



Metsä



Metsä

Metsä Group

Half-year financial report 2019

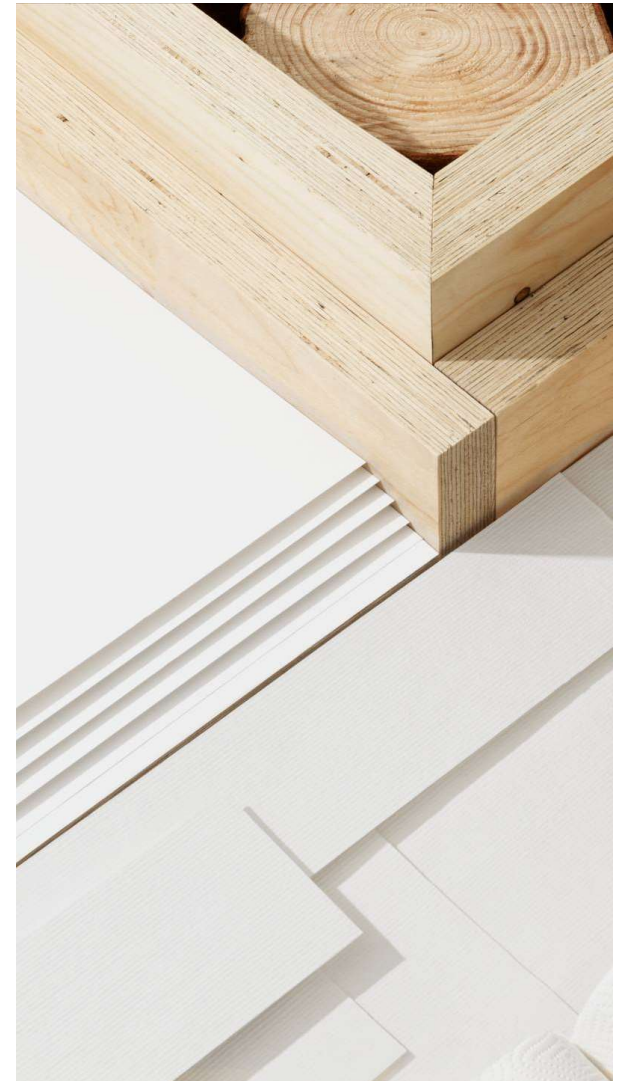
Ilkka Härmälä
President and CEO

1 August 2019



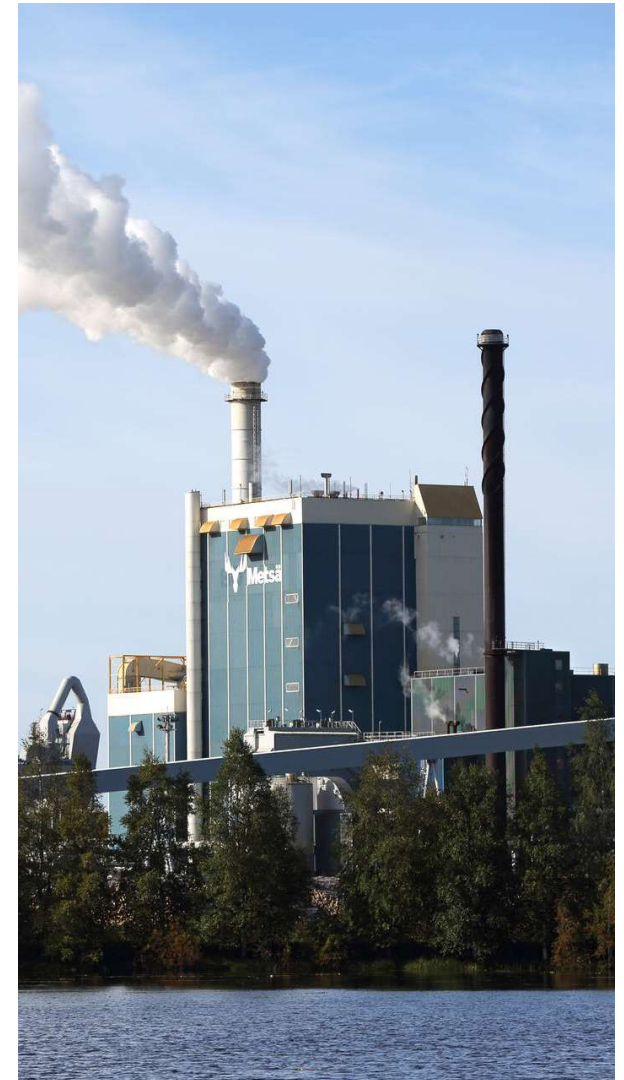
Metsä Group's result weakened as expected

- Sales EUR 2,809 million (1–6/2018: EUR 2,904 million)
- Operating result* EUR 308 million (EUR 418 million)
- Operating result of sales* 11.0% (14.4%)
- Return on capital employed* 12.1% (16.9%)
- Operating result compared to previous year weakened due to higher raw material and production costs, and lower pulp prices, particularly in the Chinese market
- Exchange rate fluctuations had a positive effect on the operating result



