OPERATOR: Hello and welcome to the Stora Enso Q3 report 2022. Throughout the call all participants will be in listen only mode and afterwards there will be an opportunity to ask questions. If you do have any questions, please press zero one on your telephone keypad. Today I am pleased to present president and CEO Annica Bresky and CFO Seppo Parvi. Please go ahead.

ANNICA: Thank you very much and welcome everyone. Our purpose: to do good for people and the planet is more important now than ever before. We need to look after our people, the communities in which we operate in and of course the development of the company. And by replacing non-renewable materials with our renewable products, we can leverage on this opportunity for long-term earnings growth and can at the same time contribute positively to mitigating climate change. This is what drives both our underlying performance and our opportunities for growth. Sustainability is deeply embedded in both our business strategy, our corporate culture, and it is supporting our growth. We believe that through innovation and collaboration in our ecosystems, we can grow together with our customers. And our products, and the CO2 they replace and store, can mitigate climate change and realise the renewable future for all. So, on top of this, I'm of course very pleased that we have delivered another strong quarterly performance and that we have executed on our strategic agenda with investments to accelerate and safeguard our long-term growth potential.

I will now give you an overview. This was the best operational EBIT that we have delivered since the early 2000s. And it is an excellent performance. Especially in these times of unprecedented market volatility, inflationary pressure along with continued logistical constraints. We have been able to mitigate those challenges through pricing, flexibility and logistics, as well as energy hedging. And I'm very proud of the organisation for continuing to contribute to our growth journey and for delivering these results.

We continue to invest in growth in renewable packaging, one of our strategic growth areas. And the acquisition of the Dutch company De Jong Packaging is one of these actions that we have taken during the quarter. And of course, we are very excited about this investment. It will help us to accelerate our growth in renewable packaging. And it will also help us expand our European footprint.

We've also decided to go ahead with the conversion of an idle paper machine and convert it into a cost-leading, high quality consumer board machine at our existing site in Oulu in Finland. And I will give you a bit more detail on the strategic initiatives in a short moment.

We are investing in growth, in Building solutions, and have recently started up a new cross laminated timber site, which I will also get back to shortly. Lastly, we're also progressing with the commercialisation of the lignin-based product portfolio, with a range of products for different end uses. And I will share a few details on what we're working on there as well.

Now let's take a closer look at our Group performance. Our sales increased by 15% if we exclude Paper division. And this was a 17% increase compared to last year. Operational EBIT increased by nearly 30% with an EBIT margin close to 18%. And you can see five quarters on this chart, but actually, this was the seventh consecutive quarter of growth in operational EBIT. The operational return on capital employed excluding Forest division was 22% which is well above our target of 13%. So, all in all I’m very pleased with our performance for this quarter.

With the one-billion-euro enterprise value acquisition of De Jong Packaging Group, we are ready to take the next step and enter a new corrugated packaging market, opening up the western Europe for us. And accelerate our growth in renewable corrugating packaging in countries such as Benelux, Germany and the UK. We have a potential here of one billion Euro in sales, and this acquisition will nearly double the packaging solutions division. The market as such in corrugated packaging is fragmented so this local presence that we have there is key for the sustainable growth that we are targeting. And we find that this is a perfect strategic match for us. De Jong Packaging Group is active in attractive end use segments that complement our own product setup. In areas such as fresh produce, which in practice is trays for fruit and vegetables industry, fast moving consumer goods and e-commerce. The company has demonstrated a strong growth track record, and it's one of the largest corrugated packaging producers in the Benelux area. We expect to close the transaction beginning of 2023 and we also expect it to be EPS accretive from the first year. This is a big opportunity for us, for both driving a strong commercial, but also cost integration benefits over the joined business in current packaging solutions and the potential acquisition of De Jong Packaging Group. We will also be able to, if we find that the feasibility study in Langerbrugge site that's ongoing right now, if that is decided upon. There will also be additional synergies following that potential conversion.

