

Conference Title: Half-Year Financial Report for January–June 2020

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Good morning or good afternoon to everyone, depending on your global location, and welcome to the presentation of Metsä Board's half-year results . My name is **Mika Joukio** – I'm the CEO of Metsä Board. With me are our CFO **Jussi Noponen** and Head of Investor relations, **Kati Sundström**. Let's start by putting the quarter in a nutshell.

As always, let's start with the main events during the second quarter. The demand for our paperboards was at a good level, and average selling prices remained fairly stable. Demand was further boosted by the coronavirus outbreak and the strikes in the Finnish paper industry at the beginning of the year. Our total production volume of paperboards reached a record-high level in the second quarter, being at 489,000 tonnes. This in turn led to the improved efficiency of the mills, which reduced production costs. Our cash flow generation remained strong. In April-June, our operating cash flow was 72 million euros. This was already the third consecutive quarter with exceptionally strong cash flow.

Regarding our ongoing investment in Husum pulp mill, we are still waiting for the environmental permit issued by the Swedish authorities, to allow the installation of the new recovery boiler to start. Naturally, we are disappointed with the longer than expected processing time, but the big picture in the investment remains the same. And our new Excellence Centre in Äänekoski Finland, which combines packaging design competence and R&D activities, was completed on time in June.

Now an update of how the coronavirus has impacted us so far. Let's start with paperboard demand and sales. The impacts of the coronavirus outbreak on fresh fibre paperboard demand have been neutral or slightly positive on aggregate level, but there have been differences between end use segments. We've seen strong demand especially in end uses like food, beverages and pharma. At the same time, the

demand for graphic end uses and luxury products packaging has declined. During the pandemic, we have had substantial precautionary measures in place, both in our mills and offices, ensuring the safety of all employees and business continuity. We've managed to avoid the spread of infection, and our production has been in full swing throughout the year. To avoid close contacts, some of the maintenance work planned for Q2 was postponed to the second half of the year. Although the impacts of the coronavirus on Metsä Board's operations have been minor or even positive so far, we must be prepared for tougher times. A global recession would also have negative impacts on Metsä Board's profitability.

To accelerate the development of future paperboards and packaging solutions, we have established an Excellence Centre in Äänekoski, Finland. The Excellence Centre enables collaboration throughout the value chain and will help us exploit the potential of lightweight fresh fibre paperboards now and in the future. Operations at the new premises began according to the original schedule in June, but virtually. Physical events and meetings with stakeholders will be initiated as soon as the situation allows.

Now for the results – starting with the total delivery volumes of our paperboards. In March–April, the coronavirus outbreak increased the demand for pure and safe paperboards. The strikes in the Finnish paper industry in January–February further accelerated the demand. As a result, our paperboard delivery volumes increased: by 3 per cent quarter-on-quarter, and by 3 per cent also year-on-year. Strong demand normalised towards the end of the period, and the order books returned to their normal levels. And now for a closer look at the sales split and sales development by market area

In the EMEA region, delivery volumes in both folding boxboard and white kraftliners grew compared to the corresponding period last year. The price level for folding boxboard remained stable but declined slightly for white kraftliners.

In the Americas, total paperboard delivery volumes increased, and average selling prices in Euros were higher. Especially in North America, booming e-commerce has increased the demand for white kraftliners.

In the APAC region, our paperboard delivery volumes decreased compared to the first half of 2019.

Now a few words about production and safety.

Our total paperboard production volume was at an all-time high in the second quarter, at 489,000 tonnes. The high production volume improved the energy and material efficiency of the mills, thus reducing paperboard production costs. We also managed to improve our occupational safety during the first half of the year. Our main safety KPIs developed well and were at significantly lower levels compared to full year 2019. The trend is in the right direction, although we still have to make an effort to achieve our long-term safety target of zero accidents.

Our operating result in the second quarter was strong, at 60 million euros. As already mentioned, a large part of this profitability improvement was derived from lower production costs, especially in paperboard production. Compared to the corresponding period last year, the result was also improved by favourable changes in FX but weakened by the 5 million euros carryover impact of the strikes at our Finnish mills. The total negative impact of the strikes was approximately 20 million euros, of which 15 million euros impacted the first quarter, and 5 million euros the second.