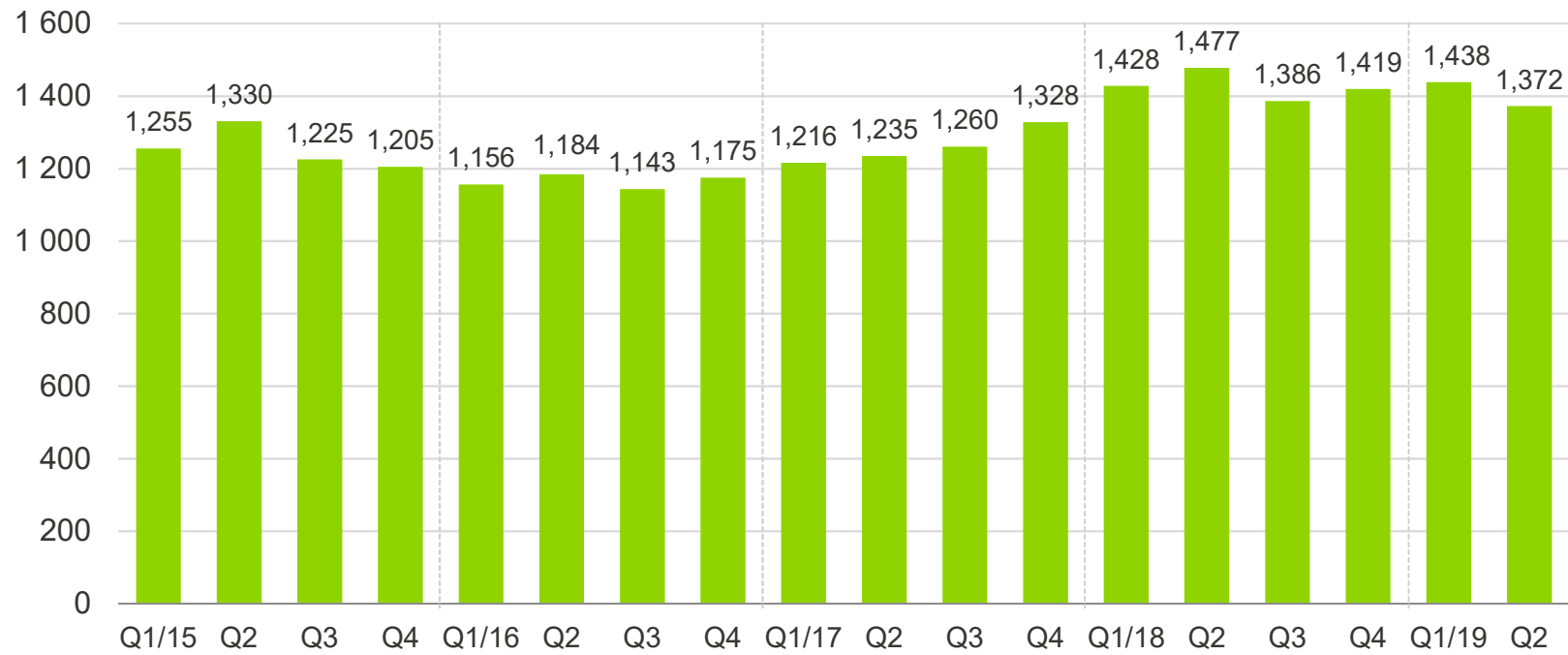
Events during the second quarter

- The prices of long-fibre pulp decreased in the main markets
- The prices of folding boxboard were stable, changes in the sales mix had a negative effect on the price of white kraftliner
- Pre-engineering projects related to the bioproduct mill in Kemi, the sawmill in Rauma and the first phase of the renewal of the Husum pulp mill started
- Metsä Wood's new Kerto® LVL line started up at the Punkaharju mill in April
- Metsä Tissue recognised an impairment loss of around EUR 102 million, mainly related to goodwill
- The construction of the demo plant for textile fibre in Äänekoski proceeded to equipment installations



