



**Metsä**



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# Metsä Group

## Result 2019

**Ilkka Härmälä**  
**President and CEO**

12 February 2020



## Weakened market situation decreased Metsä Group's result

- Sales EUR 5,473 million (2018: EUR 5,709 million)
- Operating result\* EUR 495 million (EUR 849 million)
- Operating result\* 9.0% of sales (14.9%)
- Return on capital employed\* 9.6% (16.8%)
- Operating result weakened due to lower pulp prices and higher raw material and production costs
- Exchange rate fluctuations had a positive effect on the operating result



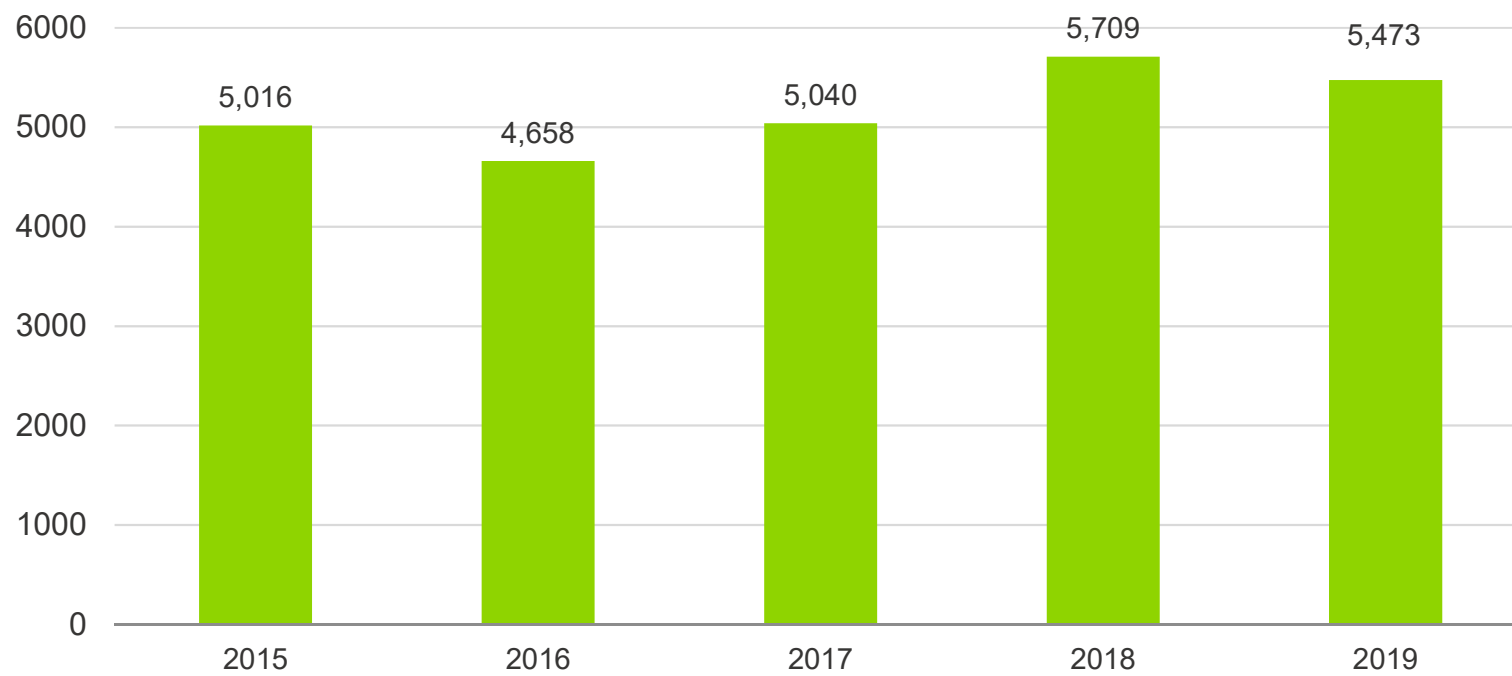
## Events during the fourth quarter

- The average dollar-denominated price of long-fibre pulp decreased by 10% and that of short-fibre pulp by 15% compared to the previous quarter
- Paperboard deliveries declined from the previous quarter due to seasonality. The average prices of paperboard remained stable
- Metsä Board began investments in the first phase of the modernisation of the Husum pulp mill
- Metsä Tissue made an agreement on the sale of its napkin business



