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PRESENTATION

Mikko Helander - *Metsa Board Corporation - CEO*

Ladies and gentlemen, welcome to Metsa Board Research 2013 Webcast. I am the CEO, Mikko Helander, our recently appointed CFO, Markus Holm, and the head of investor relations and communications, Juha Laine, are also attending this webcast.

I will first present the key events in 2013. Most importantly, our profitability improved from the previous year. The [specific] macroeconomic in the main markets our folding boxboard and white top kraftliner deliveries increased clearly.

We were also able to increase folding boxboard prices in late 2013. The global quality leadership of our folding boxboards was further strengthened. New [Modo] lightweight products with improved printing properties, were launched in Spring, 2013. A very important fact was that we were able to further reduce our exposure in paper business. This was done by starting successfully kraftliner production at Husum mill.

Our management structure was renewed at year end with a target to accelerate growth of our paperboard business. Reduction of net debt continued and finally also the credit ratings started to improve.

Next, the annual key figures. Sales was slightly over EUR2 billion in 2013. Clean operating result improved from EUR74 million to EUR104 million. Operating result, including [non-recurring] items, reduced from EUR221 million to EUR240 million. Return on capital employed, excluding non-recurring items, improved from 4.8% to 6.4%.

Clean result before taxes improved by over EUR20 million, and result before taxes, including non-recurring items came down from EUR174 million to EUR58 million. Board of directors is proposing to the annual general meeting a dividend of EUR0.09 per share for the financial year 2013.

Then a brief summary of the quarterly result development. Results improved in the fourth quarter as expected, despite the seasonally low deliveries. Sales was EUR479 million. Clean a bit improved from EUR19 million in the third quarter, to EUR29 million. Results before taxes, excluding non-recurrings, improved to EUR18 million.

Paperboard business area sales reduced somewhat in the fourth quarter, and operating result was roughly at previous quarter level. Result was weakened mainly by the seasonally decreased delivery volumes.



No material sales has happened in average prices in the fourth quarter. We expect folding boxboard and white top kraftliner deliveries to increase in the first quarter 2014. Folding boxboard prices are expected to somewhat increase in the first quarter as a result of the price increase implemented late last year.

The prices in the 2014 annual contracts in Europe are EUR20 to EUR40 ton higher than in 2013. The average impact for the entire FPP volume is expected to be around EUR20 per ton. Fully, the impact is visible in our numbers from the second quarter 2014 onwards. This was not a perfect outcome for the price increase efforts, but I consider this as a rather cool result in the quite challenging market situation.

We were also able to increase volumes in the new annual contracts. No material white top Kraftliner price changes are in sight. Paper pulp business areas result improved mainly due to the normalized production at Husum after the extensive shutdown in the third quarter 2013.

Kraftliner deliveries from Husum increased as planned, also wood tree uncoated delivery volumes increased, but unfortunately the average prices weakened from the third quarter 2013. Coated paper and market pulp delivery volumes decreased somewhat, but prices were stable.

I would also like to add that annual contract compensations had a slight positive result impact in the fourth quarter. In the first quarter 2014, Husum's kraftliner deliveries will continue to increase. Paper market pulp deliveries are expected to be stable. No material paper nor pulp price changes are in sight in the first quarter.

Improvement of our financial situation continues. At year-end, our gross debt was EUR701 million, cash box about EUR100 million, and net debt dropped to EUR597 million. We continue to have EUR100 million revolving credit facility fully available as a backup liquidity source.

Net clearing was 70%, equity ratio 40.7%, and average interest rate 4.8% at the end of 2013. We prepaid the EUR150 million term loan, and draw -- new EUR75 million pension loan, and EUR50 million bank loan. S&P upgraded our credit rating from B to B+, and Moody's changed their ratings outlook to positive.

At this point, I would like to add that we are in process of divesting our Lielähti property in Tampere, Finland, for EUR26 million. This is an old BCTMP mill site, where production operations were closed down in 2008. This deal is expected to materialize by end of the first quarter 2014.

Then the short-term profitability outlook. Metsä Board operating result, excluding non-recurring items, is in the first quarter of 2014, expected to improve slightly from the last quarter of 2013.

As announced in November, 2013, we are now operating under the new management structure. The change was made to accelerate growth in our paperboard businesses. Mills belonging to cartonboard business area are Kyro, Simpele, Tako, Aankoski, Joutseno, and Gohrsmühle. And the mills belonging to linerboard and paper business area are Husum, Kemi, and Kaskinen.

