

Metsä Group

Result 2018

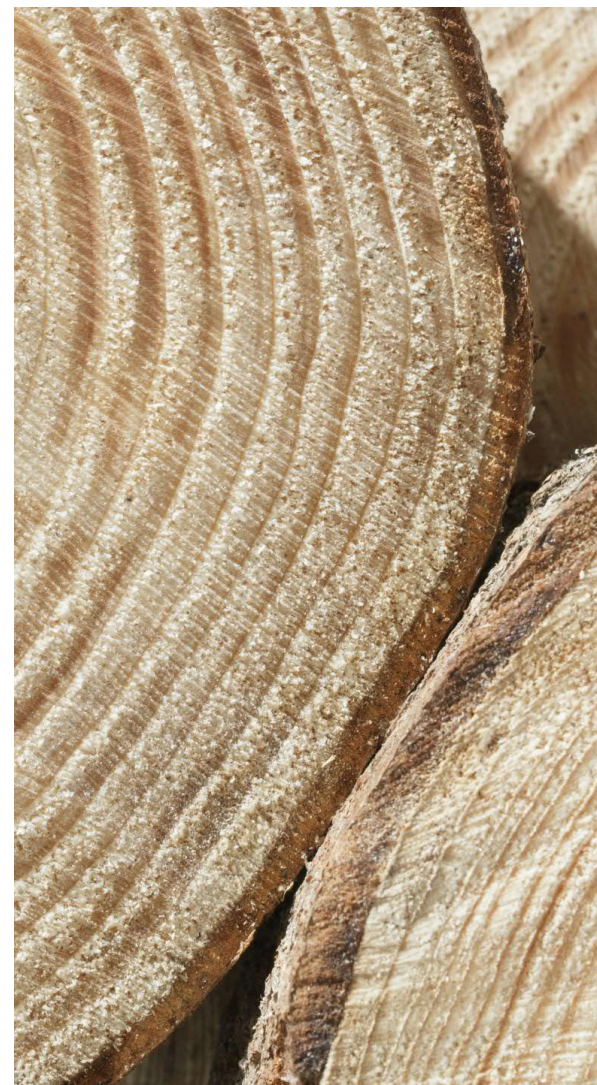
Ilkka Härmälä
President & CEO

7 February 2019



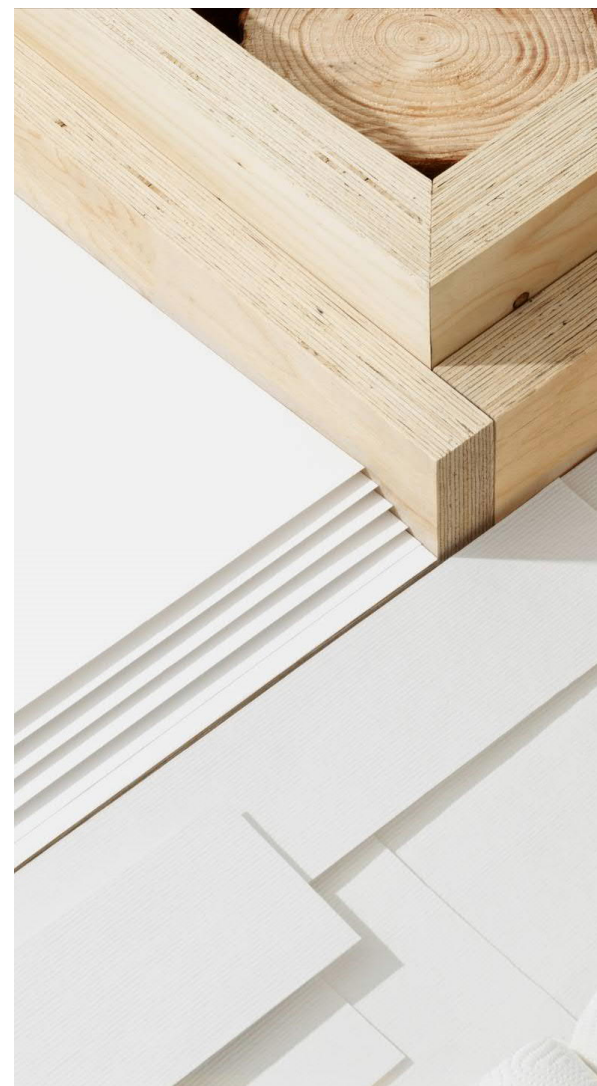
Excellent financial result for Metsä Group

- Sales EUR 5,709 million (2017: EUR 5,040 million)
- Operating result* EUR 849 million (EUR 566 million)
- Operating result* 14.9% of sales (11.2%)
- Return on capital employed* 16.8% (12.3%)
- Sales increased due to greater delivery volumes and higher pulp and paperboard prices
- Operating result grew mainly due to increase in pulp deliveries and prices as well as positive development in paperboard business
- Exchange rate fluctuations had a negative effect of around EUR 135 million on the operating result, compared to 2017. The effect was mainly attributable to US dollar