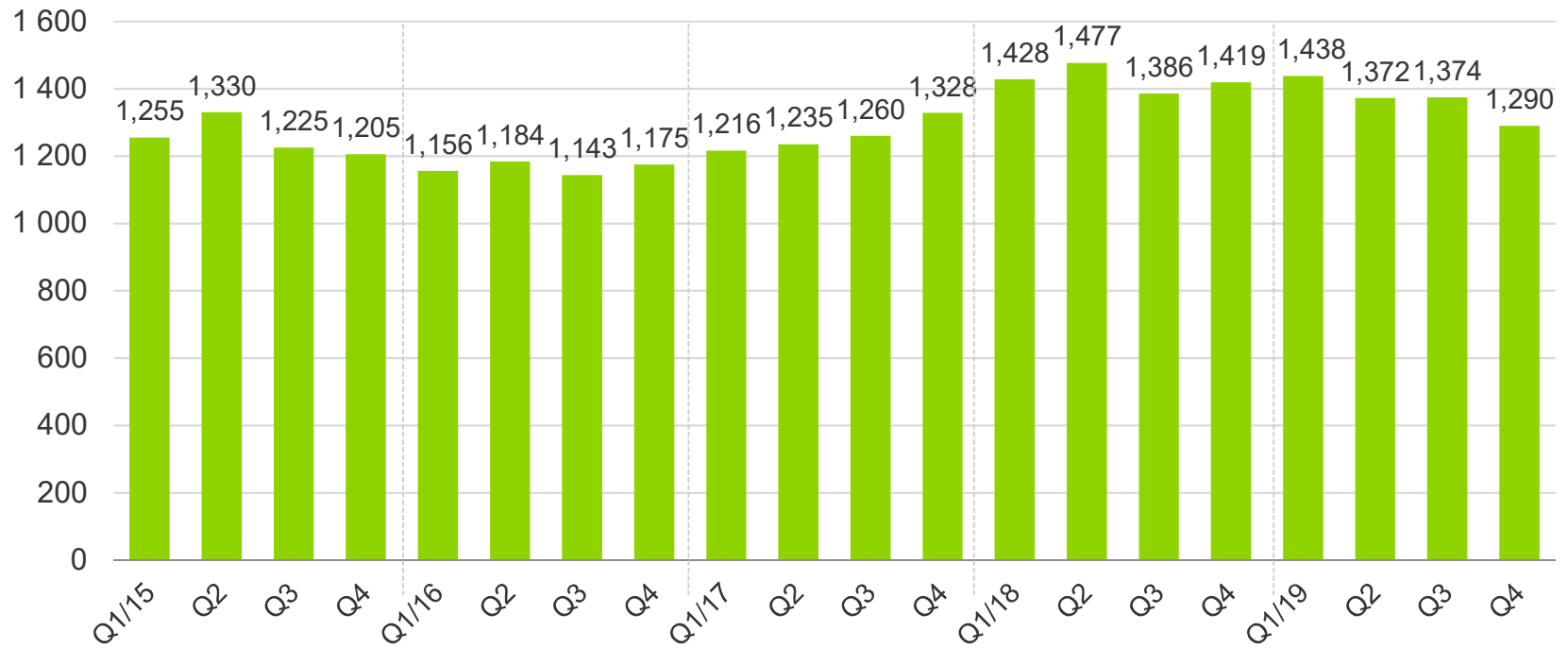
# Sales

EUR million

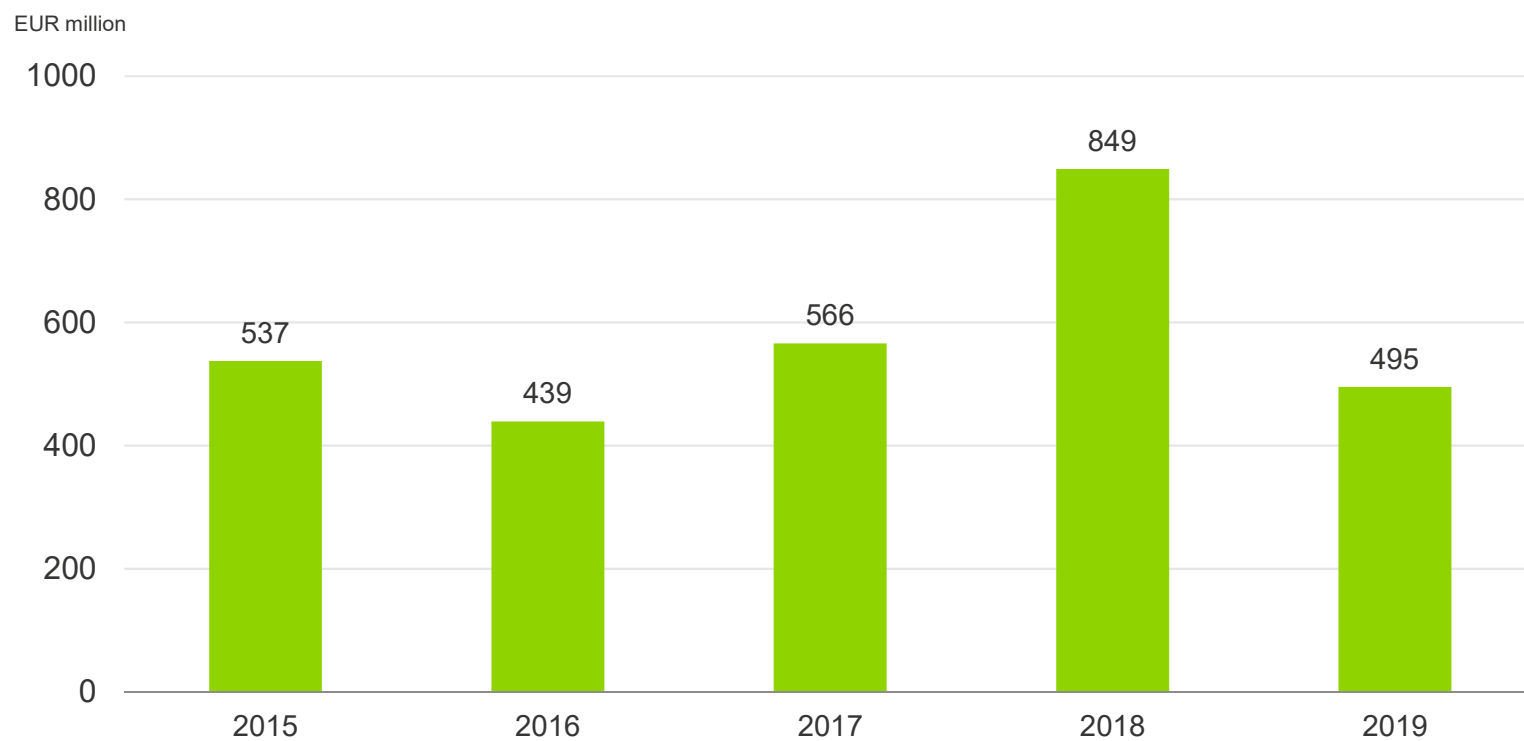


# Sales quarterly

EUR million

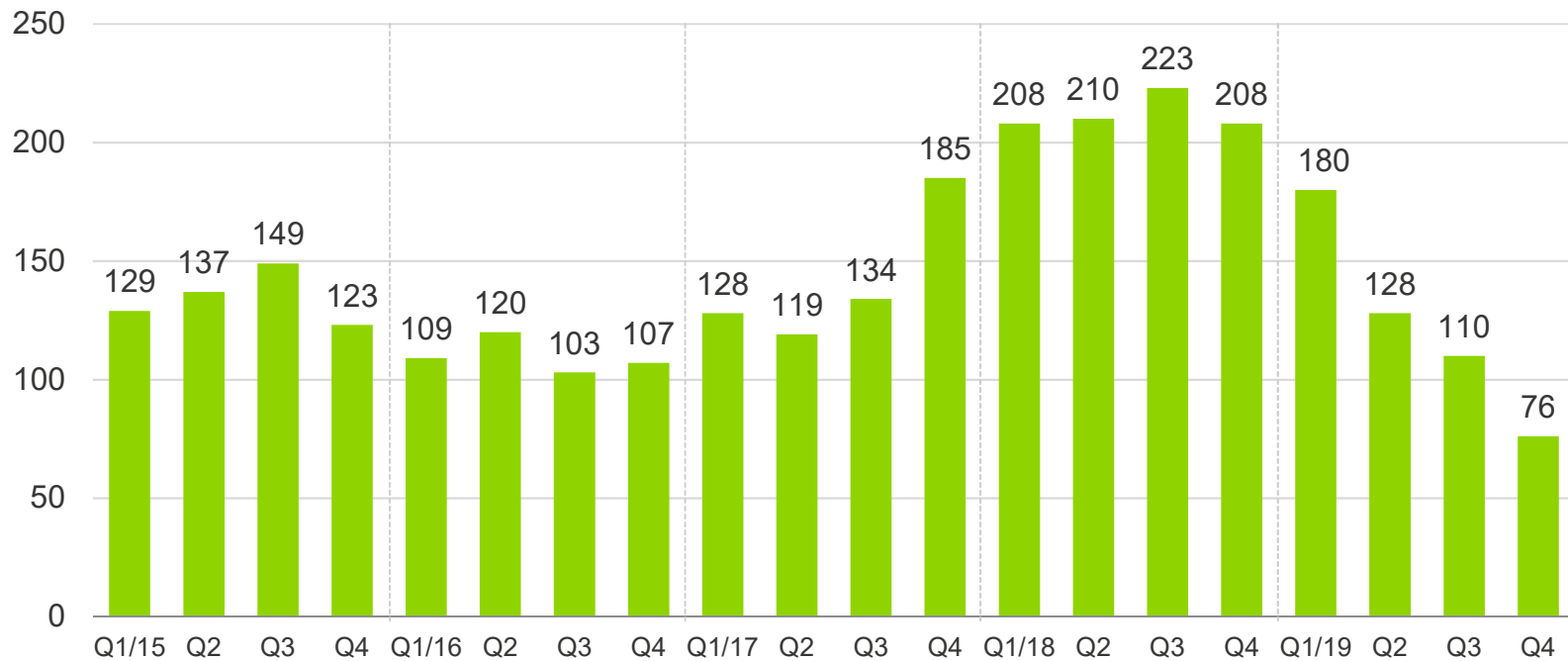


## Comparable operating result



# Comparable operating result, quarterly

EUR million





## Change in comparable operating result

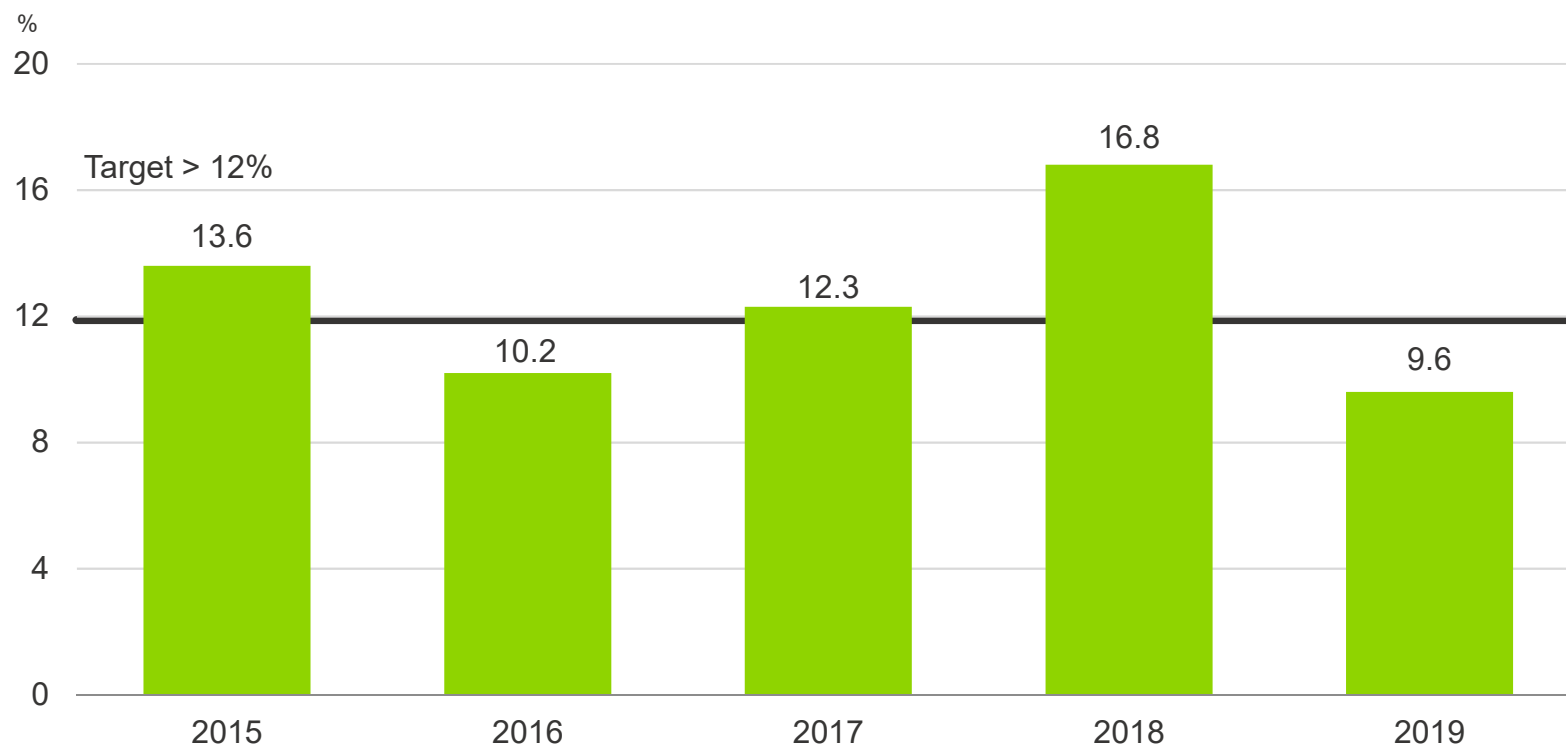
EUR million

<b>Comparable operating result 2018</b>	<b>849</b>
Sales prices	-364
Sales volumes	54
Exchange rates	104
Wood raw material	-75
Raw materials, energy and other variable costs	-29
Employee costs	-1
Maintenance and other fixed costs	-7
Change in inventory	-16
Depreciation and other	-19
<b>Comparable operating result 2019</b>	<b>495</b>

