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EDITED TRANSCRIPT

Metsa Board Oyj Capital Markets Day

EVENT DATE/TIME: NOVEMBER 10, 2022 / 12:00PM GMT

CORPORATE PARTICIPANTS

Ari Kiviranta *Metsä Board Oyj - SVP of Technology*
Henri Sederholm *Metsä Board Oyj - CFO*
Ismo Nousiainen *Metsäliitto Cooperative - CEO of Metsä Fibre Oy*
Joe Nellis
Juha Jumppanen *Metsäliitto Cooperative - EVP of Metsa Forest*
Jussi Noponen *Metsä Board Oyj - SVP of Sales & Supply Chain*
Katri Sundström *Metsä Board Oyj - VP of IR*
Mika Joukio *Metsä Board Oyj - CEO*

CONFERENCE CALL PARTICIPANTS

Antti Koskivuori *Danske Bank A/S, Research Division - Analyst*
Harri Taittonen *Nordea Markets, Research Division - Senior Director & Sector Coordinator*
Robin Santavirta *Carnegie Investment Bank AB, Research Division - Head of Materials Research & Financial Analyst*

PRESENTATION

Katri Sundström *Metsä Board Oyj - VP of IR*

Welcome to Metsä Board's Capital Markets Day 2022. My name is Katri Sundström, I'm responsible for Metsä Board's Investor Relations and will be running this event today. It's been a while since we last had the opportunity to perform to a live audience. So this is really nice. Of course, majority of our listeners are following this through webcast. So warm welcome to you as well.

Our last CMD was held 2020 and a lot has happened after that. I just don't mean the global events all around us, but also within Metsä Board, all of which you will hear more about today and of course, what the future holds for us. The big theme that surrounds us is our strategy. But I leave that to our speakers to tell you more.

Let's have a look on agenda. We will first hear 4 presentations by Metsä Board's management around topics like strategy, sustainability, products, investments as well as financials. After that, we will have updates from wood and pulp markets. presented by our colleagues from our sister companies, Metsä Forest and Metsä Fibre. After each presentation, there will be an opportunity to ask questions both here on site as well as online. Here on site, please use a microphone and online, you can write the question in your chat box, and I will then read it to our speakers.

The CEO's summary will conclude this event. And in here, we can still take up a few questions you might have been missed. But I won't keep you waiting any longer. Let's start it. And first, we will hear how our strategy has performed in the current operating environment and what to expect for the coming years. So this is a presentation by our CEO, Mika Joukio. Please, Mika.

Mika Joukio *Metsä Board Oyj - CEO*

Okay. So welcome, everybody, here on my behalf of -- to Capital Markets Day 2022. You, live audience here, as Katri mentioned, really nice to have you here after a long break. And then audience online, welcome to you also.

Our team today is growing sustainably in fiber-based packaging materials, and the team very well describes our way forward. Growth, we are targeting growth that is strongly driven by sustainability and especially as an example then, plastic replacement. Before we go into the future growth, let's look what has happened in the recent past.

So we all know that the global economy is struggling, and we need to be prepared for a slowdown in economic growth next year, also in the markets where we operate. Then the war in Ukraine, so geopolitical situation, really, really sad thing, and that also affected us. Roughly 5% of all sales last year were to Russia. And last year -- this year, we have been able to reallocate all the volumes outside Russia.

Then 3 of our mills use natural gas. And now we have kind of investments in place in order to -- in order to use other sources of energy if and when we are able to use natural gas. And then wood supply last year, roughly 9% of our wood supply came from Russia. And now we have been able to then have more wood from Finland and Sweden, and we haven't had any production disturbances due to that.

Then supply chain challenges, whether it's availability of containers or whether it's costs, logistic costs, we have also had the challenges, and Jussi will tell you more about those, how we have tackled these problems. Then the rapid cost inflation, of course, that has hit consumers' purchasing power. But we are pretty much -- a lion's share of our production goes to food packaging. So we have not suffered that much, at least not yet concerning that.

So we focus on developing our business, investing in sustainable and profitable growth in order to increase the shareholder value of this company.

Before moving to today's topics, let's have a look what we promised, what we said 2 years ago. So we said that we will focus on premium paperboards, and that's precisely what we have been doing. And that's precisely what we will do also in the future.

Then as far as the sustainability is concerned, we had very good track record. And since then, we have had also a good track record in sustainability. And then future growth after Capital Markets Day 2020, we announced or have announced 2 capacity expansions, 1 in Husum, 200,000 tonnes more folding boxboard, and then the other one in Kemi, 40,000 tonnes more white kraftliners. But Ari and Jussi will tell you more about those later.

Then our strategy, one of the key topics of today. So our vision is to be the preferred supplier of innovative and sustainable fiber-based packaging solutions, creating value for customers globally. And as I have always said, all the words here has a meaning. We want to be #1 supplier for our customers. We want and target this, that our customers see us as sustainable and innovative. And we want to help customers in their business, and we play this game globally.

Our strategy statement is there on the left-hand side. So we grow in fiber-based packaging materials and renew our industrial operations. And that's precisely what we have been doing, and that's precisely what we will do also in the future. We implement a strategy via these strategic programs: premium supplier, effective innovation, safe and efficient operations and organic growth, leader in sustainability and motivated people. Whatever we do in Metsä Board, there is always a link to these strategic programs. That's our way to implement a strategy.

And here is the proof of our strategies success. First of all, sales, we have been able to increase our sales quite remarkably during last year's -- past years, even though capacity has been quite stable, as we know. And we have -- then as far as then the cost inflation is concerned, we have been able to mitigate that or even more than mitigate that by increasing our paperboard prices and also then strong pulp market that Metsä Fibre, our associated company, is in. That has also helped us a lot as far as profitability is concerned. And now the margin level is at the level of 20%. I think it's quite good achievement.

And then investments this year and last year, we will invest roughly EUR 0.5 billion altogether. So very strong investment phase ongoing at the moment. Then even though we are investing a lot but we don't want to compromise dividend payment to our owners. And we have complied with our dividend policy. And actually, the average growth rate in dividend has been even faster than in earnings. And we are proud to deliver, of course. And we have strong financial situation to grow in the future.

Then the packaging material market. The whole cake on the left-hand side is roughly EUR 1 trillion so thousand billions, huge market. And the whole cake, the whole market is estimated to grow roughly 4% annually. But in that cake, then the paperboard slice is actually growing more than -- estimated to grow more than this 4%. So estimation is like 5%.

Then in the paperboard part, then the folding boxboard and food service board, so our grades, they are growing faster than -- the estimation is that they are growing faster than competing grades. And let me remind you that we are not competing against FBB producers. Of course, we want to take share from plastic metal and glass, but also then our target is that we really compete against other paperboard grades like white lined chipboard or solid bleached sulfate.

And then plastic replacement, what kind of impact that will have on these figures. So the growth rate can be even more than this estimated 5%, which is shown here.

Then there are several other demand drivers for fresh fiber paperboards impact, of which, of course, the magnitude is difficult to estimate. But there is a huge need for more responsible packaging due to population growth, urbanization and rising living standards, for example. Then circular economy is growing in significance and requirements related to it are guiding more the development of the whole sector. Then availability and quality of recycled fiber. We know that paper consumption goes down in Europe and globally, and availability of recycled fiber is a challenge. And we are in the fresh fiber business, so that's, of course, opportunity for us.

Then e-commerce continues to grow in long term and that also support us. And then last, but definitely not least, consumer prefer -- consumers prefer fossil-free or at least carbon-neutral or low-carbon packaging materials. And that's -- our paperboard is good a solution then.

Then concerning our sustainability targets. So of course, the big target is that our production and products are fossil-free by 2030. It's a very ambitious target. And our reduction targets are approved by science-based targets, and they are consistent to meet goals of Paris agreement, so to limit global warming to 1.5 Celsius degree.

Then some other sustainability targets. Of course, accidents at work, target is 0. Now we are at the level of 7.7. Then energy and process water usage, here the comparison year is 2018. So we compare 2030 to 2018, and target is that in energy consumption per produced tonne, we will target this to improve by 10%. And now we are -- after Q3, we are at the level of 5.1%. So still another 5% to go.

And then the water consumption target is to decrease by 30% per produced tonne. And now we are close to 14% after Q3. And then certified wood fiber target is that more than 90% or the level is more than 90%, and now we're at the level of 82%. But what is important here also is that in Metsä Board, everybody has a bonus target one sustainability target. As an example, myself, I have this work safety in my bonus targets.

So we have our own ambition commitments and targets, no doubt, and we have clear path, clear investment plans how to get there for every target. Then several -- as shown here, so several external evaluators, they have also recognized our commitments, and that is, of course, good. But we don't want to have recognition just for recognition. We want to have recognition because this topic, sustainability, is important for our customers. And the customers, they have their own commitments, own targets, and our intention is to help them to reach them. And then the sustainability targets, they are also important for our own employees, of course. So not only recognitions for recognitions, but for developing the business all in all.

Then we want to continue our successful strategy and grow. Starting from 2016, when we converted Husum paper mill to board mill. Now it's up and running fully. We have 650,000 tonnes white kraftliners and folding boxboard. After that, we made a decision to invest in pulp mill in Husum. That project is ongoing, as we say, first phase recovery boiler and turbine and start-up will be now in still November.

And then after that, I already mentioned the 200,000 tonnes capacity expansion in Husum for folding boxboard and then white kraftliner capacity expansion in Kemi. And both of those will be implemented in next year, pretty much in autumn time. And now we are planning a new folding boxboard capacity in Kaskinen, Finland. We announced that some weeks ago, to have 800,000 tonnes more folding boxboard capacity. And Ari will tell you more about that.

So to summarize. So our strategy has proven to be successful, and no reason to change our strategy. Then demand for renewable packaging materials is growing fast and very difficult to estimate, as I said, what is the kind of final growth rate. But it's clear that is growing. And then resource efficiency is a key for future sustainable growth. Our products are already today world-class, and our intention is that in the future, they are even more of that. So even better than they are today.

So thank you very much, all participants, for your attention, and I think now we have time for a few questions.

QUESTIONS AND ANSWERS

Katri Sundström Metsä Board Oyj - VP of IR

Okay. Thank you, Mika. And we can start the questions on site here. (Operator Instructions) Oh, Antti has here, so let's start there.

Antti Koskivuori Danske Bank A/S, Research Division - Analyst

Yes. Antti Koskivuori from Danske Bank. I was wondering if you could a little bit elaborate on the topic of the current energy environment, the high price environment where we are at the moment, what kind of impact that has on the kind of competitive landscape for you guys, both maybe in Europe as well as in U.S. That would be interesting to hear.

Mika Joukio Metsä Board Oyj - CEO

Yes. Okay. So our self-sufficiency in energy is relatively high. But of course, we need to buy something. And of course, then the higher energy price, they also impact us. Of course, now this Olkiluoto 3, if and when someday it will start, that will help us. And then also then Husum investment. But we are not -- so energy prices touch us also.