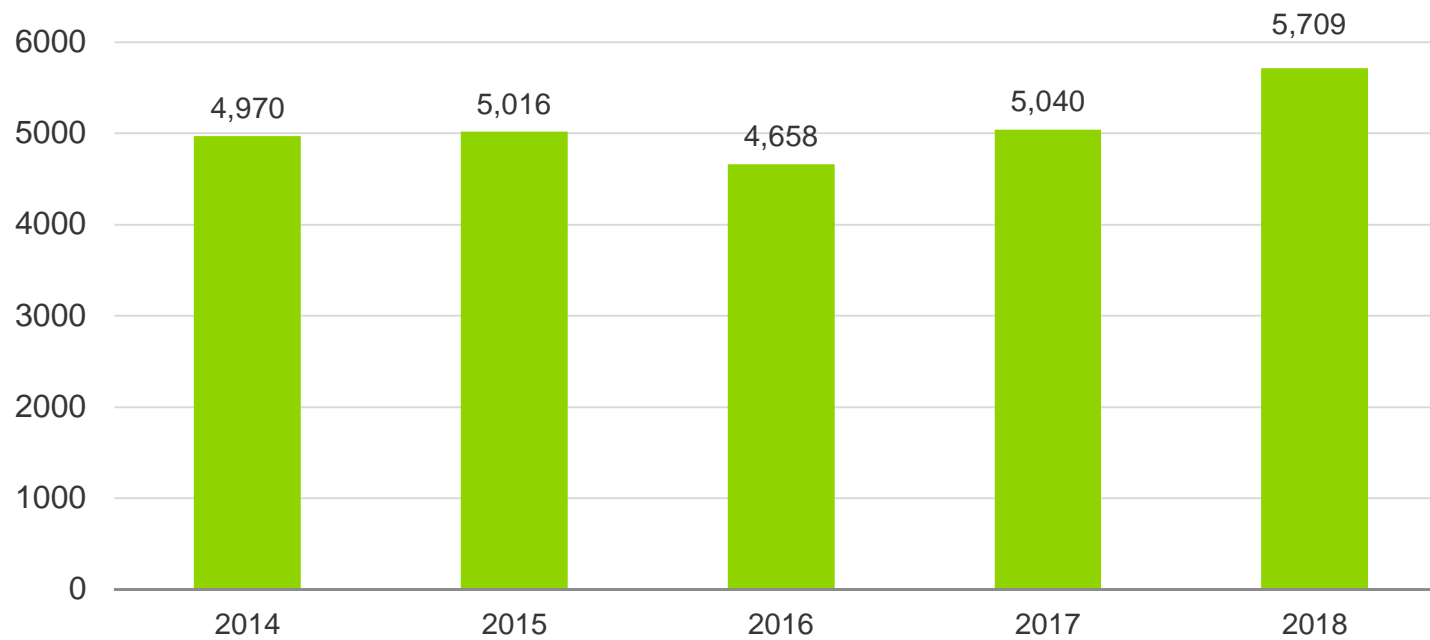
Events in the fourth quarter of 2018

- The demand for and market price of pulp declined in China towards the end of the fourth quarter
- Paperboard deliveries declined from the previous quarter mainly due to the seasonal decline
- Metsä Board started up a new baling line at the Kaskinen mill, and announced an investment in a new sheet-cutting line at Äänekoski
- Metsä Tissue's new converting lines at the Žilina and Raubach mills started up. The renewal of the baking paper machine at Düren was completed
- Metsä Tissue commenced a strategic review concerning the Stotzheim mill in Germany
- The construction of the textile fibre demo plant at Äänekoski bioproduct mill commenced in October