The operating result for the first half of the year, 94 million euros, was a little lower than in the corresponding period. The main negative items were lower market pulp prices and the impact of the strikes. On the positive side, we had higher delivery volumes in both paperboard and pulp, and again, lower production costs. The price of imported wood to Sweden came down, and lower market prices for oil products reduced energy costs. Changes in FX, after hedging, had a positive impact on our profitability of some 18 million euros.

During the first half of the year, market prices for long-fibre pulp weakened by 24 per cent in Europe and 17 per cent in China compared to last year.

The coronavirus outbreak has accelerated the demand for tissue and hygiene products, but at the same time, there has been a rapid decline in printing and writing paper consumption. Although this has led to reduced availability of recycled paper, which in turn increases the need for virgin fibres, it has not been enough to balance the demand and supply situation for long-fibre pulp.

In the second half of the year, the pulp supply will be reduced due to production curtailments announced by certain pulp producers and several planned annual maintenance shutdowns.

Globally, inventory levels remain quite high.

Now an update on the Husum pulp mill renewal.

In March, we obtained the building permit for the foundation work of the new recovery boiler, and the work has progressed as planned. Unfortunately, the environmental permit process has taken longer than we expected, which prevents us from starting the installation of the new recovery boiler. We therefore now estimate, that the new recovery boiler and turbine will be in operation during the first half of 2022, at the earliest. Our previous estimate for a start-up was the fourth quarter of 2021. I still want to emphasise that there has been no material disagreement on the permit conditions between the company and the Swedish authorities.

Our operating cash flow continued its strong performance, and was 152 million euros during the first half of the year. There are two main reasons for this strength.

First, the strong working capital growth typical for the first half of the year did not occur due to production losses caused by the strikes at Finnish mills. Second, the lower pulp price has increased the share of Metsä Board's own board mills, and correspondingly reduced the share of the associated company Metsä Fibre, in generating cash flow.

Total investments in January–June were 73 million euros. We estimate, that the total investments for the full year 2020 will be around 200 million euros, of which 140 million euros is allocated to the Husum pulp mill renewal. The timing of the environmental permit issuance affects the distribution of the investment value between years.

The positive result development during the second quarter was also reflected in the return on capital employed. In the first half of the year, comparable ROCE was at 10.7 per cent, and during the second quarter, it was even higher, at 13.9 per cent.

Our financial position is strong. At the end of June, our leverage was at 1.1. So there's a lot of headroom with our ceiling target of 2.5.

Our dividend policy is to distribute at least 50 per cent of our net result to shareholders. From 2019, the profit distribution was 24 euro cents per share, or 59 per cent of net result. The distribution was paid according to the Board's original proposal.

And moving on to the outlook.

First, I will repeat our view in our previous earnings call: the negative impacts of the corona pandemic on Metsä Board's business operations are still difficult to estimate in the long run. We don't know how long the situation will last, and what the final impacts on the global economy and thus on Metsä Board's profitability will be.

We see that the peak in paperboard demand has now passed, and the length of our order books has returned to normal. We therefore estimate that our paperboard delivery volumes in the third quarter will decline from the second quarter. We expect paperboard prices to remain stable.

We will have many planned maintenance shutdowns during the third quarter, for example, at the Kemi and Husum integrated mills. As usual, part of Husum's maintenance will be allocated to early October. In addition, some smaller maintenance work has been postponed from the second to the third quarter.

Uncertainty in the pulp market continues, and we expect that our market pulp deliveries will decline in Q3. And we don't expect production costs to decline further. Based on these assumptions and current visibility, we estimate that our operating result in the third quarter will be weaker than the second quarter.

Now to summarise.

In the first half of the year, Metsä Board's business performed well. The demand for our fresh fibre paperboards increased, especially at the beginning of pandemic, because consumers were stocking up on essentials – food, beverages, pharma. Strong demand increased our paperboard delivery volumes.

The coronavirus has not affected our mills, and our paperboard production volumes were at an all-time high level in the second quarter. During the first half of the year, the total production volumes were even higher compared to the previous year – despite the negative effect of the strike at the beginning of the year. And during these exceptional circumstances, our profitability has remained good and cash flow strong. But looking ahead, we need to prepare for a slowdown in demand. It's difficult to estimate the extent of the pandemic's negative impacts, both on the global economy and on Metsä Board's business.