And then if you think about the competitors, of course, a lot of production capacity is based on natural gas in Continental Europe. And we are -- we have tackled that problem. We are not dependent on natural gas. But energy price topic is clear that we need to -- I mean, high prices are negative for us as Metsä Board.

Antti Koskivuori Danske Bank A/S, Research Division - Analyst

Still on that, if you compare to U.S. and competitors over there, which I guess they don't have such a big issue of high energy costs, does that mean that your exports to U.S. are less competitive longer term, you think or...

Mika Joukio Metsä Board Oyj - CEO

At least now we haven't noticed that. I mean demand has been good there. And also, we have been able to increase prices there. So difficult to say the kind of impact of that particular topic.

Robin Santavirta Carnegie Investment Bank AB, Research Division - Head of Materials Research & Financial Analyst

Robin Santavirta from Carnegie. Now related to the paperboard trends, you showed quite strong sort of recent history and also sort of future trends. It's easy to believe in. How do you see now you plan the Kaskinen investment? It's a pretty big capacity addition. And now we see some other competitors also planning capacity. Is there room for all that capacity? And is there another plan for Kaskinen that would not be 800,000 tonnes, but rather a bit smaller? Or is it 800,000 or nothing?

Mika Joukio Metsä Board Oyj - CEO

So first, the latter part of your question. So yes, 800,000 is the kind of figure that we concentrate on. We don't calculate whether it's 400,000 or 600,000 or 300,000 or 500,000. 800,000 is our figure and that is basis for the preplanning or planning phase.

And then as far as the kind of capacity, as I said, first, we have this Husum investment back 2016. Now it's up and running. Now we have the second phase -- second investment next year. And then that will be fully utilized probably by end of 2025 as we have said. And if we are able to make decision concerning Kaskinen next year -- sorry, on 2024 earliest, then the implementation would be or could be 2026. And that means that then the mill is up and running, let's say, sometime 2028 probably. So we are playing a long game here, and we really want to meet the demand of fresh fiber paperboard. So we see that there is growth opportunities even though other people, other competitors are doing also investments.

Robin Santavirta Carnegie Investment Bank AB, Research Division - Head of Materials Research & Financial Analyst

I understand. And then the second question related to North America, you have been very successful there. I guess there was some belief back in the day that can a Finnish company sell from Sweden or Finland in the North America, in the U.S. and you have -- it has been a success for you. Do you plan any kind of organic or M&A-driven expansion in North America? Or is the idea only to produce in Finland or Sweden, and then to export there? .

Mika Joukio Metsä Board Oyj - CEO

Yes. At the moment, that is the idea. So we concentrate now on Kaskinen and that is our plan, how to then expand capacity in the future. At the moment, we don't have any plans concerning M&A.

Robin Santavirta Carnegie Investment Bank AB, Research Division - Head of Materials Research & Financial Analyst

I understand. And then a final one, very strong performance now recently, very high prices, very strong demand, both in pulp and paperboard. Could you comment on what do you see now? We hear about sort of economy and consumer being a bit squeezed at the moment. What is the order intake sort of situation now versus earlier? Do you see any changes there?

Mika Joukio Metsä Board Oyj - CEO

You might remember that roughly a year ago and during the pandemic, I mean, the demand was really good. I mean it was super hot. And that is not the case anymore, but demand is still there, and the order inflows are okay. So -- but as -- not as high order books as we used to have like a year ago, for example, when everybody thought that paperboard -- there won't be paperboard enough in this world.

Robin Santavirta Carnegie Investment Bank AB, Research Division - Head of Materials Research & Financial Analyst

And can I try one last one related to that, if you want to answer? We see spot prices of energy now coming down quite significantly in Europe. Do you see more capacity or sort of lower pricing for some guys that have been squeezed with high gas and energy price in Europe already now?

Mika Joukio Metsä Board Oyj - CEO

Maybe not that much in Europe, but then we need to remember that the -- in China, there is a huge overcapacity. And now when the container prices has been really high, now they are going down. So of course, that probably opens possibilities for Chinese to then export to -- also to Europe as they have been doing also in the past. But that is probably the kind of -- one kind of -- if not risk, but anyway, that might happen and -- but we have seen that also earlier, nothing new as such.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. Maybe we take a couple of question from line here. First one is that what do you see the main risks in the short term or in the long term?

Mika Joukio Metsä Board Oyj - CEO

Okay. I mentioned this, of course, competitors' movements. I mean we still play our own game and so -- but I mean, of course, there are several risks like global economy, as I said, if and when that will continue to struggle, that will impact also on us. I mean the purchasing power of consumers even though that has not been the case very much now during the last two years, but still, that is one possibility.

And then, of course, cost inflation that has been high this year. We have been able to mitigate that by having price increases, et cetera, but you never know what will happen in the future.

Katri Sundström Metsä Board Oyj - VP of IR

Yes. And then about the plastic replacement. So are the customers or brand owners more active with this plastic replacement project? Or does the initiatives come more from paperboard producers like you?

Mika Joukio Metsä Board Oyj - CEO

It's both end. Of course, the customers are very, very proactive in that. And also, we try to offer solutions for them. And during the pandemic time, customers really a lot concentrated on getting paperboard enough. And now not that much on this kind of development programs. But now we see very clearly that after pandemic now, the activity is big at the moment and is increasing.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. And then still back to these capacity additions. So China is adding 3.6 million tonne of folding boxboard this year or next year. You have said in the past that you don't expect much competition in Europe due to the high cost, less customer relationship, et cetera. However, it doesn't sound like the capacity will be high cost, the global market is very small. Why wouldn't that negatively impact prices in Europe?

Mika Joukio Metsä Board Oyj - CEO

As I said, of course, there is one kind of possible scenario. We don't know what will happen and -- but it's a fact. There is overcapacity and then, of course, they try to sell it elsewhere.

Katri Sundström Metsä Board Oyj - VP of IR

And it continues that even with higher substitution, the market in Asia surely can't absorb that much, can it?

Mika Joukio Metsä Board Oyj - CEO

Of course, the main market for Chinese producers is Asia Pacific region. And that's where they are very active there at the moment. We are not very active there at the moment. So that is Chinese playfield.

Katri Sundström Metsä Board Oyj - VP of IR

That's right. Okay. Do we have any questions here in audience? If not, I don't have any in web. So thank you, Mika.

Mika Joukio Metsä Board Oyj - CEO

Thank you. Thank you.

PRESENTATION

Katri Sundström Metsä Board Oyj - VP of IR

And we move on with our agenda. So next, we will have a very lively presentation. It will be presented by Head of Sales and Supply Chain, Mr. Jussi Noponen. He will go through more about Metsä Board's products, customers and paperboard sales. And Jussi's heading pretty much tells that which of our market areas he is highlighting here. So please, Jussi.

Jussi Noponen Metsä Board Oyj - SVP of Sales & Supply Chain

Good afternoon, everybody. It's a pleasure to see you live after so long time. As Katri said, I will be mainly talking about growth in Americas today. But before that, I have some topics. First of all, a recap to our previous CMD, then a few more words about the current market situation, which was discussed in the previous Q&A session and our markets and capacity. And then moving on to our growth in Americas.

The technical people, can you synchronize the notes page, please? So back in 2020, we said we want to be a preferred supplier to our customers. And that we have delivered. So during the supply chain crunch over the past years, we have been able to maintain a steady supply of goods to our customers.

The slides are still out of sync. Secondly, we said that we focus further resources into innovation and sustainable solutions. In a few moments, I will be talking about our success story with dispersion barrier coated paperboards.

And third, we said that global trends support us and create new business opportunities. And as Mika explained, we have utilized that opportunity and decided new investments in Husum and Kemi and preengineering for a project in Kaskinen for a new mill.

But now, without further ado, a few words about the current market situation, and let's discuss inflation first. There is no good global data available, so I will use a hypothetical country X as an example. And as Mika said, most of the end uses of our products are related to

food. So if you look at food and beverages in this country, X, let's say, that inflation has been 15%. At the same time, consumer spending on food and beverages could be up by, say, 5%. So it means that mathematically, volume of food and beverages would be down by 10%, 9%, roughly.

But there have been changes in consumer behavior. One is in branded foods, consumers have shifted from more expensive brands to cheaper brands. Secondly, private labels have gained market share. And thirdly, the decline in consumption has been the biggest in food items that are not typically backed in paperboard such as fresh meat and fish, and that monetary spending has been redirected to packed food. So the takeaway from this is that the decline in volume for paperboard might not be as big as you could derive from the macro data.

Even during the crisis or inflation, the customers have not stopped seeking for more sustainable solutions. And for that reason, the long-term growth estimates have been elevated to a new level that now exceeds the growth rates of plastic packaging.

And a third factor is the energy situation. So customers want to secure availability for next year and our ability to operate in an energy crisis situation is evaluated higher than some of the competing packaging materials.

And for those 3 reasons, as a sum, we can say that in FBB, the outlook for next year is such that the pricing momentum continues strong. So we are closing annual deals for next year at pricing higher than this year's pricing. In linerboards, the same goes so that we are able to defend the price increases that have been achieved during this year, but not expecting price increases as such.

So for the benefit of those that are near to following Metsä Board, a few words about our products.

So our focus is clear. We focus on ecological and premium fresh fiber paperboards in an industrial scale. Folding boxboard is mainly used in consumer packaging and especially in food packaging. And that's thanks to its product safety properties resulting from use of fresh fibers only. Also, food service is a significant end use for our products. And our white kraftliners combined high strength and lightness with excellent printing properties for brand promotion and the demand for white kraftliners is strongly driven by retail activity.

So when analyzing the volatility of demand for our products in economic cycles, it can be said that we are less exposed to volatility than many other industries. As an example, in the financial crisis of 2008 and '09, fast food companies reported steady sales growth through the crisis.

Then about our geographic markets. Even though my presentation today focuses largely on Americas, I want to remind you that EMEA is our biggest market, and we are seeing steady growth in EMEA both in FBB and white kraftliners. About 2/3 of our volume was sold to EMEA last year.

In North America, we have been able to capture the market growth largely to ourselves as there have been limited investments in local capacity. And the share of Americas region amounted to 27% last year. In Asia Pacific, we focus on customers that are willing to pay a price premium for sustainability. And often those customers are multinationals.

Okay. How are we then positioned in the competitive landscape? Our ongoing capacity expansion projects will further strengthen our #1 position in Europe. A total of 240,000 tonnes of capacity expenses will start up next year and will be gradually sold to markets in line with the start-up curves of the machines. The majority of the additional 200,000 from Husum will be directed to Americas, and the same goes for the plus 40,000 from Kemi.

Okay. Let's see where we are in Americas today. We have a strong foothold in Americas, both in folding boxboard and white kraftliners. We are already selling over 0.5 million tonnes annually. And with the capacity expansions, the figure is expected to grow to approximately 0.7 million tonnes, and that is excluding the Kaskinen plant mill. So from 0.5 to 0.7 million tonnes with ongoing investments.