Moving on now to how we also accelerate organic growth. We have decided that we can see through the growth in the markets that the plastics are being more and more replaced by renewable packaging, that we also want to continue growing our footprint with investing in our Oulu site. We're investing one billion euro in converting the second idle paper machine in Finland, and this investment will take from this year up until the full ramp up and full production starting up in 2025. After successfully converting the first paper line in Oulu to kraftliner for containerboard, we see an opportunity here to capture additional growth by converting the second paper line into consumer board for folding box board, and for coated unbleached kraft. And the total capacity of this conversion is 750,000 tonnes per year. The expected annual sales at full capacity are approximately 800 million euro. And we will use now existing infrastructure which significantly reduces the risks of conversion, and the investment costs. And this is compared to a green field expansion. And of course, all the experience that the local teams have, in having done the first successful conversion. From the marketplace, this will put us in a very strong position to drive revenue growth and build market share in key segments, for instance in frozen and chilled food and beverages, mainly in the markets of Europe and North America where we see the biggest potential for long-term growth. So, of course this is a great opportunity for us growing forward.

I'm also happy to say that we continue our journey to ramp up the growth in Building solutions and have recently inaugurated our latest site in the Czech Republic, for cross-laminated timber production. With this new site, Stora Enso’s production capacity will increase and grow substantially to meet the increasing demand for both sustainable, but also cost-efficient and renewable building materials. We've already delivered 15,000 projects in this area, so this will continue to help us in meeting the growing demand on the market. It will also accelerate our position as a global provider of prefabricated modular building elements. And we target annual sales of 70 million euros with an investment of approximately 80 million euros. The annual production capacity will be 120,000 cubic meters. And this will increase our total capacity to 410,000 cubic meters. The CLT site in Zdirec in the Czech Republic is very well located in Stora Enso’s European market. And the integration with the existing sawmill also brings of course additional benefits, for example in terms of raw material, energy supply and logistics.

Lastly our third area of growth, we are also progressing with the commercialisation of our lignin-based product portfolio, ramping up on stepstone applications, for instance in the end uses of glues and binders. And here we see growth opportunities and innovation developments. And we have a lot of collaborations in the areas of furniture and construction, but also ongoing customer trials with binders in asphalt. We're also partnering to progress the commercialising of Lignode which is a further processed product for green batteries. We have here ongoing trials for renewable anode material for batteries, and we target here, end users such as tools and other handheld applications, energy storage system and e-vehicles. The ongoing customer trials have the target of customising the Lignode into the different performance specifications customised for these different end uses. And as I've said, we have several partnerships ongoing. We have externally communicated the supplier and customer relationship with Northvolt but also, we have signed a letter of intent with Beyonder, a Norwegian energy storage, technology company, to deliver Lignode for their development of biobased battery.

A few words now on the divestment process for the paper sites. We continue with the sales process of four of our five paper sites, and as you have seen we have divested Maxau paper site and Nymölla paper site. The ongoing ones for the last two, Hylte and Anjala, are proceeding. And this will decrease the Stora Enso annual group sales, fully divested, by approximately 540 million, and reduce the annual paper capacity by just over one million tonnes for the sites of Maxau and Nymölla. And the total enterprise value for the divestment of those two sites was 360 million euros. So, we will continue to operate both sites until the expected closing of the transactions is finalised early next year. And as I said, the divestment process continues for the remaining two sites, but here we have no set deadline.

And now if we take a look at an overview of our financial targets, we can see that we exceed all long-term group level targets which is, of course, a very good place to be. Both Packaging Materials and Biomaterials were well above the respective return on operating capital targets. For Packaging Solutions, the target has changed from 25% to 15%, and this is due to the acquisition of the De Jong Packaging. Changes in the business portfolio with the divestment of the Russian entities and future growth ambitions with new businesses.

Forest was just below its operational return on operating capital target of 3.5. But it landed very close on 3.4%. And the paper division target of cash flow after investing activities to sales ratio improved to 6% from a negative level a year ago. And this was due to improved profitability and good working capital efficiency. And with that I hand over to you Seppo to explain a little bit further how the profitability has been built up for the quarter.

