

**Metsä**



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# **Metsä Group**

## **Interim report Q3/2019**

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

31 October 2019



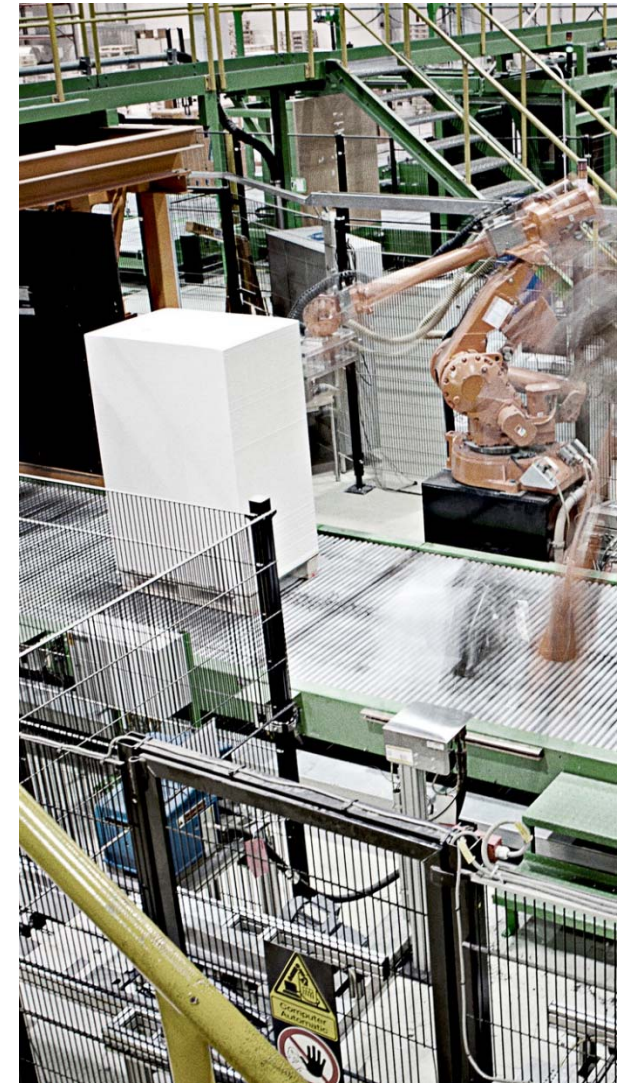
## Metsä Group's result as expected

- Sales EUR 4,183 million (1–9/2018: EUR 4,290 million)
- Operating result\* EUR 418 million (EUR 641 million)
- Operating result of sales\* 10.0% (14.9%)
- Return on capital employed\* 11.0% (17.1%)
- 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



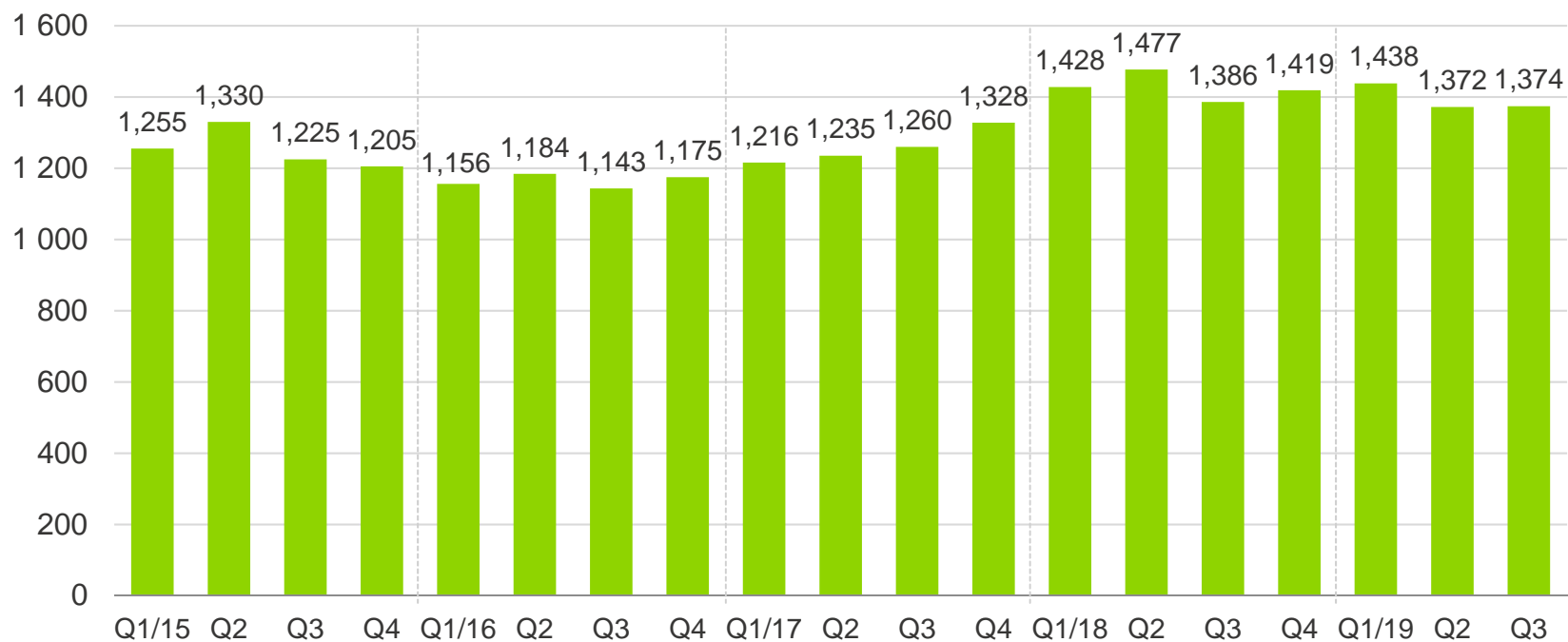
## Events during the third quarter

- The average market prices of pulp declined in Europe and China compared to the previous quarter
- The delivery volumes of paperboard grew from the previous quarter
- Several scheduled maintenance shutdowns curtailed the production of chemical and high-yield pulp
- Metsä Board signed a bank financing facility with sustainability targets
- Metsä Board started up a new sheeting line at Äänekoski
- Metsäliitto Cooperative acquired EUR 75 million worth of Metsä Board's B shares from the market
- Metsä Tissue announced its plan for increasing tissue paper capacity in Sweden, and the start of a related environmental permit process
- Pre-engineering projects related to investments in Kemi, Husum and Rauma proceeded as planned