But there is also growth without new investments. Innovative products enable us to reach new price points in the market and grow our

top line without selling more tonnes. And this is what we have done with our Kyro mill in Finland.

In 20 -- sorry, wrong direction. In 2019, we launched a new dispersion barrier coated FBB grade called MetsäBoard Prime FBB EB. And to remind you what barrier means, it's resistance for grease and moisture penetration into the paperboard. It's mainly used in direct food contact. Since then, it has grown to an industrial scale. And next year, we expect to sell roughly half of the mill's 190,000 tonnes capacity in this grade. And when we speak about industrial scale in our investments, for us, it means reaching a revenue of more than EUR 100 million.

Next, I'm going to introduce you to a customer success story in dispersion barrier coated paperboard.

(presentation)

Unidentified Participant

Crumbl's mission statement has always been to bring friends and family together over a box of the best cookies in the world. Last week, we recently opened our 600th store. In the last 5 years, we've grown tremendously with plans to go to international markets starting in 2023, and we are just so excited.

Crumbl has always had an iconic pink box as our packaging. Since our partnership with Metsä, we've been able to provide a consistent upscale packaging experience for our customers that's hygienic and food-safe. One of the things to be mindful of as we've grown so quickly is our global footprint and knowing that we have the sustainable, recyclable product to have in our stores for our customers has meant so much to us.

Jussi Noponen Metsä Board Oyj - SVP of Sales & Supply Chain

Thank you. And apologies for starting the video without introduction. So she was [Katie] from Crumbl Cookies. Crumbl Cookies is a U.S.-based cookie company, which as she said, started 5 years ago from very small and now recently opened their 600th store in the U.S. So a tremendous growth case for us with Prime FBB EB.

And as Katie correctly pointed out, sustainability is the key strength of our dispersion barrier coated board. It can be recycled in normal paperboard recycling streams without any need to separate the plastic film from the board.

Next, I will be talking about how we can provide industry-leading service to our North American customers despite of the fact that our mills are located in Finland and Sweden.

In our premium availability concept in North America, we keep inventory into port locations in the East Coast of U.S., the concept is called Common Stock. Now we will see a video interview of Joe Nellis, our Sales Director for white kraftliners in the Americas region. He will explain how our common stock model works. And while Joe is from the linerboard side of our business, the same goes for our folding boxboard.

(presentation)

Joe Nellis

The Common Stock program was piloted over 20 years ago when Metsä entered the U.S. With that entry, we needed a service model that could give us a competitive advantage in this rapidly growing market. The Common Stock program allows us to better manage stock levels, reduce costs and quickly react to challenging market conditions. Any surge in demand, shipment delays and inclement weather could affect service to our customers, but having inventory on hand allows us to overcome the most routine issues that would expose the traditional mill model more commonly found in the U.S.

The typical North American customer continues to push vendors on all aspects of service. This model allows us to deliver product from purchase order to doorstep, only restricted by the travel time between the warehouse and the customer's location. Besides being faster to market, we allow our customers to focus on running the complexities of their business and not have to worry about managing

inventory off of 8 to 10 weeks out. The Common Stock program allows our customers to win new business, leveraging their design and printing expertise with knowing we have product available to support any new venture with unknown volumes immediately.

Mika Joukio Metsä Board Oyj - CEO

Thank you, Joe. And as Joe said, we are not able to just match the service capability of North American producers, but we can offer quicker deliveries.

Now it's time to summarize my presentation. So the 3 key takeaways from me are: first, despite of what's happening in macro economy, the market situation for our products remains healthy; second, plastic reduction creates growth potential, especially in consumer packaging; and third, while we aim at further strengthening our pole position in Europe, our short-term growth will mainly come from Americas. Thank you. And now it's time for your questions.

QUESTIONS AND ANSWERS

Katri Sundström Metsä Board Oyj - VP of IR

Thank you, Jussi. And let's start again here on the audience, please.

Unidentified Analyst

(inaudible) DNB Bank. Regarding the U.S., how much are you able to tell about the split between -- in your customer space, the split between end users and converters? Which of the two is the main group and how -- where are you going, which direction as of now?

And then another one regarding the U.S. as well. How big of a part of the U.S. are you able to cover from the East Coast locations of the Common Stock for the time being and any further plans in that regard?

Jussi Noponen Metsä Board Oyj - SVP of Sales & Supply Chain

Yes. So first of all, if we start from linerboard side because the answer there is more straightforward, all of it is sold to converters. So producers of corrugated solutions, packaging solutions.

On FBB and the foodservice board side, we largely sell to converters, partly also through merchants. But now in the recent years, we have been able to attract also direct brand owner deals.

And sorry, what was your second question?

Unidentified Analyst

The geographic coverage from the East Coast.

Jussi Noponen Metsä Board Oyj - SVP of Sales & Supply Chain

Yes. Thank you. So it all comes down to cost competitiveness. So obviously, we are the most competitive in the East Coast, east Coast all through the Midwest of the U.S. We also have some business all the way to the West Coast, but then the customer needs to be one that is willing to pay a premium for our product.

Unidentified Analyst

Related to your success in North America, what are the keys -- items? How have you been able to grow so fast in North America?

Jussi Noponen Metsä Board Oyj - SVP of Sales & Supply Chain

In folding boxboard, there hasn't been much local capacity in the U.S., none, and in Canada, very limited amount. So first of all, there was space for us. And as I said earlier in the presentation, the local producers have not invested in new capacity in fresh fiber grades. So as it is a growing market, although the market growth is modest, but we have been able to capture all of that growth to -- not all of it, but most of it to us.

So from a big market, even a modest growth, it has been enough for us. But then perhaps most importantly, it is the superior mechanical

properties of folding boxboard over the local competing grades. So lightweighting of the packaging sustainability aspects.

In linerboards, we have a longer tradition of serving the Americas market, and we are a very established brand name there. And there is not much local competition in that either.

Unidentified Analyst

Then related to this dispersion coated paperboard that you have -- that you produce and which have grown in demand quite significantly. Could you explain the pricing difference compared to plastic coated paperboards? And are there any differences in the properties of this kind of Board?

Jussi Noponen Metsä Board Oyj - SVP of Sales & Supply Chain

If you start from the property. So dispersion barrier coated board, it offers medium resistance to grease and moisture, whereas a plastic coated board offers a stronger protection. So typically, the uses are such where the grease or moisture content is not that high or the shelf life of the product is short. Fast food, food service are typical end uses.

Unidentified Analyst

And then finally, related to the pricing situation. And related to that, could you explain the time span of the price agreements in your key markets and segments? Is it -- how much is annual pricing? How much is quarterly pricing? And how much is monthly pricing?

Jussi Noponen Metsä Board Oyj - SVP of Sales & Supply Chain

Annual pricing is mainly a European thing. And it's most often seen with big converter chains and with big brand owners. The rest of the geographies and all the smaller customers and all of the linerboard business, they have shorter pricing tenors than annual. So without going into too much detail, but that's roughly how it works.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. Let's take from the web then. So do you think the market demand growth in paperboard is connected with supply, i.e., if you increase the supply the market with more paperboard volumes, will converters move quicker out of plastics?

Jussi Noponen Metsä Board Oyj - SVP of Sales & Supply Chain

We believe so, especially during the latter half of the pandemic. Or, let's say, year 2021, we heard a lot of comments from customers that the nonavailability of the product is slowing down plastic reduction. So yes, we believe there is an opportunity.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. And then what are the pros and cons of FBB versus SBS? We hear customers are cautious about making the switch. What sort of a market growth do you expect in North America for FBB and for boxboard in general?

Jussi Noponen Metsä Board Oyj - SVP of Sales & Supply Chain

The advantage of FBB over SBS and for that matter, the other fresh fiber creates as well is the so-called yield advantage. So the same amount of area or boxes can be produced by using up to 30% less material in weight.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. And then anything about the growth rate in North America?

Jussi Noponen Metsä Board Oyj - SVP of Sales & Supply Chain

It is slightly slower growing than the global market that we saw earlier.

Katri Sundström Metsä Board Oyj - VP of IR

And then is there a space for your capacity and Billerud and additional SBS like [surface] plant conversion announced today? Okay, pretty much the same what Mika just...

Jussi Noponen Metsä Board Oyj - SVP of Sales & Supply Chain

I think it was already answered by Mika. Yes.

Katri Sundström Metsä Board Oyj - VP of IR

Yes. Yes. then we could still take one here. So why are you not producing recycled paperboards?

Jussi Noponen Metsä Board Oyj - SVP of Sales & Supply Chain

We are located in here nearby the raw material. Yes, the forest. And also, an important factor is that our controlling shareholder is Metsäliitto Cooperative, which is co-op owned by roughly 100,000 private forest owners in Finland, who control over 50% of the privately owned forests in Finland.

Katri Sundström Metsä Board Oyj - VP of IR

Thank you. Thank you, Jussi.

Jussi Noponen Metsä Board Oyj - SVP of Sales & Supply Chain

Thank you.

Katri Sundström Metsä Board Oyj - VP of IR

And we will move on. Now, at this stage, I just want to remind you online that you can send us the questions throughout the presentation, so you don't have to wait till the end. You can send them all the time.

But yes, let's move on. And some -- now we're going to do some deep diving around our ongoing and planned investments as well as R&D. And we will also hear more about our key driver in our future growth, resource efficiency.

So this is a presentation by Head of Technology, Mr. Ari Kiviranta. Please, Ari.

PRESENTATION

Ari Kiviranta Metsä Board Oyj - SVP of Technology

Yes, good afternoon, everybody. Yes, as you heard already the title of my presentation and now in my presentation, I will tell you a few things. First of all, I will go back to year 2020 and tell a few things about our R&D, what we said at that time, what we are doing in R&D and also give you a view what have we done. Then I will jump into our investments into the resource efficiency. First of all, going through what we are doing for our existing mills, what kind of investments we are running at the moment. And then finally, also give you a few ideas about the investment we are planning in Kaskinen. So the new folding boxboard machine, the new folding boxboard mill.

Right. If we go back to 2020, that time I told you a few things about R&D. I said first that we invest in innovation and partner collaboration. That is true. I will give you later some examples what we have done in this area. But collaboration with partners has been and still is a very important part of our R&D work.

Our R&D work is driven by sustainability. Yes, that you will also notice pretty soon. And then already, Jussi actually said a few words about this third point, which is we aim for significant scaling in innovations. We -- of course, we look for new things and new possibilities, what to do with this and that. But when we start a real big program, we always aim for significant scale. That means EUR 100 million turnover per year for that product, right? So those are the 3 things that we said 2 years ago, and that's it.

More about R&D. You might think that, hey, guys, are you serious? This is boring. Same story as always. We are concentrating on lightweight paperboards, and we are making barrier coatings. The thing is that this works, nice features. So these are the things that we see that our customers need, and this is something we can sell.

