



## **Stora Enso Oyj – Q2 Earnings Presentation 2024 | GCS | July 23, 2025**

### **Jutta Mikkola**

Hello, and welcome to Stora Enso's Second Quarter 2025 Results Presentation. My name is Jutta Mikkola. I'm the Head of Investor Relations. I'm joined by Hans Sohlström, President and CEO of Stora Enso; and CFO, Niclas Rosenlew.

The title of today's presentation is solid business performance in a volatile demand environment. The agenda will begin with key highlights and strategic focus areas presented by Hans. Then Niclas will review the company's financial performance, and then Hans will conclude with a summary of key takes and focus for 2025.

Thank you for joining us today. And I will now hand over to Hans Sohlström.

### **Hans Sohlström**

Thank you, Jutta. During the second quarter of 2025, we continued to make good progress in building a stronger and more competitive Stora Enso. While market conditions remain challenging, we focused on the areas within our control. Driving efficiencies, in-sourcing operations, commercial excellence, working capital and fixed costs. In addition, during the second quarter, we took significant steps to strengthen our strategic focus on Renewable Packaging.

To begin with, it's notable that all operational segments achieved positive adjusted EBIT for our second consecutive quarter despite continued weakness in board and pulp markets. Consumer demand remained at relatively low levels and was impacted by geopolitical uncertainty. Sales at EUR 2.4 billion grew 5% year-on-year, supported by high demand for food products and packaging solutions. Adjusted EBIT was EUR 126 million as the old ramp-up add an approximately EUR 50 million negative impact on the second quarter adjusted EBIT. Our continuous dedication efforts to improve cash flow resulted in operating working capital to sales of 7%, a decrease of 2 percentage points year-on-year.

During the quarter, we reached a major milestone with agreement to divest approximately 175,000 hectares of forest land equivalent to 12.4% of our total forest land holdings in Sweden for an enterprise value of about EUR 900 million. The value is in line with our Swedish forest book value. This transaction reduces our debt and enhances our financial flexibility as well as confirms the true market value, including a long-term wood supply agreement. Stora Enso will retain a 15% ownership and will enter into a 15-year wood supply agreement with a possible additional 15 years extension.

Following this, we initiated a strategic review of our remaining 1.2 million hectares of Swedish forest assets, reinforcing our commitment to attractive portfolio managing and shareholder value creation. As part of this review, Stora Enso will explore various options, including a potential separation and listing of the Forest business through a demerger into a new company that would be wholly owned by all Stora Enso shareholders.

Over the past months, Stora Enso has taken decisive steps to sharpen our strategic and operational focus. These actions are not isolated. They are part of a broader transformation, focusing on profit performance and portfolio with people in the center and to become a more focused Renewable Packaging company. These initiatives are guided by three objectives. Firstly, we are increasing strategic business and operational focus and simplifying the corporate structure. Secondly, we are realising synergies and improving cost competitiveness. And thirdly, we are deleveraging and unlocking asset values.

This recent initiative, the sale of 12% Swedish forest and the strategic review of the remaining Swedish forest assets, the Oulu Consumer Board ramp-up, the acquisition of Junnikkala and the new leaner organisational structure marked a significant phase in Stora Enso's transformation. This puts Stora Enso in a good position to deliver sustainable value creation, both operationally and financially. We are building a more agile, focused and resilient company to maximise value and deliver long-term returns for our shareholders.

Let's then look more closely on the strategic rationale behind the recently initiated strategic review of the Swedish forest assets. In June, we announced that we initiated a strategic review of our Swedish forest assets. With the review, we aim to enhance business focus and unlock the full potential of both our forests and industrial assets. Initiating this strategic review highlights our commitment to maximise shareholder value.

If we then look at the 2 different parts of the business. Stora Enso, the industrial part is a global leading Renewable Packaging company with sustainability at the heart of what we do. We have leading market positions with a customer-centric offering and one of the market's broadest offerings within packaging. We have a strong culture of innovation and sustainability underpinning the business. The business has a leading asset base with cost competitive integrated sites and diversified material supply, including pulp. With several ongoing initiatives we are continuing to strengthen the company.