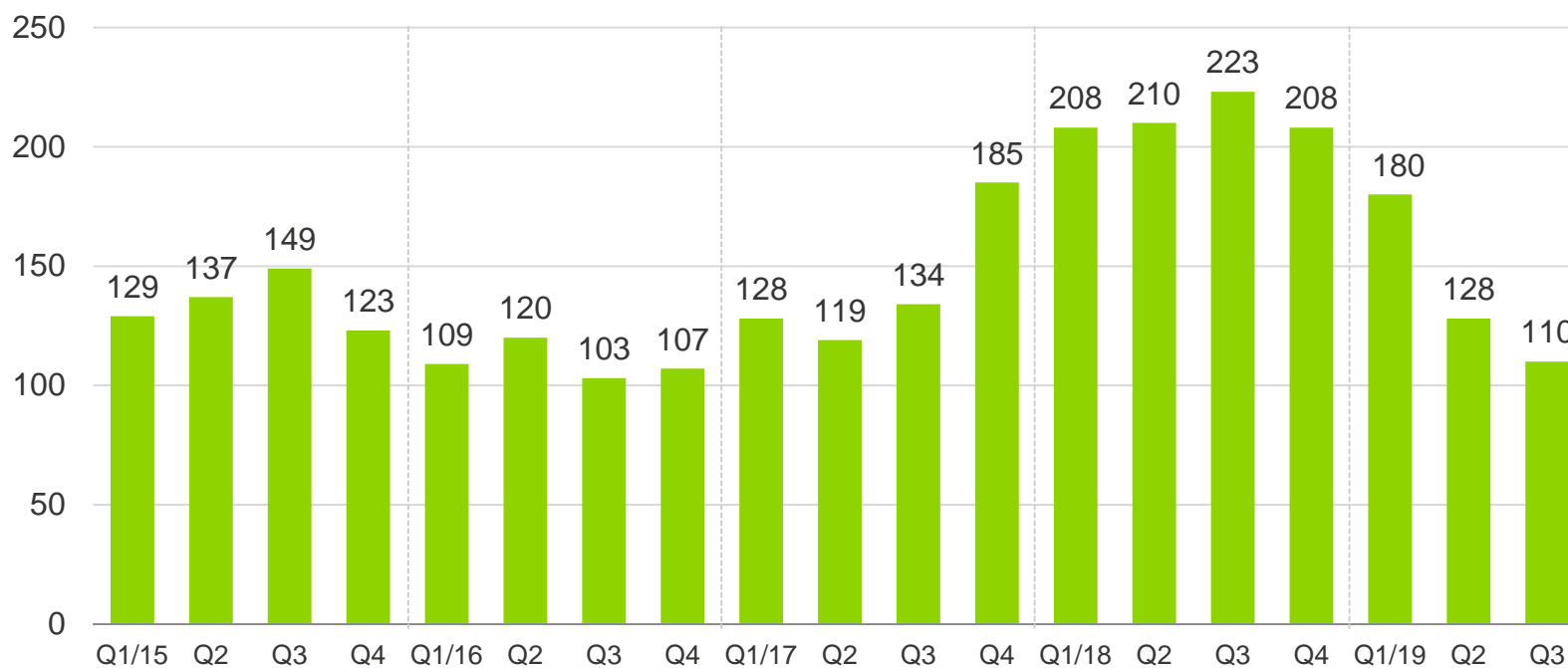
# Sales quarterly

EUR million



# Comparable operating result

EUR million



## Change in comparable operating result

EUR million

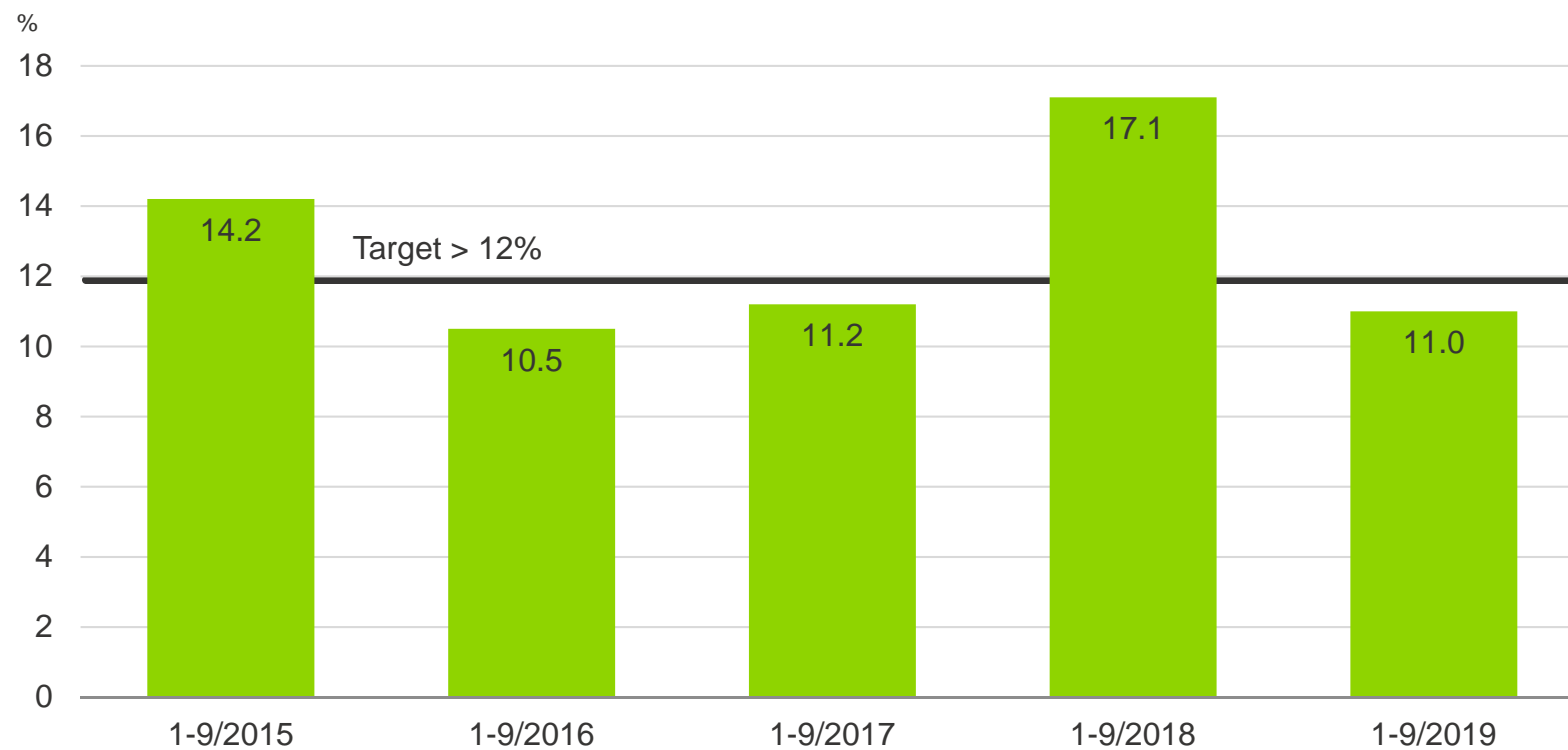
<b>Comparable operating result 1–9/2018</b>	<b>641</b>
Sales prices	-224
Sales volumes	45
Exchange rates	80
Raw materials and energy	-100
Employee costs	-3
Maintenance and other fixed costs	-26
Change in inventory	1
Other	4
<b>Comparable operating result 1–9/2019</b>	<b>418</b>