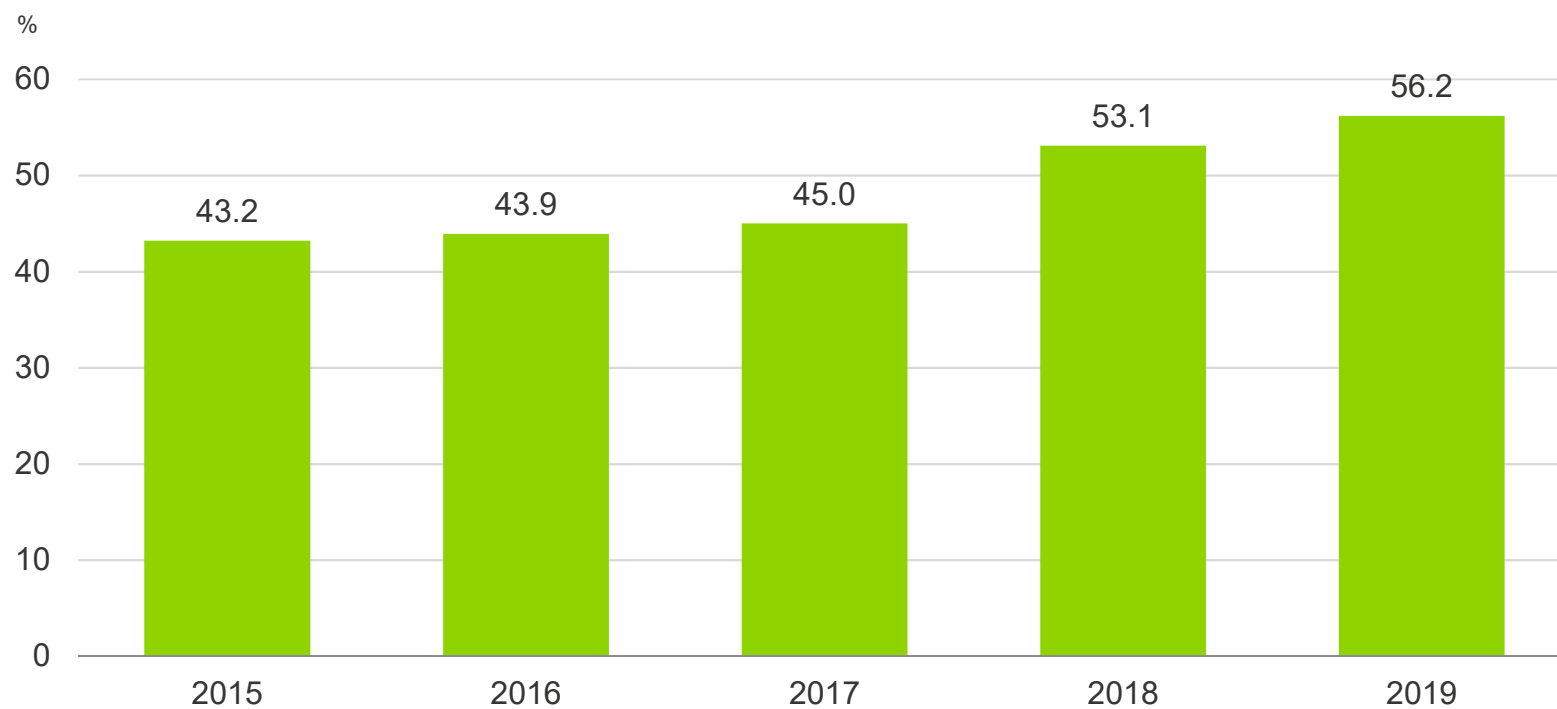
## Items affecting comparability

EUR million	2019
<b>Operating result (IFRS)</b>	<b>374.3</b>
Items affecting comparability:	
Metsä Board / Disposal of the shares in Liaison Technologies Inc.	-3.3
Metsä Board / Sale of Niemenranta lots in Tampere	-5.6
Metsä Board / Impairment related to the modernisation of Metsä Board's Husum pulp mill	19.1
Metsä Tissue / Goodwill related impairment including Group's eliminations	77.3
Metsä Tissue / Cost provisions related to Metsä Tissue's efficiency programme	7.6
Metsä Tissue / Items related to the sales of napkin business including Group's eliminations	19.8
Metsä Tissue / Items related to closing of Krapkowice paper machine in Poland	4.2
Metsä Tissue / Impairment related to the development of the Metsä Tissue's Raubach mill in Germany	1.4
<b>Items affecting comparability, total</b>	<b>120.6</b>
<b>COMPARABLE OPERATING RESULT</b>	<b>494.9</b>