SEPPO: Thank you, Annica. I start by looking at the bridge from Q3 last year to the Q3 that we have just reported today. We have proactively mitigated increased variable costs to safeguard profitability. Key action there has been to work on the sales prices, and they have been up now 420 million year-on-year. Additionally, net foreign exchange has helped by about some 61 million euros, but this mainly comes from US dollar Euro exchange rate changes moving in our favour. Fiber costs have been up about 116 million, and then on top of that, variable costs like energy and logistics a bit over 100 million each and chemicals and fillers some 75 million euros. Then there have been some small positives on depreciation associated and closed units.

Then let's move to energy which is the hot topic today. And reducing cost exposure has been one of the key actions this year. We are very happy that we have very high energy self-sufficiency when it comes to Stora Enso. If we look at the total energy our self-sufficiency rate is 80%, excluding paper and taking into account Olkiluoto 3 impact after it has been started up. And when it comes to electricity, we can reach 97%. This is a strength of Stora Enso and gives us competitive advantage compared to our many competitors for instance in central Europe.

Then let's look at the divisions, and I start at Packaging Materials where we have strong quarter, driven by improved containerboard profitability. Sales were up 23% year-on-year, driven by higher board prices. We could see further weakening demand in containerboard as was also mentioned and commented in the Q2 report. We have stable demand in consumer board with strong order book, but there is pressure on margins due to increasing variable costs before we are able to increase selling prices, and we are implementing those at the moment.

Operational EBIT was up 19% year on year reaching 181 million euros. It was driven by input container board profitability, higher board prices offset higher variable costs and operational return on capital was at 21.3% level compared to the long-term target of 20%.

Then looking at Packaging Solutions, their year-on-year profitability was impacted by the exit from the Russian operations and investments in new businesses as well as lower demand. Sales were flat year-on-year, higher prices in European corrugated packaging and positive development in the new businesses were visible here, and divestments of Russian units and lower deliveries in Europe had a negative effect on the sales line. Operational EBIT was down 7 million year-on-year, effected by exit from Russia as well as higher ramp up costs in the new businesses. And return on capital was at 1.7%.

Then let's move to Biomaterials, where we have all time high sales and profitability supported by continued strong market demand. Sales were up 33% year on year, and this was all time high quarter. And driven by all-time high price levels and strong US dollar. Lower wood availability and logistical constraints had an effect on the result. Operational EBIT was up 67% reaching 197 million euros for the quarter, and this is all-time high result. Higher sales prices and positive foreign exchange rates fully offset higher variable costs that we are facing in the business, and operating return on capital, 28%, clearly above the long-term target of 15%. In Wood Products, we have record high third quarter sales. They were up 3% year on year, reaching 520 million euros, driven mainly by higher sales prices. Sawn wood market continued to weaken as seen already in the Q2 and good demand in Building Solutions continued. Operating EBIT was down 53 million year-on-year at 70 million euros. This was affected by increased costs, mainly for logistics, electricity and raw materials. Return on capital at 38.4 %, clearly above the long-term target of 20%. In the Forest division stable financial results continued with strong wood demand. Sales go up 6% year on year at 581 million euros. Higher wood prices were driven by strong demand during the quarter and discontinued Russian wood imports were largely mitigated by flexible use of own forest assets at Stora Enso’s wood sourcing network in the Baltic Sea area. This is a strength of Stora Enso. Operational EBIT continued at a stable level, reflecting resilient performance in the Forest division. And operational return of capital is 3.4% for the quarter. Forest asset fair valuation remained stable at 8.1 billion euros. It slightly decreased mainly due to foreign exchange rates having an effect there. Fair value is equivalent of about 10.30 euros per share. An important note this year is also that we are 30% self-sufficient of wood supply, taking into account our own forest assets and long-term agreements with the suppliers. Then the Paper division, where business turn around after restructuring is clearly visible. Sales were up 7% year on year, and higher sales prices into retained business after close of Veitsiluoto and Kvarnsveden paper sites in Q3 21 was clearly visible. And good to note is that sales of the retained businesses increased by 52 %. Operational EBIT was up 80 million euros year on year from loss of about 30 million euros to a gain of 49 million euros. Higher prices fully mitigated higher variable costs that we have been facing in the business, and the structural changes that we have made have reduced fixed costs and volumes. And cash flow to sales ratio investments was at 6%, thus slightly below the targeted level of 7%. Now back to you, Annica, on the annual guidance, please.