That concludes the presentation part of our half-year results, and we are now ready for your questions.

Please, go ahead.

Q&A

Moderator

Thank you. If you wish to ask an audio question, you may do so by pressing zero, one on your telephone keypad. If you wish to withdraw your question, you may do so by pressing zero, two to cancel. Again, it's zero, one on your telephone keypad if you wish to ask a question. Our first question comes from Antti Koskivuori at Danske Bank. The floor is now open to you. ahead.

Antti Koskivuori

Yes, thank you very much. First of all, congratulations on a good report. Firstly, I would like to ask about the production volume, which was super high in Q2 and improved efficiency, as you explained. Could you quantify the positive impact in Q2 EBIT versus Q1? That would be the first part of my question and the second part of the question would be that, how should we think about the production and efficiency going forward? Has there happened a step-change or was this Q2 a quarter where all the stars were aligned perfectly or how should we think about that? Of course, taking into account that maintenance, of course, is impacting a bit in every quarter. Can you please talk about that topic first?

Mika Joukio

Yes, first of all, of course, we need to remember that, during Q2, we didn't have as much maintenance as normally during the quarter, as you pointed out also. Then, the fact is that the production was running very smoothly and operating efficiencies at the mills were at a high level, good level. Of course, it's coming from the mills themselves and they have done excellent work. It's difficult to say whether it's a step-change because, again, then, in third quarter, we have these maintenance shutdowns and so. As you said, all the stars were in the right position, or a good position, during the second quarter. We didn't have any major hiccups during that period at the mills. Then, coming back to your profit impact, we don't quantify how many million Euros. It's, I think, difficult to estimate, but it's clearly a positive impact compared, for example, to the previous quarters.

Antti Koskivuori

Alright, thanks. Then, on paperboard volumes, you described the demand during the early part of Q2 better than you saw, now getting a bit on a more normal level towards the end of the quarter. Again, on Q3 outlook, you guide

the demand to come down, but it would be very helpful if you could give us an indication of the magnitude of the drop that you expect to see in Q3.

Mika Joukio

Yes, during Q2 there were two main reasons why the order books really increased as much as they did. So, first of all, Finnish strikes and, after that, of course, the order in-flow was high. Then, this coronavirus case or situation that, again, improved the order in-flows quite nicely. Then, during the, let's say, May and especially June, the order in-flows normalised. They are not lower than normal, but also they are not higher than normal, so they are pretty much normal. In the third quarter the volumes are lower than in second because the European holidays are typically taking place in August and that has an impact on the volumes. Then, of course, the visibility concerning this coronavirus all-in-all is not very good and the estimation is that the volumes, delivery volumes, will go down or come down, but how much? It's difficult to estimate. I don't want to give any kind of magnitude for that.

Antti Koskivuori

Alright, yes, fair enough. Then, last question maybe goes to Jussi on FX. We've seen quite a bit of movement in the FX rates during the recent weeks and months. You've been hedging the next six months with quite a high rate previously, is it fair to assume that the current less favourable FX rates won't be visible in the earnings, say, before Q1 2021?

Jussi Noponen

Yes, that's the correct assumption. So, with the US Dollar, we are currently hedged about six months forward and with Swedish Krona even slightly longer than that.

Antti Koskivuori

Alright, thank you very much.

Moderator

Thank you. Our next question comes from Harri Taittonen, Nordea. The floor is now open to you.

Harri Taittonen

Alright, thank you. Good afternoon. Maybe just to continue a bit on Antti's question about order books. I think this week, earlier, some cartonboard end-users or the converter side, there have been comments that there's been quite heavy inventory cycle and this is going go through the whole supply chain and that's why the second half will be clearly lower than the first half. Just double confirmed, are you seeing this sort of inventory cycle in the supply chain among your clients or is it, as you say, more like a normal situation?

Mika Joukio

Yes, pretty much it's a normal situation at the moment after very strong spring months, in March and April especially. Pretty much normal summertime situation, so to say, with the European holidays.