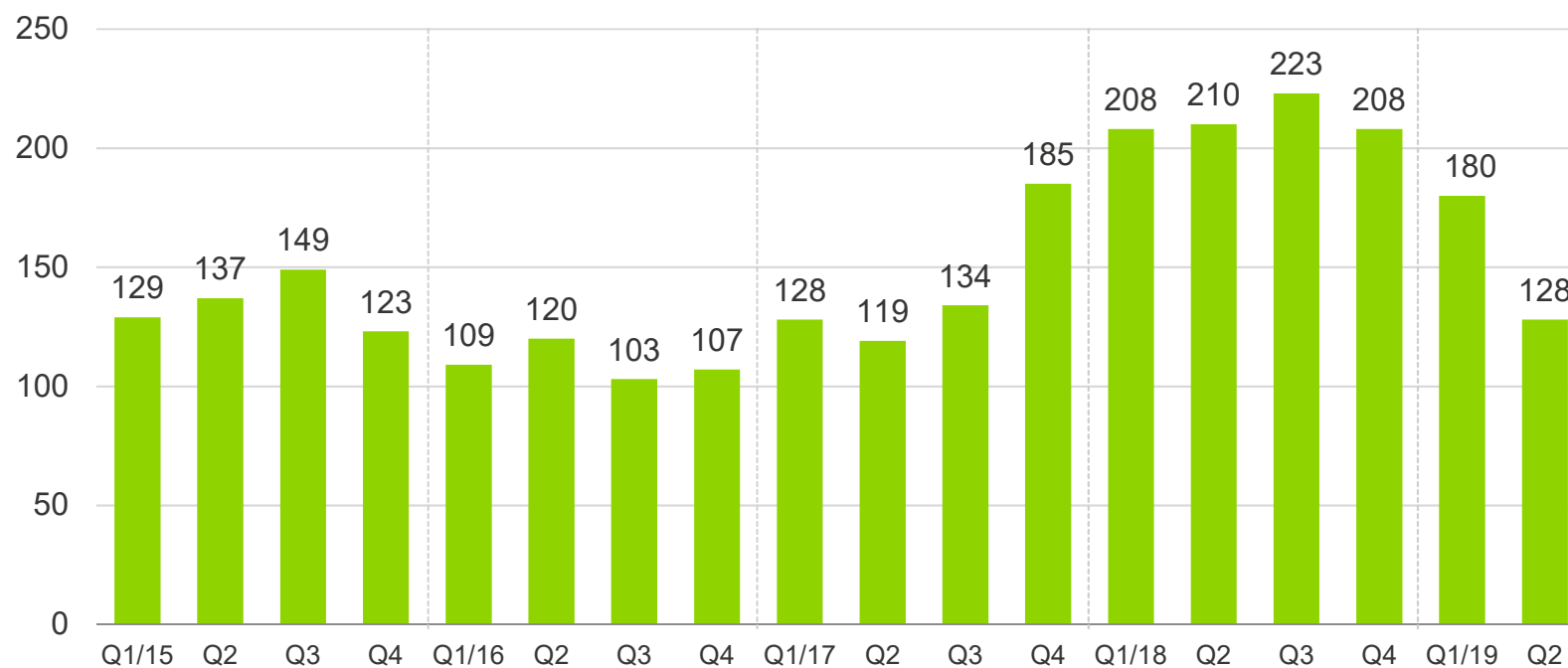
Sales quarterly

EUR million



Comparable operating result

EUR million



Change in comparable operating result

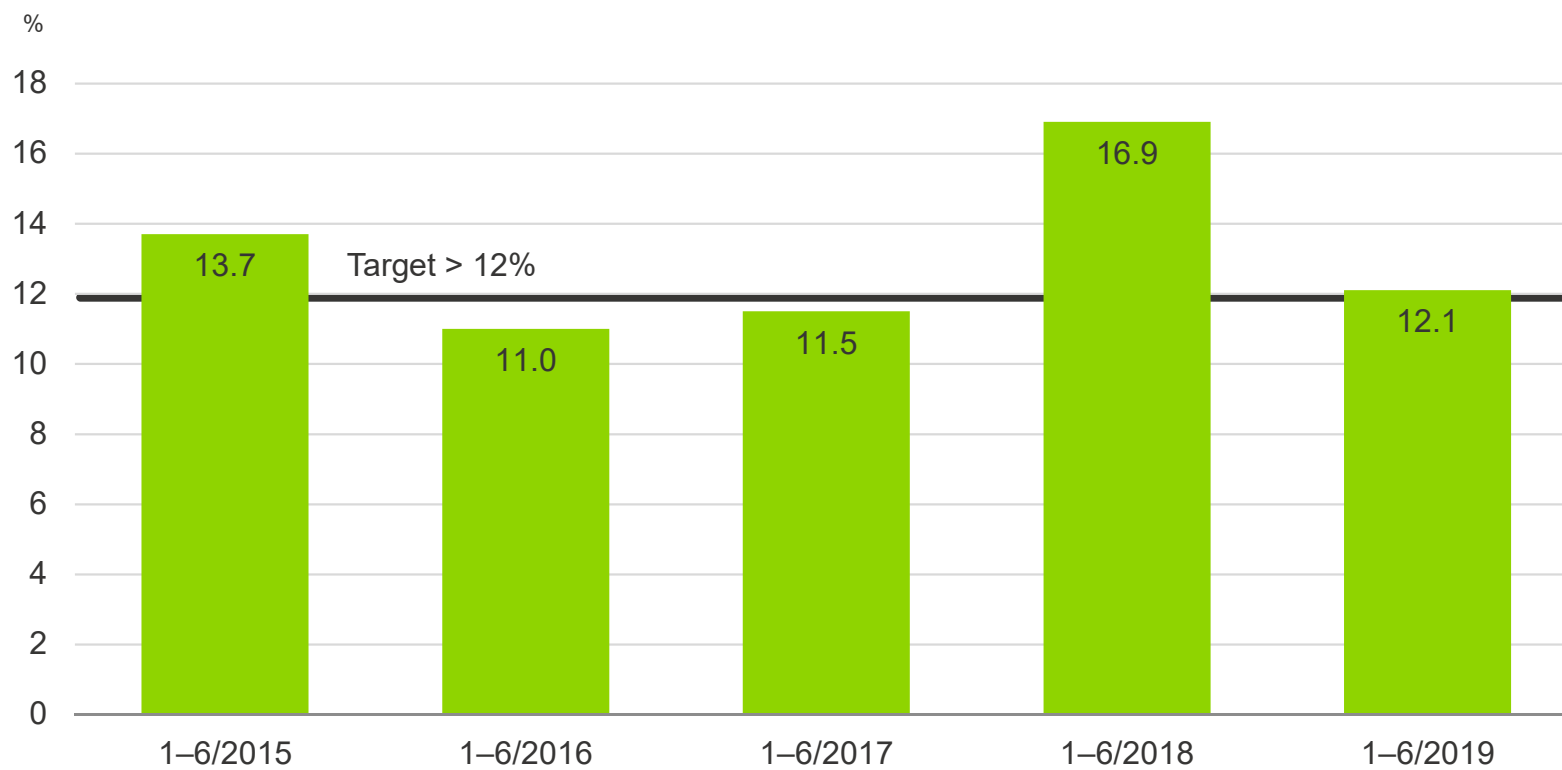
EUR million

Comparable operating result 1–6/2018	418
Sales prices	-50
Sales volumes	-26
Exchange rates	49
Raw materials and energy	-87
Employee costs	-7
Maintenance and other fixed costs	-11
Change in inventories	13
Others	9
Comparable operating result 1–6/2019	308