## Comparable ROCE

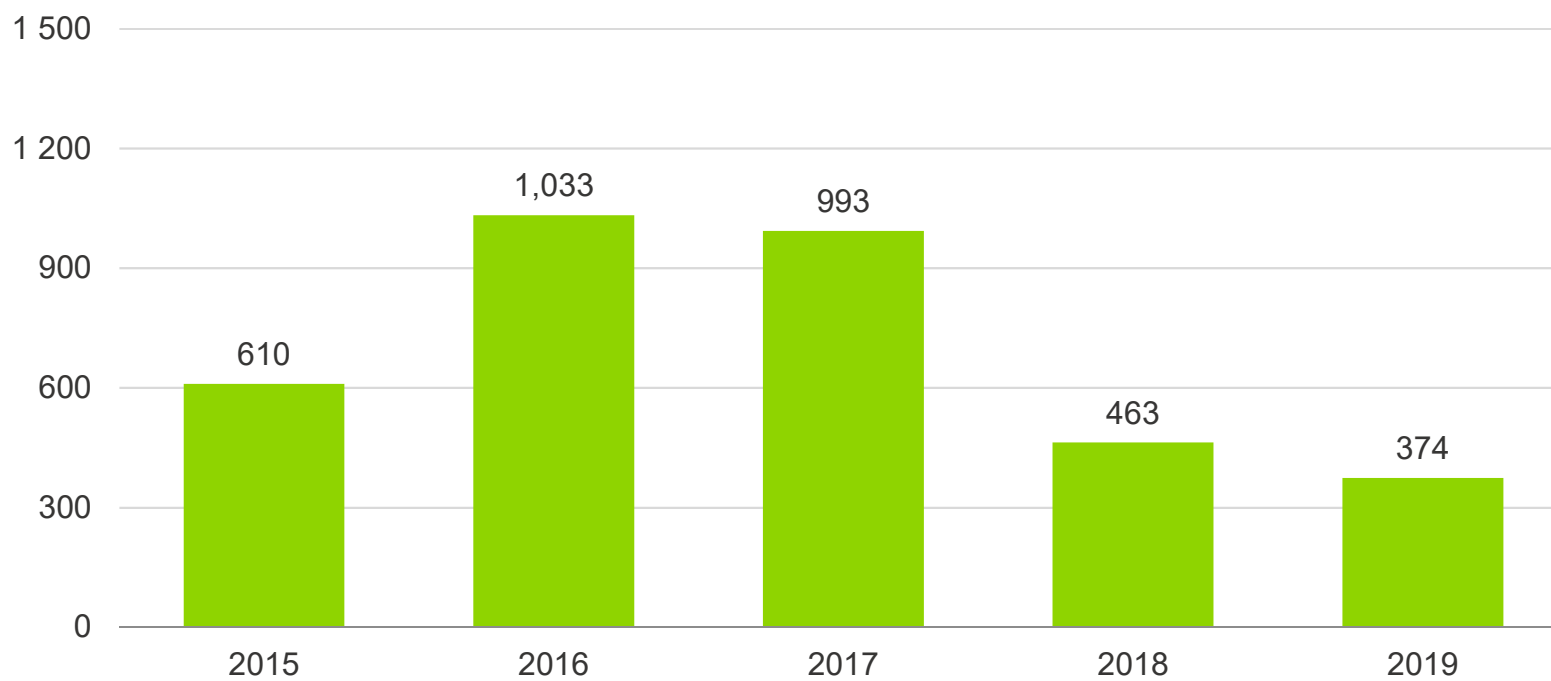


## Equity ratio

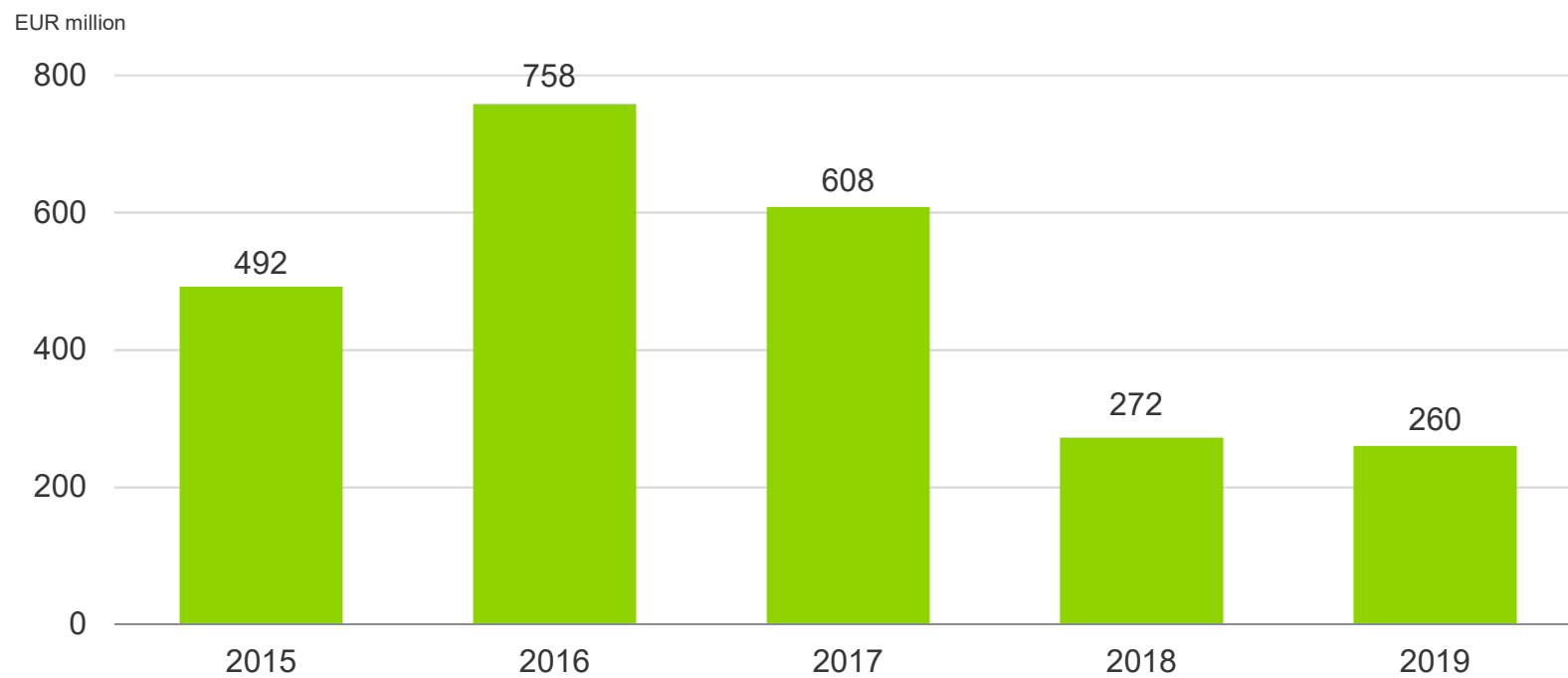


## Interest-bearing net liabilities

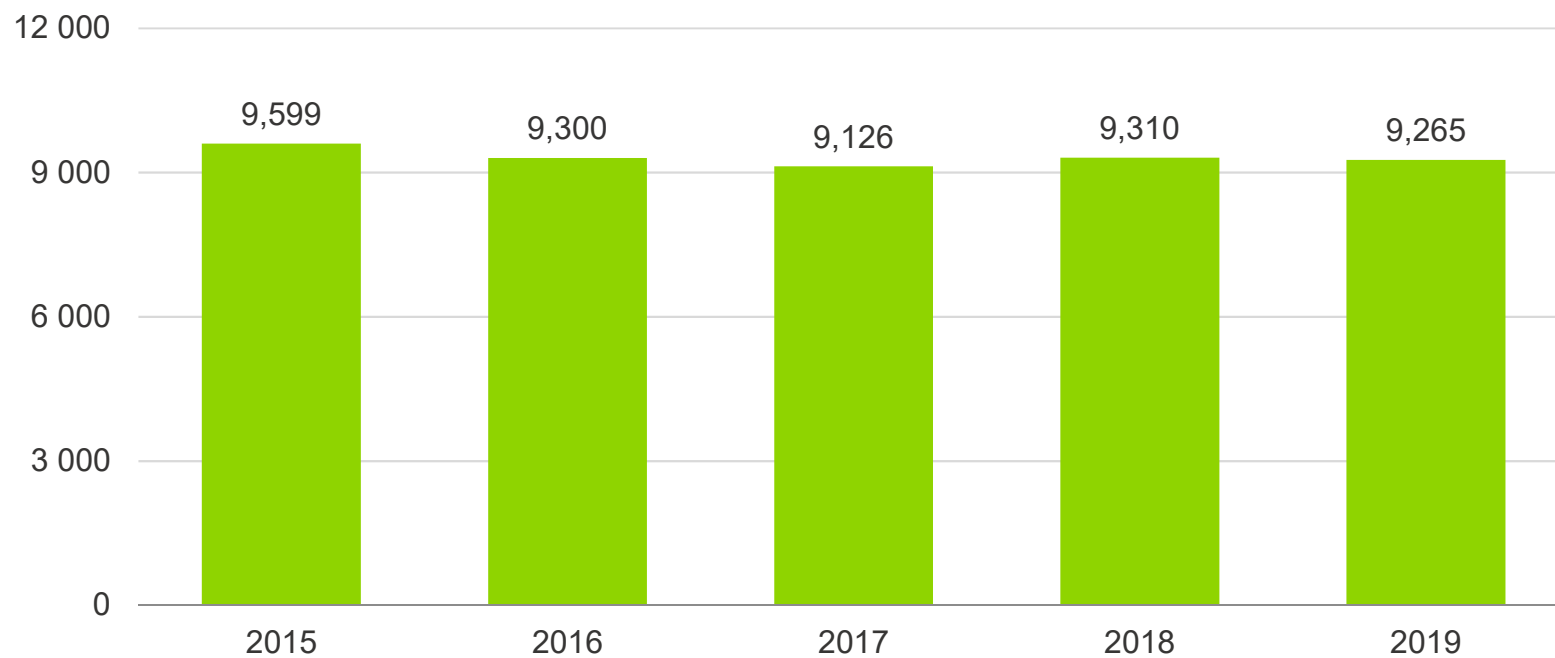
EUR million



## Capital expenditure



## Personnel

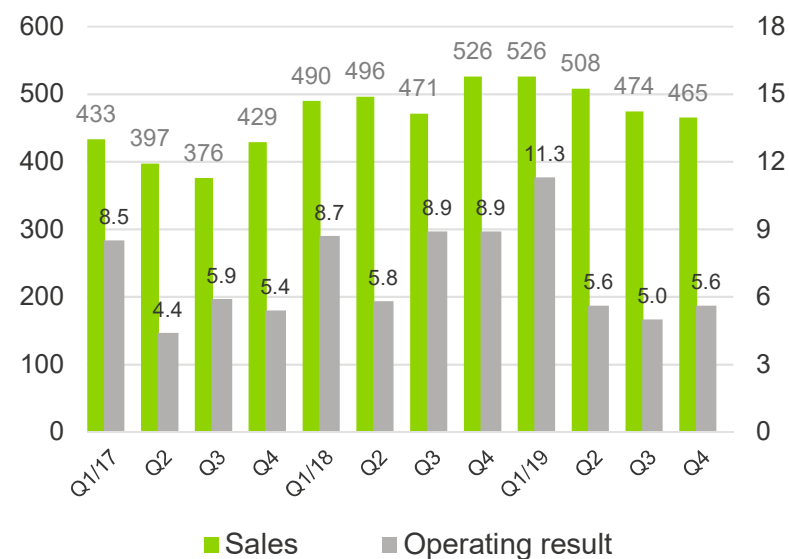


## Wood delivery volumes decreased

- Metsä Forest delivered approximately 34.7 million m<sup>3</sup> of wood (36.4)
- Log prices decline throughout the year, and the prices of pulpwood started to decline in Q3
- The supply of wood was weaker than in 2018 in Finland, but strong in the Baltic Sea region. Oversupply in the Baltic Sea log market during H2
- Harvesting conditions weakened in Q4
- New pine and spruce mixed cultivation service was launched for forest owners
- A new service was launched with Dasos to fill forest owners' FSC® forest conservation requirements in January 2020