About 60% of the result impact of Metsä [Fiber] ownership is expected to be bought in the linerboard and paper, and the rest in the cartonboard business area. Reporting from the first quarter 2014 onwards will be based on the new structure, and the [history color] figures will be announced during the next couple of weeks.

Next, I want to highlight our very interesting outlook in the North American markets. North American cartonboard markets use in total about 8 million tons per annum. Cartonboard consumption in North America is focused on conventional heavy crates.

The sale of folding boxboard is only 4% in North America. The modern folding boxboard that we produce is not yet very well-known in North America. That will change now. Our products offer even over 30% year advantage for customers.

We have had very interesting discussions in North America around this topic, and I have personally allocated a lot of time to customers there. My understanding is that sustainability and safety are increasingly important also for North American brand owners. Those are the mega trends that definitely are in favor for our folding boxboards.



We want to be a significant sustainable alternative for North American brand owners. Our folding boxboard sales in 2013 were about 35,000 tons. We aim to at least double that already in 2014. I emphasize that Metsä Board already has a leading position in North America in high quality white top kraftliner market. We know the market well, and have established operations there.

Development of new products is proceeding well at Husum. This is very important for Metsä Board. The production of lightweight uncoated kraftliners started in Husum in April 2013. Deliveries in 2013 were about 20,000 tons in total. Current run rate is already over 60,000 tons per annum.

Now, in January 2014, we started also production of newly-developed lightweight coated kraftliners. We have Europe's largest state-of-art offline coating line in Husum, which gives great opportunities to develop the lightweight coating crates.

The coated paper contract with Saappi has been updated. This updated contract frees up coating capacity for our new kraftliners. The total kraftliner production target in 2014 has been increased from 80,000 tons to over 100,000 tons. And of course we expect growth to continue in coming years as well.

Husum's kraftliner capacity is close to 300,000 tons per annum, without any investments. Husum is a wonderful asset for us. It offers great opportunities for Metsä Board to grow further in the paperboard business.

I will conclude my presentation with our key focus areas in 2014. We aim to increase folding boxboard sales further based on the successful lightweight concept. The current folding boxboard capacity must be fully utilized. We are also preparing for the next capacity increase.

kraftliner sales will be increased significantly. Husum's kraftliner production potential is to be fully benefited. Also Kemi mill's production output will be increased. As a market leader, it is very important for us to secure good folding boxboard and kraftliner price levels.

We are currently working heavily to develop new paperboard products, which are planned to be launched this year. In the [dead] lining paper businesses, the clear priority is to maximize cash flows.

And finally, we are, of course, doing productivity improvements also in 2014. The [inaudible] is expected to be finalized in the paperboard businesses in 2014, bringing our [inaudible] operations to the best in class level.

Ladies and gentlemen, this was my presentation. Thank you for your attention. It is now time for your questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). The first question comes from the line of [Antichos Kordovus], from Danske Bank.

Antichos Kordovus - Danske Bank - Analyst

Firstly, on the FBB contract negotiations, you talk about the price increase has not been quite there where you expected. What was the main reason in your view? Is there a change in the market balance in the last month of 2013, or?

Mikko Helander - Metsä Board Corporation - CEO

First, we should remember that we succeeded to increase prices, and that is definitely positive news for Metsä Board, as well as for all other European paperboard makers. But matter of the fact is that European economy is not yet strong enough, and that was definitely the main reason. But it looks today very promising.



All the inflows are now improving and despite the challenging market situation, we succeeded to implement the increases in range between EUR20 and EUR40 in Europe. I feel that it was in this situation great success, and I guarantee we are looking new opportunities to increase further prices immediately when improving market situation will allow new price increases.

Antichos Kordovus - *Danske Bank - Analyst*

All right, clear. About the volume, you said that you're seeing increasing volumes on these negotiations. Can you quantify a bit what kind of growth multiples we're talking about?

Mikko Helander - *Metsä Board Corporation - CEO*

Yes. Of course I will not open different contracts what we have made with our brand owner customers. But I can repeat, I can confirm that at the same time, when we had success in price increase negotiations, we succeeded to agree with most of brand owner customers, annual contract customers also, higher volumes for 2014, meaning that we expect a positive volume development as per last positive development again in market shares in 2014.

Antichos Kordovus - *Danske Bank - Analyst*

Yes. You're saying you are targeting double the 35,000 tons volumes to US in 2014. I guess that's roughly 4% of your volumes in total in folding boxboard. Would that be on top of the volume increases you are talking here, or how we should look into that?

Mikko Helander - *Metsä Board Corporation - CEO*

A major part of our volume increase is definitely coming from our domestic market from Europe. But North America, as I stated, is very promising because we have been a very minor supplier of FBB in North America.

