, we can acquire the lignin on the open market and utilise it with our knowledge.

**Seppo Parvi**

But then on that, yes, we can take or invest in similar equipment that at the pulp mills...

**Annica Bresky**

# FLIK

Yes, all pulp mills. All pulp mills have their own lignin kind of opportunity. So, yes, we can do that.

## Ulla Paajanen

Good. We remain in this innovation part here. So will barrier solutions aim to be used in the new products in your own board production or commercialise to external sales?

## Annica Bresky

Well, we have the opportunity to do both here. And I think that the important thing is that our focus now is to support our own products and give the competitive edge on the market. But we are also discussing licensing with other partners, because at the end of the day, our main competition is other materials.

If we look at the share that renewable materials have in packaging, for instance, it is quite small compared to other materials such as glass, metal, and plastic, that are from a sustainability perspective worse. So we want to drive the renewability agenda and make sure that renewable materials are the most competitive on the market. So we are open to collaborations when we have those solutions.

## Ulla Paajanen

Good. Then we have a question, again, in this new or set of exciting new things. Does Stora Enso Accelerator programme continue? And what are Stora Enso experiences in such collaboration with start up companies; any new revenue generation via these collaborations?

## Annica Bresky

I think that's an excellent question. And, yes, we are actually in the middle of running our current Accelerator programme. We run that every 18 months. And here we put together teams from our company, and then the start-up companies, and they work together on a common idea. So the theme for this year is plastic-free supply chain.

So here we're looking for partners that would like to join forces with us in this area. And the beauty of this is that it's not only about that we get a business opportunity or a possibility to help the start-up to succeed with their company, because that is part of the program as well, it is also finding like opportunities together. We can say, the straw product with Sulapac is one of those.

And here again, if we have open innovation, it is about win-win and collaboration. So sometimes we go to our customers together, and present the solutions together with a start-up. So it's indirect revenue. It's re-skilling and up-skilling of our own people that they get kind of the clock speed of what it takes to be quick on the market and commercialise quickly. And then, it is also actually finding the solutions for our customers and being who to talk to when our customers want innovations.

# FLIK

## Ulla Paajanen

Good. Thanks. Very interesting. And we sort of continue on this topic on a different angle. As a leader in sustainable innovative new products, do you see international standardisation such as ISO standards or other professional organisations, a strategic tool to secure your markets and take the lead in testing process management market and customer confidence?

## Annica Bresky

Yes, there are a lot of standardisation tools out there and I think it's good, especially in the area of circularity. There is a lot of discussion now how can we speed up recycling of materials, an area where we as an industry have been forerunners for a long time. And one of the areas that is important here, for instance, in packaging is making sure that we reduce complexity that we design for circularity, and that we have standards for things that enables that to set up the collection systems, to set up the recycling systems working across borders, in whole of Europe, because our materials are produced in the Nordics, but they are consumed somewhere else.

And we need those standards enabled to drive that that journey. So this is quite a lot of work that we're doing with those organisations, but also in policy and legal kind of institutes to make sure that we have the right type of aspects and parameters, in aspect, for instance, in circular economy. And the same is also for Building Solutions for instance, the standards for how you build and what you build are also important to have in place in order to accelerate market share.

## Ulla Paajanen

Good. Thanks. Then we have two technical questions around forest valuation. Regarding the first valuation, should we expect an update on forest valuation once a year going forward or quarterly?

## Seppo Parvi

We are looking into the frequency. Quarterly might be a bit too often, thinking about the asset as such. So, I think it could be rather semi-annual and the main update once a year in connection to the year-end reporting. But that's also something we will define more close. But that's our current thinking.

## Ulla Paajanen

And then, there is a question again on the forest valuation. When can we expect a final number for the forest assets? What's the constraint to set a firm forest valuation today?

# FLIK

## Seppo Parvi

First of all, like we said, we will give the final figure in connection to year-end reporting, basically in connection to book, closing of the books for the year, when we report the final figures for Q4 also.

Then what we are working still on, one is this average to use 1 year or 3-year average is as an example. Then we are still also working on the exact regions, because of course, there are definitions for the regions and how far away from our forests are, as an example, we call when collecting the comparable data or how close. That is, I mean, not an important factor.

So, those are sort of driving to make sure that we have a fair calculation base and that we continuously can do it the same manner.

## Ulla Paajanen

Good. Thanks, Seppo. And now are approaching the last question of this session. So actually there are two, but they are very important questions, so I wanted to save them to the end. Two questions regarding dividend. How would you describe Stora Enso's dividend policy in the coming years? How about the dividend for 2019? Will the rest of the dividend be paid out for the shareholders? Or will it be invested in the company?

## Seppo Parvi

Well, first of all, about the policy, so like I said, we have bit fine-tuned the dividend policy going forward and it is now half of the EPS, earnings per share, as earlier, but excluding fair valuations. And then we are excluding now fair valuations, because of the large forest assets that we have and that can – it has non-cash related issues. And, of course, cash flow is important also, when it comes to dividend payment.

When it comes to future, of course, that depends on the earnings per share, doesn't it? So in that sense, it's a simple answer. And at the end of the day, it's the Board who makes the recommendation to AGM and shareholders, you decide what is the dividend, then based on the proposal.

When it comes to 2019 dividend, which is partly still pending and there our Board has authorisation until the next AGM basically next spring. And there we are and the Board is following business environment, development, cash flow, financial situation of Stora Enso and then when time is mature then we make a decision on original dividend if any. So that is still pending and to be decided.

## Ulla Paajanen

# FLIK

Okay, thanks, Seppo, and thanks, Annica, for the session. And I will hand it over to you, Annica, for the final words.

## **Annica Bresky**

Thank you so much for all your questions. And I really kind of enjoyed our session together. Now, closing up, we stay true to our promise of replacing fossil-based materials with renewable ones. We are meeting the consumers' demand for eco-friendly and circular solutions. And if there is only one thing that I would like you to remember for today is that we are shaping our business for higher growth and value by building on our three leading positions, in Packaging, Building Solutions and Biomaterials Innovation. The future grows in the forest. Thank you very much.

## **Seppo Parvi**

Thank you.