If we look at the Swedish forest, we are a leading Swedish forest owner with optimally located assets in Central Sweden with proximity to strong sources of demand such as pulp and sawdust. There are strong tailwinds when it comes to renewable materials and the forest is the raw material. And this will drive market growth in both short and long term. We are a leader in biodiversity, where we have a long history and culture. We have strong assets and an adaptive forest management. The Swedish forest is a source of consistent and strong cash flows and growth. We also see new emerging business opportunities within renewable energy, carbon credits and beyond. The rationale of the strategic review is to look at the two parts of the business and to conclude whether it is better to have them as separate businesses or continue as is.

As said, this is the start of a strategic review, and we have not concluded anything yet, but we have a clear hypothesis of what creates the best business and shareholder value, and we will come back with the conclusions of this review at the end of the year. As said, we are in our strategy, emphasising growth within Renewable Packaging. Nearly 80% of investments over the past decade have been allocated to this area. The following outlines approach and focus on enhancing synergies to support the profitability and growth of Renewable Packaging.

Let's start with our consumer board, the core of Stora Enso. This business includes liquid packaging board, bleached and unbleached, folding boxboard and barrier coated board for food and beverage applications. We serve global consumer-facing brands, which demand the highest standards in quality and sustainability. Stora Enso owns the three largest integrated consumer board mills in Europe including the most cost competitive Oulu site ramping up. These sites combine large-scale board production with integrated pulp manufacturing with efficient wood supply. This is a critical competitive advantage and highly valued by our global customers who rely on consistent quality across multiple sites.

Regarding the Oulu ramp-up, customer feedback on product quality has been very encouraging. While the ramp-up will continue to weight on earnings in the short term, we remain confident that all the board line will be very cost competitive and deliver some of the best quality products in the industry. This investment is central to our strategy of growth in Renewable Packaging.

Then if we look at our containerboard production, we produce fresh fiber-based liner in Finland and recycled fiber-based test liner in Poland. Our Langerbrugge Mill in Belgium currently produces newsprint and magazine paper. We have publicly stated our intention to convert it to testliner when market conditions and financials allow. Our largest liner customer is ourselves, enabling significant synergies between liner production and box conversion. We have conversion capacity across Poland, Sweden, Finland and the Baltics. In 2022, we acquired the young packaging group in the Netherlands, now the largest and most modern conversion facility in Europe.

Conversion is a local business. Empty boxes are not economical to transport long distances.

Our strategy is not to be the largest converter, but to maximise synergies, especially between recycled fiber liner production and conversion. We have 2.5 million tonnes of market pulp capacity split evenly between eucalyptus pulp from Latin America and Nordic production. A significant portion is virtually integrated with our board mills with flows home the Nordics and Latin America to both Europe and China. We are increasing focus on this integration. Internal access to eucalyptus pulp reduces exposure to volatile markets and improve margins. No other European or North American packaging material producer has internal cost-efficient eucalyptus pulp access at this scale, giving us greater flexibility and optionality.

Coming back to wood supply, it's good to note that we have many sawmills, including the recent acquisition of Junnikkala in Finland around our production sites. Our sawmills produce on top of sawn products, wood chips and sawdust, which are cost-efficient raw materials for our pulp and board mills. This is the strategic rationale behind the Junnikkala acquisition. You'll notice many new orange dots around Oulu on the map.

To sum things up, Stora Enso is establishing a strong position in Renewable Packaging, leveraging recent investments and strengthening the focus on integration, efficiency and cost competitiveness.

Now I will hand over to Niclas to go through our financial performance during the second quarter.

### **Niclas Rosenlew**

Thank you, Hans, and hello, everyone. Now let's look at our second quarter financial results, which marked a solid performance given the volatile demand environment and ramping up of our new Oulu line. In the second quarter, our sales increased by 5% bringing the total to EUR 2.4 billion. This growth was mainly driven by stable prices and improved deliveries. Structural changes had a smaller positive impact as both the Junnikkala acquisition and the Oulu consumer board line ramp-up increase the top line. Our

adjusted EBIT decreased to EUR 126 million, mainly due to ongoing Oulu consumer board line ramp-up impacting second quarter results negatively by approximately EUR 50 million. Furthermore, as Hans mentioned, all segments achieved positive adjusted EBIT for the second time since the third quarter of 2022.