ANNICA: Thank you, Seppo. And if we look at the annual guidance, we iterate that we are going to be above operational EBIT levels compared to last year and higher than 1,528 billion euros. And then at few words now if we take the outlook for the fourth quarter. As you see, we enter the fourth quarter with a good profitability and good margins. And taking a look now division by division we can see that ahead of us, that Packaging Materials division is expected to have an impact on profitability and deteriorate profitability due to planned maintenance. We have maintenance at four of our sites, including the two largest ones, we also see escalated cost inflation in energy impacting going forward in the quarter. Of course, our demand in the areas of consumer board is strong. We have a strong order book, and we are fully booked, but as you might be aware, the contracts in the consumer board business are typically fixed on long-term. And with the escalation that we have seen on energy cost primarily, it takes some time before we can fully mitigate them by price increases in the consumer board area. And this means that we of course renegotiate every time at contract expires, but there is at lag time before we can fully mitigate. Last quarter we talked about the normalisation of containerboard, and that continues. Contracts in containerboard are more short term in their way of being set up, and hence that gives us flexibility for renegotiations more often. So here we are able to more directly and in at shorter time frame mitigate cost escalations. Demand for corrugated packaging is expected to stay stable which is very good, and also here we are able to mitigate inflationary pressures in a good way. Moving over to pulp we can see some early signs of normalisation in pricing from the recent extremely high levels. But overall, I would say that pulp demand is still very strong. We see that we expect the demand to be flat year-on-year. I cannot see any significant increases in global market pulp inventories which is normally a sign of imbalanced supply demand situation. So even if we see some slight signs of softening, I will just say that it is still a very good prognosis for the coming quarter. In Wood Products there is a continued market decline in traditional sawn goods, we can see that already in quarter two. We have a good order book for Building solutions, but we expect here also the demand to weaken going forward. This is of course due to the uncertainty among construction developers and a softer construction market in general. We have a possibility here to export to other markets. We are a global supplier in the US, in Japan and in Australia, so of course we adapt our mix where we see we have the best opportunities. In the Forest division, where demand is expected to stay on par with the previous quarter, and we can see that if we look at the different kind of wood assortments, that there is a strong demand for pulp wood which is of course reflected as a result of the continued good demand in pulp production. But on the saw log side it's lower levels, of course due to the weakened sawn wood market. In the Paper division, we have a solid demand outlook. It's supported by seasonality, but also a good order book. This is also a division just as Packaging Materials that is impacted by higher energy costs, and also in Paper division we have maintenance work for the coming quarter. I'd also like to highlight, as Seppo said, that we have high energy self-sufficiency, and the impacts from higher energy costs in Packaging Materials and Paper will be partly recognised as income in Segment Other. This is due to Stora Enso’s ownership of the energy company, Pohjolan Voima. Moving now over to our Capital Markets Day I'd just like to give you an overview of our 2030 ambitions. And for those of you who participated in September, the highlights include for instance an increasing group sale by 30% excluding inflation versus 2021. We also target 15% operational EBIT margin over the cycle. For the growth businesses we see that Packaging through the actions that we are taking strategically will represent more than 60% of group sales. Currently it’s about 45%. More than 40% of Wood Product sales will come from Building Solutions, and we also see that we will increase or have an ambition to increase our operational EBITDA in Wood Products by 75% over the cycle. We target new revenue streams of one billion Euro from Biomaterials innovations. And we also have the ambition to develop more energy production, wind power generation, from our group’s own forest land to a level of 5-10 terawatt hours. Through the actions that we take by divesting paper, but also increasing packaging, we also see that our market pulp exposure will be significantly reduced. And through our actions of divestment of paper, this will lead automatically to less cyclicality in earnings. We estimate that it will be reduced by half compared to the years 2016-2021. So, all in all this is what we see with the strategic agenda that we are driving, what Stora Enso will look like in 2030. So, to summarise before I let you in to ask all the questions, we have delivered a strong quarterly performance, both financially and strategically. We have been executing on our strategic initiatives for long-term growth in our key strategic areas of Renewable packaging, Building solutions and Biomaterials innovations. The acquisition of the De Jong Packaging group will advance our strategic direction and accelerate our revenue growth. We will market share in renewable packaging in Western Europe and open new markets for us there. We are accelerating growth, also in our packaging by investing in conversions for growing end use segments in the food section through our investment project in Oulu. And we are continuously positioning ourselves to leverage and accelerate our growth in renewable materials. And I believe that Stora Enso is gradually becoming a stronger and better positioned company for the future. And with that I let you in for a Q and A session.