Harri Taittonen

Okay. Obviously, it's very early still to start talking about the price negotiations for next year, so we will need the situation to be at least as good as it is now to go, but it's probably a bit early to ask your ambitions for the pricing move next year.

Mika Joukio

Ambitions are always, of course, high, but what will be the reality? That remains to be seen.

Harri Taittonen

Yes. Then it's just the wording in the guidance, you were saying that the production costs are not expected to decrease significantly from the second quarter. Obviously, we had a fantastic quarter already. Do you mean more like that the variable costs are just flat and that's the idea there? At the same time, the variable costs are not moving up either. It seems that there are no particular lines where costs are moving a lot higher.

Mika Joukio

Yes, estimation is that variable costs will be higher. Sorry, at the same level, stable.

Harri Taittonen

At the same level, okay, yes. Well, maybe, just the last question on the comparison of the US market that you are seeing and compared to the European market. You commented a bit on the linerboard looking to pick up a bit, but if you give a bit more colour on what you're seeing in there. The difference between the two main regions for you.

Mika Joukio

Yes, if we take the folding boxboard first, the situation is pretty much similar, so good in both markets, both in Europe as well as in America, and especially North America. Then, the linerboard situation is slightly better in the US compared to the European situation. That is pretty much the situation.

Harri Taittonen

Right. So, basically, even if there's been quite a lot of capacity increases in the US side also, it's been in different grades in linerboard obviously, so you are not seeing that as a negative.

Mika Joukio

No, that's true.

Harri Taittonen

Okay, very good, many thanks.

Moderator

Thank you. Our next question comes from Johannes Grunselius. The floor is now open to you.

Johannes Grunselius

Yes, hello, everyone. It's Johannes Grunselius here. To start off, I want to ask you about shipments to the US. I can see, from your presentation material, at least for numbers for the first half, that you have enormous growth when it comes to folding boxboard deliveries to the US and you're saying that, from what I can see, also, there is a possible development for kraftliner to the US, but much more so for FBB. Could you comment upon why this is the case?

Mika Joukio

Yes, so, we have very systematically, and so last year and earlier this year, developed our sales, developed our customer base in that market and we are moving towards our long-term target, 300,000 tonnes. Of course, we are not yet there, but we are moving in the right direction. In sales, we have made excellent work in that region and now we can see the results. It's as simple as that.

Johannes Grunselius

Okay, fair enough. On kraftliner, you are using very positive words for the demand. Would you say that the development is as good for kraftliner as for folding boxboard in the US?

Mika Joukio

Yes, for both grades, the situation is good and no reason to say something else.

Johannes Grunselius

Okay, good. Obviously, you're selling more to food segments now, pharma also in Q2 and I suppose that's a positive trend that will continue. On kraftliner, can you just remind us about your, sort of, high grades there, advanced grades, and your more bulk grades? Am I right that one side is the coated material and can you just remind us about your capacity utilisation? Is there more free capacity that you can sell to the market on coated materials on the kraftliner side? Perhaps, if it's possible, if you can give us any sort of idea about the profit difference between the two niches. Thank you.

Mika Joukio

Yes, so concerning the US market or the American market in general, North America in general, we are practically selling only coated grades to that market, so close to this 200,00 tonnes. So we are not selling, practically nothing in uncoated versions, so it's only coated. Then your question concerning are we able to then increase the volume. Of course we still produce uncoated grades also at our Kemi mill and then producing less uncoated and more coated, that kind of action can be taken but of course we are not able to dramatically increase the volume of coated grade.

Johannes Grunselius

No, but I hear you right that you have more capacity on the coated grades. I mean, you can almost do, theoretically, all the volumes on coated materials, yes?

Mika Joukio

Yes, in Kemi.

Johannes Grunselius

Okay. Then my final question is on the cost side. I mean, I think you're guiding here for largely flat input cost for the second half, or at least the third quarter, if I'm right. If you break out wood and if you break out electricity, perhaps chemical in this, how do you see various components developing for the second half?

Jussi Noponen

Jussi Noponen here, I can take this question. The positive development in cost inflation, it has fairly evenly been coming from wood costs, chemicals and energy. Especially in energy, it's mainly coming from the excellent production and performance that we had in the second quarter because we are hedging commodities as well, so it was not as much price impact in energy but more efficiency impact.