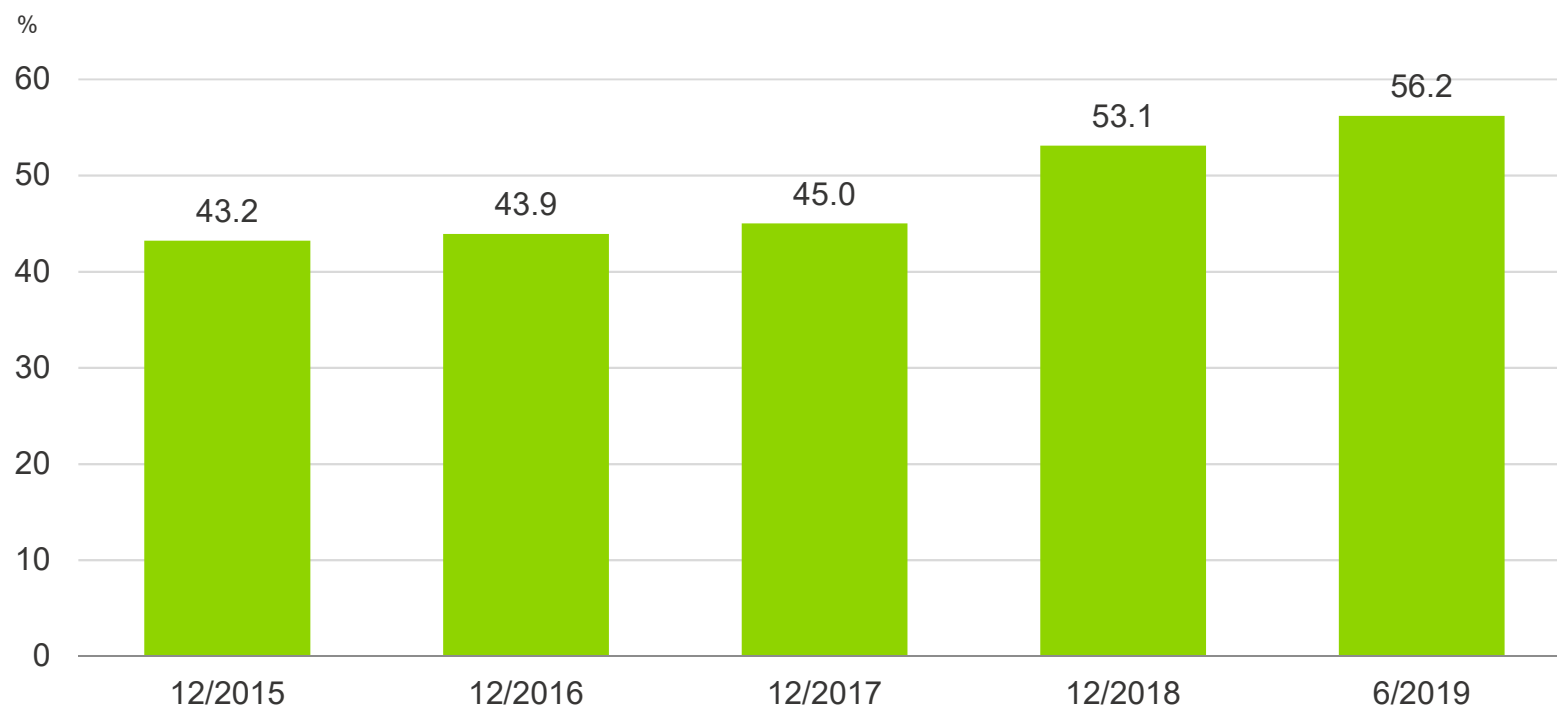
Items affecting comparability

EUR million	1–6/2019
OPERATING RESULT (IFRS)	231.8
Items affecting comparability:	
Metsä Board / Disposal of the shares in Liaison Technologies Inc.	-3.3
Metsä Board / Sale of Niemenranta lots in Tampere	-5.5
Metsä Tissue / goodwill related impairment	102.5
Metsä Group / - " - , elimination	-25.2
Metsä Tissue / restructuring provision	7.8
Items total	76.3
COMPARABLE OPERATING RESULT	308.1