### Sales and comparable operating result

EUR million



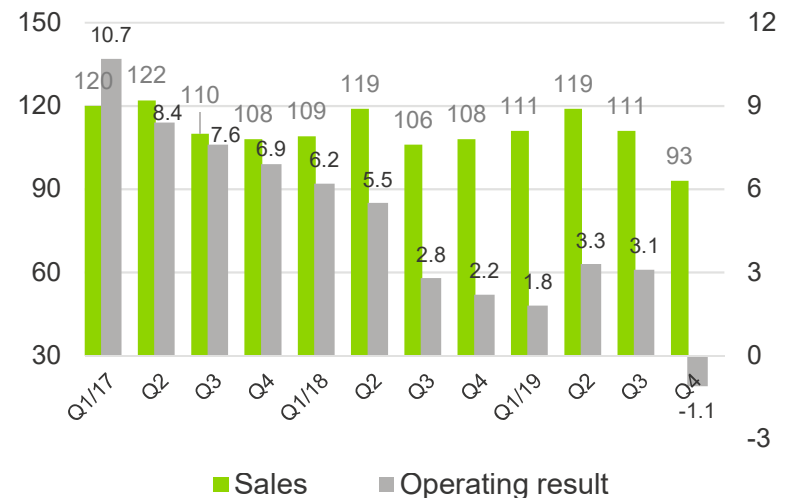


## Engineered wood products markets slowed down

- The profitability was weakened by poor market situation and labour disputes
- Costs arising from the ramp-up of strategic investments, production challenges and raw-materials burdened profitability
- Profitability of the UK business improved
- Delivery volumes of Kerto® LVL grew, and the volumes of plywood products declined
- Price of birch plywood and Kerto LVL was at nearly the same level as in 2018, whereas the prices of spruce plywood rose
- The ramp-up of the new Kerto LVL line at Punkaharju proceeded according to plan

### Sales and comparable operating result

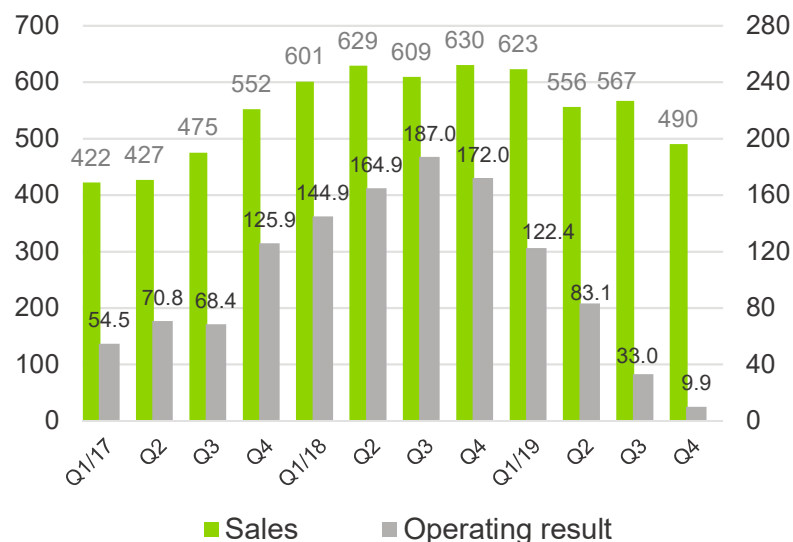
EUR million



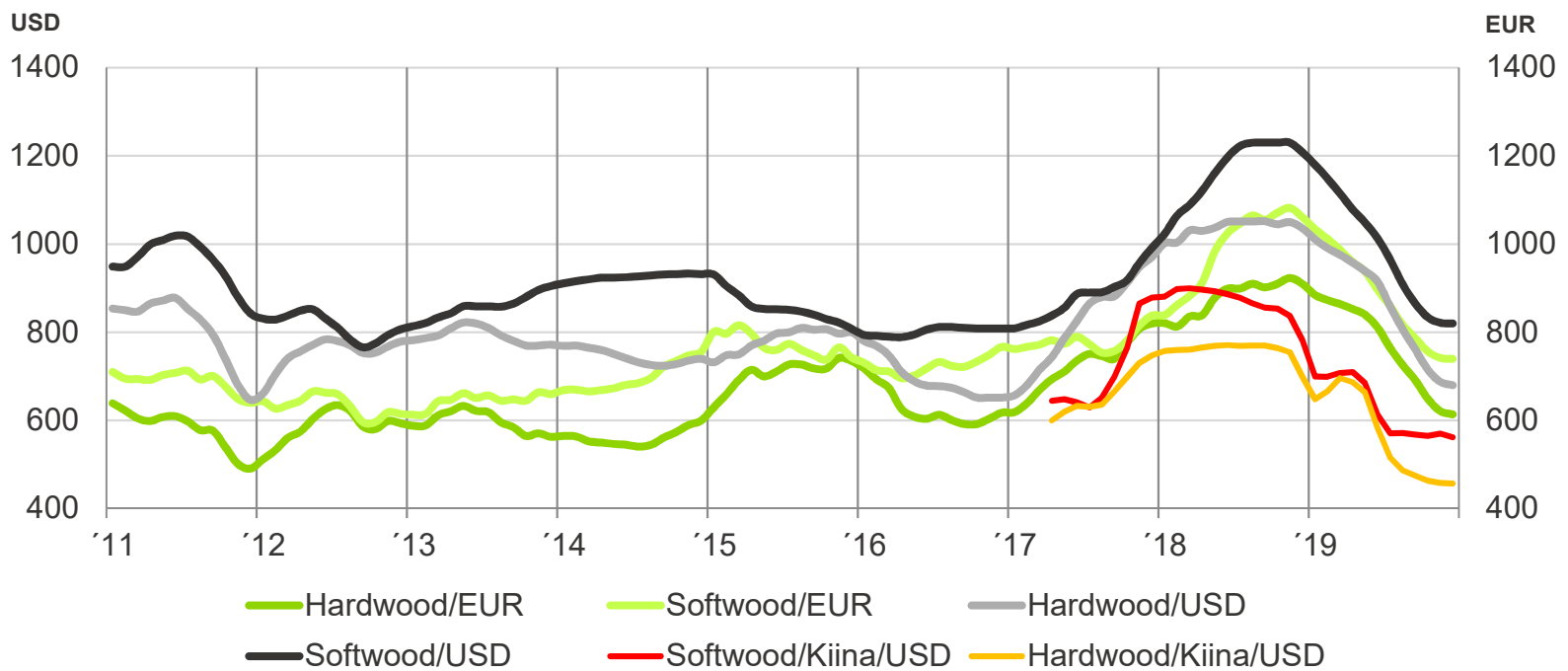
## Lower pulp prices led to clearly lower result

- Operating result and sales were weakened by lower sales prices of pulp and sawn timber, and higher prices of raw materials
- Higher sales volumes of pulp and sawn timber and exchange rate fluctuations had positive effects on the result
- Pulp producers' stock levels were high during 2019
- The prefeasibility studies on the EUR 1.7 billion investments on the modernisation of the Kemi pulp mill and the new Rauma pine sawmill proceeded according to the plan