## Items affecting comparability

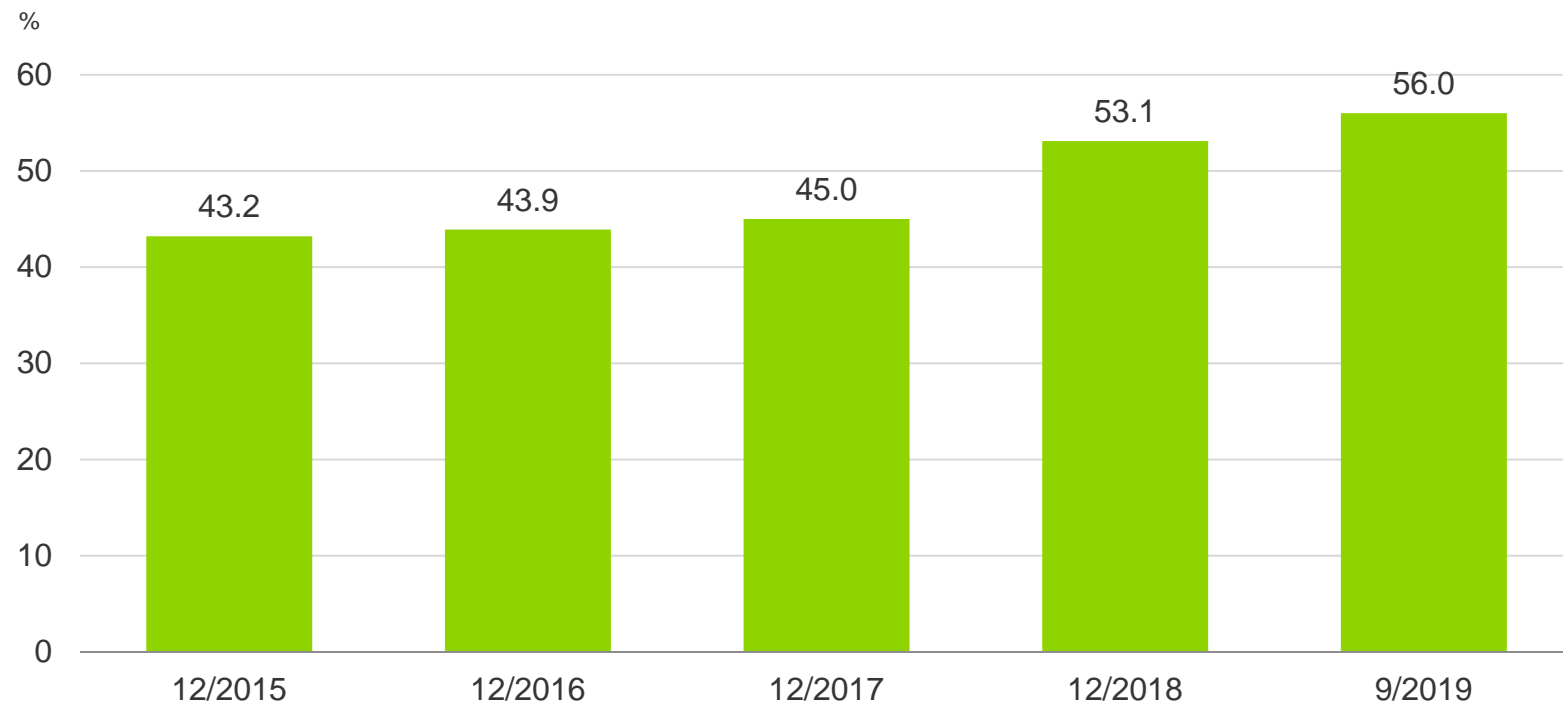
EUR million	1–9/2019
<b>OPERATING RESULT (IFRS)</b>	<b>342.1</b>
Items affecting comparability:	
Metsä Board / Disposal of the shares in Liaison Technologies Inc.	-3.3
Metsä Board / Sale of Niemenranta lots in Tampere	-5.5
Metsä Tissue / goodwill related impairment	102.5
Metsä Group / goodwill related elimination	-25.2
Metsä Tissue / restructuring provision	7.8
<b>Items total</b>	<b>76.3</b>
<b>COMPARABLE OPERATING RESULT</b>	<b>418.4</b>