And we don't make only lightweight paperboards or we don't just develop lightweight paperboard. We also take into account that they give excellent printability, and they also run well in our customers' machines, so in converting machines. That's what we always keep in

mind, and that's what we've been doing. And some examples might come later.

And then barrier boards. Jussi already told you about the so-called EV product from Kyro mill. We are very proud of it also because we have made very minor investments to the existing machine to be able to produce that product. And also, we have developed ourselves, together with some partners, the coating color recipes that we use there. And that's been a very, very nice, interesting work. And as you heard, the business is really growing. And of course, that's not the end of our barrier development. We will continue that, we will go to more demanding end uses and so on.

Here are some examples of the end uses and what we can do to reduce the carbon footprint of packaging. First of all, a simple example, tomatoes packed in plastic box or in cartonboard box, nice-looking cartonboard box, minus 80% in CO2 emissions per package. Right.

Then if I go to the lower right-hand corner, going from plastic tray, cookie plastic tray to barrier coated paperboard tray, minus 80% emissions. And that's one example where we can use or where our customers can use our barrier coated paperboards today.

Medium grease resistance, medium water vapor, water resistance, they work very well for these kind of applications. And there are a lot of these kind of things where we can utilize our developments.

Of course, as I said, we are also looking for new growth opportunities, smaller things or things that are a little bit farther in the future. And there, we can utilize very well Metsä Spring, which is the innovation company of Metsä Group. And they have the financial possibilities to run research programs around new topics. There are some examples here. This wood-based 3D products, wood-based textile fibers and so on. I'm not going to discuss about all of them, but especially these 3D products, you have surely heard that Metsä Spring has opened kind of a pilot or the first production unit -- well, I would say, pilot production unit in Äänekoski. That's a collaboration between Metsä Spring and Valmet. So both companies have invested money in that. So that's very good example of the collaboration with Metsä Group, Metsä Spring, Metsä Board is doing with somebody.

And they are testing there, first of all, of course, the technology, if it works and when it works, testing the market. And then later, it's to be seen who takes over the business. But just as an example.

Very good. Then I come in to this part of the presentation, which says we aim for world-class resource efficiency in production. And I'll start with the existing mills. I'm not going to read through this slide. You can -- you have it in your handouts, and you can read what -- which capacities we have, where and so on. Just want to say that our production is close to our main raw material and we also always self-sufficient in pulp, very important point. So there were some questions about cost production cost. And so as you know, we are self-efficient in pulp, helped us a lot in these times.

Right. And what are we then doing to our existing mills to improve their efficiency or resource efficiency and so on? First of all, we have stated that our goal is to be fossil-free in production at the end of 2030. This is the road map to that in the existing mills. We have already done a quite many things. For instance, we have changed the fuel in our Kyro power plant. We have made changes in the fuel mix in Simpele. We are renewing the Husum pulp mill building the new recovery boiler. I will have more about that on the next slide. And then we have made a clear plan what to do in some other mills where we are still using, for instance, natural gas as fuel. And this is -- the technology is there. It's more that what is the timing of the investment, when do we want to do it and so. But that work continues. And I said we have a clear plan. Everything is, when it comes to technology, already possible today.

Then the other investments, the bigger ones that we are running right now, Mika already mentioned this. First of all, in Husum pulp mill, we are just about to start the new recovery boiler there. Our suppliers, our own project team, they are working long days, making the final adjustments to the boiler before the start-up and our target is to start it up, as said, in November. And it will improve our energy efficiency in Husum mill clearly and, of course, replacing the old 2 boilers, giving a lot more efficiency there.

Then the second point, our FBB capacity expansion in Husum, the project is ongoing. We have already started the civil works. We have made the contracts with the machine suppliers and so on, and the start-up of the rebuild machine will be during the second half of '23.

And then finally, Kemi capacity expansion. Also, the work is ongoing. The final start-up of that will be synchronized with the new bioproduct mill start-up in Kemi in 2023.

Right. And then, of course, I would say, I would guess, an interesting part. So well, we are also planning to invest in a new folding boxboard mill in Kaskinen, as you have heard. And Mika already mentioned this, that the possible investment decision could be made in '24 at the earliest. We are planning for an annual capacity of 800,000 tonnes. There was a question about this, hey, why 800,000? Or is it exactly 800,000? That's what we are planning right now. And just to say openly, it doesn't make sense to make small machines. We -- and when we want to make really high resource efficiency, it has to be a big machine. Otherwise, this idea doesn't work. It will be 100% fossil-free mill and really world-class resource and operational efficiency. I will come back to that.

The schedule of the project looks about like this. We are now in the preengineering phase, of course, before the announcement that we are planning this investment, of course, we had worked on this already for quite a while. And now we are -- we have started, I would say, officially, the preengineering. We need about 1 year for that. It's a technical design, design of infrastructure and logistics solutions. So it's not only the board machine. It's also the mechanical pulp concept, it's the power plant, it's the sheeting, all what's associated with that new mill.

We will also make tendering for the main equipment during '23 and then, of course, what is important, an environmental impact assessment and also the environmental permit process. So that's what will happen now, let's say, within the next 1 year, this preengineering environmental permit, tendering and so on.

After that, we will need about 2 years for the construction. Let's assume investment decision '24. You can add 2 years. After that, we are in the start-up phase. And then finally, the ramp-up of the production, of course, we want to be world-class also there. So that it doesn't take years to reach the nominal capacity of 800,000 tonnes. But we also have to be realistic so that the full production capacity in the market is earliest in '27.

And well, I don't go into markets here, but say, in Europe, North America are the targets here when it comes to the market.

So that's roughly the time plan for the new mill. And then how about then this resource efficiency? First of all, we really want to utilize the wood raw material that we use at the mill at 100%. So it's quite a lot about the pulp concept, what kind of pulp we use there. It's very, very important. And I can guarantee that we will surely work on that and find, I hope and believe, new solutions there. Then this reduced water use is very important for us. It's important for our customers, too. They understand that this is important topic.

And then in water efficiency, there are a few things that we can do. We can think about that, that, okay, how much water do we circulate within the process and also what kind of a purification technologies we use in the wastewater systems so that the emissions are as low as possible. And there, we are not looking for minus 5% water usage or something. It has to be tens of percent compared to the existing mills. So really ambitious targets here when it comes to water usage.

Then when it comes to energy, the same thing applies there. Just a technical detail. In board manufacturing, quite large share of the energy goes to drying. And it's very difficult to change the laws of physics. So therefore, we will still use quite a lot of energy in paperboard drying, but everything else around it. We will surely go through every detail, trying to minimize the energy usage there. And we will use also modern, is it then artificial intelligence or whatever technologies, whatever you want to call them, to minimize their energy usage.

And then finally, of course, the operational efficiency is important. Less waste we produce, the more efficient, the more profitable we will be. So we need to keep this also in mind so that there are not too many [breaks] on the machine, we are not cutting too much waste from the -- or broke from the paperboard and so on. Sell as much as possible from the production that we get to the rail.

So this is a -- this will not be -- I would say so that this is a very ambitious project, trying to do all these things. Right.

And then finally, I'll go to the summary saying that sustainability and resource efficiency are driving our R&D work. Well, I hope you heard

and you believe that, that is the way we do. We have a clear road map in order to be 100% fossil-free in production in 2030. Yes, these are the investments in the existing mills. And really, the third point here, our ambition is to take the resource efficiency to the next level. And finally, that is really a key success factor in our future investments.

So that was my presentation. Thank you very much for your attention. And now the floor is open for questions.

QUESTIONS AND ANSWERS

Katri Sundström Metsä Board Oyj - VP of IR

Okay. Thank you, Ari. Very interesting. I see Antti is already holding a microphone, so please go ahead.

Antti Koskivuori Danske Bank A/S, Research Division - Analyst

About the Kaskinen investment, and you talk -- there's a lot of things that can improve and do for the efficiency of that unit if you decided to do. Could you talk to us a little bit about what you expect, how the cash cost compares to your -- for example, your existing mills or industry average or what kind of impacts we should expect from all that great things that you talked about?

Ari Kiviranta Metsä Board Oyj - SVP of Technology

Okay. So I'm not going to tell you exact euros, okay, this will be this and that. But let's start with the raw materials. So of course, we will use pulp there. We will use some mechanical pulps that we produce ourselves for semi-chemical pulps, whatever. But as I said, we target for maximum yield out of those. So I'm quite sure that we can squeeze out a little bit there.

I'm quite sure also that in our existing mills -- this is a technical detail, but you asked that. So we are using CTMP from, let's say, Joutseno and Kaskinen mills. And we are drying it at the pulp mills and then transporting it to Kaskinen, now we can use the integration. We don't have that extra drying there in between. That for sure will help us also in the costs.

And then as this is a big machine, as little broke as possible, that will give something there. It's also when you calculate all the fixed cost per tonne, for sure, they will be lower than on our existing mills. If you say -- if we say so that, okay, we have a mill with 200,000 capacity versus 800,000, still, your fixed cost level, of course, it's higher with the bigger mill, but it's not proportional to that. So there will be quite many points where we can find, find savings. And therefore, so if you compare this to the European FBB mills, of course, this is in its own class.

Antti Koskivuori Danske Bank A/S, Research Division - Analyst

Are we talking about double-digit improvements or...

Ari Kiviranta Metsä Board Oyj - SVP of Technology

I don't speculate that.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. Let's take one from the web here. And there was about artificial intelligence. How Metsä Board is already using artificial intelligence?

Ari Kiviranta Metsä Board Oyj - SVP of Technology

We are using it in -- actually in quite many of our mills. We have done a lot of work around that trying, I would say, kind of what do you call this, proof-of-concept project. Trying that, okay, this idea, let's try. If it works, we take that into use.

Just to give you some examples. We are using, for instance, in our Kyrö mill, so-called soft sensors to predict some paperboard properties that cannot be measured online, but there's a system that predicts them. We have some systems, for instance, in Äänekoski in use where we can predict or find out the root cause for some dirt spots in the paperboard, so what's causing that, so we can go there. So we are already doing it.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. And then there is -- are the pre-resistant coatings oil-based latex?

Ari Kiviranta Metsä Board Oyj - SVP of Technology

At the moment, some of the coatings are. I don't go into chemistry here and explain that. But when you go to the market and look at these barrier coat -- so-called dispersion barrier coatings, of course, there are some latex used.

Katri Sundström Metsä Board Oyj - VP of IR

Yes. Okay. Then back to Kaskinen. And it's -- or I suppose this means Kaskinen, goes any ballpark estimate for the CapEx?

Ari Kiviranta Metsä Board Oyj - SVP of Technology

We have said, and now I'm looking at Mika here, so we have said that it's order of magnitude is billion euro.

Katri Sundström Metsä Board Oyj - VP of IR

That's correct. Yes. Right. Okay. We have Robin here in audience.

