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PRESENTATION

Mikko Helander - *Metsa Board Corp. - CEO*

Ladies and gentlemen, welcome to Metsa Board's Third Quarter 2013 Results Webcast. I am the CEO, Mikko Helander. CFO Matti Morsky and the Head of Investor and Relations and Communications, Juha Laine, are also attending this webcast.

First, I will go through the key events in the third quarter. Good news is that the increase in folding boxboard and kraftliner deliveries continued. Supported by the favorable market situation, we announced folding boxboard price increase in Europe in September.

It is very important for our Company to improve results of our Husum mills. I'm very happy to confirm that Husum kraftliner production and sales have increased as planned. Modö Northern Light has been warmly welcomed in the market.

As informed earlier, our finance and performance was, in third quarter, burdened by maintenance shutdowns and Kemi and Husum integrates. Both of these maintenance shutdowns were completed as planned. Unfortunately, no material improvement was seen in the European paper market situation.

And the final key events in third quarter, I would like to mention that we divested our 51% holding in Metsa Group Treasury to Metsaliitto Cooperative. I will give some more info related to this matter later in this presentation.

As already mentioned, our third quarter result was burdened by the planned maintenance shutdowns at Husum and Kemi. Sales was stable at about EUR500 million; operating result decreased from EUR26 million to EUR19 million; and result before taxes was EUR9 million.

Paperboard sales and result were at previous quarter level. The maintenance shutdown at Kemi impacted third-quarter results negatively. FBB delivery volumes increased slightly in third quarter, mainly due to the maintenance shutdown. Kemi mills kraftliner deliveries decreased slightly, but they anyway remained at a good level.

We have announced a EUR70 per ton FBB price increase in Europe. Average folding boxboard prices have slightly deteriorated partly due to currencies and partly due to mixed issues. It is now time to correct the prices upwards.

Contract negotiations for 2014 are ongoing and they have proceeded well. Annual contracts cover about 60% of our total annual FBB volumes.

In kraftliner, there are no material price changes inside. It is good to remind that we were able to increase kraftliner prices last year and early this year.

Fourth quarter 2013 folding boxboard and kraftliner deliveries are expected to decrease slightly from third quarter levels due to seasonality in December.



The reason for paper and pulp's weakened result is the extensive maintenance shutdown at Husum. As stated earlier, Husum shutdown was completed as planned. Uncoated fine paper delivery volumes and prices decreased slightly in third quarter. Coated paper and market pulp delivery volumes increased and their prices were stable.

In fourth quarter 2013, we expect uncoated fine paper deliveries to increase slightly. Coated paper and market pulp deliveries are expected to remain at previous quarter level.

There are no meaningful paper price changes in sight, thus the profitability of paper production will remain weak in the near future. Long fiber pulp price in US dollars is expected to increase and short fiber pulp price to decrease slightly by the yearend.

As stated in connection to the key events, production of kraftliners at Husum is increasing as planned. The target for next year is at least 80,000 tons. There is considerable growth potential also for the following years.

Replacing Husum mill's weak paper volumes with kraftliner volumes is very important for Metsä Board to increase the Company's profitability to a new improved level.

Our financial situation continues good. Our net debt was EUR622 million at the end of third quarter. Our cash box was about EUR120 million. The EUR100 million RCF remains fully available for us.

As earlier stated, we divested our 51% holding in Metsä Group Treasury to Metsäliitto Cooperative. This improved our equity ratio by approximately 5 percentage points and return of capital close to 1 percentage point. It has also reduced our consolidated gross debt by over EUR300 million.

Net gearing was 75%, equity ratio 38.4%, and average interest rate 5.5% at the end of third quarter 2013. Good news is also that S&P upgraded our credit rating from B- to B.

Then, the short-term profitability outlook. Metsä Board's operating result, excluding non-recurring items, is in the last quarter of 2013 expected to improve from the third quarter of 2013.

I will then say a few words about the paperboard markets and our future plans. It is not bad at all how we have performed in paperboard business in this rather challenging macroeconomic situation. Our paperboard deliveries have increased close to 10% from last year despite the fact that there has practically been no growth in the consumer product markets.

This proves that our paperboards are definitely competitive and a great opportunity for plant owners to enhance product safety and sustainability of their operations.

We target to grow for both our FBB and kraftliner businesses. Globally, the demand for these products are increasing from 3% to 4% annually. We see continued growth in Europe and we increase our sales efforts in Asia and especially in North America.

I again state that we are committed to increase capacity to support our customers' growth both in FBB and kraftliner businesses when the market situation so requires.