Now let's take a closer look at the EBIT bridge. Here, as you can see, the main impact in the second quarter is the Oulu ramp-up weighing on earnings. Adjusted EBIT was EUR 126 million, a decrease of EUR 27 million compared to last year. Price and mix had a negative impact of EUR 6 million, mainly driven by biomaterials with pulp prices coming down. This was more than offset by the positive EUR 12 million impact from higher volumes. Variable costs were flat as higher wood and paper for recycling costs were offset by lower energy, logistics and chemicals costs. Fixed costs decreased slightly. FX had a positive EUR 6 million impact. So in summary, solid performance with the main impact coming from the Oulu ramp-up.

If we then turn the focus to cash flow. The cash flow from operations was positive EUR 145 million and after investing activities, negative 37. This was as expected, driven by the final investments at the Oulu site. When looking at EBITDA, you can see that it has been gradually improving since 2023. Even though market conditions have been and still are challenging, we have focused on the areas within our control, being enhancing sourcing, operational efficiency, commercial excellence, working capital and reducing fixed costs. During the previous year, Cash flow from operations has benefited from the significant operating working capital reduction actions that were in focus throughout 2024. This focus on reducing operating working capital continues but naturally, the amount of decrease isn't as large as we saw in 2024. On the other hand, when it comes to CapEx investments, the heavy investment phase related to Oulu is now coming to an end, and we expect CapEx to come down from the high levels of '24 and '23.

If we then turn to net debt, the ratio of net debt to the last 12 months adjusted EBITDA improved to 3.3x from 3.5 in the same period last year. Net debt increased slightly to EUR 4 billion as we are finalising the Oulu project. As the intensive strategic CapEx phase of the last 2 years, nears finalization and

profitability gradually improves. Net debt levels and the ratio are expected to improve. In addition, when completing the divestment of the 12% of Swedish forest asset, which, as Hans mentioned, has an enterprise value of approximately EUR 900 million being in line with the Swedish forest book value. Our net debt will go down further, which improves our financial flexibility. Operating working capital to sales was 6.9%, which is an improvement of 1.8 percentage points year-on-year. The operating working capital reduction is stabilising and we intend to keep it at this level and further decrease when possible.

So with that, let's move on to the segment performance. Starting with Packaging Materials. Sales increased slightly, driven by higher prices for containerboard and a slight increase for consumer board. Packaging Materials profitability declined primarily due to the ramp-up of Oulu. Adjusted EBIT was EUR 29 million, with Oulu accounting for a negative impact of EUR 50 million on adjusted EBIT. Deliveries excluding the new machine in Oulu, decreased slightly driven by weak market conditions in China. Fiber costs remained persistently at a high level, offset by lower other variable costs.

Packaging Solutions had a positive result for the second quarter in a row. Adjusted EBIT increased by EUR 4 million, driven by actions taken to improve the business as well as higher prices and reduced depreciation following the previously announced impairments. In general, markets continue to be challenging with both overcapacity and oversupply.

Moving from Packaging to Biomaterials. Biomaterials is navigating in challenging market conditions with weaker pulp demand, a weaker dollar and lower prices. Sales decreased due to lower sales prices and a negative currency rate impact, partly offset by higher volumes. Adjusted EBIT decreased mainly due to lower sales prices. This was partly offset by lower costs as we continue to work on making the operations more efficient. Wood costs remained high.

On the other hand, Wood Products had a positive adjusted EBIT for the second quarter in a row. This was driven by higher prices and volumes partly offset by increased raw material and fixed costs. Forest had another record high

quarterly adjusted EBIT, reflecting strong operational performance and high prices. The Forest asset fair value is EUR 9 billion, equivalent to EUR 11.4 per share.

With that, I hand back to you, Hans, for the key takeaways and our focus areas for 2025.

### **Hans Sohlström**

Well, thank you, Niclas. We are confidently navigating through volatile markets, building a stronger, better, more resilient and more profitable Stora Enso by focusing on what we can control. We continue to work across the whole company to improve profitability, cash flow and cost competitiveness through a focus on sourcing, operational efficiency, commercial excellence, working capital and fixed costs. We are focusing on completing the sale of 12.4% of Swedish forest assets while also conducting a review of the remaining Swedish forest assets, including the assessment of a potential separation and public listing of the Forest assets through a demerger.

We focus on the ramp-up of production in the new packaging board line at the integrated mill in Oulu, to strengthen Stora Enso's competitive position.

I am proud of the resilience and dedication shown by our teams across the company. We are navigating through a volatile world with determination and discipline, and we remain firmly on track to deliver long-term sustainable value. Thank you for your continued support. With that said, we are now ready to take your questions.

