Metsä Board

Analyst day and site visit in Husum, Sweden

29 August 2016
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Growth with high-performance paperboards

Seppo Puotinen, SVP Marketing and Sales
Focus on premium fresh fibre paperboards
Folding boxboards, white-top kraftliners and fully bleached linerboards

Consumer goods

Retail-ready

Food service
Metsä Board’s broad spectrum of customers

BRAND OWNERS

CONVERTERS
folding cartons and food service

CORRUGATED BOX MANUFACTURERS

MERCHANTS
Graphics and packaging

FOLDING BOXBOARD

WHITE LINERBOARDS
fresh forest fibre-based
Average annual growth target of 13% (2015–18) is based on new paperboard volumes from Husum

A total of 400,000 tonnes of new FBB capacity

Incremental volume of linerboard after the ceased paper production

CAGR 2015-18: 13%
Geographical growth focus is in Americas
Targeted FBB deliveries in 2018 mainly from Husum

Deliveries to Americas, 1,000 tonnes

- **FBB and FSB**
- **Linerboard**

<table>
<thead>
<tr>
<th>Year</th>
<th>FBB and FSB</th>
<th>Linerboard</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>2012</td>
<td>40</td>
<td>100</td>
</tr>
<tr>
<td>2013</td>
<td>50</td>
<td>150</td>
</tr>
<tr>
<td>2014</td>
<td>70</td>
<td>200</td>
</tr>
<tr>
<td>2015</td>
<td>80</td>
<td>250</td>
</tr>
<tr>
<td>2018</td>
<td>1,000</td>
<td>300</td>
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</table>

2018 target
Global folding boxboard market is about 9Mt/a

Total cartonboard market*) is about 36 Mt/a

Avg. growth rate for premium cartonboards is 3–4%/a

*) Excluding liquid packaging board, cup & plate stock, liner and uncoated recycled board.

Source: Metsä Board estimates
Global food service board market is 3.5 Mt/a*

*) Base board only, excl. other laminate materials such as aluminium and PE.

Avg. growth rate for food service board is 3–5%/a

Source: Metsä Board estimates
Production and delivery volumes of Husum FBB in 2016

- Targeted FBB deliveries from Husum: 150,000 tonnes in 2016, mainly to Americas
- Share of start-up volumes of all deliveries is roughly one third in Q3
- Planned shutdown in pulp mill in Q4 decreases the production volumes
Steady price development in folding boxboard and white-top kraftliner in Europe

EUR/ton

Folding boxboard
White-top kraftliner

Sources: Pöyry Management Consulting ja FOEX Indexes Ltd
Production update and Husum investment programme

Ari Kiviranta, SVP, Production and technology
Ongoing steps in production and technology

• Ramp-up of new folding boxboard machine
• Investing in own extrusion line at Husum
• Continue efficiency improvements at all mills, especially at Husum integrate
• Increase emphasis on R&D
  – Barrier applications, e.g. biobased materials, for food and food service packaging
  – New production technologies in order to increase lightweightness in FBB
Folding boxboard is the stiffest yet lightest paperboard grade

Benefits of Metsä Board paperboards

• Lightweight
  – Even 30% lighter than competing grades (e.g. SBB, WLC)

• Excellent printability and runnability

• Purity and safety

• Bioenergy
  – More than 60% of the energy Metsä Board uses comes from renewable resources

• Wood from known origin
  – Fibres used in production are sourced from sustainably managed northern forests

Metsä Board’s folding boxboards are produced from BCTMP or mechanical pulp, which is used in the middle layer (3) to make the board bulky and light. The two outer fibre layers (2 and 4) are made of chemical pulp, which maximizes the strength of the board.
Husum investment programme

- Two paper machines were shut down in 2015
- One paper machine converted to produce linerboard (BM2)
- New folding boxboard machine (BM1) started on February 2016
- Enhancements to the pulp mill and the mill site’s own port
- Total investment of €170 million
- Total annual EBIT improvement €50 million, fully in 2018

Capacity changes 2014 vs. 2016:
- Paperboard capacity +700,000 tn/a
- Paper capacity -600,000 tn/a
Ramp-up of the new folding boxboard machine
Post H1 2016

• Low production volumes in H1 2016 due to
  – Start-up in February
  – Bottlenecks in the finishing area of production line and a leak in the recovery boiler at the pulp mill

• Daily production volumes are now growing and operational reliability of the machine has improved

• Full capacity still expected to be reached by end of 2016
Daily production volumes of new FBB machine at Husum

The leakage in the recovery boiler at Husum pulp mill

Production stoppages due to severe thunderstorms

Production (packed net)  7 days rolling average

February  March  April  May  June  July
Efficiency improvement programme

• Launched in Q2 to harmonise operating methods and eliminate overlaps
• Annual savings potential at least €10 million euros
  – Maintenance and external services of the whole integrate
  – Several variable costs in both mills
• Evident mostly in 2016, fully in 2017
Food service packaging requires barrier features e.g. moisture and fat resistance

- Investment value EUR 38 million
- Start-up in H1/2017 with capacity of 100,000 t/a
- In 2016 Metsä Board’s paperboards are coated by external converter
- The company continues to develop other barrier solutions including biobased materials
Financial performance

Markus Holm, CFO
Profitability development
2016 has been impacted by ramp-up of new FBB machine in Husum

ROCE-%, excl. non-recurring items

<table>
<thead>
<tr>
<th>Year</th>
<th>Q2/15</th>
<th>Q1/16</th>
<th>Q2/16</th>
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<tbody>
<tr>
<td>2013</td>
<td>6.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>9.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>11.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td>11.6</td>
<td>8.3</td>
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</table>