But based on our studies, based on very good negotiations, these customs with the leading North American brand owners, I'm very confident that our modern lightweight FBB has great potential in North America. And I underline the 70,000 tons per annum is very short-term target setting. Our expectations are much, much bigger in North America in mid- and in long-term.

Antichos Kordovus - *Danske Bank - Analyst*

Sounds interesting. Then lastly, on paper and pulp, EUR8 million year-over-year improving in EBIT, excluding non-recurring items, could you break down the difference, the EUR8 million positive compared to last year?

Mikko Helander - *Metsä Board Corporation - CEO*

First, we should remember that in the third quarter, we had very extensive plant maintenance shut down in Husum, and that curtailed, in the third quarter, our financial results quite heavily.

And now in the fourth quarter, Husum and Kaskinen were in full production. Everything went well, and our pulp paper deliveries were very high, as well as on cost side, we succeeded to control operations very well. Those are really the more main issues.

Plus we should remember that couple of millions we received also from annual contract compensations, and that had, also, some positive impact on 2014. And, of course, last but not least, we increased liner board volumes in Husum, and that had definitely also positive impact on fourth quarter figures in paper and pulp segment.

Antichos Kordovus - Danske Bank - Analyst

Yes. Could you quantify that liner board profit versus how much that gave you a positive versus 2012 Q4?

Mikko Helander - Metsä Board Corporation - CEO

It is somewhere in range between EUR1 million and EUR2 million.

Antichos Kordovus - Danske Bank - Analyst

OK, thank you. These were my questions. Thank you very much.

Operator

The next question comes from the line of [Linus Lawson] from [STB].

Linus Lawson - STB - Analyst

Regarding the paperboard division, what explains the 3% shipment decline year-on-year that we're seeing in that division? And also, on that same note, it looks as if your volumes were weaker than the overall market development in Q4 compared to Q3. If you could just help us understand that a little bit better, please.

Mikko Helander - Metsä Board Corporation - CEO

Last quarter 2013, as already earlier was informed, is due to seasonality. We expected already, quite low volumes. And last year also we had more holidays what normally end of the year we have. That had some negative impact.

Plus, another reason was those market-driven issues, especially cigarette segment as also earlier I have communicated, was disappointment in 2013. And I can confirm that also in last quarter volumes coming from cigarette customers were lower than normally.

But good news is that in first quarter, in last weeks, order inflows have been very strong. And it means that outlook is promising, and I have personally strong feeling that 2014 -- first quarter of 2014, development is positive. And we are still not in normal market situation, but once again I repeat, my strong feeling is that in paperboard business also demand is now getting closer back to normal.

Linus Lawson - STB - Analyst

And the order inflow that you're referring to, is that paperboard overall, or is it specifically tobacco, or was this a general comment?

Mikko Helander - Metsä Board Corporation - CEO

In all segments, but especially when I look FBB as well as white top kraftliner order inflows. And especially I would like to highlight also Husum white top kraftliner order inflows. All those segments have reported strong order inflows in January.

Linus Lawson - STB - Analyst

Okay. And the fact that it's not [rushing] to draw any major conclusions from what is looking like Metsa Board delivering somewhat less than the overall market trend Q4 and Q3. That's - there's nothing special behind that.

Mikko Helander - Metsa Board Corporation - CEO

No, definitely not. My understanding is that also in 2013, generally speaking, Metsa Board succeeded better than nobody else, and all other paperboard makers in Europe. Our paperboard volumes increased close 10% and I have some feeling that all in all in paperboard business we succeeded to further strengthen our market share and market position in Europe as well as outside of Europe.

Definitely cigarette has some impact because we are also the leading cigarette carton producer, and when cigarette segment has been down, it has had some negative impact on those numbers. But again I repeat that our understanding and our feeling based on also successful annual contract negotiations is that 2014 we will see again much better demand in cigarette segment.

Linus Lawson - STB - Analyst

You say that you're preparing for the next capacity increases. Could you quantify what kind of volumes we should expect from Kemi? And also if you could touch upon any potential further capacity additions that you might make within folding boxboard, please.

Mikko Helander - Metsa Board Corporation - CEO

Too early comment those issues and give precise in numbers and figures, but in white top kraftliner segment situation, also from capacity point of view, is very good. We should remember that we have lot of potential in Husum to manufacture much more white top kraftliner what we are producing today. And definitely our target is now to either accelerate growth, also in Husum, in these segments.