### **Q&A**

#### **Operator**

Our first question comes from Robin Santavirta DNB Carnegie.

**Robin Santavirta**

I have a couple of questions. First of all, related to the Packaging Materials segment, when I look at the Q2 earnings, the adjusted EBITDA of EUR 29 million. And then if I add the EUR 50 million sort of negative from the Oulu start-up on the adjusted EBIT -- anyway, the underlying adjusted EBIT would be some EUR 80 million. Actually, the best performance since Q3 2022. What is driving -- we know market environment is quite difficult. We can see Metsa Board, we can see Billerud performing quite weakly in comparison to a couple of past years. And now, in a way, your underlying paperboard business is clearly better than you have reported in a couple of years. So what are the key sort of elements driving that performance compared to peers?

**Hans Sohlström**

Yes. Thank you, Robin, for the question. So well, first of all, as we said in the presentation, we have cost-efficient integrated board mills with big scale board production and then also integrated pulp production on-site as well as sawmills on-site or close by to support the cost efficiency and wood supply. And so it's really about cost efficiency and then also high-quality products and long, very good customer relationships. I can say openly that I have never seen any company with this continuously good customer satisfaction feedback. I met now with about 50 of the largest customers, CEOs and this customer satisfaction is strongly confirmed by also the top management of our customers. So doing the basics right and good in a cost-efficient way, that's, I think, the reason.

**Robin Santavirta**

Would you say that the operational efficiency or the sourcing efficiency is now clearly better compared to three years ago. Is that one element? And if so, sort of the work done on that part? Or are there still sort of things to come to drive up the underlying performance?

**Hans Sohlström**

Yes. To answer your first question, yes, we are much more efficient internally than we were three years ago, absolutely. We have made clear progress there, but there is much more to come. This is not a project. This is our new

way of working, continuous improvement, and it's really roll-downs to our performance culture that we are -- we have strongly been developing and introducing into the company. We have thousands of initiatives identified to further improve our efficiency and we have hundreds of initiative owners working on these initiatives across the board. I'm truly proud of all the Stora Enso employees, how we have improvement actions ongoing in all mills, in all units, all sites. And that's the way how you can truly make a shift in competitiveness and performance.

### **Robin Santavirta**

And the other question I have is related to Oulu. Do you have the deliveries in Q2. What do you expect for the remainder of the year in terms of deliveries? And what segments are you producing and selling at the moment?

### **Hans Sohlström**

Well, we don't provide more precise guidance. We have in our report repeated the roughly 100 or slightly above total negative EBIT impact from the ramp-up. And we have guided before that we expect EBITDA breakeven in the fourth quarter. So we stick to that guidance. And as I said also in the report feedback on quality, both folded boxboard, CKB has been really encouraging and good from our customers. So we are aiming for the best product quality in the market.

### **Operator**

Our next question comes from Ephrem Ravi at Citi.

### **Ephrem Ravi**

Two quick questions. Firstly, on the Forest options that you are exploring. Does the Swedish forest include the stake in Tornator. And also, what is the thinking on either leaving out or putting in the Baltic forest also into that entity in terms of this way you're thinking about it strategically? And secondly, on Oulu, it is -- I mean the previous guidance, I think, was for EUR 800 million of revenues from that mill over the medium term. Given the current market conditions, what kind of profitability would you expect in it from that business over the medium term, just for us to get a sense of the return invested capital that could be expected from that investment.

**Hans Sohlström**

Yes. Thank you for the question. So the Swedish forest does not include Tornator, where we have a 41% stake in the Finnish Tornator forest company and nor Baltic forest assets. So it's purely Swedish forest, what remains 1.2 million hectare after the divestment of the 12.4% of our assets in Forest assets in Sweden. The book value of this remaining part is roughly EUR 6 billion and when it comes to the Oulu ramp-up we have guided before that when fully ramped up in 2027, it is going to add about EUR 800 million sales to the group, and that's what we stick to when it comes to profitability. We don't have any more exact guidance on that.

**Ephrem Ravi**

And just kind of if I can push you on the first point. Any rationale why Baltic forests are not part of that entity? If it is the book value of that asset to the market, I mean that would be a logical conclusion.