Robin Santavirta Carnegie Investment Bank AB, Research Division - Head of Materials Research & Financial Analyst

Yes. Yes. Thank you for a very good presentation. I have a question related to the smaller mills you have in Finland. What is the plan with them in the future? Are you still going to run them for foreseeable or for long-term future? Or any plans to combine some capacity or shut down or invest?

Ari Kiviranta Metsä Board Oyj - SVP of Technology

We are planning to run them, that's a simple answer. And there's, of course, room for them. This mill, the new one, if and when it will be built, it will be efficient. But to be efficient, we cannot run 10 different paperboard grades on this machine. We have to concentrate on something and that leaves room to the existing machines, so that we can produce some other grades there. So my answer is that yes, we are planning to continue with them.

Robin Santavirta Carnegie Investment Bank AB, Research Division - Head of Materials Research & Financial Analyst

One final question related to wood raw materials and availability in the new mill now we see you guys and we see Kemi investment and we see (inaudible) are doing the conversion in (inaudible). So quite a lot of new capacity and increased demand of pulp wood. And then we have the border shut with Russia. Do you see sort of availability of wood raw material as a problem longer term in Finland and Scandinavia?

Ari Kiviranta Metsä Board Oyj - SVP of Technology

That's a very good question. And we all know that at the moment, the availability is relatively tight. And will it improve in the future? Probably not. But we -- as Metsä Group, well, what is the right word. So the availability of wood is pretty good, and there will be not a major change in the use of wood within the Metsä Group with even with this one. So yes.

Robin Santavirta Carnegie Investment Bank AB, Research Division - Head of Materials Research & Financial Analyst

So there are enough reserves in Finland. You don't need to go to the Baltics?

Ari Kiviranta Metsä Board Oyj - SVP of Technology

Otherwise, we would not make this, so.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. Pretty much same questions here on web, but maybe still one, taking this that what risks do you see to approving the project?

Ari Kiviranta Metsä Board Oyj - SVP of Technology

I don't know. So well, if that means, for instance, permits, it could mean. I don't know. But let's assume it means that there -- are there any risks there? Of course, there are some risks. We are just making the, for instance, the environmental permit application. It will be

handled in '23, but we are quite confident that yes, we have good chances, let's put it this way. We have, of course, had already the first contacts with the government officials and so on. And we fully believe that this is doable.

Other risks -- technology, although I say that there will be new this and that. And so although we are trying to find all kind of ways to improve their efficiency. So -- but we are not going to use unproven technology. So I don't believe that we have a major risk there. Some other risks, well.

Katri Sundström Metsä Board Oyj - VP of IR

Yes. I think it's referring also to the capacity from competitors.

Ari Kiviranta Metsä Board Oyj - SVP of Technology

Yes. Well, that was more or less answered already.

Katri Sundström Metsä Board Oyj - VP of IR

Yes, it was already there. Okay. Do we have any other questions from audience? If not, thank you, Ari. Very, very good presentation and good insightful answers, as always.

I think it says a break on our schedule at the moment. So let's do that. I could actually take one question here because it's a general one. Is there a recording of the presentations available after? The answer is yes. But now we go on break, and we'll be back at 3:30.

(Break)

PRESENTATION

Katri Sundström Metsä Board Oyj - VP of IR

Welcome back to Metsä Board's Capital Markets Day 2022. We are halfway through our event, and we still have three interesting presentations to go. As a reminder, you may ask questions after each presentation, and you can send those questions throughout whole presentation.

So our next presentation that includes a lot of figures and graphs. It describes our financial position and our [integration levels] in pulp and energy. This is by CFO, Henri Sederholm. Please, Henri.

Henri Sederholm Metsä Board Oyj - CFO

Okay. Thank you, Katri, and good afternoon.

You have heard already a lot about Metsä Board today. Next, I will tell you why Metsä Board has a solid platform for future growth. I will first warm up with the key takeaways from last year's -- sorry, 2020 Capital Markets Day. And after that, I will have three topics to talk about. First, I will go through the financial targets, performance and also the profitability drivers. Then I will go through two very important competitive advantages of Metsä Board, namely pulp and energy self-sufficiency. And then finally, we'll take a look at the cash flow, CapEx as well as the financial position.

But now let me first quickly run through the key takeaways from Capital Markets Day 2020. The coronavirus pandemic had started quite recently, and the business environment was very exceptional. We analyzed the challenges and opportunities. And now after 2 years, we can say that for Metsä Board, the opportunities outweighed and overshadowed the challenges and risks. We saw growing e-commerce concerns about health and safety topics and also reduced availability of recycled fibers, all of which increased the demand for fresh fiber paperboards. Thus, also Metsä Board's performance has been strong, and the financial position has also remained strong. And finally, as you already heard today, we continue to invest in sustainable growth and have future plans for that as well.

Then let me go over to the financial targets. First of all, we are not changing our financial targets. They remain unchanged at this stage because of the still very turbulent environment as well as the big investment plans that we have ahead of us. We have been able to

exceed the comparable return on capital employed target for the last 3 years, which is at least 12%. Our net debt to comparable EBITDA is close to 0 when our target is maximum 2.5x. And lastly, as Mika already presented, we have paid dividends according to our dividend payout policy, which is to pay at least 50% of the net result.

Then to the profit drivers. Perhaps the most important driver for us for the last year or so has been the increased paperboard prices. This has been possible, thanks to the increased demand, as I already mentioned. We have been more than able -- more than offsetting the negative impact from the rapid cost inflation.

On the left-hand side, you can see the graph describing the price development in Europe. But a similar pattern and trend has been also there in our other main market, Americas. Then on the right-hand side, you can see our cost split. The items that have been mostly impacted by the cost inflation have been logistics, chemicals and energy, all representing about 15% of our total [cost]. Our main cost element, wood, which represents about 25% of total cost, when taking into account its share in pulp costs has been increasing on a slower pace and also our fixed costs have remained fairly stable. And then I have to remind you that even though pulp is shown as a cost here, overall, Metsä Board is net long in pulp, and I will get back to that in a minute.

Then next, we have gotten also tailwind from strong U.S. dollar and weak Swedish krona. On the right-hand side, you can see our FX exposure, where U.S. dollar has about 60% share and Swedish krona about 35%. We have hedges in place for about 8 months net cash flow. And that means that our effective U.S. dollar and Swedish krona rates will be improving from this year's levels. We are estimating taking into account the hedge ratios as well as the spot rate that our effective rate will be around [1.02 and 10.8] next year. It's also worth noticing here that our sensitivity to the U.S. dollar has increased to about EUR 100 million per 10% change due to higher U.S. dollar prices.

Then Metsä Board also benefits from higher pulp prices through the ownership in Metsä Fibre. In this graph, we have combined the pulp price development, on the other hand, and then our comparable operating result. The operating result has been further split into two parts. The light green part on top is the share of Metsä Fibre profit consolidated into Metsä Board. And then the dark green part is the Metsä Board stand-alone result. From here, we can conclude that Metsä Board has been able to improve the profitability, both in low and high pulp price situations.

Then I believe the profitability drivers for a while and take a look at two important competitive advantages of Metsä Board. First, talk about the pulp self-sufficiency. I'll walk you through the numbers on the right-hand side first. So Metsä Board has pulp capacity about 1.5 million tonnes. And the consumption is pretty close to that, a little bit higher. Then we also deliver a market pulp 0.5 million tonnes per year. And then on top of that, we have 24.9% ownership in Metsä Fibre, which has a pulp capacity of 3.3 million tonnes. That all adds up together that our pulp price sensitivity at the moment is around EUR 30 million per 10% change in pulp price. When we look at the items that are decreasing our pulp exposure and increasing it, we can see that in the coming years, our exposure will slightly increase, but remain maximum at EUR 40 million.

And then very important self-efficiency is energy self-efficiency, as we've already discussed today. When we think about which are the elements of energy self-sufficiency for Metsä Board, we need to take into account our own generation, the energy that we are sourcing from Metsä Fibre and then thirdly, the nuclear power shares that we own through Pohjolan Voima. When taking into account the Husum pulp mill renewal Phase 1, which will start up later this year, and the Olkiluoto 3 nuclear reactors start up. Our electricity self-sufficiency is about 85%. And then in fuel and heat about 75%, which then combined equals that our total self-efficiency is at around 80%.

Okay. Then let's move on to the cash flow. We have accumulated strong cash flow over the last years, which has been then also supporting the investment projects and the increasing investment levels, as Mika presented. This year, our cash flow has been burdened by increase in working capital. That has a couple of logical explanations. First of all, we have been building up inventory ahead of the next year's pretty long investment shutdown in Husum. Secondly, we have seen the inventory valuation increase due to the cost inflation. And thirdly, the receivables have increased because of the increasing price level.

On this one, you can see our ongoing investment project, which Ari already presented. From the financial point of view, these all together, the strategic projects that are ongoing total about EUR 650 million to EUR 700 million, and they will be finalized by the end of

next year. We have also indicated on this slide the planned investments, which have not been decided yet. And as Ari mentioned, the earliest time to make the investment decision on Kaskinen folding boxboard mill is in 2024. It's also indicated here that the estimated CapEx is at least EUR 1 billion.

Then after that, we will have also need to continue the renewal of Husum pulp mill, which is indicated to happen on the second half of this decade. Also, the CapEx in that is material, which we, at the moment, assume to be more than EUR 300 million. Worth noticing is that our maintenance CapEx level on an annual basis is only about EUR 50 million to EUR 60 million.

Then a few words about the kind of starting point for financing in the future. So we have a very healthy balance sheet, and I would say even excellent situation as our leverage is close to 0. Our maturity profile is balanced and long and the first meaningful maturity is in 2025. Further, we have two investment-grade credit ratings by S&P and Moody's, which all together add up in a situation where we have good position with regards to the future financing needs.

To conclude, I'd like to summarize. Metsä Board has had a very strong performance in a turbulent environment. We have high self-sufficiency in fibers and energy. And finally, we have a strong financial position that supports the sustainable growth path.

That's all that I had to present. Now I'm open for questions.

QUESTIONS AND ANSWERS

Katri Sundström Metsä Board Oyj - VP of IR

Okay. Thank you, Henri. And now let's go into the questions. I see, we'll let Harri to begin.

Harri Taittonen Nordea Markets, Research Division - Senior Director & Sector Coordinator

(inaudible) Just thinking about the wood cost. I mean it seems that you have not been affected very much by the sort of increase in wood cost in Sweden and Finland. I mean just kind of give some reasoning for that, is it so that you benefited from the Norra Skog at least when that sort of transaction was implemented? And is that now fully in place? I mean, that benefits. So basically looking at things from here, we will be looking at sort of normalized situation from that point of view.

Henri Sederholm Metsä Board Oyj - CFO

Okay. Yes. I think you are correct that definitely, this cooperation with Norra has improved the situation and the share of imported wood for Husum has decreased. I think there is still some room to sort of decrease the share of imports. So I wouldn't say that we are fully there, but it's definitely benefiting the situation. Part of the answer to the lower wood cost has also been that we have been reducing or fully stopping the procurement from the Baltic countries where the increases have been dramatic. And Juha Jumppanen will be talking more about that in a minute, so you'll hear more. But it's a combination of different things. And of course, we have very good professional wood procurement organization who has been doing also very good work. So I'd like to give some credit for them as well.