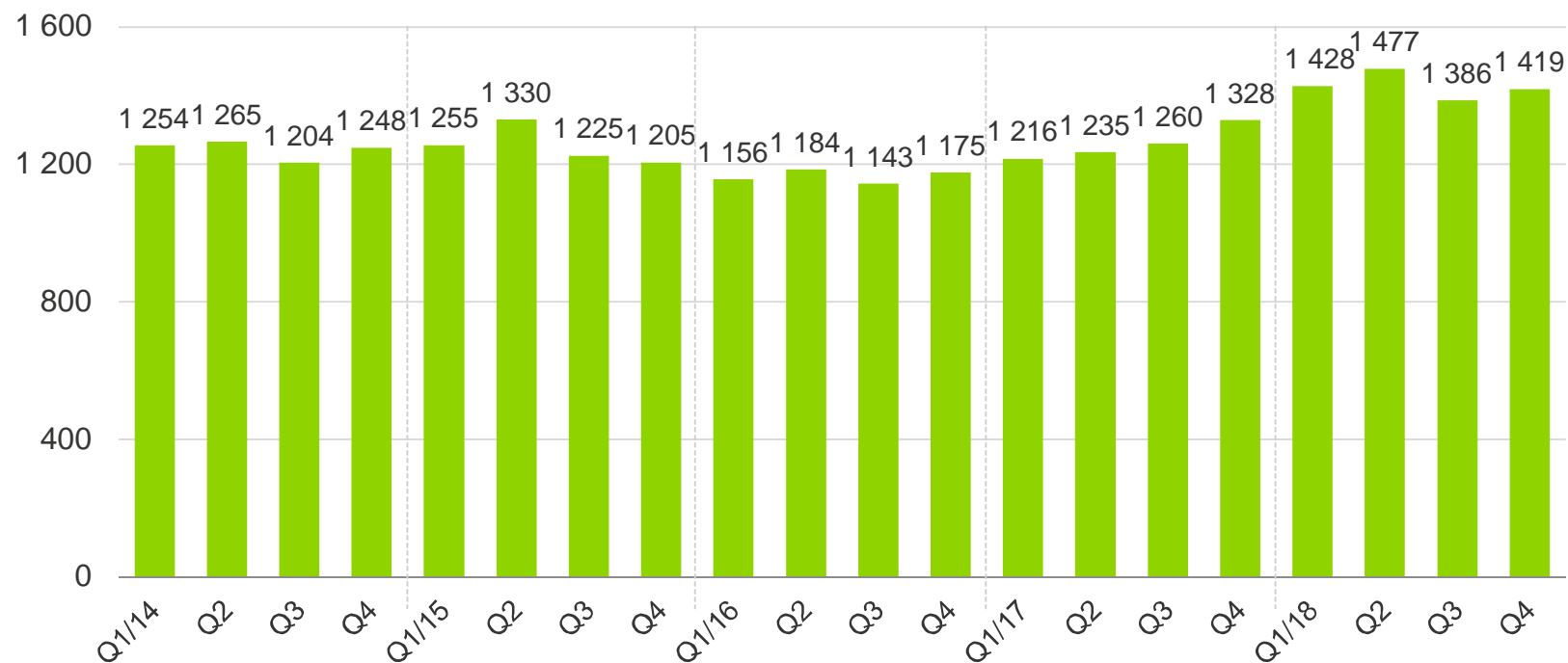
Sales

EUR million

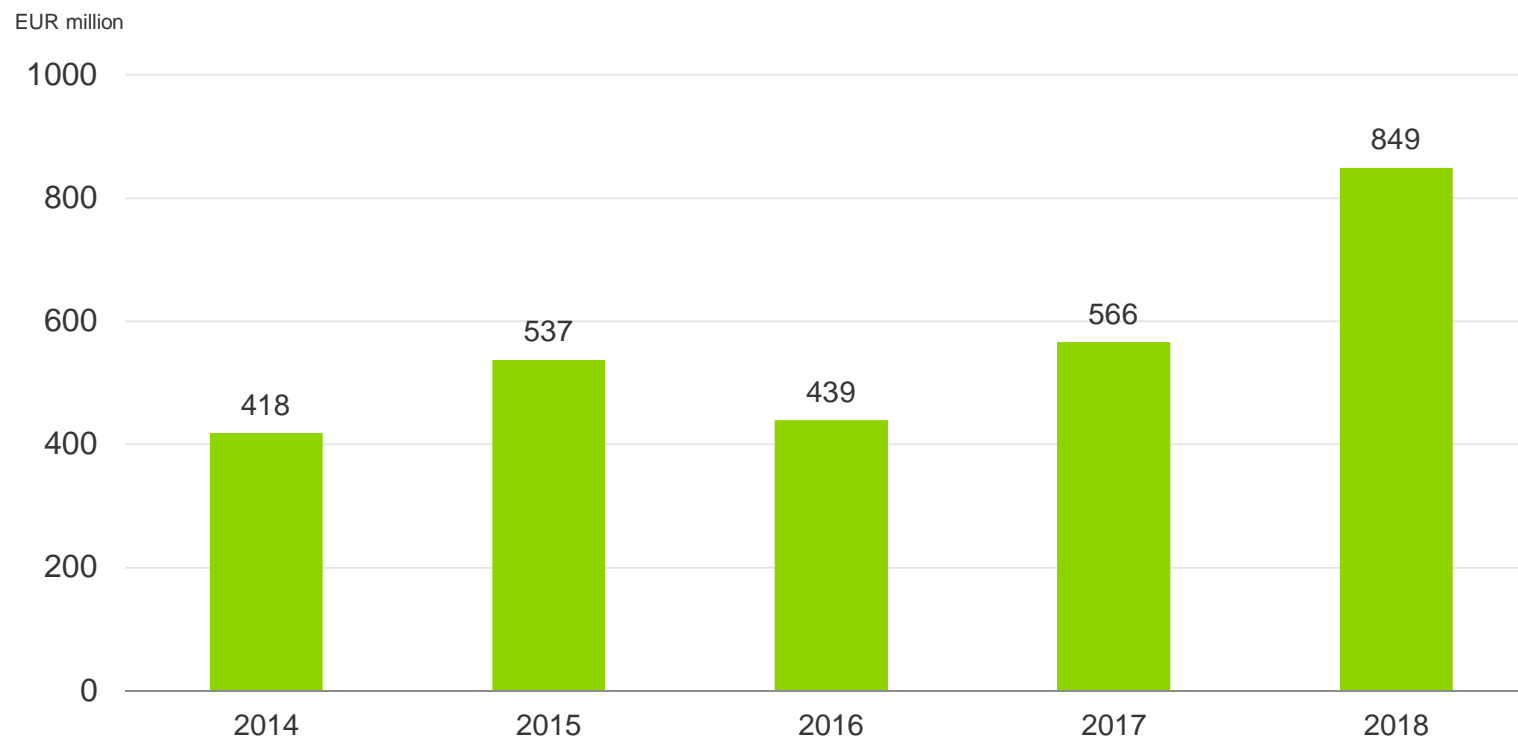


Sales quarterly

EUR million

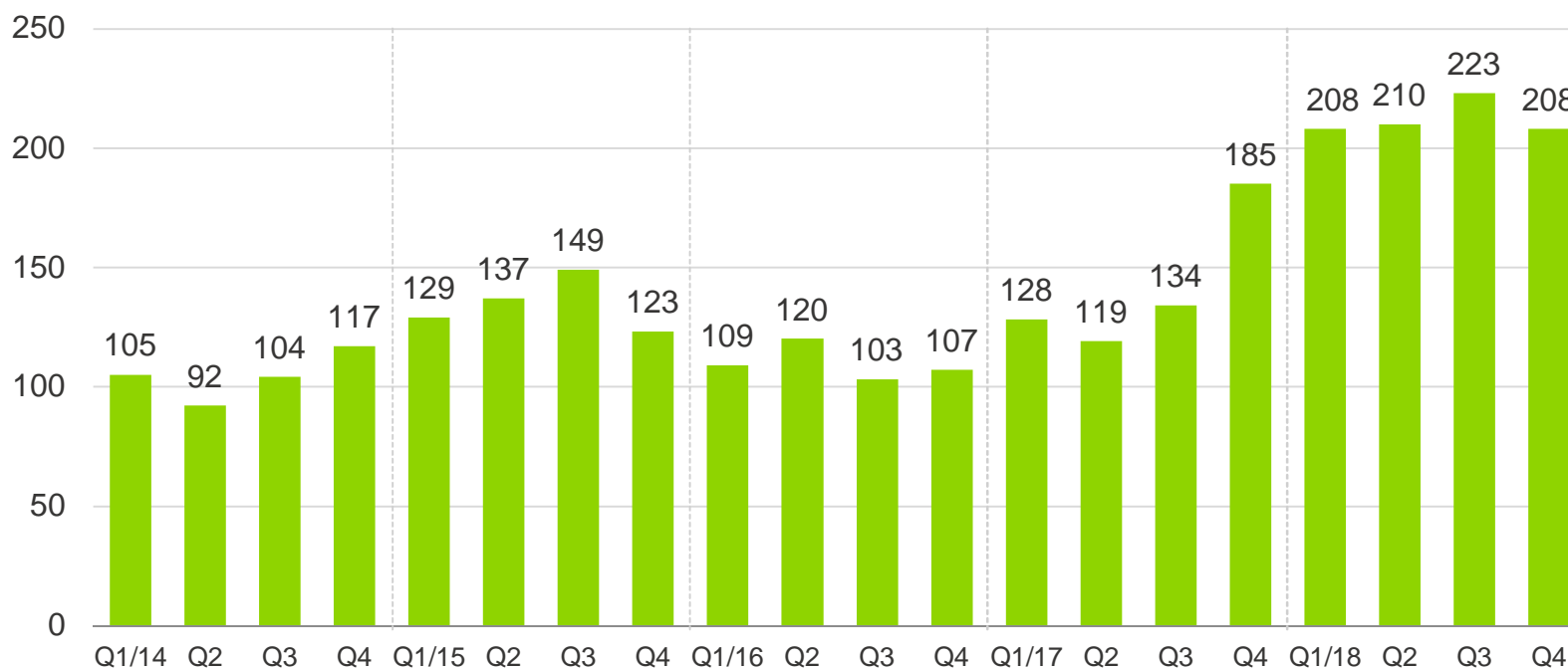


Comparable operating result