**Hans Sohlström**

Yes. We want to keep this as a very clear pure Swedish forest company, 1.2 million hectares. It's a huge forest company, and as said, rough book value about EUR 6 billion. So it's a very concentrated focused in the mid of Sweden entity and therefore, also very, very manageable and clear also for investors from an equity and investment perspective.

**Operator**

Our next question comes from Charlie Muir-Sands of BNP Paribas.

**Charlie Muir-Sands**

I think the first one you'd actually already answered, which is to reconfirm the EBITDA breakeven target for Q4. I had a couple of others. So firstly, site continued high input costs, and I mentioned higher wood costs offsetting some folks elsewhere in Q2. I think some other people have started to talk about seeing on a look-forward basis, perhaps signs of hope wood at least, if not sawlogs perhaps falling in price as we go into the second half. I just wondered if you're seeing any similar signs on that yourself which could

clearly help your industrial business, but perhaps also to offset on the Forest side?

**Hans Sohlström**

Yes. Thank you, Charlie. Yes, we see some signs. We see some early signs, but we think it's too early to draw any conclusions here.

**Charlie Muir-Sands**

So any quantification at all as to what you might be seeing so far?

**Hans Sohlström**

Well, when it comes to wood costs and wood prices, we have seen some decline in the Nordics, in all the Nordic countries in the areas where we buy wood. But as I said before, I mean, we want to have a more fundamental change and to really be able to talk about the trend change. So it remains to be seen.

**Charlie Muir-Sands**

Understood. And then just one slightly technical question. Your depreciation guidance for the year is still EUR 610 million to EUR 660 million. You only booked to EUR 118 million in Q1 and EUR 123 million in Q2. That kind of suggests a big step-up into the second half, unless I'm missing a different moving part. I just wondered if that's the case, if there should be a big step up in depreciation as we move into the third and fourth quarters.

**Niclas Rosenlew**

That's a good point. Let us come back to that offline. I don't honestly have a good answer to that now.

**Operator**

Our next question comes from Lars Kjellberg at Stifel.

**Lars Kjellberg**

So I just want to come back a bit to what you spoke, Hans, about accelerating synergies. As much as underlying earnings are starting to improve. The earnings still remain very low, appreciating we're challenged cyclical market,

but at the same time, the scene to be in need for a structural change. You call out yourself is the supply. I keep harping on about the need for you to do something on your more structural. But obviously, in the light of today's presentation, you talk about synergies. So if you can sort of help us think a bit about what sort of opportunity you are seeing for that synergies to generate that further integration? And what hasn't already been done because you've owned these assets for quite some time. So that's my first question.

### **Hans Sohlström**

Yes. Thank you, Lars. Well, first of all, all our businesses made a positive result for the second consecutive quarter. And even if on a low level, so of course, our profitability targets are much, much higher, but it shows that the work, the hard work we have been doing on improving our cost efficiency, reducing costs and improving productivity pays off. And when it comes to the internal synergies, so we launched a new organisation where one element is that we are organising the -- we are organising operational activities around integrates. So basically, the sawmills close to Oulu, which is the Veitsiluoto sawmill the three Junnikkala sawmills, they are part of the Oulu business unit. So the integrated forms a business unit. So we optimise the totality there. And the same thing we have done in our other mills so that we integrate the nearby sawmills and wood products units with the local board and pulp manufacturing and forming them into P&L responsible business units.

So these business unit leaders, they are then in charge of maximising the EBIT for those integrates, taking into account wood supply good products, so sawmilling, pulp production, board production, so the whole totality. And here, we see that there is potential to find further synergies. Then as a part of the organisational change. We basically took out one management layer completely. So previously, between me as the CEO and the mills and the heads of sales, there were two management layers. Now there is one, the business area leaders. Then we have also moved functional staff on a group level in order to be able to streamline and to do more with less also in this area. And this is a process ongoing. So there is more to do here also when it comes to addressing synergies and addressing fixed costs in our company.

**Lars Kjellberg**

I'll push you a bit on that. Can you share with us what sort of margin opportunity or absolute number you're seeing? And just one more question. In terms of a potential spin-off of the Forest assets, would that require bond holder consent?

**Hans Sohlström**

Well, on the first question, we don't disclose any targeted numbers here, but I can assure you, Lars, that we are doing our utmost to continue to streamline the company, to improve our cost position, to reduce both variable and fixed costs. So we don't give guidance number on that. And perhaps, would you like Niclas to...