Harri Taittonen Nordea Markets, Research Division - Senior Director & Sector Coordinator

Okay. Well, maybe about the financial targets, I mean, it's also, of course, related directly to the whole management group. But you've been doing so well and this sort of 12% ROCE from current profitability point of view and sort of the near-term outlook point of view, it looks quite unchallenging. So I don't know what -- how would you kind of reason that benefits or sort of the ambition level for the sort of coming years?

Henri Sederholm Metsä Board Oyj - CFO

Yes, that's a good question. And obviously, this year, we will clearly exceed the target but we see it also that the environment is very turbulent and also these big projects that we have ahead of us that this is not the time to revisit that. So we'll get back to that maybe some time later, but not now.

Unidentified Analyst

If I can continue with one question related to the Metsä Fibre stake, you have -- I guess you have spoken before about the potential sort of changes in the future that, that is not set in stone. Now you have quite significant investments in front of you, have a strong balance sheet, but still big investments. So is this now the time that you take a look at that stake and perhaps divest it? And related to that, what is Metsä Fibre sort of indebtedness at the moment?

Henri Sederholm Metsä Board Oyj - CFO

Yes. So the ownership percentage is not carved into stone. So we are willing to take a look at it, but it requires the whole pre-engineering and we need to know about the [CapExes] of the future. So it's still not an acute topic for us, but it's something that we will take a look in the future. As I presented, we have this long position in pulp in the coming years as well. So there is some sort of room from that perspective.

And the Metsä Fibre indebtedness, I don't recall exact numbers. But despite the very large investment projects, they have income, it is very low. So I don't have exact number. Maybe Ismo can get back to that in his presentation.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. And here from web, we have, can you give us a little bit color of how are you financing your upcoming investments? Have you already thought about specific instruments for that?

Henri Sederholm Metsä Board Oyj - CFO

We haven't made a detailed financing plan yet. I think the most important thing at this stage is that the starting point is good. And we have a good sort of credit ratings, low leverage. And it's likely if we make this investment decision on Kaskinen that the financing need will be very large. So it's probably going to consist of several elements that we will plan more carefully during next year's pre-engineering phase.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. And then there is, what is your goal regarding the credit ratings?

Henri Sederholm Metsä Board Oyj - CFO

We don't have a credit rating target as such. I think it's just kind of a reflection of where we are, but we don't have any written or verbal credit rating target as such.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. Anything from the audience anymore? Okay. I see that our time is blinking red, so it means that we have to move on. Thank you very much, Henri. And we will move on.

PRESENTATION

Katri Sundström Metsä Board Oyj - VP of IR

Now we are going to shift our focus a little bit. We're going to take an update of our associated company, Metsä Fibre, of which Metsä Board owns 25%. And in addition, we will hear always, always so interesting view on the [global] pulp market. This will be presented to us by Ismo Nousiainen, CEO to Metsä Fibre. Please, Ismo.

Ismo Nousiainen Metsäliitto Cooperative - CEO of Metsä Fibre Oy

Good afternoon.

Metsä Fibre is today the leading market softwood pulp supplier in the world, and we are significant sawn timber producer. During the last 2 years, we have seen very tight pulp market, and it's due to the supply side restrictions. In these conditions, we have succeeded also well. We have ensured the reliable deliveries to our customers.

What we have also seen is that sustainable requirements are strengthening. We have put a lot of efforts in Metsä Fibre to the sustainability already many years. Actually, we have also set ambitious sustainable targets by 2030. And now we are investing to the Kemi bioproduct mill. We have started new sawmill in Rauma. And with these investments, we are improving our sustainability. Also, this Kemi bioproduct mill new capacity is important when we are looking the support market in the future and the demand growth there.

So we are even more strengthening our position as a leading pulp supplier in the world and significant sawn timber producer. We are going to grow sustainably in wood-based [bioproducts]. So if we go and start these factors, which has affected and has affected to the pulp market during the last 2 years. Logistic constraints. There has been huge shortage of the containers, but there has been also bottlenecks in inland logistics, for example, in North America, also here in the Europe. We, in Metsä Fibre, we have reserved also the break bulk capacity in logistics. And we have shifted from the containers to the break bulk. And in this way, we have ensured the renewable supplies and deliveries (inaudible) our customers also in this situation.

But there is also other factors which are affecting to -- and which has effect to the pulp market during the last years. Extreme weather conditions. We have seen large wildfires, (inaudible), floods in certain part of the world, and these are affected also to the pulp production in these areas. Then we have seen unplanned production losses, shutdowns, and it is not only the unexpected equipment failures but there has been also longer-than-normal maintenance shutdowns in the old mills. We have seen also the production losses because of the lack of wood raw material in the North America.

Then like I said, there is the increased sustainable requirements, for example, need for to the high environmental performance, need for to mitigate the climate change. And actually, we have seen also in North America, the mill closure because of poor environmental performance. So I see that logistic constraints are easing now but these other factors are also affecting to the pulp market in the future. And I see that this sustainability requirements are strengthening even more in the future.

So what is the Metsä Fibre today? We have the pulp capacity, 3.3 million tonnes. We have 4 pulp mills here in Finland. All are [modern], we have high energy efficiency in these mills. We have high environmental performance. And when we will have this Kemi investment running, our capacity will be 4.1 million tonnes.

In sawn timber, our capacity is 2.1 million cubic meter. We have 5 sawmills here in the Finland. And just now, we are starting the most modern sawmill in the Rauma. And we have integrated that sawmill very tightly to our existing pulp mill (inaudible). Actually, we are getting all the [heat], what we are needed in the sawn timber production from the pulp mill as an excess heat . We don't need any separate heating plant. We are taking sawmill chips to the pulp mill as a raw material, rightly from the sawmill. And actually, now we are planning that we are utilizing the sawdust as a fuel in the pulp mill and replacing the fossil-based fuel in this process. So we are going to fossil-fuel free in the [grade] also in the Rauma. So with this integration in the sawn timber and pulp, we cannot only improve our cost efficiency, but also the sustainability.

We have also other products, biochemicals, traditionally tall oil, turpentine, but we want to enlarge this product portfolio. We have made agreement with the Veolia company. They are building the methanol refining plant in the Äänekoski so that they are taking as a raw material our own methanol in the pulp process, purifying it and delivering it as a fuel or the raw material for the [Kemi] chemical industry. Then we are piloting the lignin separation. We are looking the application for (inaudible) lignin. And we have also [other bioproducts] in R&D process.

We are also remarkable energy producer. Actually, our [electricity] self-sufficiency rate is nowadays 150%. It means that when we are producing 150 unit electricity, we are utilizing 100 units in our processes and a 50-unit is delivered to national network in as a renewable electricity. We are increasing this energy efficiency so that in the Kemi, this electricity self-sufficient rate will be 250%. So we produce actually 11% of total renewable energy now in Finland, and it will increase in the future.

So like I said, we succeed well in our deliveries to customers during the last 2 years and also in the -- our finance results was strong. Last year, our operating profit goes to EUR 650 million, about 25% from our sales. Year-to-date, this year, after 3 quarters, our operating result is close to EUR 680 million and 29% of our sales.

Our net debt rates increased close to the EUR 500 million due to this Kemi bioproduct mill investment. We are increasing our production units cost competitiveness with this Kemi bioproduct mill investment. What we can see here, our technical age of our mills are lowest when we are looking globally the softwood pulp market producer. And also when we are looking at the average production capacity, our mills, it is much higher than average. So we will have very cost competitive production units.

We can see also that there is a lot of pulp producers, pulp mills, with technical age is quite high, over 30 years or 35 years. And it is expected that these mills will have more and more [unplanned] production losses in the future. It is also difficult to these mills to increase the sustainability, increase their energy efficiency, increase the environmental performance due to the fact that there is old technology. Actually, many mills are utilizing electricity and fossil fuels outside when they are running the pulp mills and pulp production. They need outside of this energy.

We decided to renew the Kemi mill when the existing mill technical age was 32 years. And now we are replacing that our existing mill with new bioproduct mill. The annual bulk capacity will be 1.5 million tonnes, market softwood, around 1 million tonnes, then we will have also the hardwood 100,000 tonnes as a market. The investment will be EUR 1.85 billion. This investment will be the highest in Finnish forest industry history. We will produce a lot of renewable energy also in this plant 2 terawatt hour. It represents 2.5% of electricity production in Finland, and the start-up will be in the third quarter next year.

In this mill, we are combining efficient production with superior environmental efficiency. Actually, we can operate within the emission limits, which we have now in current mill even we are increasing the capacity 2.5x higher. In certain areas, we are decreasing the emissions comparing to the -- and absolutely comparing to current mill. We will have very efficient wastewater treatment plant. There will be the [tertiary stage], which is decreasing the emissions. We will have the closed cooling system so that we are not increasing heat load to the [water]. We are decreasing the [raw water] need.

Then we will use no fossil fuels in this production even in start-ups and shutdowns, we are using the bio-based fuels. Like I said, the electricity self-sufficiency rate will be very high, 250%. And we are utilizing the raw material 100% so that we are utilizing the side streams to different kind of valuable bioproducts. For example, we are classifying our [part to the product cost], what we use as a fuel in our process. We are even utilizing our odorous gases from the process so that we are producing sulfuric acid from these odorous gases and decrease the need of the sulfuric acid from the outside of the mill.

So the mill will be the most modern softwood pulp mill in the world. We are using the best available technology, actually more advanced technology in many areas. And I'm personally very proud of this mill.

The mill is also -- and this new capacity, very important when we are looking at the market pulp demand growth. Here, we can see that in the softwood market pulp, we estimate that by 2030, the demand growth will be 2.7 million tonnes. And when we are going to the inside of the softwood grades, we saw that the northern softwood pulp and fluff pulp is growing, but other grades inside the softwood are decreasing. And this is due to the fact that southern softwood are shifting more to the pulp production and (inaudible). So the northern pulp has to take -- has to be -- take more role in the future in the softwood growth.

Driver in the demand growth will be tissue, hygiene sector, but also the board and packaging sector and specialty paper end users are growing. Printing and writing, we expect that they are declining and continuing to decline, but these other end users are more than offsetting this decline.

Then when we are looking at the capacity and calculating the demand/capacity ratio. And nowadays, we are saying that market are balanced when this capacity ratio is 90%. So we can see that even we are going with the new capacity in Kemi to the market, the market will be in balance. Actually, the market is going very tight in the last year in this time frame, if there is not coming any other investment and capacity expansion.