In Kemi, we have still potential to take more production from Kemi machine, despite the fact that Kemi is clearly the biggest and largest white top kraftliner machine in the world. In FBB, we have succeeded very well with those capacity increase in [westmins] what we did two years ago.

A major part of new capacity we have already allocated to the customers. We have still some [other] capacity, but we should remember that European economy, world economy, is not yet very strong. Despite the weak economy, we have successfully allocated this new capacity. I underline that we are well-prepared to decide capacity increase investments when market requirements support those decisions.

Linus Lawson - STB - Analyst

Great. And within the paper and pulp division, could you please explain what the annual contract compensation is, and how much it helped the fourth quarter EBIT, please?

Unidentified Company Representative

Yes, we don't disclose exactly what the contracts are, but the compensation was a couple of million.

Linus Lawson - STB - Analyst

OK, great. That's helpful. And -- great. And then just finally, looking into the first quarter and also the rest of the year, if you would like to comment upon your maintenance schedule. Do you have any planned maintenance for the first quarter? And when, during the rest of the year, should we expect maintenance impacting results?

Mikko Helander - *Metsä Board Corporation - CEO*

Yes, in the first quarter we don't have planned major maintenance shutdowns. Some minor actions we have planned, but those quite limited maintenance actions don't have major impact on our financial result. Anyhow, we expect that in the first quarter operating rates will be high, as well as we expect a very solid performance from our businesses in the first quarter 2014.

Linus Lawson - *STB - Analyst*

And the second quarter, do you have any planned maintenance shuts in the second quarter?

Mikko Helander - *Metsä Board Corporation - CEO*

We have also in the second quarter as well as in the third quarter, but we have not yet completely finalized all those plans. But as you know, every year, especially in those bigger integrates, we will make some major maintenance actions, and also 2014 we will see those [misses].

Linus Lawson - *STB - Analyst*

Great, thank you very much. That was very helpful.

Operator

(Operator instructions). The next question comes from the line of Henri Parkkinen from Pohjola Bank.

Henri Parkkinen - *Pohjola Bank - Analyst*

It's Henry Parkkinen from Pohjola Bank. I have two questions. My first question is about Husum and wood prices in Sweden. So we have seen that wood prices are down in Sweden quite dramatically. What kind of impact does the lower wood prices had on your fourth quarter figures, and what should we expect when going forward 2014?

And the second question is on paperboard side. If I made the right calculation, you have built up inventory during last six quarters of some 100,000 tons, and yet you say that you expect that volumes, based on your yearly contracts, are up 2014 when compared to 2013.

But do you expect that this inventory level will also normalize during the fourth -- during 2014? Or what should we think about this quite high inventory level at the moment?

Mikko Helander - *Metsä Board Corporation - CEO*

Let's start first from inventory levels. And I'm not worried, not at all, about our paperboard inventories. We should remember that traditionally, first and second quarter of the year are very busy, volume-wise. And also due to that reason we should have big enough inventories.

Another important issue is what I mentioned already earlier, that cigarette segment was a disappointment in 2013, as well as in the last quarter 2013. But based on annual contract negotiations we have good reasons to believe that customers will order bigger cigarette volumes in the first and second quarter.

And third important issue to remember is that we have, especially to increased our sales in last 12 months, also outside of Europe, meaning that we ship much more paperboard to North America, to Asia. We export more from European continent, paperboard to the other continents, and all

those issues have increased working capital as per last inventories. Maybe we will see some small reduction in inventory levels, but I don't expect, not at all, a big drop in inventories in 2014.

This wood issue, we have not seen big changes in wood prices. OK, might be some variations, but you should remember that Husum is very big user of wood raw material, and a major part of wood supplies to Husum based on long-term [boat sizing] agreements. And due to that reason, wood price development is not special and it has been quite flat. And our expectation, all in all, is that cost development will be very much flat also in 2014.

Henri Parkkinen - *Pohjola Bank - Analyst*

OK, thank you very much. Very helpful. Thank you.

Operator

The next question comes from the line of [Andrej Krede] from BNP Paribas.

Andre Krede - *BNP Paribas - Analyst*

Thank you very much for your presentation, and congratulations on this strong set of results and outlook. Just two quick questions on my side if I may. First, I was wondering if you could give us an update in terms of your funding strategy going forward. And are you comfortable with the current secured capital structure, or would you easily see unsecured debt replace secured funding?

And second question, how shall we understand your divestment of your 51 percent stake in Metsa Group Treasury to Metsa Lito happening in Q3? Are you still intending to fund the company at the Metsa Board [OYG] level, as opposed to Metsa Lito or, for instance, the Metsa Group Treasury level?