**Niclas Rosenlew**

Yes, yes. On the kind of strategic review, as, no further comment on that. I mean we are in the midst, as you know, of the strategic review. So we'll come back by the end of the year. with conclusions, including bond topics, but don't want to comment on it as we are...

**Lars Kjellberg**

But this is a factual comment is the bond holder consent needed or not needed?

**Niclas Rosenlew**

Again, we are in the midst of the review. So let's go through that first. And when we concluded the review, we then come back.

**Operator**

Our next question comes from Cole Hathorn at Jefferies.

**Cole Hathorn**

I'd like to start with the demand trends. We've seen a lot of commentary around kind of order books weakening and being a bit softer in June. And I just like a little bit of color what you're seeing from your customers and order books, particularly in Packaging Materials. And if you could differentiate between the containerboard and consumer board side, any trends that you'd like to call out as well as comment on the weakness that you were calling out in Asia?

**Hans Sohlström**

Yes. Thank you, Cole. So first of all, containerboard market is quite stable and solid. You know that there has been several price increases implemented throughout the beginning of this year. Also order books are good. In containerboard, in consumer board, prices are stable on a somewhat higher level than last year and also somewhat higher than end of last year. And I would say, order books are satisfactory. But it is absolutely clear that if we look at our packaging business, the demand is driven by consumer spending and we know that consumer confidence, consumer spending due to the macroeconomic environment, geopolitical uncertainties is on a relatively low level. So therefore, we can't speak about the really strong demand environment. So that's how I would put it. But I would say that it's a stable situation, but still on a relatively low level.

**Cole Hathorn**

And then if I look at your EBIT bridge, your variable costs year-on-year, you talk about higher wood costs offset by some other lower variable costs and your profit improvement actions. But I'd like to push you a little bit more to try and quantify how material those profit improvement actions are and how visible they are for the numbers because we would have thought that the wood cost just on a year-on-year basis would still be a material drag. I mean, is it relief from the other cost buckets that is helping you get basically stable year-on-year variable cost? Or is it really those profit improvement actions that are starting to come through? Because you've talked about it, but from the outside in, it's very difficult to put a number on those actions? And are those actions that kind of the wood sourcing, what would you identify as those kind of profit improvement actions that's really offsetting those variable cost increases in wood?

**Niclas Rosenlew**

Yes. If I take that one, I mean you are right. I mean, if we dissect that variable cost flat kind of bucket. Wood and paper for recycling is a significant or was a significant drag in Q2, kind of similar to what we saw earlier. And then as an offsetting -- and we talk about a relatively significant amount, tens of millions. And then offsetting that, we had the others coming down. And of course, there are certain kind of market movements. I mean we talk about energy, chemicals, logistics and so on. But as you rightly point out, there's a diligent

day in, day out work related to -- I mean we mentioned -- Hans has mentioned before, the so-called value capture programme and that continues very actively.

So in each mill, in each site, we have a number of activities addressing, for instance, chemical usage, how we source it and so on. So that's something that we -- is seeing in the costs as a positive and there's more to work on. We clearly have a good pipeline there also. I don't want to give an exact number because, again, it's a host of activities. Hans mentioned, thousands of activities affecting that. And then, of course, we have the market movements up and down in those logistics, for instance.

### **Cole Hathorn**

And then maybe a follow-up on the new organisational structure, which has been from, let's say, the 1st of July. But how the divisional management team incentivised to protect pricing in kind of a softer demand environment? And how are they incentivised to manage capacity to demand? And maybe following up on Lars' point, does this new organisational structure allow faster decisions if you do come to the conclusion that improving your mix and operating rates by trimming capacity to make way for Oulu is the right decision? Will your divisional team be able to act faster?

### **Hans Sohlström**

I would say on the latter part of your question, I would say, yes, I mean that's one of the objectives with this structure, a leaner, flatter organisation, which is more agile. And the business area leaders and management teams are incentivised, among others, based on the EBIT generation. That's the part with the highest weight in the incentives. And let's remember that in this new organisation, we have actually pushed down P&L responsibility even further into the organisation. So we have now 22 new P&L responsible business units, which are formed by the pulp board and sawmill integrates. So also the former mill directors are now P&L responsible business unit leaders in charge of that whole integrate. And also they are incentivised based on EBIT.