OPERATOR: Thank you. If you do wish to ask a question, please press zero one on your telephone keypad. If you wish to withdraw your question, you may do so by pressing zero two to cancel. We kindly ask you to limit yourself to one question. Our first question comes from the line of Cole Hathorn from Jefferies. Please go ahead. Your line is now open.

COLE: Thanks for taking my question. Two from my side. Firstly, on you calling out your ownership in PVO, in energy stake. Could you give us an idea of what that means? How much access do you have to the Olkiluoto 3 nuclear power plant? Is it about one terawatt hour, roughly your share? And then, if we think about long term. You called out your ambitions to 2030. 30% sales growth, 15% EBIT margin. You're looking at two billion of EBIT. Are you comfortable over that time frame, where consensus is next year 1.3 billion going up there, you know it’s a 6% EBIT CAGR. Is that how you think about the business from of next year’s base going up to 2030 offering 6% per annum EBIT growth. Is that the right mix to be thinking about for a long term view? Thank you.

SEPPO: If I start by commenting on our ownership in Pohjolan Voima and Olkiluoto 3 before then handing over to Annica to take the rest of your question. So, we own 15.6 % of PVO which gives us indirectly then about 8.9% of Olkiluoto all three nuclear reactors. And that is 9% of Olkiluoto 3, out of this 1,600 MW.

ANNICA: And if we look at the strategic agenda, we see that the pipeline of projects that we have announced right now and the opportunities that we have, will get us to the level of 15% EBIT over the cycle, and then growing our business as an outline. The divestment of paper of course will make sure that we increase the resilience of the company, also in less strong macroeconomic environment. And I believe that with the actions that we have in our portfolio that we will be able to live up to these ambitions, within this time frame, as you stated.

OPERATOR: Thank you. Our next question comes from the line of Justin Jordan from BNP Exane. Please go ahead. Your line is now open.

JUSTIN: Good afternoon, everyone. I've got two different questions. Firstly, on slide 20, your very detailed outlook. I thank you so much for the detail here. I just want to drill down a little bit specifically on consumer boards demand which is very reassuring. Just on your comment on the sort of timeline between cost inflation and recouping that price wise. Are you more cautious on your pricing power going forward relative to history here or should we think about this as just as a time lag issue, and then secondly just on the news on the extra billion on the capex. I guess really a question to Seppo. How should we think about the phasing of that in 2023 to 2025, should the main capex be in 2023 and 2024 or in 2025? Could you help us understand the 63 million of interest charge in Q3? It's a little bit higher than at normal quarter. Are there any one-offs in there or is this just symptom of rising interest rates?

ANNICA: Thank you for the questions. I can start then with consumer board. And you're right, it is at timing issue, because we have strong demand. We see that the end users in consumer boarding liquid and in food packaging are end uses that are resilient. And we have full order books. So, this has to do with the contractual structure of the business as such. The contracts range from one year to three years, and of course when we have had this kind of very short-term high shocks of energy increased prices, it is difficult to compensate immediately. But as the contracts expire and we have some contracts in Q4 expiring and moving on in Q1 and so on, we of course take the necessary discussions with the customers. So, it's not a question of pricing power. We are one of the largest players here on the market and have strong market share. So, it's more a timing issue.