## Comparable ROCE

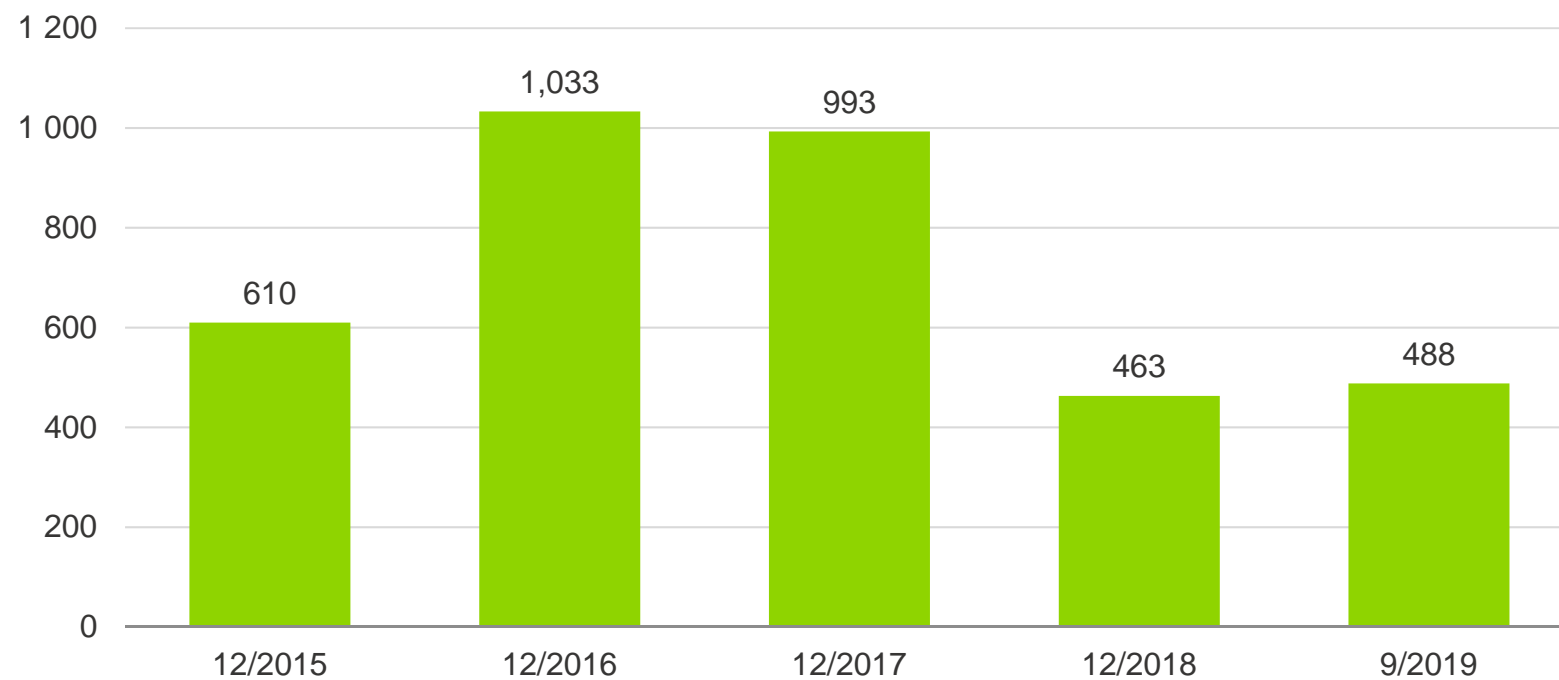


## Equity ratio

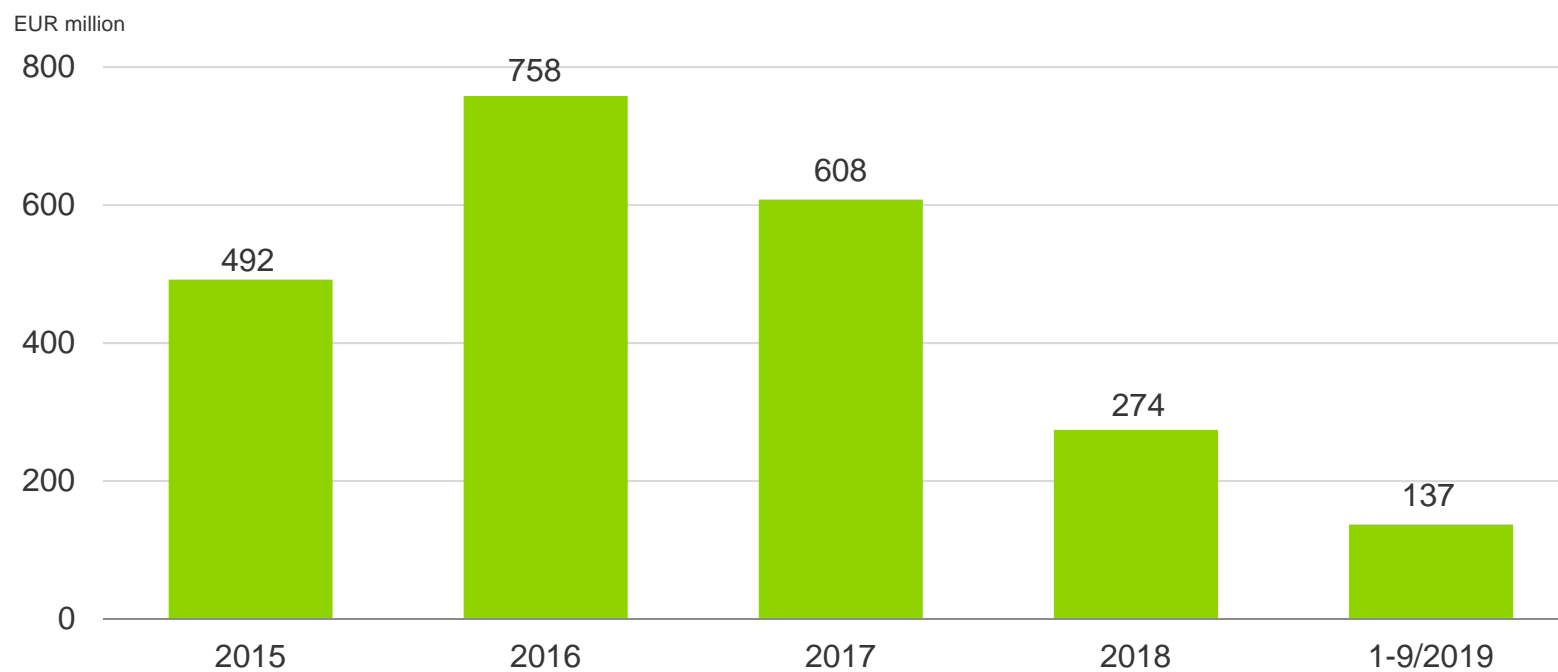


## Interest-bearing net liabilities

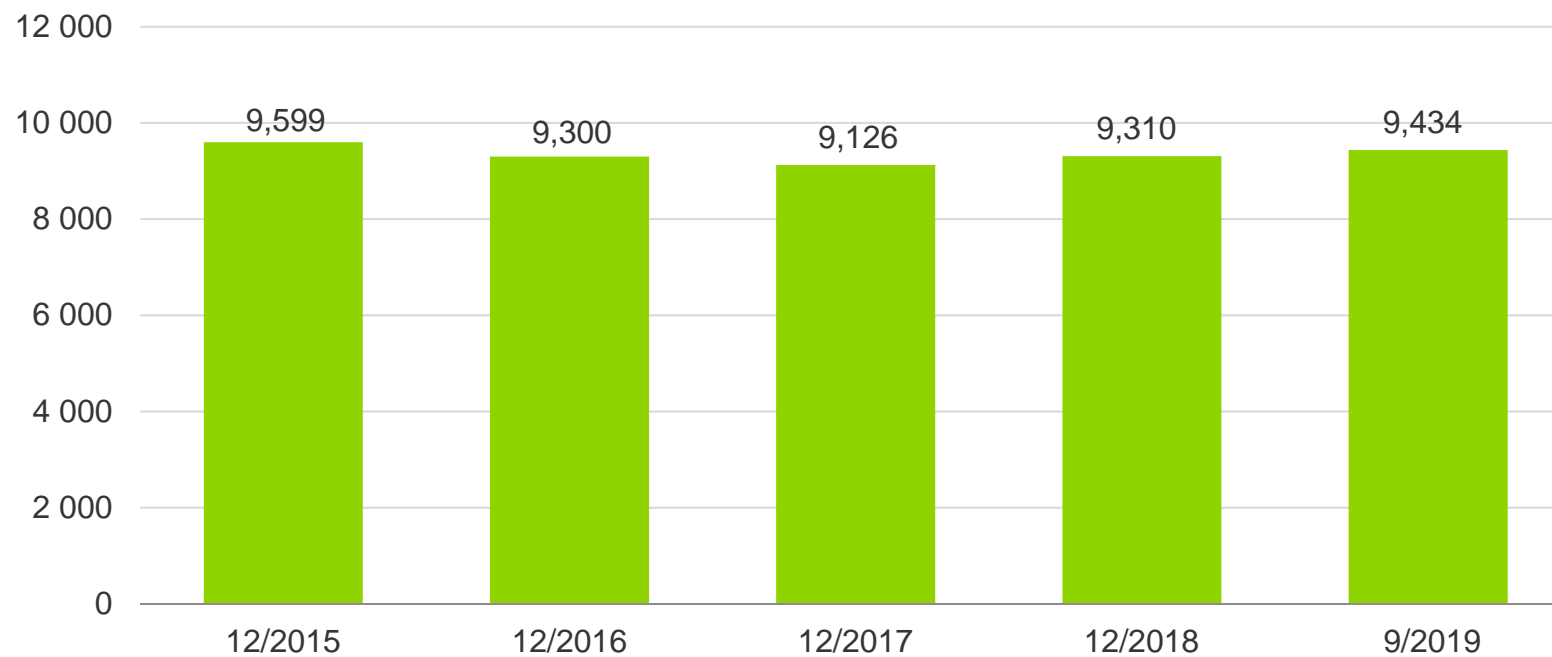
EUR million



## Capital expenditure



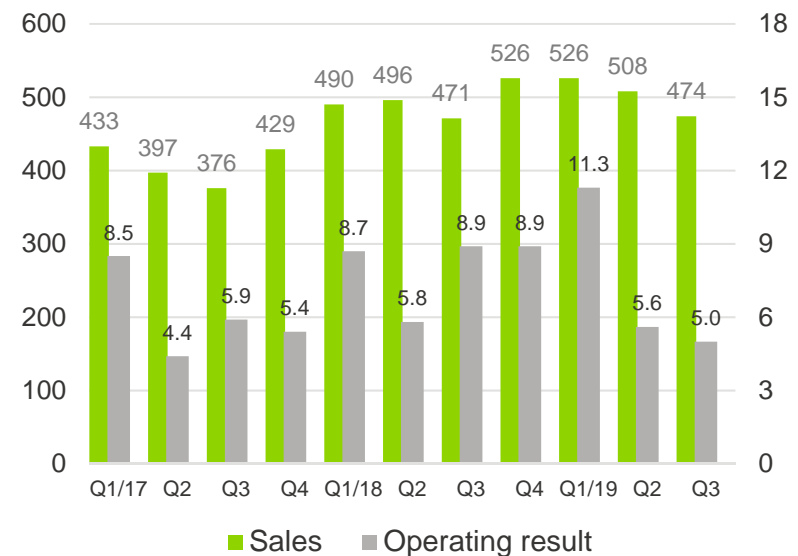
## Personnel



## Wood deliveries slightly smaller than in 2018

- Wood was delivered to the customers a total of 26.4 million m<sup>3</sup> during Q1–Q3 (27.2)
- Harvesting and transportation conditions have remained good throughout the year
- The supply of wood in Finland was slightly weaker than last year
- In the Baltic Sea area, the supply of wood continued to be strong
- In Finland, log prices have declined since the beginning of the year, and the prices of pulpwood began to decline in Q3
- Metsä Group launched a new pine and spruce mixed cultivation service for forest owners