So to maximise the EBIT of those integrate and thus contribute to maximizing the EBIT of the business area, that's the main driver. If we look into sales, we have introduced also their margin steered sales incentives. So also our sales

force incentivised based on margin maximisation. And we all know that maximising the margins, it's a function of price and volume. And the best way is really to have a total profitability margin steering of that so that, that's the way how we are driving also profitability and results in our sales actions. So optimising price, volume, product, customer mix, there is a lot that we can capture in terms of value from these areas.

### **Niclas Rosenlew**

Maybe just to add what Hans was saying because this is quite a powerful change actually. And of course, we then also are making adjustments to the kind of management cadence, how we go through things monthly. We can clearly see from the group level down to these 22 BUs, how things are progressing and developing. We set clear targets also on the BU level and then also on the BA level and group level and so on. Naturally, as Hans was saying, 22 new P&L owners here, it will take a bit of time to see the results, but we are quite excited actually and confident that this, over time, will bring good things along.

### **Operator**

Our next question comes from Linus Larsson at SEB.

### **Linus Larsson**

It seems to me that you're increasingly focusing on your packaging businesses. And you also mentioned integration, internal synergies and that Europe map that you showed gave a very good overview, by the way. I just wonder how we should look at the parts of the business which are not necessarily or directly supporting the packaging businesses. On that map of yours, for instance, there are a number of sawmills which aren't adjacent to any packaging materials units and you also have a couple of stand-alone pulp mills, which aren't necessarily supporting the packaging businesses. I'm just trying to sense if there's any change in any way in your strategy when it comes to your non-packaging related businesses?

### **Hans Sohlström**

Yes. Well, thank you, Linus, for the question. So yes, you are absolutely right. I mean the strategic focus is very much on Renewable Packaging, representing today about 60% of our total sales and if we look at the last 10 years, about 80% of our investments have gone into this area. So that's really the area

where we have been investing for growth, and we'll continue to invest for growth. We see that there is opportunities to develop and to create even more value, especially in this area of Renewable Packaging.

You're also right that there are for instance, some sawmills in Central Europe that are not directly synergistic with the Packaging Material business that is also visible in our new organisation as from the 1st of July, they have been organised into what we call business unit wood products South. So it's basically the sawmills in Central Europe, which are not then part of the pulp and board mill integrates. And so all in all, as we mentioned in our presentation, we will continue focusing on profit performance and portfolio streamlining the -- and focusing the portfolio even further, but that's, I think, what we can now say at this time.

**Linus Larsson**

So today, in Europe, you are one of the biggest, if not the biggest sawmill operator. I'm not sure. Is that a position that you find desirable? Is that in line with your long-term strategy? Or is that something that you're also contemplating? I mean, you've been clear that you will leave no stone unturned and you're really reviewing all aspects of the group. So how do you look at that part of the business?

**Hans Sohlström**

Yes. I mean repeating what we have said before, our strategic focus is on Renewable Packaging and growth within the area of Renewable Packaging. You are right. We are one of the largest sawmillers today in Europe. But our strategic focus is on Renewable Packaging growth moving forward. But then, of course, many of the saw mills, especially in the Nordic region are very synergistic in supporting the cost efficiency of our Renewable Packaging, and that's also the strategic rationale for the Junnikkala acquisition. We bought three sawmills, one of them being brand new, top efficient, very close to our Oulu mill and therefore, also supporting to reduce the raw material costs in our Oulu integrate.

**Linus Larsson**

Okay. Great. And then just one follow-up on what you previously said on order books in Packaging Materials. Are you seeing some trends during the quarter?

I mean, the end of the quarter compared to the beginning of the quarter. What sort of order inflow trends are you looking at right now?

**Hans Sohlström**

Well, I would say, in general, U.S. President Trump's Liberation Day in the beginning of April caused uncertainty in general to the market and probably that could be seen as somewhat weakening the outlook, the confidence in the marketplace and among consumers and also customers partly going into more like a wait-and-see mode. So as we all know, uncertainty is not good for economic and development and demand development in general. So I think that has caused some subdued outlook. But we are focusing on controlling what we can control. So we do our utmost to improve our competitiveness, cost efficiency, serving our customers better than ever before, and producing top quality. That's what we are focusing on.

**Operator**

Our Next question comes from Pallav Mittal at Barclays.