SEPPO: And then when it comes to capital expenditure relating to Oulu and these billion euros. So, you are right that 2023, 2024 are the heavy years, and capex is then from 400 to 500 million euros per year. And there are some leftovers then for the years after depending on the payment schedule. Some small down-payments this year depending a bit on when we sign the contracts now that we have made the decision on the investment. Then your question on financial costs. Yes, it includes about 23 million euros of right-off of Russian related loan receivables, relating to exit from Russia.

JUSTIN: Great. Thank you, Seppo, and thank you Annica.

OPERATOR: Thank you. Or next question comes from the line of Linus Larsson from SEB. Please go ahead. Your line is now open.

LINUS: Thank you very much and good day to everyone, the question on your maintenance guidance, you say on a group level you will have less maintenance impact of 25 million in Q4 compared to Q3. But you also say that you will have higher maintenance impact sequentially] in the Packaging Materials division. So, do I get my math’s right here saying that it's probably in Biomaterials that you see decline in maintenance and that implicitly suggests that you are expecting higher Biomaterials profits in Q4 compared to Q3.

SEPPO: I don't comment on profitability per division as such, but yes, you are right that this means that dominantly the maintenance costs will be now in Packaging Materials in Q4.

LINUS: And can you also in that context explain the cost overrun in the third quarter, where was that? In which division? Or even which mill?

SEPPO: Well, we have some boiler issues in the Paper division and that's mainly where it's coming from.

LINUS: Okay. So how big were the maintenance costs in Paper division in the third quarter?

SEPPO: We don't comment more specifically maintenance costs, but that was the main reason.

LINUS: Okay, thank you very much. That's helpful.

OPERATOR: Thank you. Our next question comes from the line of Harri Taittonen from Nordea. Please go ahead, your line is now open.

HARRI: Yes, hi, good afternoon. Just drilling a little bit on the cash usage outlook and the going through my old notes, seeing that at least you indicated earlier that maintenance capex is somewhere around 200-250 million euros. And I'm just wondering how valid that it's still after the exits and changes in the asset base. And then if we think of the timing of the Oulu investment, if it's going to be something like as you say 400-500 million euros a year. I know that you don't want to guide for the capex for next year, but still, conceptually, will you reserve some budget for other potential projects in addition to the maintenance and Oulu that we should be aware of.

SEPPO: Well, first about the maintenance capex, yes, the 200-250 million euros, is correct, if we look at the history it has been around roughly 2% of the Group turnover per year as a rule of thumb to estimate if you wish. And in principle no change in that [obviously because of cost inflation it has been somewhat up temporarily now, and we have to see how cost inflation moves going forward. When it comes to capex guidance as such, we will come with more detail, capex guidance, for next year in connection to our Q4 reporting, so we will tell more then. But obviously depending on the opportunities we have a strong balance sheet net debt to EBITDA at 0.8, and getting stronger with good cash flow, so we have space in the balance sheet. So, depending on the opportunities and what we see we will then separately address these issues around to dissolve our capex if any for other projects.

HARRI: Right. So basically, we are looking at the 200-250 million euros plus 400-500 million euros, and then plus whatever additional.

SEPPO: Yes, typically we have on top of the maintenance capex development projects, adding some capex from development projects that we are running on top of this kind of major projects like the Oulu conversion now.

HARRI: Of course. Okay. Thank you.

SEPPO: Thank you.

OPERATOR: Thank you. Our next question comes from the line of Lars Kjellberg from Credit Swiss. Please, go ahead, your line is now open.

LARS: Thank you. I just wanted to talk at bit about cost inflation. Energy isn’t necessarily a new topic, why do you specifically call that out now? The other component that you mentioned, thoughts about wood availability and we've seen some quite material moves in wood costs. Especially pulp wood where it seems as if the energy sector is competing for the same wood source. So, if you can shed any light on what the new buckets of cost inflation are and how we should think about wood costs, going forward and when these market prices, higher market prices will start to come through in your P&L, given your inventory of outstanding timber. Then if I may, just on Oulu, can you elaborate at bit on what you're doing. I mean, this is a conversion, and you could spend a billion euros. So, what are the buckets for spending in and also the time frame which suggests it's at seriously major project as opposed to simple conversions, if you don't mind just sharing a few details what you are doing and why the cost is so high and taken two years to do.