To accelerate profitable growth in paperboard businesses, we are now renewing our management structure. From the beginning of 2014, we have two renewed business areas -- Cartonboard that includes Kyyro, Simpele, Tako, Aaneskoski, Joutseno and Gohrsmühle mills; and Linerboard and Paper that includes Husum, Kemi and Kaskinen mills.

We are putting a lot of emphasis to further improve our Cartonboard product and service. We are also strengthening the sales force to accelerate growth at all current main market areas and also in North America.

Kemi and Husum mills belong to the same business area and their synergies will be fully utilized. We target to accelerate this growth in both current main markets, Europe and North America. The other main target is of course to reduce the share of Husum mill's paper production.

Both business area heads, Ari Kiviranta and Seppo Puotinen have extensive experience in paperboard business and I'm confident that, together with them and all the other top class professionals at Metsä Board, the ambitious growth targets will eventually be met.

Here is the organization shot that is valid from the beginning of 2014. Current CFO Matti Morsky will continue as a senior advisor until his retirement in 2015, and Markus Holm will take the CFO position. Expect for Markus Holm and Ari Kiviranta, the other corporate management board members, remain the same as before.

As the final slide, I will present the key focus areas in 2014. First of all, we must be able to fully benefit the current folding boxboard capacity. This is also very important to carefully plan the next growth steps.

We will clearly increase our kraftliner production and, gradually, we will reduce the share of paper production in Husum. We will do our utmost to secure healthy folding boxboard and kraftliner price levels. We are developing new folding boxboard and kraftliner products which will be launched in due course. And finally, in this industry, it is always important to continuously improve productivity.

Ladies and gentlemen, thank you for your attention. We will now do our best to answer your questions. Please.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator instructions). Your first question comes from the line of Karri Rinta. Please ask your question.

Karri Rinta - Handelsbanken - Analyst

Yes, thank you. Karri Rinta, Handelsbanken. First question on Husum. You mentioned that your target for next year's production in terms of kraftliner would be 80,000 tons. Can you talk a little bit beyond 2014? So what would be sort of the timeline and some technological constraints when it comes to increasing the capacity further? And would it be technologically possible to double that production in 2015?

Mikko Helander - Metsä Board Corp. - CEO

The first, I underlined that. I'm very pleased because Husum has started successfully kraftliner production and that things are moving ahead as planned. Our minimum target for 2014 is 80,000 tons and long-term target is that PM7 will be mainly a kraftliner production dedicated. And PM7 has a capacity close to 300,000 tons in case that [maximum] will be fully utilized for kraftliners.

Karri Rinta - Handelsbanken - Analyst

Okay, that's helpful. Then on the paperboard side, I saw that your production exceeded deliveries yet again. I think this was the fourth quarter in a row when you have had produced more than you have delivered. Why is this and when do you expect this trend to reverse?



Mikko Helander - *Metsa Board Corp. - CEO*

First, I'm not worried, not at all. We should remember that we have succeeded to increase deliveries, we have succeeded to increase volumes in paperboard operations despite difficult market situation, despite a difficult situation in each economy. Of course, when volumes are increasing, especially outside of Europe, then, also, inventories are getting a little bit bigger.

But another reason, definitely, a situation in the current business. As also earlier stated by us, 2013, demand of cigarette cotton is a disappointment, and that is one reason. Good news is that we have now completed the first annual contract negotiations with cigarette customers and the negotiations have been very successful, and it seems that 2014 will be a better year in cigarette cotton business than year 2013.

Karri Rinta - *Handelsbanken - Analyst*

Okay. But just to clarify, you don't necessarily expect that you would -- in the fourth quarter, you would see a clear decrease in your own inventories when it comes to paperboard or that you have higher deliveries?

Mikko Helander - *Metsa Board Corp. - CEO*

I don't speculate with that issue. Once again, I stress that we need more inventories. We'll have definitely a little bit higher inventory levels, what we had some years ago due to the fact that our business volumes are increasing in paperboard business, in linerboard, as well as in folding boxboard. But, of course, fourth quarter, due to seasonalities, also a little bit weak. But definitely our aim is that we will also in the future very carefully control inventory levels.

Karri Rinta - *Handelsbanken - Analyst*

All right. Thank you.

Operator

Your next question comes from the line of Antti Koskivuori from Danske. Please ask your question.

Antti Koskivuori - *Danske Equities - Analyst*

Yes, thanks. Good afternoon. Could you talk a bit about the price increases in folding boxboard? You know, what's your initial thoughts and how has the customer receive the information? Can you talk a bit about that, firstly?