Johannes Grunselius

Okay, so no major movements in any of them? More of a steady development per important input variable?

Jussi Noponen

I would rather say that positive development in all those variable cost components, or the gain was coming evenly from these different categories.

Johannes Grunselius

Okay, understood. So, what you're meaning is that because of the excellent production and so forth, your electricity cost per ton was very low and that was more normalised, but there is basically a cost easing on all the input costs together?

Jussi Noponen

Input input prices have also come down but especially in energy due to hedging, there is a certain delay before that comes through, so now in the second quarter, it was more efficiency-related and price-related, whereas especially in wood, we are not hedging at all and so chemical costs are mainly coming through quicker.

Johannes Grunselius

Okay. Thank you very much for taking my questions. Thank you.

Jussi Noponen

Thank you.

Moderator

Thank you. Our next question comes from Linus Larsson, SEB. The floor is now open to you.

Linus Larsson

Yes, thank you very much. I think I'll just continue with a follow-up on the previous questions on production costs. I understand that what we see in the second quarter is very much the fruit of internal efficiency, but do I understand it right that you are still seeing positive trends in the external cost factors, be it energy, chemicals, wood costs, etc. in Q3, Q4?

Jussi Noponen

I would say so. We are not expecting any further price declines. There will be some roll-over impact because of hedging from the earlier cost decreases, but then on the other hand, it will be very optimistic to assume that we can

repeat such excellent production and performance every quarter that we had in the second quarter. Taking all those aspects into account, we are guiding a fairly flat course now, quarter-on-quarter.

Linus Larsson

That's fair enough. Thank you for clarifying that. Also on that note, maybe it looks as if you were building a bit of inventory in the second quarter. Should we expect that to reverse in the third quarter, to some degree? I understand there is a pick-up after the Finnish strike but are your inventories at normal levels or is there a bit of a reverse coming up?

Mika Joukio

Mika Joukio here. Typically, this time of the year, we are increasing our inventories because then we are preparing ourselves for these maintenance shutdowns that happen practically every year during this time of the year. We are referring especially to Husum and Kemi where they have these long, integrate stand-stills.

Linus Larsson

Exactly, and going into that maintenance phase, your inventories are pretty much where they should be.

Mika Joukio

Yes.

Linus Larsson

Yes, and then just another follow-up on the FX side, on the sequential basis in the third and the fourth quarters, what do you expect? If you could just please clarify what you said earlier.

Jussi Noponen

Regarding the third quarter outlook, we are guiding flat FX impacts. I mean third quarter versus the second quarter and also for the fourth quarter you can expect minor or no impacts from FX.

Linus Larsson

Wonderful. Perfectly clear, thank you very much.

Moderator

Thank you. Our next question comes from Michael Doepel, UBS. The floor is now open to you.

Michael Doepel

Thank you. A couple of questions firstly on the US operations and to the point of FBB volumes growing into that market. Is it fair to say that this growth also means that your mix and average price for your FBB sales improves on a group level average?

Mika Joukio

Okay, Mika Joukio here. So, first of all, back in 2019, we were able to increase our average selling price of Husum roughly €100 per tonne and then comparing the prices in that market. First half of last year comparing first of this year, they have been in euros slightly higher but in dollars quite stable. So, our intention is to grow our business so that, at the same time, the average prices stay flat or increase but not so that they will come down. We are looking for new volumes, but not at any price.

Michael Doepel

Yes, I was mainly thinking about maybe you were selling some volumes in some lower-priced markets in Europe and being able to ship more to the US could actually increase the average price, not in the US market as such but for your average.

Mika Joukio

Yes. Actually, from Husum we are not selling to Europe that much. It's practically these PE-coated products that we are selling from Husum to the European market, so it has pretty much been for Finnish mills to serve the European market.

Michael Doepel

Okay. Then another question on the paperboard business. I mean, both for the folding boxboard as well as kraftliners. In terms of your customer inventories, being end users or converters, would you say that they are currently elevated or that they are on a normal level?

Mika Joukio

So, I have to mention that, if you think about the European business, the folding boxboard customers, their inventories are pretty much at the normal level but then on the kraftliner side, maybe they are a little bit on the high side.