ANNICA: Yes, I can start with Oulu and then you, Seppo, might go into the cost questions on wood and energy. But compared to the first conversion, that was just at machine conversion. What we're doing now is that we're also building a BCTMP pulp line to accommodate for the 750,000 tonnes of production, so it's double the size compared to what we did before. And then it's also making the full site kind of at state-of-the-art mega site. It will lead to 1,350,000 tonnes of capacity. So, this is of course taking the synergies of the infrastructure that is there, compared to a green field, such a machine of that size would require more than double the investment cost. We will have a new pulp line as I said, but also an energy solution with a boiler, and we will make sure to have wastewater treatment that is at state of the art for the environmental perspective and reduce CO2 for the full site. So that is the difference. And then if you, Seppo, will comment on energy and wood?

SEPPO: Yes. First of all, about the wood. Of course, you will have to remember that we are a big forest owner ourselves. And we have high self-sufficiency with the wood sourcing and wood supply as such at 30% and having the forests in Sweden helps, and our plantations in Latin America still have our ownership in Tornator in Finland. As solely comes from our strong supplier network in the Baltics. I would think it's fair to say that the biggest wood cost inflation starts to be over, and that should be helpful in that sense. So, I think we have been able to mitigate quite well the effect of the Russian wood and missing the Russian imports compared to past that we used to have in Finland. When it comes to cost effect of energy, chemicals, wood and other inflationary effects into our input materials I think we have been shown during the past quarters in Q3 as well, that we are able to mitigate well by managing our selling prices. We're obviously working on recipes as well in order to optimise the cost structures and also to mitigate the cost pressures that there are.

ANNICA: And I can also say that the reason why we mention the energy cost right now is to make it clear that some divisions like Packaging Materials and Paper, they are bigger consumers of energy. And if we look at Packaging Materials in the next quarter, we want to help you and guide you in terms of that consumer board business as we said it takes more time in order to fully mitigate for that cost inflation that has been in the energy side. And just to remind you also that the divisions they pay market pricing for the energy, and we recognise the revenue in the Segment other for the group.

LARS: Just one clarifying point if I may on the wood costs. We have information from official sources that wood prices both in Finland and in particular in Sweden are rising quite rapidly, so my question was really that when you buy wood in the marketplace, when should we start to see that? In the past you talked about three to six months before we actually start to see that through your P&L is that still the same sort of inventory you have at standing timber that it will take at bit of time for this sort of market prices to come through in your respective Paper and Pulp divisions?

SEPPO: Yeah, that's the assumption, thinking about the cycle there. Yes, three to six months is typical timeline lag there.

LARS: Thank you.

OPERATOR: Thank you. Our next question comes from the line of Andrew Jones from UBS. Please, go ahead. Your line is now open.

ANDREW: Hi, thanks for taking the question. I just wanted to ask about the FBB market. I mean you're clearly committed to having large amounts of capacity and Metsä Board has also been talking about having 800,000 tonnes in a project and from reading some industry reports it sounds like there's a large amount of capacity being added in China in the next year. I'm wondering firstly, if you see any threats to your markets from additional capacity coming out in China, or will it be absorbed within the region. And given the additions from your peers and will the market be able to absorb that additional capacity, and how you see that playing out? What are your assumptions on growth rate? Do you see it taking share of rivarly [] products? Could you just frame how that is going to hit the market and is it going to be absorbed by the market?