Comparable operating result

EUR million



Change in comparable operating result

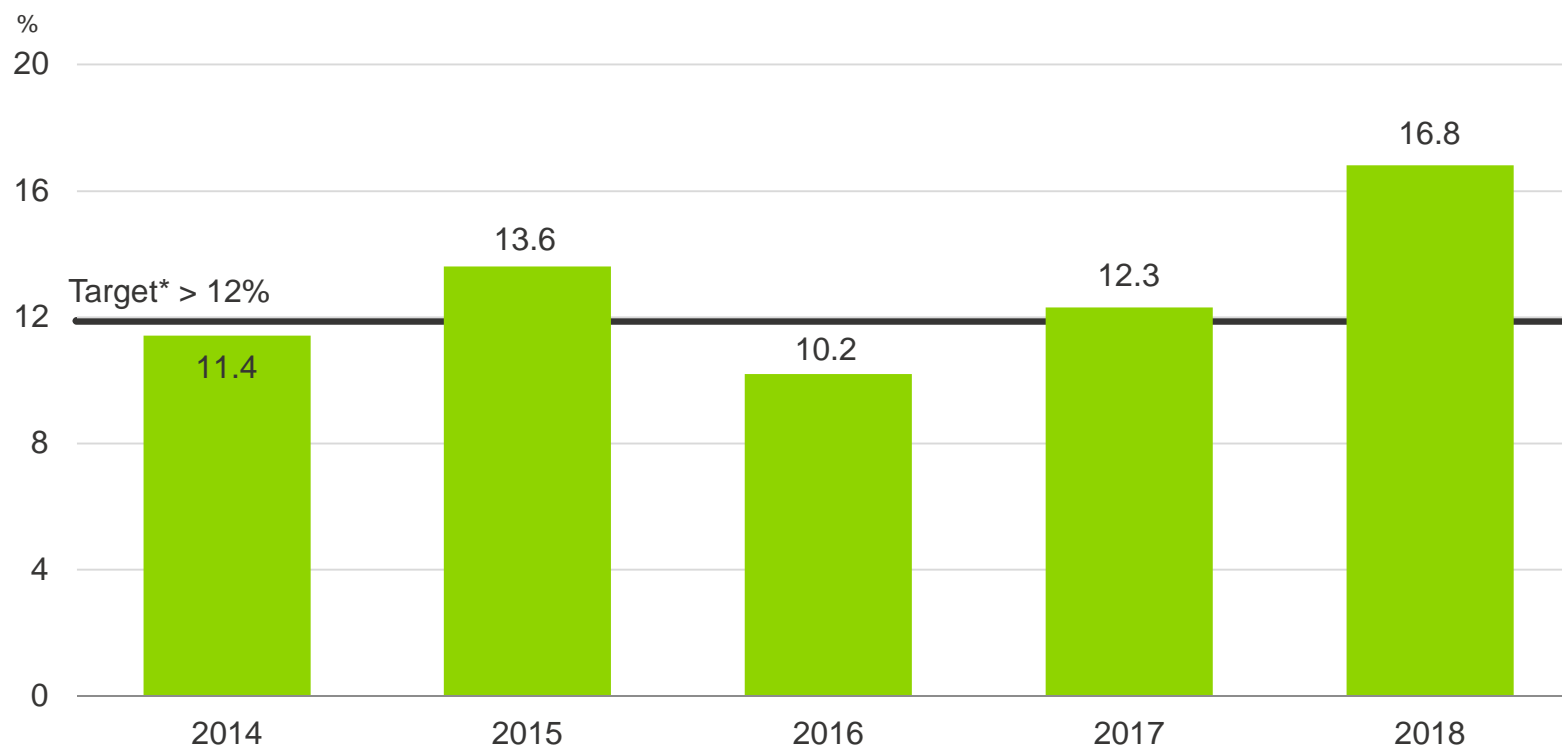
EUR million

Comparable operating result 2017	566
Sales prices	579
Sales volumes	97
Exchange rates	-135
Raw materials and energy	-174
Employee costs	-17
Maintenance and other fixed costs	-19
Depreciation	-31
Other	-16
Comparable operating result 2018	849