Michael Doepel

This was for Europe?

Mika Joukio

Yes, European business, and then the US, they are normal level.

Michael Doepel

Okay, great. Then just a final question, in terms of the maintenance costs. I mean, you have mentioned already, that you have postponed some of the maintenance into Q3 and then you have the other scheduled ones there. How should we think about delta, or let's call it the earnings impacts from the maintenance Q3 compared to Q2? Maybe also then going from Q3 to Q4.

Mika Joukio

In Q3, the additional cost is 10m to 15m in quarter. Then Q4, of course, we don't have as much maintenance as in Q3 so then they will come down, but I don't have a figure for you at this point. 10m to 15m is the negative input for the maintenance during Q3 compared to Q2.

Michael Doepel

Sure. Does that include the Metsä Fibre maintenance impact as well or this just the Metsä Board?

Mika Joukio

No. It's altogether.

Michael Doepel

Yes, altogether. Okay. That's very clear, thank you very much.

Moderator

The next question comes from Markku Järvinen from Handelsbanken. Please go ahead.

Markku Järvinen

Hi, good afternoon. I have a few more questions on costs. You said that imported wood cost in Sweden came down. I suppose that is the birch you import from the Baltics which has moved down, clearly. Is that sort of market price of wood now fully reflected in Q2 or do you expect that to gradually still move down, go into Q3 and Q4?

Mika Joukio

Yes. Our estimation is that wood costs will be flat in Q3 and probably also Q4, comparing Q2. We need to remember that in Husum, the wood volumes from Baltic countries, back 2018 and '19, they were higher than normally because there were certain challenges in Sweden, but now we are coming closer to the so-called normal situation if you think about the ratio between the Swedish wood and then the Baltic imported wood.

Markku Järvinen

Sure, sure. Still on energy cost, as you mentioned, due to hedging, that lower market prices don't necessarily come through this year, could you talk through the duration of your hedging and the volume or the net position that you're buying in power? How many terawatt hours is that?

Jussi Noponen

Commodity hedging in energy, that consists of so many different fuels and power sources that it's a fairly complex topic, so I don't think that it's realistic to give you a full and fair picture in this call.

Markku Järvinen

Okay, but just on power, I suppose you buy on annual contracts, and power prices have moved down quite a bit compared to last year. Can you characterise what the, sort of, net position is in electricity?

Jussi Noponen

We are currently, let's say, nearly self-sufficient in electricity in Finland, especially after the upcoming start-up of the nuclear power plant by TVO. In Sweden, we still continue to be a net buyer of electricity until the start-up of the new recovery boiler at Husum, but after that, we'd be nearly self-sufficient also in Sweden.

Markku Järvinen

Okay, very good. That's clear. Still on the cost levels in Q2, do you have any sort of temporary cost savings or cost savings that you would characterise as temporary due to less travel or that sort of thing in Q2 or is it meaningful?

Mika Joukio

Yes. So, less travel is evident. That's clear, comparing for example last year but not comparing to Q2, but we don't have that kinds of issues.

Markku Järvinen

Yes, but I suppose you didn't take any temporary lay-offs or anything like that in the quarter?

Mika Joukio

No.

Markku Järvinen

Okay, very good. Thank you.

Moderator

Thank you. Just as a reminder, if you do wish to ask a question, you may do so by pressing 01 on your telephone keypad. Our next question comes from Johannes Grunselius from Kepler. The floor is now open to you.

Johannes Grunselius

Yes, hello. It's Johannes Grunselius here again. I just wanted to come back on pricing on kraftliner. First of all, I mean, we have heard from competitors that there is a €20, €30 decline or so for kraftliner prices here in July. Is this impacting also the coated grades? That's my first question.

Mika Joukio

No. Very simple answer. No.

Johannes Grunselius

Okay, yes. Good to know. Also, I'm not sure, I missed that when I asked my first question, but is it possible for you to indicate what is the premium on the coated grades on kraftliner versus the standard grades? I can understand you don't want to be fully explicit here, but if you can indicate perhaps if this price premium has widened and so forth over the last few quarters and how it was in the second quarter. Thank you.

Mika Joukio

No, you are right. We don't want to give any clear numbers on that. Of course, the prices of coated grades are higher than uncoated, but that's it.