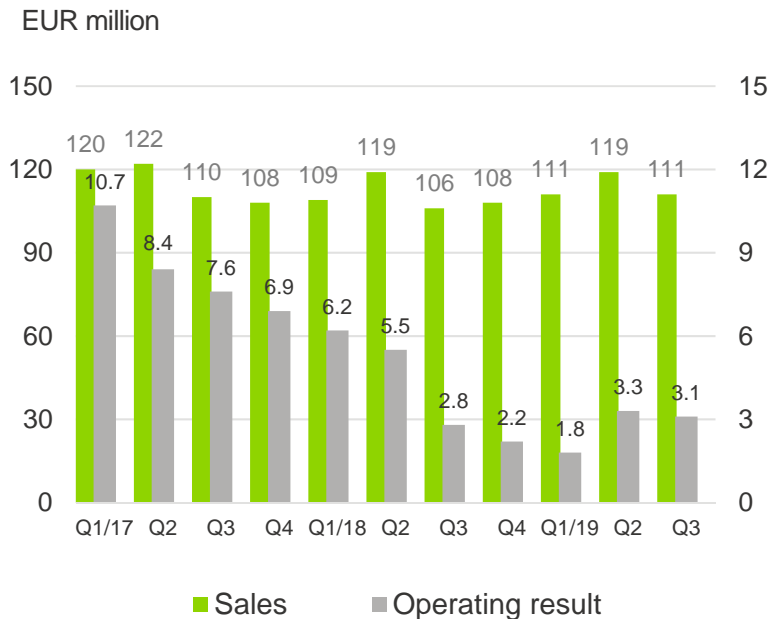
**Sales and comparable operating result**  
EUR million



## Challenging market situation in wood products

- Production was adjusted as the market slowed
- Costs from the ramp-up of strategic investments, production challenges and wood costs burdened profitability
- Delivery volumes of Kerto LVL grew, but the plywood volumes declined from the comparison period
- Average sales price of birch plywood was close to the previous year's level, while the prices of spruce plywood and Kerto LVL rose
- Additional capacity provided by the investments has not been used in full due to the market situation

### Sales and comparable operating result

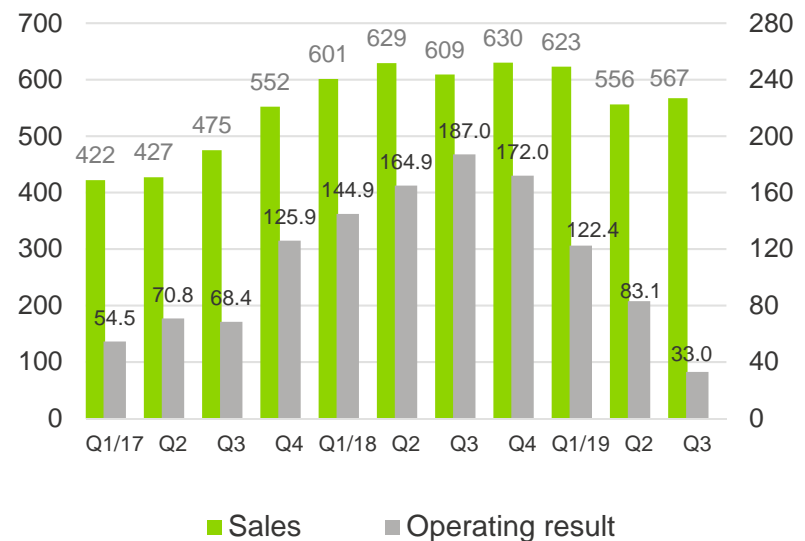


## The weakening of pulp market led to lower result

- Operating result was weakened by lower sales prices and higher prices of raw materials
- Market prices of long-fibre pulp declined by 9% in Europe and by 27% in China during Q1–Q3
- The annual maintenance shutdowns of 4 mills took place during the review period
- Inventory levels began to decline during the third quarter, particularly in long-fibre pulp
- Average market prices of sawn timber declined due to oversupply
- Metsä Fibre was awarded for the sustainability work by the EFQM Global Excellence Award

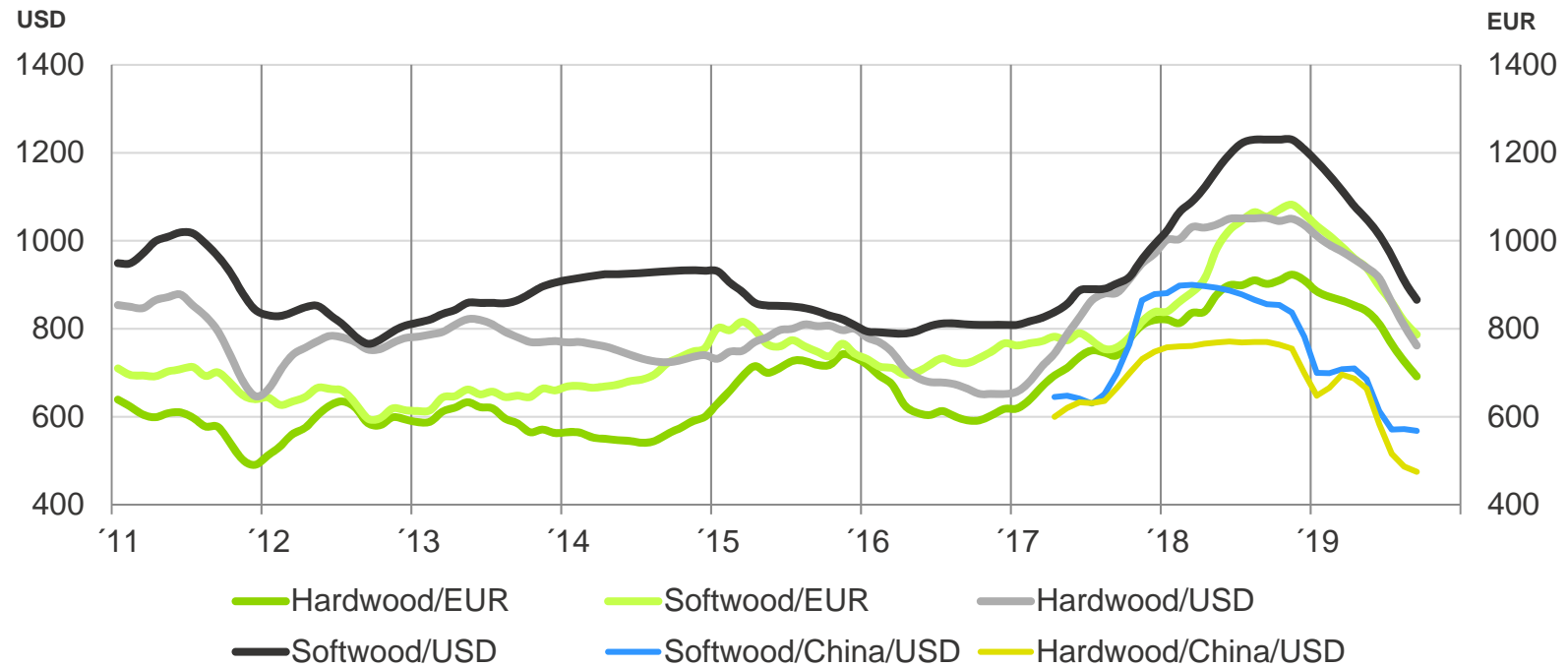
### Sales and comparable operating result