Items affecting comparability

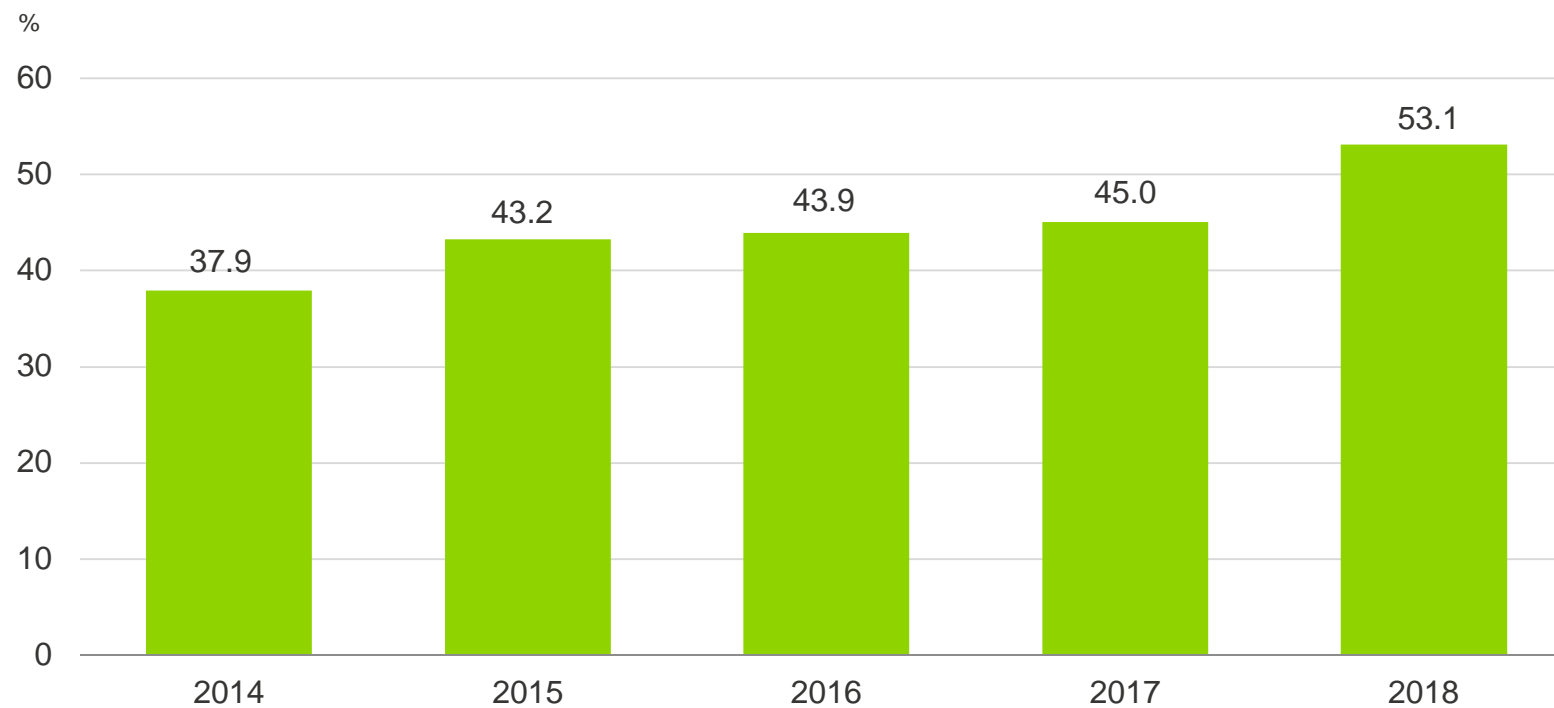
EUR million	2018
Operating result (IFRS)	843.0
Items affecting comparability:	
Metsä Board / Efficiency improvement program at Husum mill	-4.1
Metsä Board / TVO divesting Meri-Pori coal-fired power plant	-1.7
Metsä Board / other	+0.2
Items total	-5.6
Comparable operating result	848.5