ANNICA: Yeah, I can start with China. First of all, the growth in China for these grades is 5-6 % annually. It’s a big market. But it's also local market. So, the capacity increases that you hear in China is predominantly for the domestic market, serving China. Also, the cost of folding box board produced in China is higher, because many of the units or most of the units are unintegrated, so they buy market pulp on market price. So, the cost from producing folding box in China is much higher than it is producing in Europe, and often doesn’t travel well if I may put it like that. So, if we look at the size of this market, folding box board and also the CUK market which is also growing very healthily. It's expected to grow with more than 11 million tonnes globally. And it will approach 57 million tonnes until 2030, and the potential that we see here also with plastic substitution is additional to this. So, we do not see an issue for us building one of, or if not Europe's most cost-efficient site in Oulu to be able to capture this opportunity and continue growing here. These are the segments that are growing fastest and have good margins. And having a cost leading position is something that we are capturing with this investment. So no, I'm not concerned about that the Chinese capacity increases.

ANDREW: Just to clarify that, 57 million tonnes you mentioned. Are you talking about just FBB?

ANNICA: The consumer board market. Yes, and that machine is going to be very flexible. So, we're going to be able to produce liner, folded box board and CUK, and it will also help us to restructure the product portfolio within the other assets of Packaging Materials. So, streamlining the production in the other units of Packaging Materials. So, it will bring up also at production efficiency for the rest of the sites.

ANDREW: Now that makes sense. Okay, thank you.

OPERATOR: Thank you. And just as a reminder, if you do wish to ask at question, please press zero one on your telephone keypad. Our next question comes from the line of Sindre Sørbye from Arctic Asset Management. Please, go ahead. Your line is now open.

SINDRE: Yes, hi. Good afternoon. Thanks for taking my question. Just regarding your somewhat cautious outlook for Packaging Materials. Looking at historical figures, Q4 is always significantly lower in terms of EBIT and compared to the third quarter. Is it just the, let's say, regular kind of seasonality we're talking about here and as a follow up to that, can you give us an indication of how large proportion of your liquid packaging board contract that is up for renewable for 2023 and onwards?

ANNICA: No, I will not comment on the contracts. How much percentage that is. For Packaging Materials you're right. There's always a seasonality. But this year, also on top of that we have both of the big sites of Skoghall and Imatra and then Varkaus and Fors under maintenance. So, on top of that, as I said, the very rapid escalation of energy prices which of course takes some time to mitigate, but all in all you're right. There's always a seasonality in Q4. And this year major planned maintenance plans shutdowns are happening in Q4. Some other years it might vary between Q3 and Q4.

SINDRE: Okay. Thank you.

OPERATOR: Thank you. Our next question comes from the line of Antti Parkkinen from OP financing group. Please, go ahead. Your line is now open.

HENRI: Yes. Hi. Good afternoon. It's Henri Parkkinen from OP financial group. Just coming back to these Olkiluoto 3 and referring to your presentation and on this on page number 12 where you presented your self-sufficiency without Paper and including Olkiluoto 3 and just naming about this electricity. What is the situation if you compare it in Scandinavia and on the other hand in continental Europe? I assume that the self-sufficiency in electricity is at little bit different on those two areas. That's the first part of my question.

ANNICA: Yes, I can comment on that. Of course, our position with high self-sufficiency and good hedging is a competitive advantage for us, compared to many central European or southern European players who are suffering. Also of course the sites that are very competitive and are in good cost quartile compared to some other sites. That might have been converted also. All the paper sites converted into packaging grades and now facing big challenges due to the escalated cost situation. So, I expect going forward that we will also see this effect on the market, on the players in Central Europe.

HENRI: Okay, and the second part of my question is, I don't know if you want to comment on this, but have you already made some forward hedges regarding your expected volumes from Olkiluoto 3?

SEPPO: We don't comment more specific on the hedging, but you have to remember that we are not 100% self-sufficient for instance in Finland, so we will be able to reduce our exposure. In the graph on page 12, you see that we can reduce our exposure to market prices with these additional volumes.

HENRI: Okay. That will help at lot. Okay. Thanks.

SEPPO: Thank you.

OPERATOR: Thank you. There are no further questions at this time. So, I hand the word back to Annica Bresky. Please go ahead.

ANNICA: Thank you everyone for a lot of good questions, and I wish you all a nice weekend and see you hopefully in quarter four.