Johannes Grunselius

Yes, okay. Thank you.

Moderator

Thank you. Our next question comes from Robin Santavirta, Carnegie. The floor is now open to you.

Robin Santavirta

From Carnegie here, good afternoon. Now, I was wondering about the Metsä Fibre Kemi pulp mill investment which is being contemplated at the moment. As I understand, it's a 1.5bn investment for Metsä Fibre and you obviously own 25% of that company. What is the status of that investment project at the moment?

Mika Joukio

That situation is so that Metsä Fibre is waiting for the final environmental permit in order to then make the final decision. Of course, it's difficult to estimate at this point when they are in that position, so that is the status today.

Robin Santavirta

So, no guidance or outlook on when they expect to receive that permission? Is it next year or on this year's side?

Mika Joukio

At this point, we don't comment on that.

Robin Santavirta

Okay. Being a quite sizeable investment, 1.5bn I think is the guidance, you own 25% of that company, how would you finance this investment?

Mika Joukio

Okay, Jussi will take this.

Jussi Noponen

Yes. That is of course part of the preparations that are now being carried out in parallel with the permit process, but the base scenario is that we are working on is that there will be no equity injection from the shareholders of Metsä Fibre, so the company would self-finance the project

Robin Santavirta

Okay. So, similar kind of financing as the Äänekoski mill, I assume.

Jussi Noponen

In Äänekoski's case, there was a small equity injection of 100m total, of which our share was 25m, but now in this project, at least for the moment, we are not expecting even that.

Robin Santavirta

Okay. So, only debt (by Metsä Fibre, or Metsä Group).

Mika Joukio

Yes, they have a strong liquidity and, over the cycles, the cashflow of pulp business is strong and debt on top of that, yes.

Robin Santavirta

I understand. Just finally, a bit of a broader question. A lot of discussion over the past couple of years of plastic substitution and fibre packaging, sort of, being structurally in a good place. What are you seeing when you talk to brand owners at the moment? It seems to be a fairly slow process, if you look at delivery volumes over time now, how they develop and how companies guide looking ahead. Is this happening now, this sort of market share gain of fibre-based packaging or is it stalling? Could you just, sort of, describe how you see this situation at the moment and the outlook?

Mika Joukio

Yes, so many of our customers have stated or even they have set their targets to get rid of all fossil-based materials or then increase the share of the renewable packaging materials, so that kind of attitude is clear. How fast and how quickly that will happen, of course, there are issues like packing lines. If your packing line is, for example, for plastics, it's very difficult to move or utilise then paperboard on that line, so you need to invest in order to then change the plastics to paperboard in this case. The attitude is clear, and they have set targets concerning the renewable packaging materials.

Robin Santavirta

Okay. I understand there's increased demand of non-plastic-coated paperboard. What is it that you are seeing and what is your solution? How competitive are you in that area at the moment?

Mika Joukio

What do you mean non-plastic coated? Like non-PE coated or what do you mean?

Robin Santavirta

Yes.

Mika Joukio

So, last year, we launched our eco-barrier paperboard and the sales of that grade have started quite nicely. In our R&D, we have two main areas and topics. First of all, lighthweightin, that needs to be continued, and the second is to develop our barrier boards. So, we launched back in 2018 the first version, last year the second version, and then our target is to launch even better products in the future.

Robin Santavirta

And eco-barrier, is that-,

Mika Joukio

That is without PE. Barriers without PE.

Robin Santavirta

Is that biodegradable, then, as well?

Mika Joukio

It is, yes.

Robin Santavirta

Is the demand good for that product? Can you receive a better price?

Mika Joukio

Yes, sure, comparing to the normal prices, I would say.

Robin Santavirta

Can I ask, how much of the sales made at the moment-, I assume not that big.

Mika Joukio

That depends on the market, but at least some tens of euros per tonne.

Robin Santavirta

Alright, thank you very much. Thanks.

Moderator

Thank you. There appears to be no further questions so I'll hand back to the speakers for any other remarks.

Mika Joukio

Okay. Mika Joukio here, so thank you very much everybody for your interest. I wish each and every one of you a nice continuation of the day. Thank you.