**Sales and comparable operating result**  
EUR million



## Price of pulp (PIX) in Europe and China

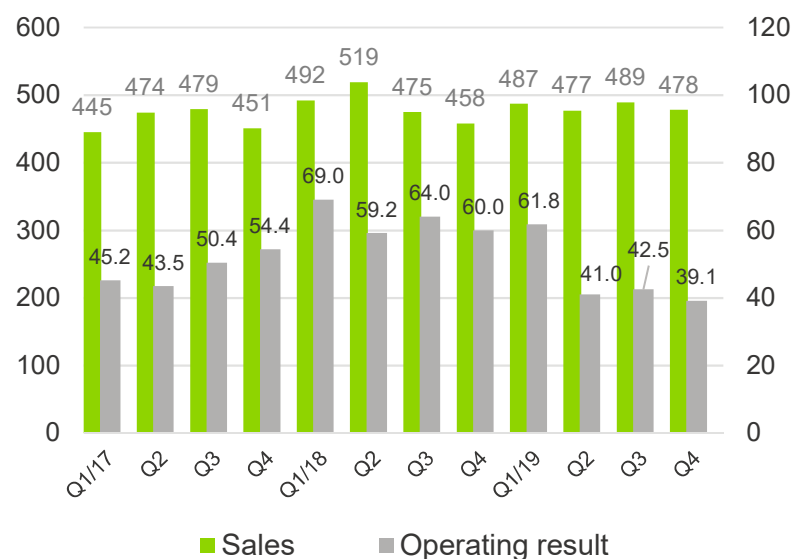


Source: Fast Markets Foex

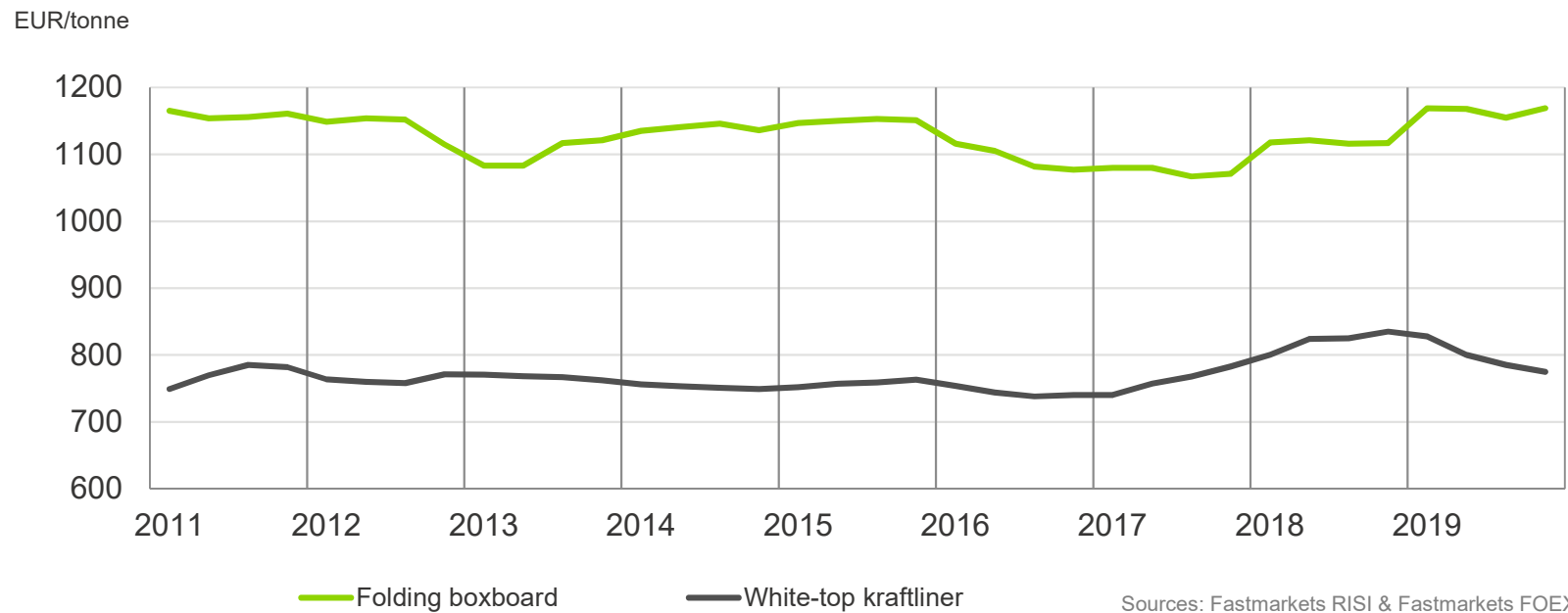
## Paperboard industry’s performance at good level as expected

- The higher sales prices of paperboards had a positive effect on the operating result
- Exchange rate fluctuations had a positive result effect of EUR 48 million
- Profitability was weakened by lower market pulp prices and higher production costs
- Paperboard deliveries declined slightly from 2018
- EUR 21 million investment made on the 1. phase of modernisation of the Husum pulp mill
- Metsä Board invests approximately EUR 20 million in modernising the finishing area of Kyro mill’s paperboard machine, completed in 2021

**Sales and comparable operating result**  
EUR million



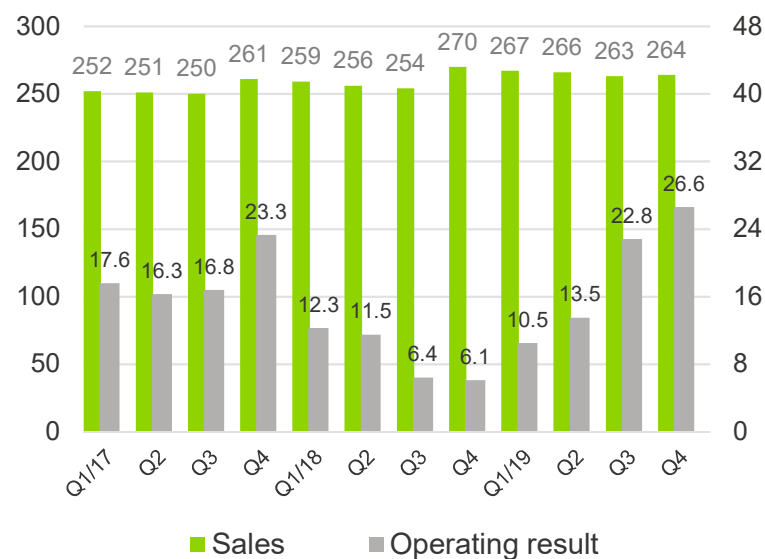
# Prices of folding boxboard and white-top kraftliner in Europe 2011–Q4/2019



# Result of the tissue and greaseproof papers improved

- Sales increased, mainly due to higher sales prices
- Improved result was attributable to the efficiency measures, an increase in sales prices and lower raw material costs
- Metsä Tissue made an agreement on the sale of its napkin business including the Stotzheim mill in Germany
- An impairment loss of EUR 102 million was booked mainly with regard to goodwill
- Metsä Tissue is planning to increase tissue paper capacity in Sweden, and started a related environmental permit process