EUR million





# Price of pulp (PIX) in Europe and China



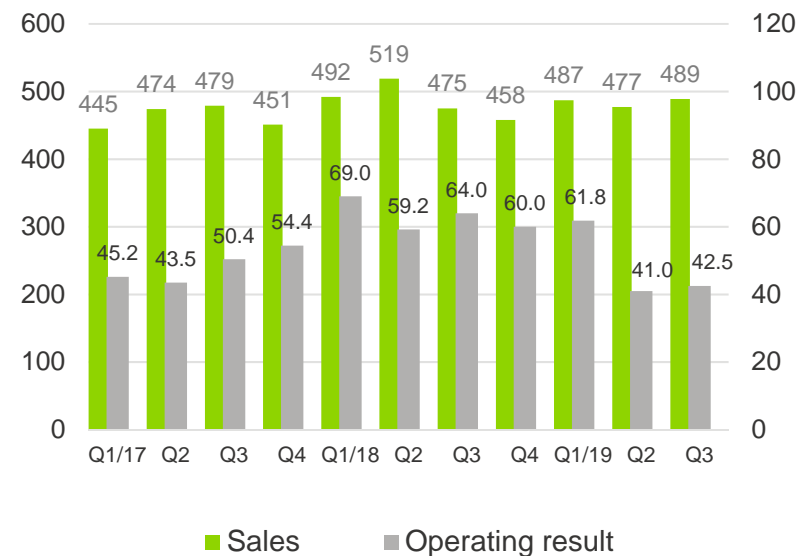
Source: Fast Markets Foex

## The Q3 result of paperboard business at the previous quarter level

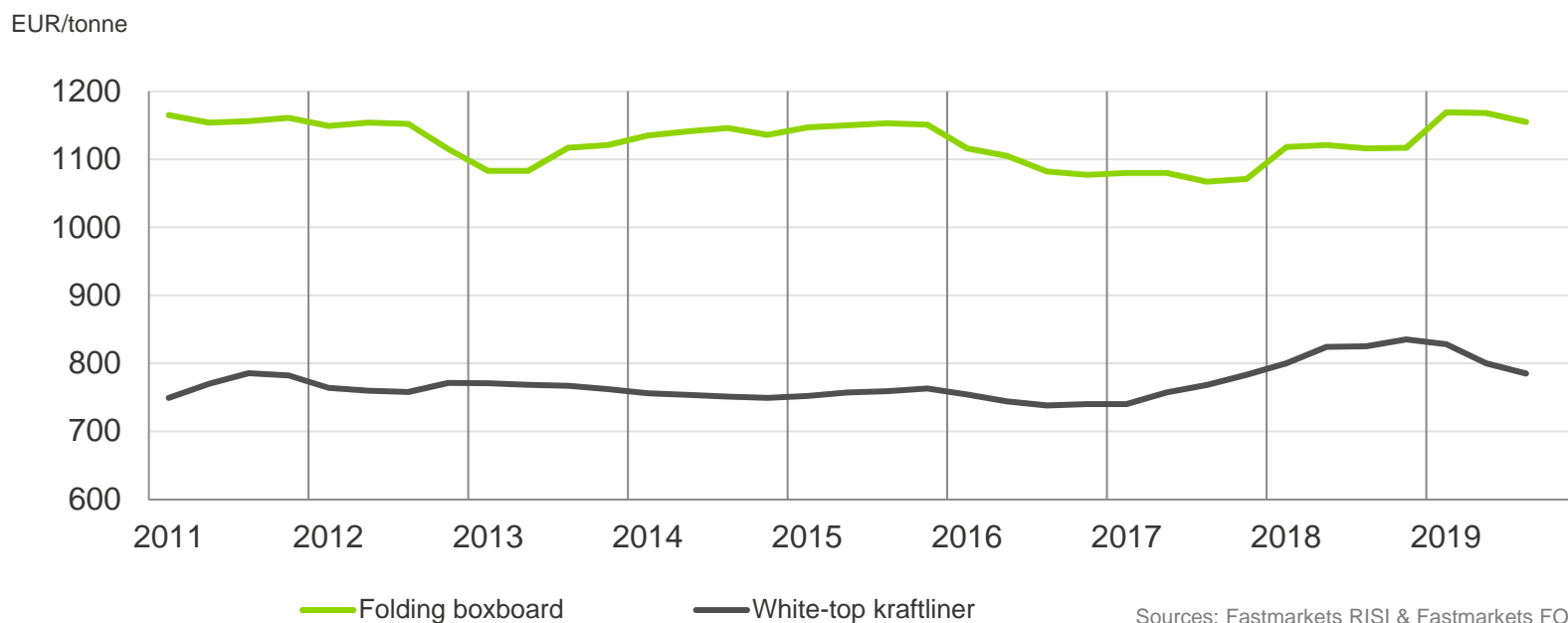
- Higher sales prices of paperboards, folding boxboard in particular, had a positive effect on the operating result in Q1–Q3 2019
- Exchange rate fluctuations had a positive result impact of EUR 38 million in Q1–Q3
- Profitability was weakened by market pulp’s lower delivery volumes and sales prices, and higher production costs
- A new sheeting line was started up at the Äänekoski paperboard mill
- Metsä Board signed a bank financing arrangement, comprising a 5 year loan of EUR 150 million and a 5 year revolving credit facility of EUR 200 million