Comparable ROCE

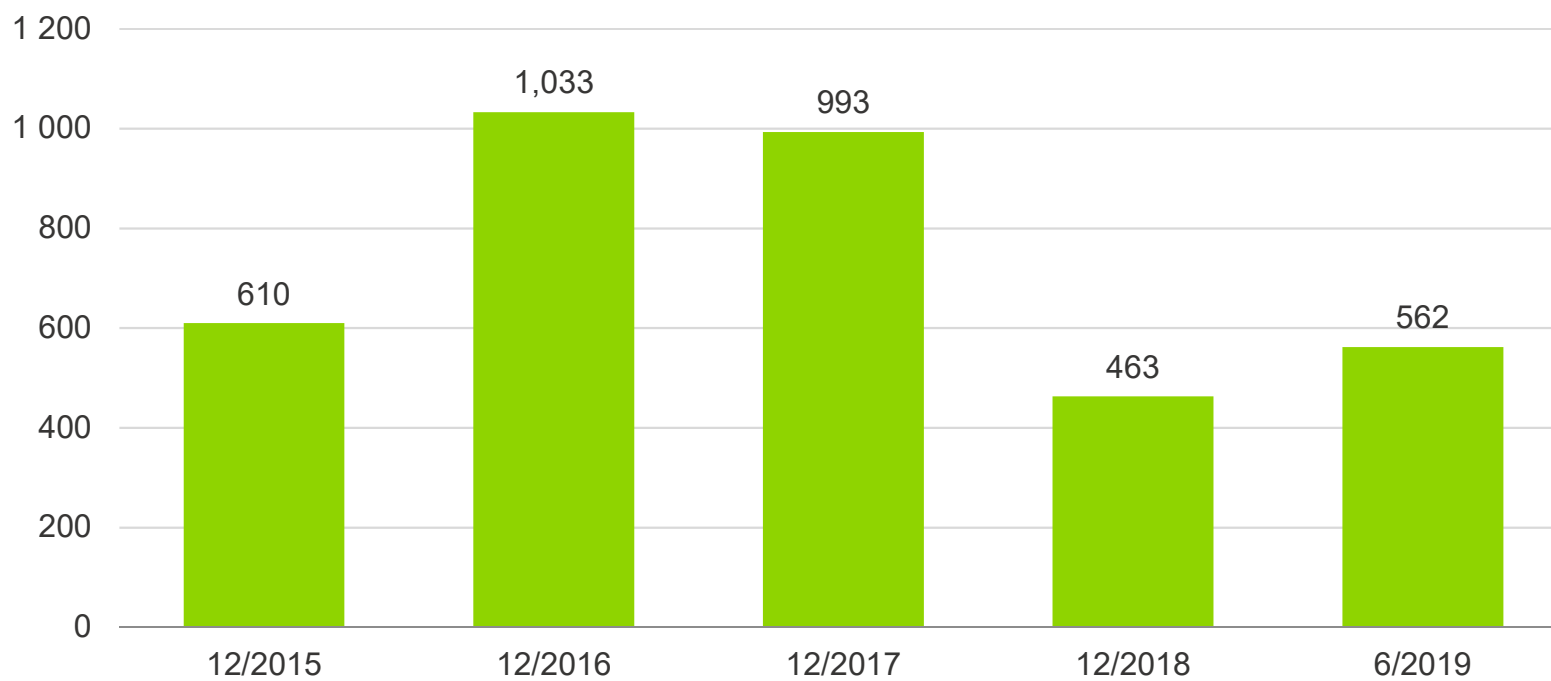


Equity ratio

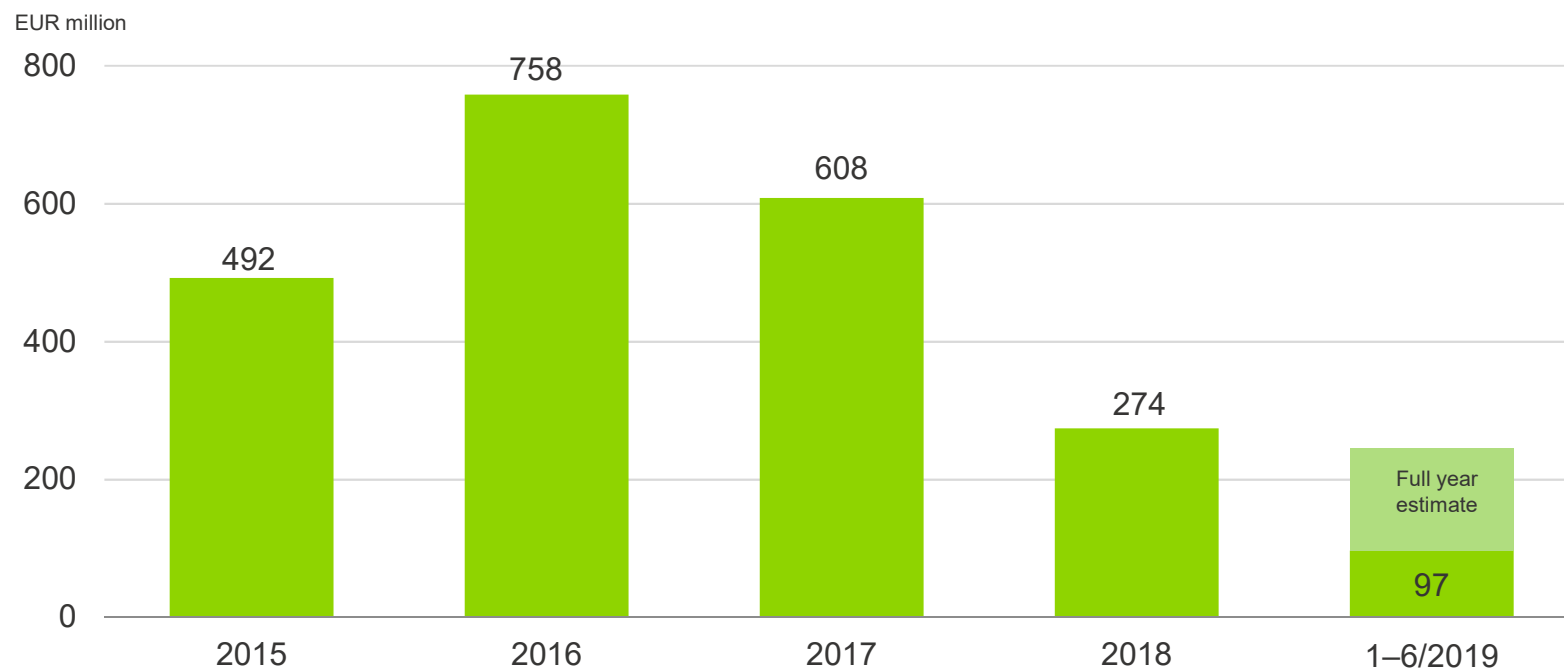


Interest-bearing net liabilities

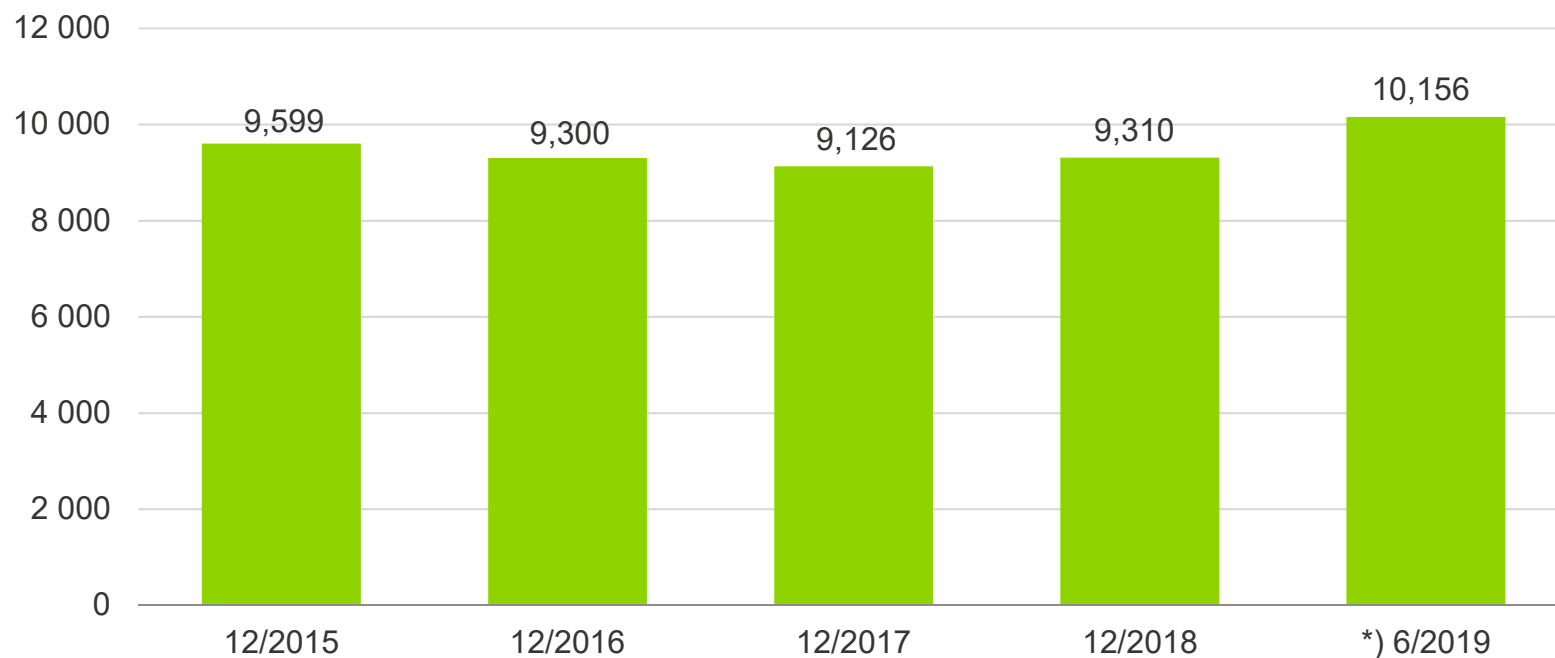
EUR million



Capital expenditure



Personnel



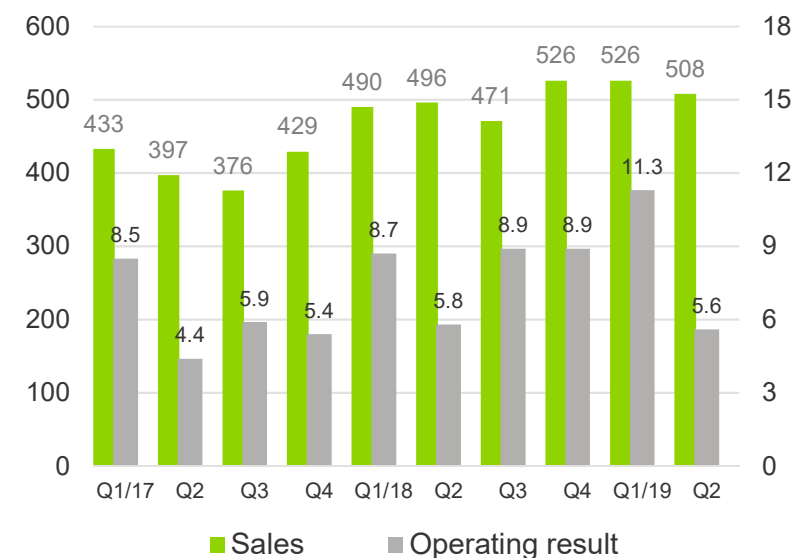
*) *including approximately 1,000 summer employees