Mikko Helander - *Metsa Board Corp. - CEO*

Well, things are moving ahead as planned. As the market leader, we announced EUR70 price increase early September, and my understanding based on messages coming from the market is that, all other paperboard producers have followed Metsä Board and they have announced also price increases.

Based on our announcement, we have started annual contract negotiations, and negotiations are proceeding well. Negotiations are proceeding as planned. And definitely, one of the most important topic in those annual contract negotiations is our announced price increase.



Antti Koskivuori - *Danske Equities - Analyst*

Okay, thank you. And the second question, related to volumes on folding boxboard going 2014. How much you see still upside at current setup you have, on volume side, I mean? Are you --

Mikko Helander - *Metsä Board Corp. - CEO*

Yes, as you remember, we completed successfully last year our EUR120 million investment program. We increased capacity 20%. And a major part of the new capacity we have succeeded already to allocate our customers. But we have still some idle capacity. And as I stated also in my presentation, one of our main targets in 2014 is that we will fully utilize the current capacity. I'm optimistic.

As I said, we are proceeding very well in annual contract negotiations. Biggest question mark is the macroeconomic situation. As you have recognized, retailers have reported quite pessimistic messages. But I'm optimistic. Things are moving as planned and we are targeting definitely also 2014 higher delivery volumes.

Antti Koskivuori - *Danske Equities - Analyst*

Can I read your answer also in a way that the debottlenecking investments you have been talking about? Maybe the time isn't in early 2014, at least, to launch those projects.

Mikko Helander - *Metsä Board Corp. - CEO*

At the moment, the main target, as I said, is to fully utilize current capacity. And I'm optimistic that we will have good progress also next year. I can also confirm that we have done a lot of planning work and we will be definitely well-prepared to increase capacity when market will require more capacity for Metsä Board.

Antti Koskivuori - *Danske Equities - Analyst*

All right. Then lastly on the Metsä Group Treasury sales, could you give us a number what is the impact on your net financial cost on an annual basis from that?

Matti Morsky - *Metsä Board Corp. - CFO*

In principle, none. I mean, how to say it, the flow-through of liquidity or loans via Metsä Group Treasury was always sort of eliminated in our own numbers. The difference is quite marginal. I think it is a question about, well, less than a million in my view.

Antti Koskivuori - *Danske Equities - Analyst*

All right. So you basically assume your net financials to be on a EUR60 million cost level going also for the 2014 --

Matti Morsky - *Metsä Board Corp. - CFO*

The fact, of course, is that, that it most probably will be somewhat lower than that indicated EUR60 million for us. But around, say, EUR55 million would be my estimate at the moment, the best estimate. But it has nothing to do with the fact that we sold Metsä Group Treasury shares.

Antti Koskivuori - *Danske Equities - Analyst*

Okay.

Matti Morsky - *Metsä Board Corp. - CFO*

It is basically our own financing costs, which are lower than estimated.

Antti Koskivuori - *Danske Equities - Analyst*

All right, okay. Thank you. Those were my questions.

Operator

Your next question comes from the line of Henri Parkkinen. Please ask your question.

Henri Parkkinen - *Pohjola - Analyst*

Yes, hi. Good afternoon. I have two questions. Unfortunately, I missed the first part of this conference call. But talking about the Husum and Kemi maintenance stoppages during the third quarter, what kind of impact that these stoppages had on your third-quarter result?

And second question is about kraftliner. Yes, we have spoken about folding boxboard and then the pricing outlook there. But how do you see the current supply and demand balance in Europe in the kraftliner market at the moment? Thank you.

Mikko Helander - *Metsä Board Corp. - CEO*

The first question is Kemi and Husum shutdowns' impact was -- the negative impact was roughly EUR10 million for our third quarter result.

Second question, supply-demand balance in the kraftliner business, it is good. It is a good balance. And especially when we discuss about high-quality coated grades, demand is very strong. Demand growth is also very strong. And due to that reason, we have succeeded to increase our coated-grade supplies and deliveries very successfully. And we expect that this positive trend will continue also in the coming years.

Henri Parkkinen - *Pohjola - Analyst*

Okay. Thank you very much. Thank you.

Operator

There are no further questions at this time. Please continue.

Mikko Helander - *Metsä Board Corp. - CEO*

Okay, ladies and gentlemen. Thank you very much again for your active participation. And together with my colleagues, we wish for you a very pleasant evening. Thank you. Bye-bye.



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