Actually, I see that this balanced market ratio will be lower than 90% in the future. And it is because there is factors which are restricting the production also in the future. The extreme weather conditions, they will continue. And globally, high technical age of capacity, what we have in the softwood market pulp, there will be more production losses. Also, is happening, the capacity shift from the paper grade to

the other grades -- for example, to the (inaudible). Cost inflation is affecting to the certain mills and also the shortage of wood raw material will continue in certain areas. And then also this increasing sustainable requirements. So Kemi will be very crucial when we are looking at the market point of view also this investment.

So I want to summarize my presentation, so that Metsä Fibre is the #1 globally in the markets of wood pulp. New Kemi bioproduct mill further improves our efficiency and sustainability and strengthen our position as a market pulp, softwood pulp and the demand for market softwood pulp continues to grow with limited new capacity. Thank you all.

QUESTIONS AND ANSWERS

Katri Sundström Metsä Board Oyj - VP of IR

Okay. Thank you, Ismo. Very good presentation as always. And let's open up the dialogue and start from here on site. We have questions here. Robin, please.

Robin Santavirta Carnegie Investment Bank AB, Research Division - Head of Materials Research & Financial Analyst

Related to Kemi, remember the Äänekoski mill started off very smoothly in a good market environment, though, but very quickly and the results were great quite soon after the start. What should we expect now when it comes to the startup curve, how long does it take for you guys to reach full capacity? And if you compare Kemi to Äänekoski, which one is more efficient when it comes to the cash cost of pulp production?

Ismo Nousiainen Metsäliitto Cooperative - CEO of Metsä Fibre Oy

We have this continuous improvement in our company. So we are improving the start-up curve. Yes, this is the target. And after the 1 year, we target this to be in full speed with this model. And in Kemi, of course, we are improving the areas where we have experience in the Äänekoski that we can improve. And also the capacity will be higher than Äänekoski, 1.5 million tonnes. So it will be also in -- when we are looking at the cost competitiveness, better than Äänekoski.

Robin Santavirta Carnegie Investment Bank AB, Research Division - Head of Materials Research & Financial Analyst

Good. Then related to short-term outlook on the pulp markets. What do you see now when it comes to demand in the key market, Europe and China? And what do you see when it comes to supply? Any changes now in the autumn versus the summer or the spring or is the tightness as -- or is it the same tightness that we have seen during this year?

Ismo Nousiainen Metsäliitto Cooperative - CEO of Metsä Fibre Oy

When we are looking at the situation, actually, in the China, the paperboard market has been quite weak, local market there, but our deliveries has been good there, and the pulp market has been tight because of the supply chain restrictions. Now the logistic is easing, like I said. And I expect that, that will affect to the market somewhat so that prices are more to normalize into the next year. But I see that also that China demand will increase in the future because when they are getting the logistic cost down, they are exporting more than paper grade (inaudible) also from the China.

Robin Santavirta Carnegie Investment Bank AB, Research Division - Head of Materials Research & Financial Analyst

And a final one. We've seen a lot of projects in China, also involving production of chemical pulp. Where will they get the raw material to produce there? Have you any idea or are you as clueless as others on this one?

Ismo Nousiainen Metsäliitto Cooperative - CEO of Metsä Fibre Oy

Actually, they have built in the hardwood side [this] on pulp capacity and integrated that in their paper production there and raw material comes from the other areas from the Asia, especially. And they have increased now quite much, it's hardwood imports during the last years. But in the softwood problem is that there is not raw material for the softwood.

Katri Sundström Metsä Board Oyj - VP of IR

Yes, Harri, please go ahead.

Harri Taittonen *Nordea Markets, Research Division - Senior Director & Sector Coordinator*

Logistically efficient this way. If we think of the Kemi, if I recall right, the electricity sales will be something like 1.4 terawatt hours or some. Is that in any way, like hedged or is it just sort of sold to the open market at the current spot prices then? And how does it work in the sort of power sales from the unit?

Ismo Nousiainen *Metsäliitto Cooperative - CEO of Metsä Fibre Oy*

This exist electricity, we are putting that in our balance, and we are selling that as a spot market and the prices are coming from the spot market.

Harri Taittonen *Nordea Markets, Research Division - Senior Director & Sector Coordinator*

Yes, yes, yes. And the sawmill sort of start-up comes at the time when there seems to be -- the market is very slow at the moment. And -- but then you said that it's going to be very competitive. What sort of strategy will it be? Will it be just -- I mean will you aim at running it full, and?

Ismo Nousiainen *Metsäliitto Cooperative - CEO of Metsä Fibre Oy*

Yes. We are going to same strategy like in the pulp mill so that we are building the sawmills which can operate 360 -- 7 days per week. So all the time. And like I said, that we are integrated that in the pulp mill and also we are taking new technology so that it's the same kind of controlling the process like in the pulp mills that we have -- will have the one control room. And therefore, in this way, we can reduce the need of persons and it is also more cost competitive in that way because we can also in the weekends run the production all the time. And also the location is very good when we are looking the exports from the Rauma.

Harri Taittonen *Nordea Markets, Research Division - Senior Director & Sector Coordinator*

Right. So you're looking at quite global markets?

Ismo Nousiainen *Metsäliitto Cooperative - CEO of Metsä Fibre Oy*

Yes. Yes.

Harri Taittonen *Nordea Markets, Research Division - Senior Director & Sector Coordinator*

Any sort of regional -- I mean, do you want to open like where or what's...

Ismo Nousiainen *Metsäliitto Cooperative - CEO of Metsä Fibre Oy*

The main markets will be the Europe and also the Asia.

Katri Sundström *Metsä Board Oyj - VP of IR*

Maybe a small follow-up that you already answered pretty much it. But then how do you see the outlook on the European sawn timber market?

Ismo Nousiainen *Metsäliitto Cooperative - CEO of Metsä Fibre Oy*

When we are looking in the longer term globally, the sawn timber demand will grow about 7 million cubic meter per year. So we will have new capacity 0.7 million in the (inaudible). So the question is not that is the demand increase and growth in the -- but the question is where we are utilizing this high-quality sawn timber, where are the customers for that. And that is what we are looking that which market and which customers are benefiting more from our sawn timber.

Katri Sundström *Metsä Board Oyj - VP of IR*

Good. Then back to pulp, how much scope is there for customers to switch from use of softwood to hardwood given availability will be much greater for hardwood in the next few years?

Ismo Nousiainen *Metsäliitto Cooperative - CEO of Metsä Fibre Oy*

Of course, the customers can [book the furnish] so that they can maximize the hardwood side. And we see that it has happened because the price spread with the softwood and hardwood has been quite big now during the last years. And of course, it's a question of also the

chemical cost because they are utilizing chemicals when they are replacing the softwood with the hardwood. And what are the chemical costs versus the price difference between the hardwood and softwood. I don't believe that there can be happen a lot more in the future because there has been so high price difference between the hardwood and softwood.

Katri Sundström Metsä Board Oyj - VP of IR

Then still short term, if you want to comment -- this is about the Asian demand. Do you think the strong momentum will continue into Q4 and early '23?

Ismo Nousiainen Metsäliitto Cooperative - CEO of Metsä Fibre Oy

Like I'd say that we are seeing that demand is normalizing more. And these logistic constraints are also normalizing. So I expect that also the prices are normalizing in the next quarter.

Katri Sundström Metsä Board Oyj - VP of IR

Great. Any other questions from audience? If not, then let's move on. Thank you very much, Ismo, good presentation, very good answers.

PRESENTATION

Katri Sundström Metsä Board Oyj - VP of IR

And yes, we are moving to our last speaker. The content of this presentation will be around Metsä Board's most important raw material, wood and also about wood procurement, which, in our case, is handled by Metsä Group. We will also hear more about very important topic, sustainable forest management. And I'm very delighted that we have our colleague from Metsä Forest, our sister company, Juha Jumppanen here to open up these very important topics. Please, Juha.

Juha Jumppanen Metsäliitto Cooperative - EVP of Metsä Forest

Dear all, good afternoon.

So my presentation is about wood supply. So as you have heard today, Metsä Group is in a phase of very strong strategic growth. And our task at Metsä Forest is to make it possible through sustainable and long-term wood supply. And our unique ownership structure is very valuable asset in doing this.

So Finnish products are our home base. So we have strong routes in Finnish Forest and Finnish Forest have acted as carbon sink since 1970s. And the carbon storage of Finnish Forests have almost doubled during the last 50 years. And we have around 20 million hectares of productive forest land in Finland, which covers nearly 75% of our land area. And maintaining health forest is very essential for us in order to mitigate climate change and also for our business as well.

So we have a very good position in Finland due to that issue that annual growth exceeds clearly the felling. So during the last 6 years, we have only cut 90% of sustainable cutting potential in Finland and that means that we have flexibility to increase cuttings without risk of losing sustainability and biodiversity. And as I said, total area of productive forest land is around 20 million hectares and 60% of forest -- productive forest land is owned by private forest owners. And our owner members own roughly half of Finnish private forests.

We have very unique value chain from forest to the high-quality end products like folding boxboard, linerboard, pulp, sawn timber, paperboard as common and tissue and greaseproof papers. And our parent company is Metsäliitto Cooperative, which is owned by nearly 100,000 Finnish Forest owner. And we at Metsä Forest take care of the whole wood supply of the Metsä Group. And our owner members are interested to increase the value of the forest asset and we provide all the services to do that. And in addition to that, we have the best-in-class rewarding system for our owner members.

So biodiversity is extremely important for us as a company and for our owner members as well. And we want to safeguard biodiversity, and we do that through our Ecological Sustainability Program. And here, you can see some recent steps what we have taken. So we are leaving rarely found broadleaved trees in forest. We recommend nature management for herb-rich forests, and we are making biodiversity stumps to increase decayed wood -- amount of decayed wood, which is very important for a lot of Finnish species. And we are

also leaving protective thickets for animals, and we encourage the forest owners to grow mixed forests in order to mitigate climate change.

We are the largest wood purchaser in Finland. So total amount of our wood supply was 35 million cubic in 2021. And mainly, it comes from Finland and our owner members. And in Sweden, as already have been spoken, we have long-term wood supply agreement with Norra Skog. And as you know, they are a [part-owner] of Husum pulp, 30% stake. So they are very committed to take care of wood supply of Husum mill. And that is, of course, valuable asset for us.

And we stopped sourcing from Russia at the beginning of March. And now we are replacing Russian volumes by Finnish and Swedish volumes. And we have been very successful in doing that. So we have been able to carry out wood supply according plans this year. So of course, we have very big turbulence in wood market in Baltic Sea area, but we have been able to manage with these things. And 88% of wood comes from certified forest.

And as our group is in a phase of very strong strategic growth, our wood supply volume will increase by 6 million cubic from 2022 to 2025. And of course, Metsä Fibre is having the biggest investments in sense of wood supply. So Rauma sawmill will increase wood consumption by 1 million cubic meter because we closed the same time [Gohrsmühle] mill. And new bioproduct mill will -- in Kemi will increase the wood supply by 4.5 million cubic. So all in all, total nearly 6 million cubic.