Wood deliveries are running smoothly

- Metsä Forest bought slightly less wood than in H1/2018
- Deliveries to the customers were carried out smoothly. Wood was delivered a total of 18.2 million m³ (18.7)
- Log prices declined slightly during the second quarter, while pulpwood prices were stable
- The share of digital wood trade and sales of forest management services grew slightly
- 34 million seedlings were delivered to forest owners

Sales and comparable operating result

EUR million



Weaker demand of birch plywood affected profitability

- Delivery volumes of Kerto LVL were at previous year's level, deliveries of plywood decreased
- Weaker market situation of birch plywood decreased profitability
- Ramp-up of the investments, production challenges and higher raw material costs burdened profitability
- Profitability of the UK business improved
- Prices of spruce plywood and Kerto LVL increased. Birch plywood prices were close to previous year's level
- The new Kerto LVL line in Punkaharju started up in April

Sales and comparable operating result

EUR million

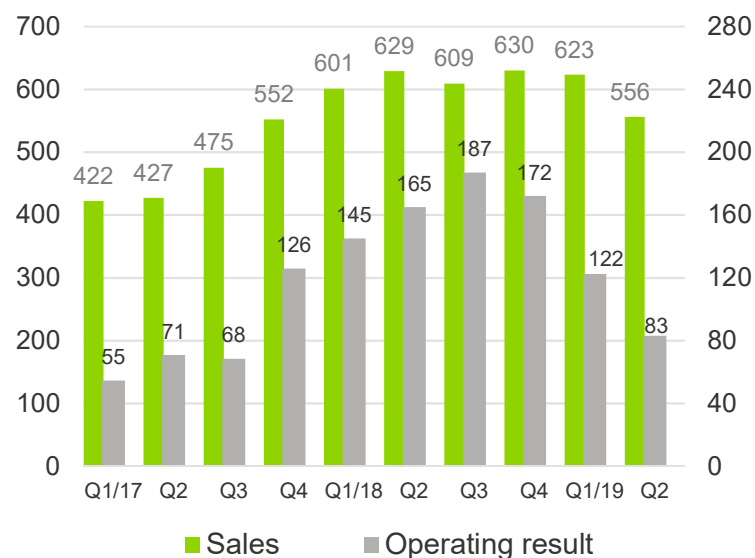


Pulp prices decreased in H1/2019

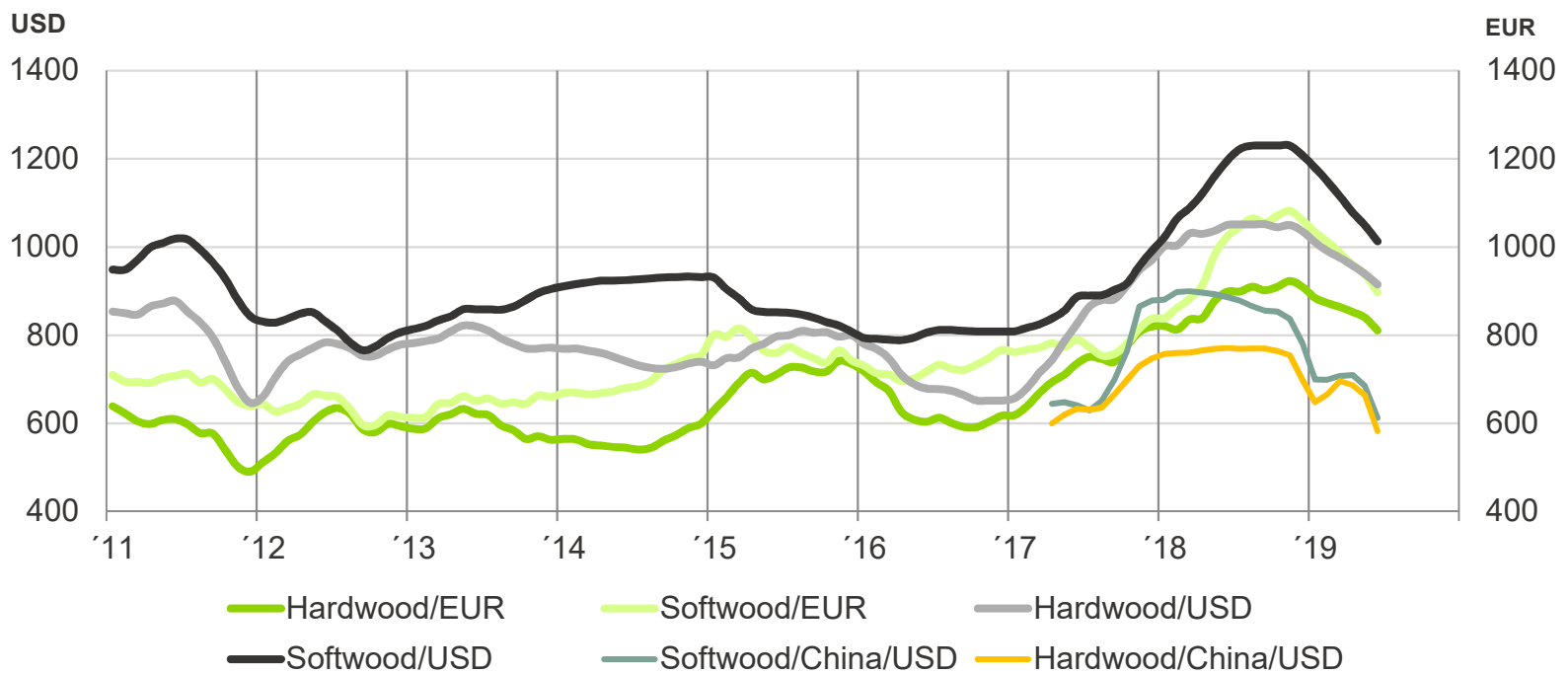
- Pulp sales volumes increased
- Operating result decreased due to lower sales prices and higher raw material costs
- Prices decreased especially in Asia, which was also reflected in European prices
- Strengthening of the US dollar had a positive effect on the result
- The supply of sawn timber exceeded demand, which has caused decrease in prices
- Metsä Fibre started pre-engineering of investments worth EUR 1.7 billion related to the bioproduct mill in Kemi and the sawmill in Rauma