### Sales and comparable operating result

EUR million



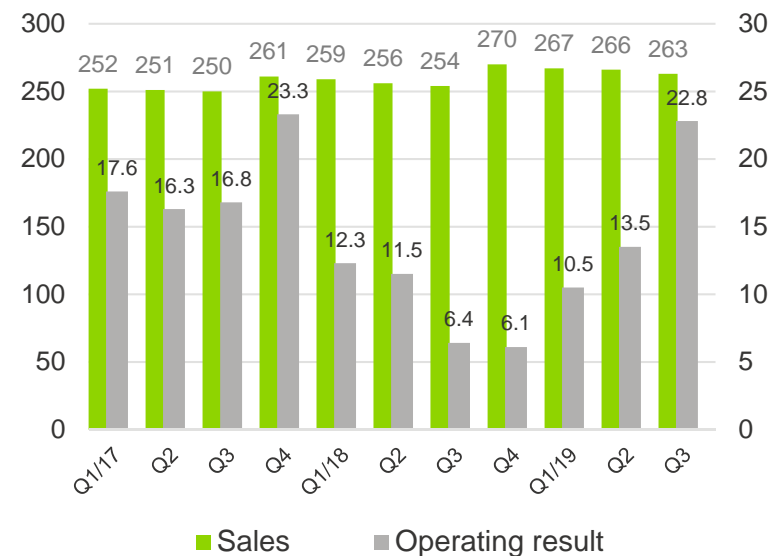
## Prices of folding boxboard and white-top kraftliner in Europe



## Profitability of tissue and greaseproof papers improved

- Result was positively impacted by the increase in sales prices, the efficiency measures and the lower raw material costs
- Programme aiming for a reduction of EUR 25 million in fixed costs is progressing as planned
- Operational review of mill operations, which was started in May, was completed
- The strategic assessment of the Stotzheim napkin mill and the related efficiency measures are progressing as planned
- Metsä Tissue announced its plan for increasing tissue paper capacity in Sweden, and the start of a related environmental permit process

**Sales and comparable operating result**  
EUR million



## Summary

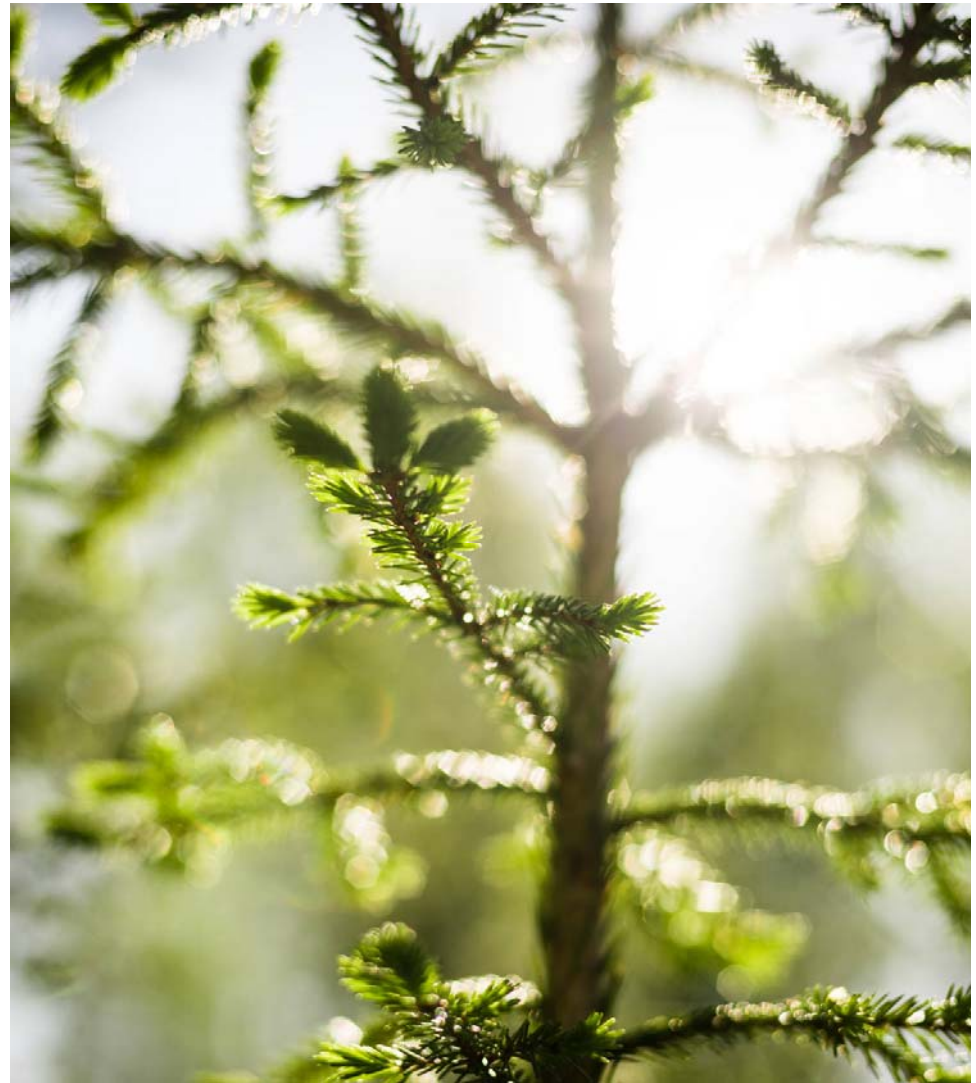
# Outlook for the business areas

- Wood oversupply in the Baltic Sea area is expected to continue
- The demand for Kerto LVL and birch plywood will continue to be uncertain. Production adjustments will be continued in Q4
- The demand for long-fibre market pulp in developing markets is expected to remain good. The supply-demand will be balanced by the production curtailments by pulp producers and by the annual maintenance shutdowns
- The market situation of sawn timber is in the main markets is expected to remain challenging
- Paperboard deliveries are expected to decline from the Q3. Prices for folding boxboard and white kraftliner are expected to remain stable
- The efficiency measures, higher sales prices and lower raw material costs will have a positive effect on profitability of tissue and greaseproof paper business



## Result guidance

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



**Make the most of Metsä**