Target over 12% from 2017

EBIT-%, excl. non-recurring items

<table>
<thead>
<tr>
<th>Year</th>
<th>Q2/15</th>
<th>Q1/16</th>
<th>Q2/16</th>
</tr>
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<tbody>
<tr>
<td>2013</td>
<td>5.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>6.8</td>
<td></td>
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</tr>
<tr>
<td>2015</td>
<td>9.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td>9.0</td>
<td>8.0</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Q2/16</th>
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<tbody>
<tr>
<td>2016</td>
<td>8.5</td>
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Main contributors in H1 2016 vs. H1 2015 profit development

- Ramp-up of new folding boxboard in Husum
  - Low production volumes in both pulp and FBB
  - Bottlenecks in the finishing area of production line
- Lower average price in FBB due to the start-up volumes from Husum
- Fluctuations in pulp price
- Positive difference in FX hedging
Higher inventories and decreased capex payables increased operating working capital
Growing working capital and investments had a negative impact on cash flows
Strong balance sheet
Several items in Q2 weakened liquidity and increased net debt

Equity ratio, %

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity Ratio</th>
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<tbody>
<tr>
<td>2012</td>
<td>33%</td>
</tr>
<tr>
<td>2013</td>
<td>41%</td>
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<tr>
<td>2014</td>
<td>39%</td>
</tr>
<tr>
<td>2015</td>
<td>47%</td>
</tr>
<tr>
<td>6/16</td>
<td>47%</td>
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Net gearing, %

<table>
<thead>
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<th>Year</th>
<th>Net Gearing</th>
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<tbody>
<tr>
<td>2012</td>
<td>73%</td>
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<tr>
<td>2013</td>
<td>70%</td>
</tr>
<tr>
<td>2014</td>
<td>51%</td>
</tr>
<tr>
<td>2015</td>
<td>32%</td>
</tr>
<tr>
<td>6/16</td>
<td>54%</td>
</tr>
</tbody>
</table>

Net debt, EUR million and Net debt/EBITDA

Long-term target in net gearing is maximum 70%
Outlook

• Short-term profitability is still impacted by Husum start-up volumes
• Total paperboard deliveries are growing
• Metsä Board is now a pure paperboard company
• Annual EBIT improvement from Husum investment programme €50 million, fully in 2018
• Long-term financial targets are unchanged
  – ROCE >12% from 2017 onwards
  – Gearing <70%
  – Dividend pay-out ratio at least 1/3 of EPS
Husum integrate

Pertti Hietaniemi, Mill manager
Metsä Board Husum – an integrated paperboard producer
Efficient supply chain from wood sourcing to deliveries

Wood sourcing
- Majority of wood comes from forests nearby
- Imported wood mainly from Baltics

Wood handling
- Efficient wood handling at the site

Pulp mill
- Chemical pulp manufactured in Husum pulp mill
- BCTMP is delivered from Kaskinen

Board machines
- Most modern FBB machine in Europe
- Linerboard machine

Packing
- All cartonboard from Husum is packed in reels

Own harbour
- Deliveries straight from the harbour to final destination and warehouses
Husum integrate mill today

- Folding boxboard machine BM1
  - Capacity 400,000 t/a
  - FBB deliveries mainly to Americas and FSB globally
- Linerboard machine BM2
  - Capacity approximately 300,000 t/a
  - Deliveries to Europe and Americas
- Bleached softwood and hardwood pulp
  - Capacity approximately 750,000 t/a
  - 50% for own use in Husum
- Off-line coating machine
- Employees 750
Most modern folding boxboard machine in Europe

Design speed 1000 m/min, width 6.6 m, grammage range 175–350 gsm

Forming section
The fibre slurry is spread onto three separate forming fabrics. The board’s three-layer structure contributes to light weight, stiffness and brightness
• Three ply construction
• Middle ply utilising dilution headbox technology

Press section
In the press section, the water is squeezed out of the web.
• 2 x shoe press
• Smoothing press
Off-line coater

High-quality coating is a prerequisite for good printing results, as it gives the board smoothness, gloss, brightness and absorption characteristics.

- Serving both board machines
- 3 + 1 coating
- Coating colour application with jet technology
- On-line soft calendering
Mill site’s own port – ready for growth

• Enhancements at mill’s own port
  – Quay lengthened to 765 metres
  – Three vessels can berth at the same time

• Around 700 vessel calls per year
  – One vessel to North America every week

• Own ice-breaker ”Kempe”

• Port operated by Metsä Board employees
Food service boards and folding boxboard

- **Food service boards** (coated and uncoated grades)
  - Cups for hold cold drinks, plates, bowls, trays, takeaway and food packaging

- **Folding boxboard**
  - Consumer goods with high-quality packaging

- Roughly 60% of production is folding boxboard and 40% food service board
Fully bleached linerboard

Fully bleached linerboard for corrugated packaging as well as small and lightweight brand packages, microflute applications

• Today 80% of Husum’s linerboard production is uncoated
Safety at work
A safe working environment is our top priority

- Our goal is zero accidents on the mill site. This applies to our employees, suppliers and visitors.
- The key elements of safety management are proactive safety work and employees’ commitment to safety.
Follow our safety rules

- Stay with your host throughout the visit. In case of any emergency, follow the instructions given by your host.

- Wear the personal protective equipment provided by your host.

- Stay on the marked routes. Do not touch machines, equipment or the ready product.

- Beware of moving vehicles and conveyors.

- Smoking is allowed only in designated smoking areas.
  - We have a zero alcohol limit at the mill site.

- The mill site is under video surveillance.
  - Photographing and videotaping is prohibited.

Husum 08/2016
Make the most of Metsä Board