Sales and comparable operating result

EUR million



Price of pulp (PIX) in Europe and China until 6/2019



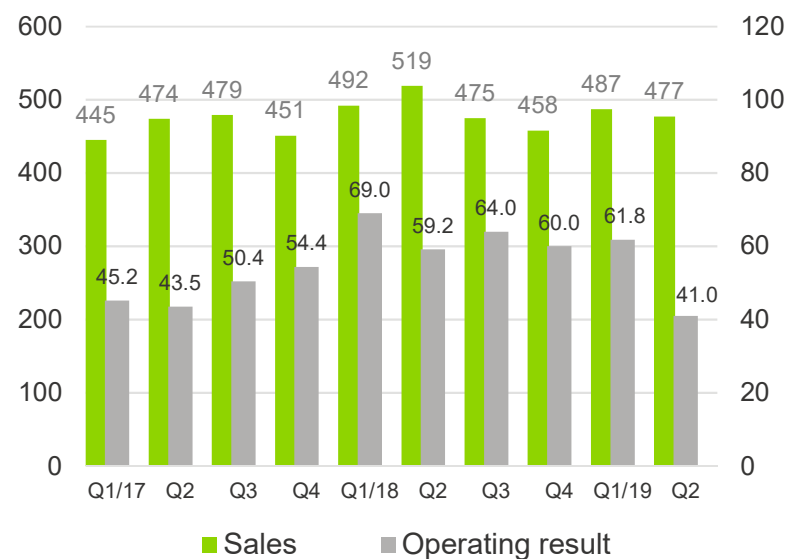
Source: Fast Markets Foex

Higher paperboard production costs weakened the result

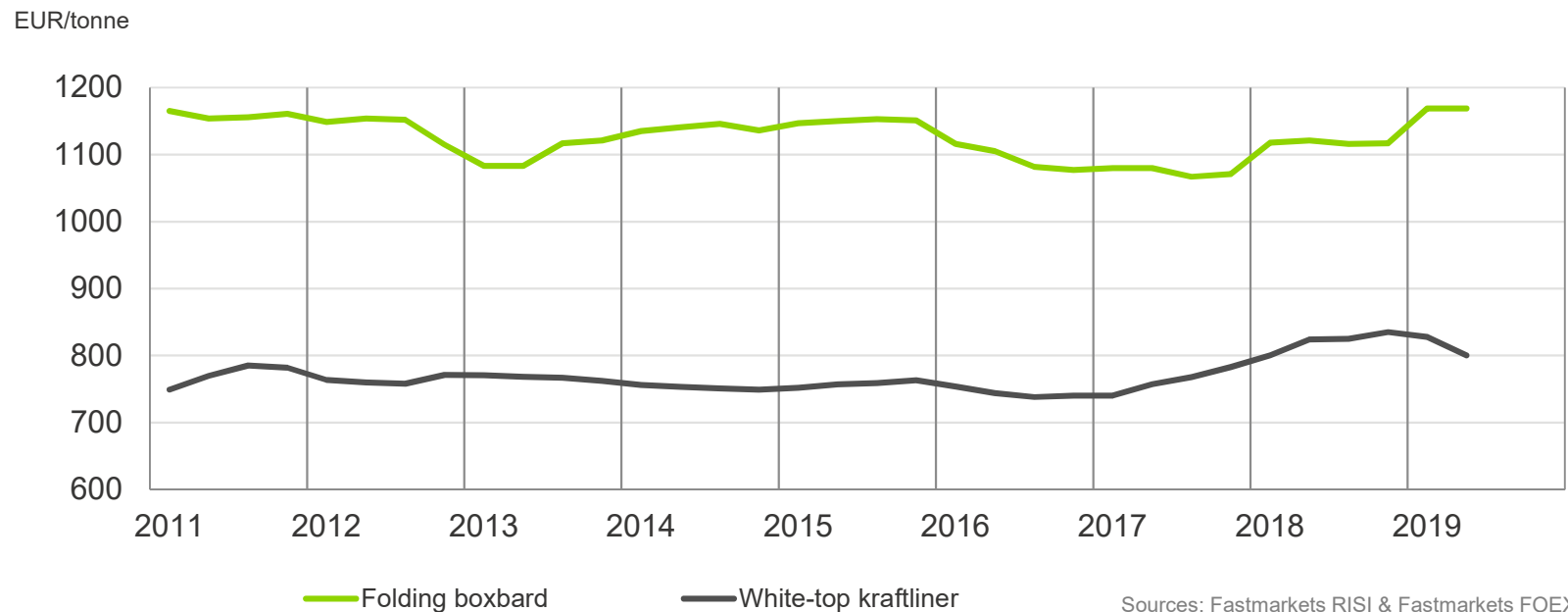
- Wood raw material costs and logistics costs in North America increased
- Higher sales prices of folding boxboard had a positive effect on the result
- Exchange rate fluctuations had a positive impact of around EUR 21 million on the result
- Pre-engineering of the first phase of the renewal of the Husum pulp mill, worth EUR 300 million, started
- Metsä Board establishes an excellence centre, focusing on paperboard and packaging innovation, in Äänekoski