And how we can be successful in our tasks. So we are providing comprehensive member benefits to our owner members. And according to different studies, we have the most wanted brand among forest owners. And according to different studies, we are offering first-class customer experience to our owner members and other forest owners as well. And we have been a market leader in online services for forest owners for, let's say, a [decade]. And our online wood trade was started already in 2016. And our owner members can invest wood trade income to shares of Metsäliitto Cooperative and the interest rate paid to investments has been very, very competitive during past decades, so between 5% and 7%. And in 2021, the total distribution to owner members was some EUR 74 million as profit distribution and some EUR 17 million as other benefits like price guarantees and so on. So I think that we have a very unique relationship with our owner members and through that, we can have very stable wood flow to our mills of Metsä Group.

So we have very tight situation in wood market around Baltic Sea area due to Ukrainian war. So some EUR 10 million cubic of different wood assortments were imported from Russia to Finland and Sweden, and some 3 million cubic meters of different wood assortments were imported from [Belarus] to Poland and Baltics mainly. And that is the big disturbance in wood market. And at the same time or nearly at the same time, we are increasing wood consumption at Metsä Group as well.

So now we have a turbulent times, but we have been able to mitigate those and I'm totally convinced that we can mitigate this situation in the future as well. Of course, this tight wood market situation is reflected to pulpwood prices. And in Finland, the price of coniferous pulpwood has increased by 16% from the beginning of this year until the end of September. And the price of Birch pulpwood nearly by 20% in the same period. And you can see same kind of development in Swedish raw wood market as well.

And of course, I must highlight that you cannot compare Finnish prices to Swedish prices due to that issue that Finnish price -- roadside price is so-called end price. But in Sweden, wood purchasers are making different kind of deductions and increases to those prices. And if we compare the Finnish and Swedish mill prices, those are roughly at the same level. Of course, it depends on the part of the country, but roughly on the same level.

To summarize my presentation, our unique ownership base secures sustainable and long-term wood supply and we can increase cuttings and enhance nature biodiversity at the same time. So we want to protect biodiversity and maintain forest as carbon sink that is really essential for us and to our owner members as well. And competition for wood raw material will intensify and already is intensified due to that Ukrainian war. And I'm totally convinced that we can take care of increasing wood supply of Metsä Group.

So we have very valuable assets. I think that we are having the best wood supply organization in Baltic Sea area. We have a unique ownership base. We have a very committed owner members to us -- to deal with us. And we are offering the best-in-class customer service, customer experience as well. And we are the most wanted brand among Finnish forest owners. And we are having best forest

owner rewarding system according different studies. So I'm sleeping my nights very well still and am totally convinced that we can take care of wood supply of Metsä Group in the future as well. Thank you.

QUESTIONS AND ANSWERS

Katri Sundström Metsä Board Oyj - VP of IR

Thank you, Juha. Very good presentation, very valuable information to us all and especially to Metsä Board shareholders.

Okay, do we have questions for Juha here in audience? Please, Harri.

Harri Taittonen Nordea Markets, Research Division - Senior Director & Sector Coordinator

Just wondering, I mean there's so much talk about energy use as a new driver for wood and how that is sort of affecting the market. I mean, how do you see that? And the other thing was also this sort of new imbalance in a way that the sawlog market probably is a bit kind of cooling down with the saw milling being slower and then the pulpwood tightness is there. So how does -- what sort of operational challenges? So how do you deal with that?

Juha Jumppanen Metsäliitto Cooperative - EVP of Metsa Forest

Excellent questions. So if I start from the energy wood, we have seen very rapid price development in Baltics, and Baltic raw wood market is driven by energy wood. So they are replacing gas and other sources by wood raw material. And of course, in Finland, if the situation goes so that, we will have a lower sawing volumes in Finland in total. Then it means that we can use for instance, [stem] pricing and steer raw wood to that usage, which is the most beneficial and most profitable for us. So that is a very good adjusting element to steer the wood to that address, which gives best profit for the whole Metsä Group.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. Then we have here -- we already touched a little bit this subject, but if you could answer on your side that how would you describe the main benefits of cooperation with Norra Skog?

Juha Jumppanen Metsäliitto Cooperative - EVP of Metsa Forest

Yes. Good question. So I think that the main point is that they are very committed to Husum's wood supply. So as they are part owner, they are really committed to that task.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. And then how big of a risk do you see forest fires or insect damage in Finnish or Swedish forests?

Juha Jumppanen Metsäliitto Cooperative - EVP of Metsa Forest

Yes. Forest fires are not a very big risk in Finland or in Sweden, due to that issue that we have very broad forest [road] network, and we have excellent forest (inaudible) surveillance, which is offered by authorities, and we have good fire-fighting equipments in place. So no big risks for forest fires. But what comes to the insect damages, I think that is a big risk in both countries. Due to that reason that climate is changing all the time, and we will have warmer and warmer summers in the future and winters, of course, as well. And that is the reason that we will see more (inaudible) insect damages in the future in Sweden and in Finland. Of course, nowadays in Finland, that is not a problem, but it will be a problem in the future. That is for sure.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. And now totally up to you how much you want to comment this. But the first one is how much is the profit distribution for owner members in 2022?

Juha Jumppanen Metsäliitto Cooperative - EVP of Metsa Forest

Okay. Yes. Interest rates, which were paid at the beginning of May was some EUR 80 million. And we don't know yet what will be the other member benefits, but I think that those will be roughly at the same level than last year. So all in all, total EUR 100 million in this year.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. And the next one is about wood prices. How do you see wood prices to develop in coming years?

Juha Jumppanen Metsäliitto Cooperative - EVP of Metsä Forest

Okay. Good question, but let's put it in that way that we are purchasing wood every day at market price. So market will make the decision what is the right price for wood.

Katri Sundström Metsä Board Oyj - VP of IR

That's good. Good answer. I think, Robin, do you still have one?

Robin Santavirta Carnegie Investment Bank AB, Research Division - Head of Materials Research & Financial Analyst

Yes, it was actually the sort of question you asked. But if I try it this way, you said the market is quite tight and you have quite good figures here about the increasing pulp wood prices in Finland and Sweden. You said Baltics is super high prices now. Should we expect -- I mean, will prices continue to increase now into the winter? Or is this the top? What are you seeing in the market related to balance?

Juha Jumppanen Metsäliitto Cooperative - EVP of Metsä Forest

Good question. I cannot answer to that because market will decide what is the right price for pulpwood. I want to highlight that when Baltic raw wood market went crazy, we decreased our purchases from Baltics a lot, really a lot. And we have replaced those volumes from Russia and from Baltics by Finnish and Swedish wood. And that is the one key issue why the wood cost of Metsä Board has not raised a lot. So that has been a competitive advantage for us.

Robin Santavirta Carnegie Investment Bank AB, Research Division - Head of Materials Research & Financial Analyst

And is the winter weather a risk for availability, if you have wet and warm winter? Would that sort of be a negative impact on prices? Or is that something that is not so relevant in Finland?

Juha Jumppanen Metsäliitto Cooperative - EVP of Metsä Forest

I think that, yes, it's, of course, relevant when we are thinking about wood harvesting. But if we think about wood market, maybe then it's not so relevant how the price will be decided or formulated. But when it comes to the wood harvesting, of course, bad winter weather is always a risk. But it is not bigger risk this year than earlier on.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. I think that was it. And thank you very much, Juha. I really appreciated that you were able to come here.

Now we have gone through all our presentations, and next on our agenda -- we don't have an agenda there anymore, but we have the CEO's closing remarks. Mika, if you come here up in stage.

As I promised in the beginning of the event, if there are still some questions to Mika or anybody else in the team, you still have the opportunity to do them now. I can actually hear a couple in the web, so I'll take here them first.

So considering your strong financial performance, are you planning to distribute some extra dividends to owners or share buybacks maybe?

Mika Joukio Metsä Board Oyj - CEO

So our intention is to pay dividend based on our policy, and I can't say more at the moment.

Katri Sundström Metsä Board Oyj - VP of IR

Okay. Then another one that is very, very often asked from us. So have you considered to decrease your ownership in Metsä Fibre?

Mika Joukio Metsä Board Oyj - CEO

As mentioned earlier by -- was it Henri, that nothing is carved in stone. So of course, we are able to discuss about that topic if and when needed as far as the kind of financing needs are concerned.

Katri Sundström Metsä Board Oyj - VP of IR

Good. And then still coming back to Kaskinen, could you a little bit elaborate how the place was selected, why Kaskinen?

Mika Joukio Metsä Board Oyj - CEO

Yes. There is a very good sight. Some of you might remember that they used to be (inaudible) near pulp mill. Now it's not there anymore that has been closed down. So we have plenty of room there. It's stable. I mean, good site. We have an industrial plan in place. So we don't have to kind of go for that process. Then we have already kind of current operations there, our CTMP mill. And it's by the sea, it's very close to the port. And also from wood procurement perspective, it's a good location. So several reasons.

Katri Sundström Metsä Board Oyj - VP of IR

Yes. Thank you.

Okay. If not any other questions, I want to thank on my behalf, very active participation, very good questions, both here on site as well as online. And I hope you have found the day useful and learned new things about Metsä Board.

But now I will leave Mika to make the closing remarks.

Mika Joukio Metsä Board Oyj - CEO

Okay. Thank you.

So as we heard today several times, we are in a growing market. We operate in a growing market. The overall packaging materials market growth or estimation is 4% and paperboard packaging materials are estimated to grow by 5%, so bigger or more than the whole packaging material cake. So relatively speaking, we are growing more. And then what will be the impact of the plastic replacement remains to be seen. But obviously, it will be positive as far as growth is concerned.

We are investing. So we are answering -- we have answers to this growth to our -- or demand to our customers. We heard today that we have invested back in Husum 2016. Then at the moment, we are investing in Husum in order to increase folding boxboard capacity and then Kemi [white-top kraftliner] capacity.

Our financial position is strong. Our Q3 was best ever. So our profitability is excellent at the moment. So we have excellent -- from a financial perspective, we have a very good position to grow further in the future. And that is precisely what we are planning to do concerning this pre-engineering phase of Kaskinen mill. But of course, for higher production, you need machinery, you need technology, but you need also raw materials. And we have -- our self-sufficiency in pulp is very -- I mean, higher than we are utilizing ourselves. So we have more pulp than we are able to use today, and that is a very, very good starting point as far as the future investments are concerned.

Then also energy. Energy self-efficiency is high after Olkiluoto 3 and after Husum investment as high as 85%, and that is also then very good as far as the future investments are concerned.

And then our strategy, we grow in fiber-based packaging materials and renew our industrial operations. That's precisely what we have been doing, and that's precisely what we will do also in the future. No need to change our strategy.

So these are my kind of concluding remarks. And I also would like to thank you here live audience, and thank you the online participants for active participation, good questions, good comments. I would like to thank also colleagues for excellent presentations. And then also, Katri, for your kind of guidance through the whole event. Thank you very much. So thank you. Have a nice day. See you next time.

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