**Pallav Mittal**

So a couple of questions. Following up on a question asked earlier, given the weak demand conditions and weakening of order books, should we expect some potential closure in the near term in Board or say, the pulp side of things or because we are focused on the Swedish forest review, these closures are not a focus right now. So that's the first question.

**Hans Sohlström**

So thank you, Pallav, for the question. So all our businesses made positive results. Yes, we are far away from our long-term financial targets. So we have a lot of work to be done there. And I think that's how we can conclude on the first question. So we are -- even if we are operating in a high cost -- high wood cost environment in the Nordics, I mean, we are producing the highest added value forest industry product mainly. So consumer board where the price point is about twice higher than pulp and paper and thus also the

added value is higher and that's also the impact of the wood cost is lower on the total cost structure. So the way to be able to be profitable and to deliver good margins in a high wood cost environment is to produce the highest added value, the most expensive product, which is consumer board, inefficient big integrates and that is exactly what we are doing in the Nordics.

### **Pallav Mittal**

Sure. And the second question I have is related to the strategic review. So of the EUR 300 million EBIT that you have done, more or less in the first half, the Forest segment is generating almost 60% of that total EBIT. So when you think about separating the Forest assets, essentially the remaining business will probably be a very lower margin business based on the numbers that I just highlighted. So when you are evaluating various decisions or various options, so how are you thinking about the split between your Forest and the remaining industrial assets?

### **Hans Sohlström**

Yes. So first of all, I mean, if you look at our Forest division today, I think it's important to remember that the Forest division EBIT includes also our 41% share of Tornator in Finland. There is also the whole wood trading part, which is a part of good sourcing, which is also generating EBIT through sales, significant sales to external third-party. It's a part of our wood sourcing organisation. So out of that EUR 300 million EBIT, it's only a part which will be part of the Swedish forest company if we would move forward after our strategic review in that direction.

### **Niclas Rosenlew**

And these are the things that we are looking into as part of the strategic review and of course, commit to come back when we have a conclusion on that clarifying, for instance, as you say, EBIT structures, how much would move or not move. So I would caution a bit and not draw too many conclusions yet based on how we report today.

## **Operator**

Our next question comes from Detlef Winckelmann at JPMorgan.

## **Detlef Winckelmann**

Just two ones quickly from me, very technical. Just on your maintenance costs, if I go back, let's say, 2022 to 2024, on average, you were talking kind of between 500 and 550 somewhere there. And if I take your current up to H1 and then your kind of Q3 guidance, we're tracking quite far below that. Is that purely cyclical, i.e., lower profitability at the moment and therefore, we should expect it to go up again as your profitability improves? Or is this something that we should be your maintenance cost coming through more in Q4 this year? Is it a timing thing basically? That's my first question, please.

## **Niclas Rosenlew**

Yes. If I take that one. To some degree, it is a timing thing. So as we said, we will have a slightly higher maintenance costs now in Q3 compared to Q2, EUR 10 million, we said. And then typically, we also have quite significant maintenance plans for Q4. So in that sense, you will see more in second half. And we've disclosed some of those plans also in our reporting, how it goes by quarter or which sites at least. But then, of course, goes without saying that maintenance is a pretty significant cost, as you say, it's also an investment. But that's part of what we are looking into as well, can we get more efficient? Can we keep our mills sites running with high-quality at the lower cost. So of course, that is part of what we are looking into as well.

## **Detlef Winckelmann**

Okay. That's perfect. And then keeping with maintenance, if we just go more specifically to Q2. I know we had a EUR 20 million roughly headwind from quarter-on-quarter. Are you able to split that between roughly speaking, between kind of Packaging Materials and Biomaterials?

**Niclas Rosenlew**

Let's -- same answers previously. Let me come back or let us come back to that. I don't have it in the back of my head.

**Operator**

We will conclude our questions for today. I shall now hand back to Hans, Sohlstrom and CFO, Niclas Rosenlew, for closing remarks.

**Hans Sohlström**

Yes. Thank you very much for participation. As you can see, we are moving forward with determination and speed to build a stronger, more competitive and better, more valuable Stora Enso for the benefit of all our shareholders. Shareholder value maximisation is our guiding star. And I also want to draw your attention to the fact that we are preparing for a Capital Market Day on the 25th of November taking place in London. So hope to see as many as possible of you also there. But until the next meeting. So thank you very much, and have a good day. Take care. Bye-bye.

Source: S&P Global Market Intelligence