Sales and comparable operating result

EUR million



Prices of folding boxboard and white-top kraftliner in Europe 2011–Q2/2019

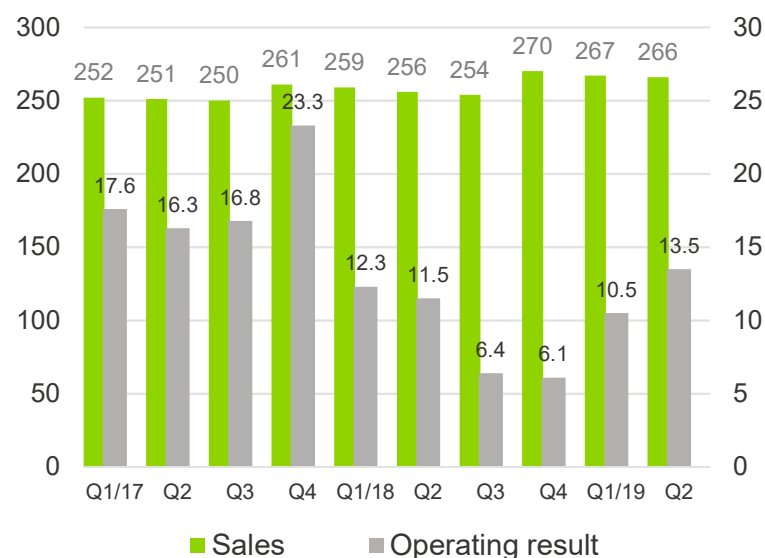


Profitability of tissue and greaseproof papers improved

- Sales increased due to higher sales prices
- The result was at the same level as in the corresponding period last year. Cost inflation had a negative effect on the result, but the impact was offset by higher sales prices
- Programme aiming for a reduction of EUR 25 million in fixed costs is progressing. It has already begun to be visible in profitability level
- Metsä Tissue recognised an impairment loss of around EUR 102 million, mainly related to goodwill
- Mänttä mill started using liquefied natural gas (LNG) for drying

Sales and comparable operating result

EUR million



Summary

Outlook for the business areas

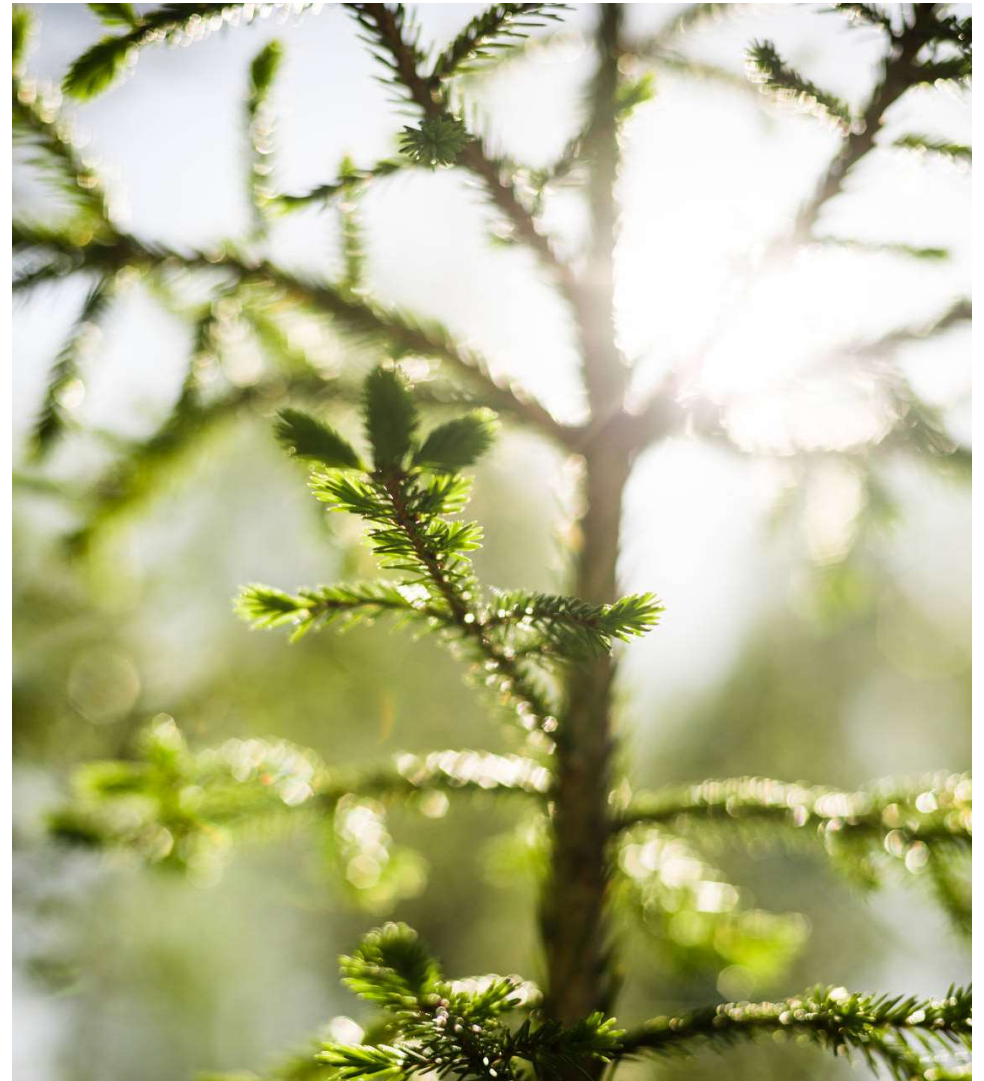
- Wood demand focuses on thinning sites to be harvested when the ground is unfrozen and, in energy wood, on crown wood
- There is uncertainty in the demand for Kerto LVL and birch plywood. Demand for spruce plywood is stable. UK delivery volumes will decrease due to seasonality
- The global pulp market remains uncertain over the short term. The demand for long-fibre market pulp and sawn timber is expected to continue to increase, particularly in emerging markets
- The paperboard deliveries in Q3 are expected to be roughly at the same level as in the Q2. The prices of folding boxboard are expected to remain stable. The market for linerboards is more uncertain which may affect the average prices
- Demand in the tissue and greaseproof paper remains stable, and profitability is expected to improve in H2



Summary

Result guidance

- Metsä Group's comparable operating result in the third quarter of 2019 is expected to weaken from the second quarter of 2019



Metsä Spring invested in Woodio

- Metsä Group's innovation company Metsä Spring made an equity investment in Woodio Ltd, a leading developer of waterproof wood composite products
- The financing round totals approximately EUR 4 million. Metsä Spring participates together with certain current investors
- Investment enables the valorisation of side-streams, undersized wood chips, from several Metsä Group production units into long-lived, value-added products
- Woodio focuses on design products at the moment. There is potential for the technology in business-to-business material markets



Make the most of Metsä