Comparable ROCE



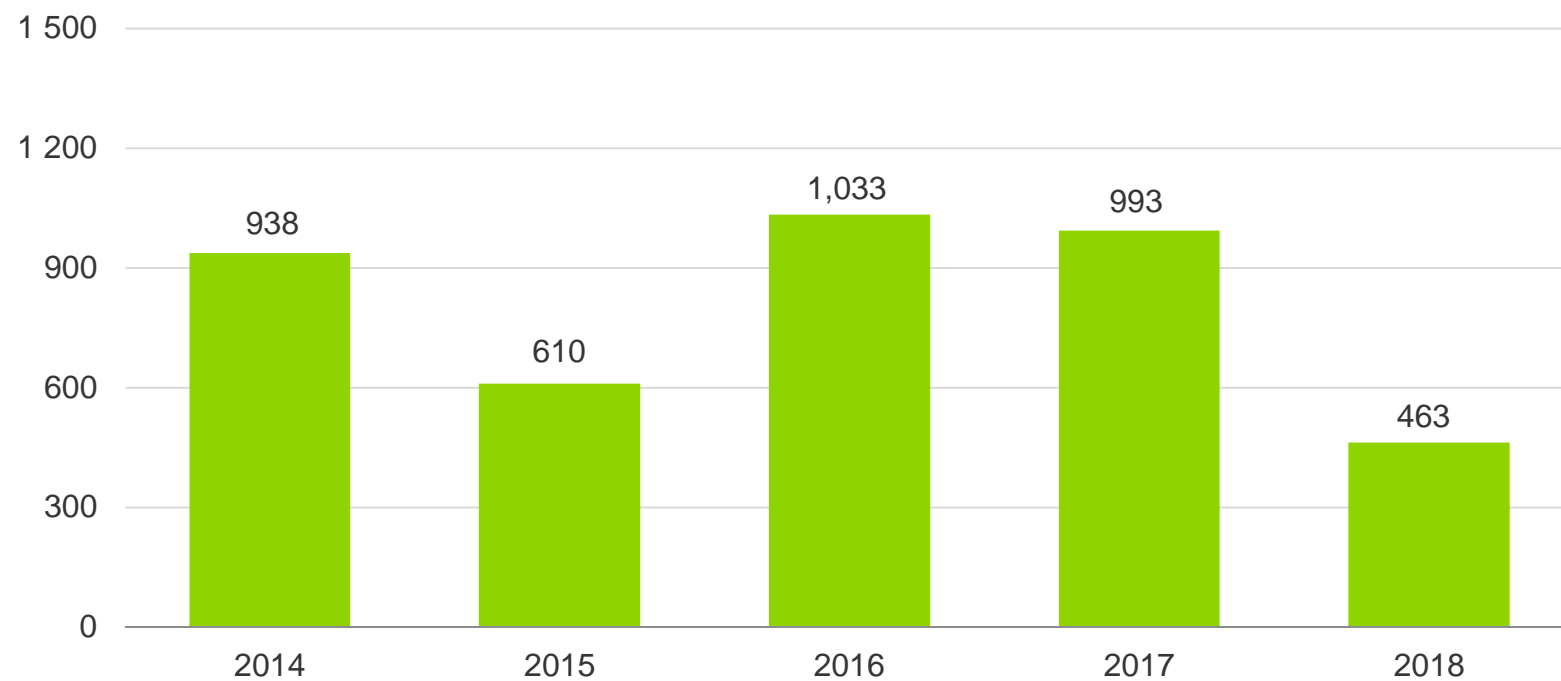
*Target increased from earlier 10%

Equity ratio

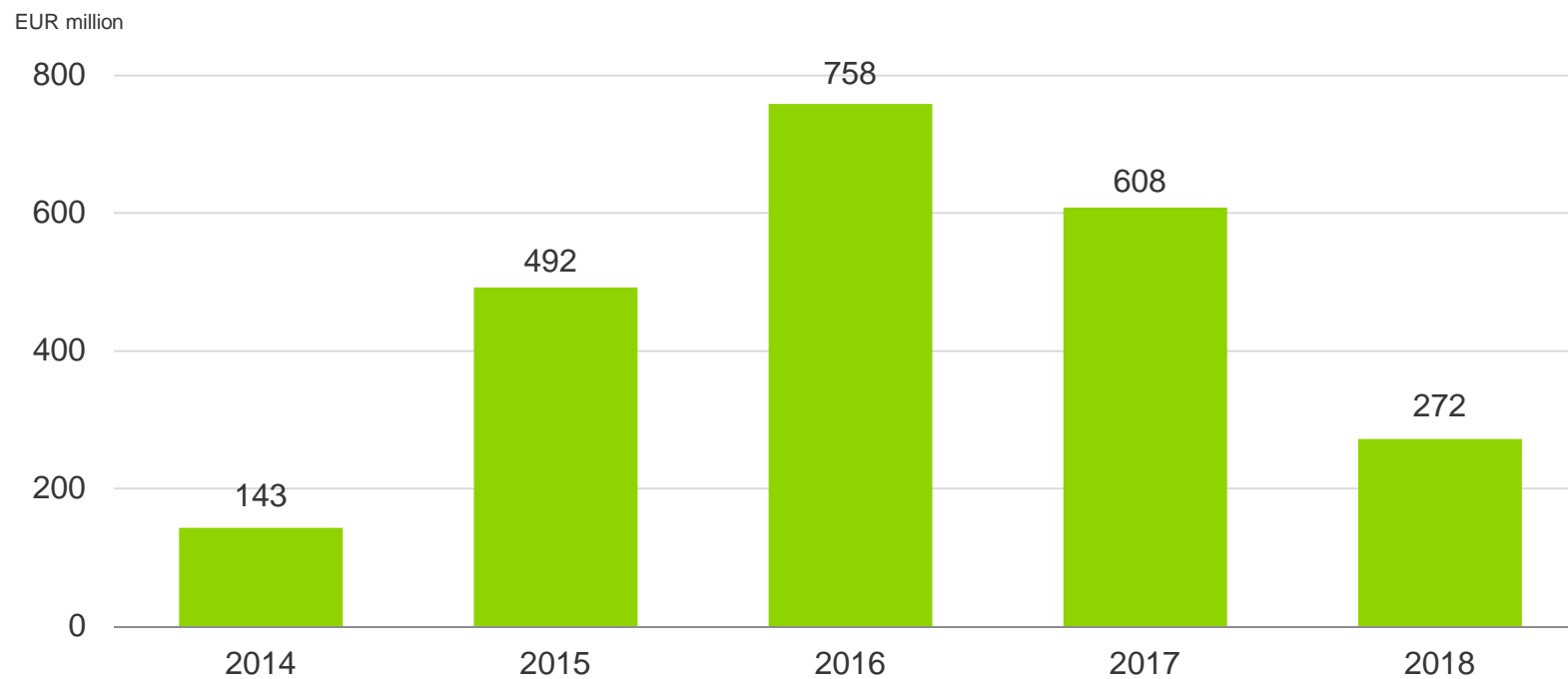