**Sales and comparable operating result**  
EUR million



## Summary

# Market outlook

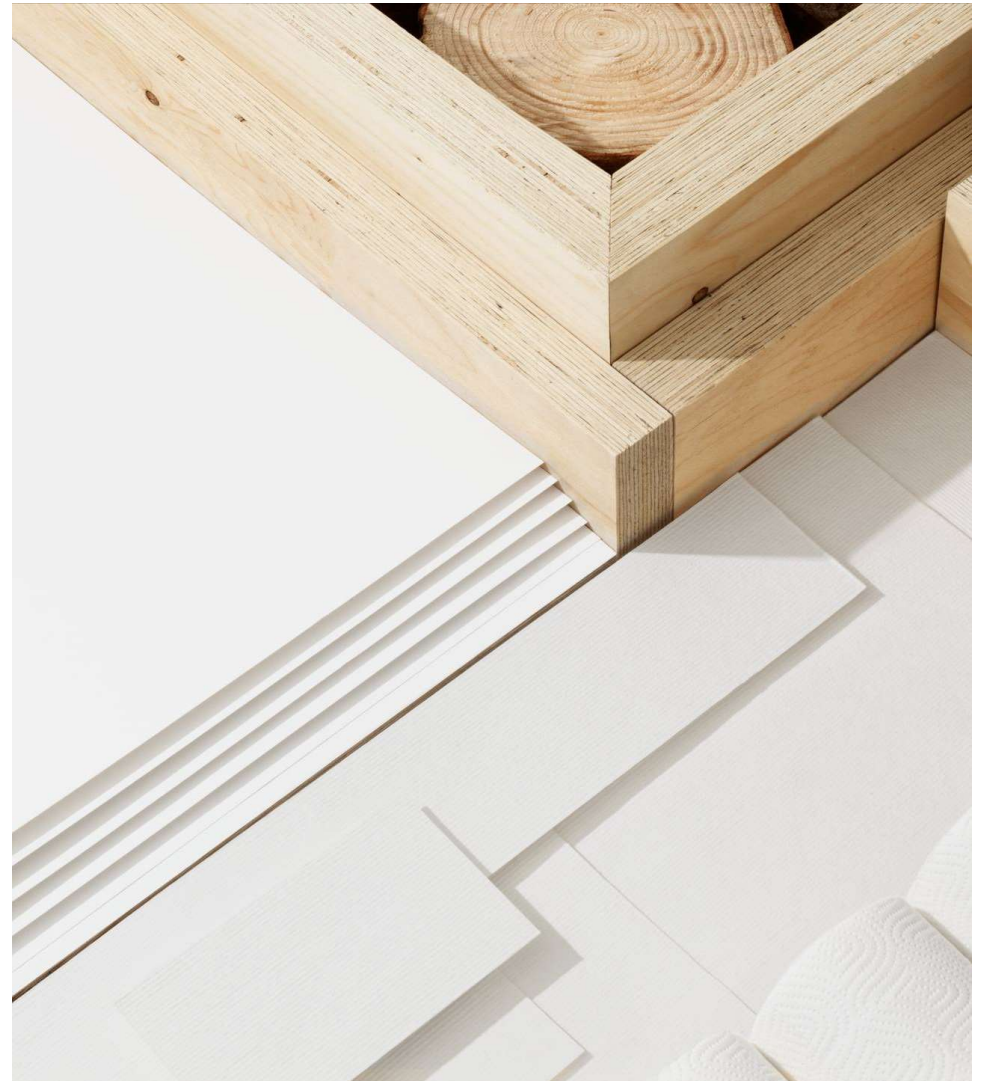
- The insect damages in the Central Europe will continue to have an impact on the wood trade in the Baltic sea area
- Demand for Kerto LVL and birch plywood is expected to continue weak, and for spruce plywood products, slightly better
- Pulp market is expected to balance as the demand for market pulp continues to increase, especially in Asia
- Paperboard deliveries are in Q1 2020 expected to be roughly at the same level as in Q4 2019 and market prices to remain stable
- Demand for tissue and greaseproof papers is expected to remain stable



## Summary

# Result guidance

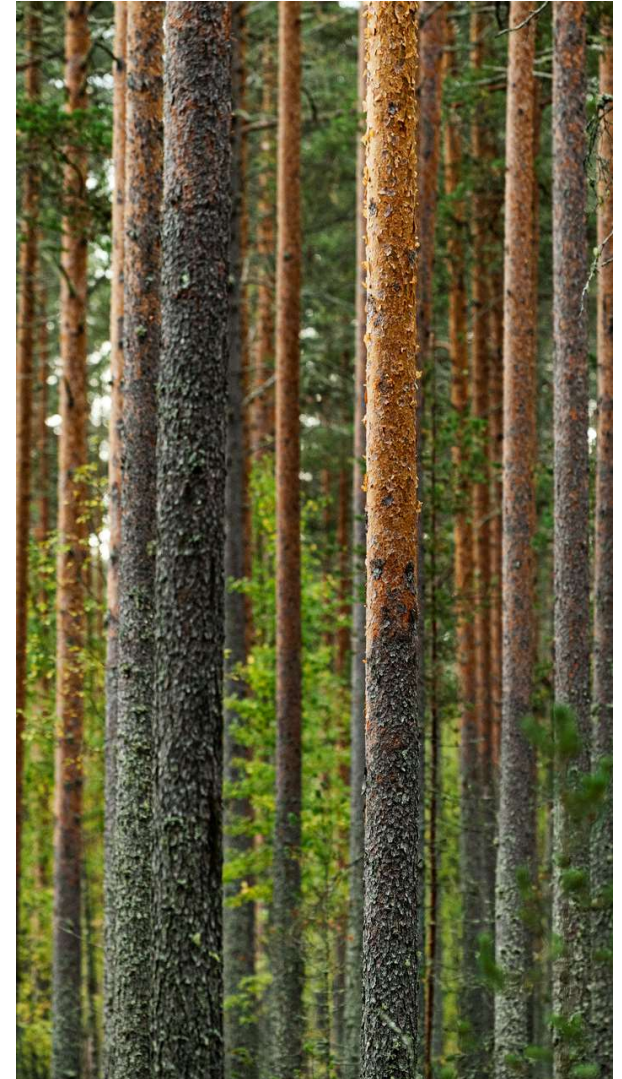
- Comparable operating results is in the first quarter of 2020 expected to weaken from the fourth quarter of 2019 due to the strikes at Finnish mills





## Prososal for interests and dividents

- Metsäliitto Cooperative's Board of Directors has decided to propose that an interest of 6.5% for 2019 be paid on the statutory capital invested by members (7.5% for 2018), 6.0% (7.0%) on additional members' capital A and 2.0% (2.5%) on additional members' capital B
- Metsä Board's Board of Director proposes that a dividend of EUR 0.10 per share and a capital distribution of EUR 0.14 per share be paid for the 2019 financial period. The proposed dividend and capital distribution, totalling EUR 0.24 per share, corresponds to 59% of the result per share for 2019



**Make the most of Metsä**