Unidentified Company Representative

To your first question, so our long-term target is to have a well-balanced capitalization, bank loans, pension loans, bonds in the portfolio, preferably [on secured] basis. The second question, if you can specify a bit.

Andre Krede - *BNP Paribas - Analyst*

Yes, Q3, you did divest your 51 percent stake in Metsa Group Treasury to Metsa Lito. And I was wondering how we should understand this move. I mean, do you still intend to fund the company at the Metsa Board OYG level rather than, I don't know, issue at Metsa Lito level, or Metsa Group Treasury, and then lend back to Metsa Board?

Unidentified Company Representative

Yes. Metsa Group Treasury is serving all the Metsa Group companies and this move was mainly done to simplify the structure. And therefore we are borrowing and also sometimes depositing back to Metsa Group Treasury.

For instance, in the balance sheet, what you can see, the cash we have, there's some cash of EUR12 million, but on top of that what is not maybe so visible is some EUR80 million deposited to Metsa Group Treasury currently.

And on the liquidity, I could comment also that we have also the RCF available there. Plus there is a limit with Metsa Group Treasury of some EUR150 million that is readily available. So liquidity situation overall good.

Andre Krede - *BNP Paribas - Analyst*

Okay. Do you see this for the short-term -- you see still -- so Metsa Group Treasury is a short-term -- the solution for short-term funding, but for long-term funding, you don't intend to issue at the Metsa Group Treasury, right? This is only for short-term liquidity needs, correct?

Unidentified Company Representative

Yes.

Andre Krede - *BNP Paribas - Analyst*

Okay.

Operator

The next question comes from the line of [Michael Gest] from Kepler Cheuvreux.

Michael Gest - *Kepler Cheuvreux - Analyst*

I have a couple of questions regarding your increased emphasis on North America. And first, just sort of a factual question. Why is there such a big difference in terms of using different types of cartonboard material between North America and Europe?

And then secondly, now as you're trying to increase your efforts there, what type of pushback or comments do you get from potential customers? Thank you.

Unidentified Company Representative

First, about this different paperboard business structure, main reason I believe, is that in Europe, consumer goods companies, especially big brand owners, they are more sustainable-driven. For them, sustainability is huge.

Today, even more important than sustainability issues, maybe are in North America, maybe in Asia, but I am very confident that all consumer good companies, all responsible companies, all brand owners, more and more will put efforts to make own business more sustainable. And in many businesses, it means that they will take carefully, also those opportunities, but a different type of packaging materials means in sustainability issues.

Matter of the fact is that our modern lightweight folding boxboard is most sustainable packaging material in the world, and it is great opportunity worldwide for consumer good companies to improve sustainability in own business.

And based on many discussions in North America, I feel and I can see that more and more brand owners, consumer goods companies in North America, they have started better and better to understand this huge potential, what modern folding boxboard coming from Metsa Board offers them already in short-term, to improve their own business, improve sustainability, as well as opportunities to reduce own production costs.

Sorry, what was the first question?



Michael Gest - *Kepler Cheuvreux - Analyst*

No, the first question you actually touched on. But that's a smaller -- why do the Americans use this other heavier type of cartonboard? Is it sort of some historical reason, or it's just the way the machines are built, or what's the background to it?

Unidentified Company Representative

Yes. Both, because it is historical reason. They are using very conventional paperboards. I believe that one reason is that in North America, paperboard industry is very consolidated. It is very limited amount of paperboard makers, and those paperboard makers offer very conventional recycled fiber-based, as well as virgin fiber-based heavier grades.

And nobody, when we look those major paperboard makers, are manufacturing folding boxboard in North America. And due to that reason, we feel very strongly in Metsä Board, that we are very much needed, as well as feedback coming from big North American brand owners, is that Metsä Board is very warmly welcomed to participate in North American business.

Michael Gest - *Kepler Cheuvreux - Analyst*

Okay, thank you very much.

Operator

(Operator instructions). The next question comes from Alex Field from Credit Suisse.

Alex Field - *Credit Suisse - Analyst*

I just hadn't heard very well earlier. Did you say you were still considering bonds as an option or an alternative to loans? Thanks.

Unidentified Company Representative

That's right, we don't fully exclude that as an alternative going forward.

Alex Field - *Credit Suisse - Analyst*

Okay, thanks.

Operator

At this time, there are no further questions. Please continue.

Mikko Helander - *Metsä Board Corporation - CEO*

Okay, ladies and gentlemen, and thank you very much for your active participation. I wish, together with my colleagues, for you very pleasant evening. Thank you very much.



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