Interest-bearing net liabilities

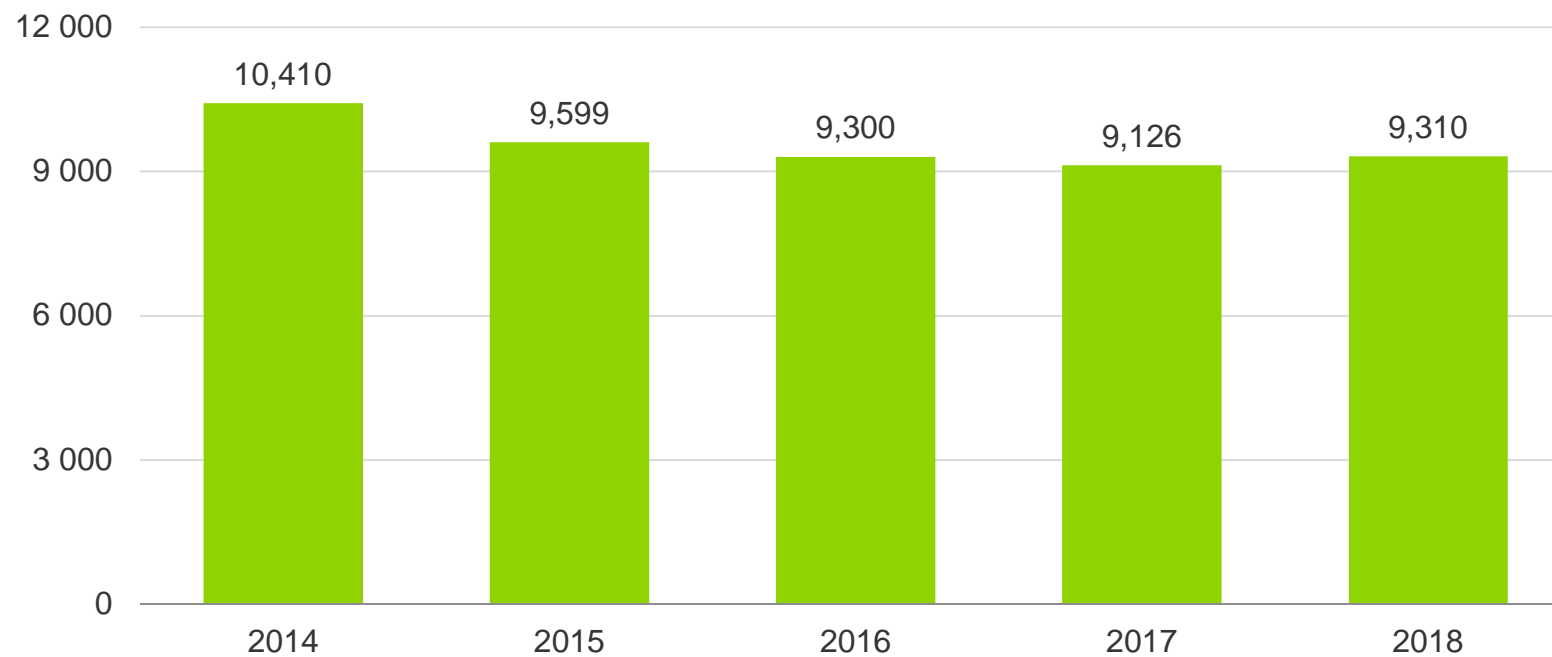
EUR million



Capital expenditure



Personnel

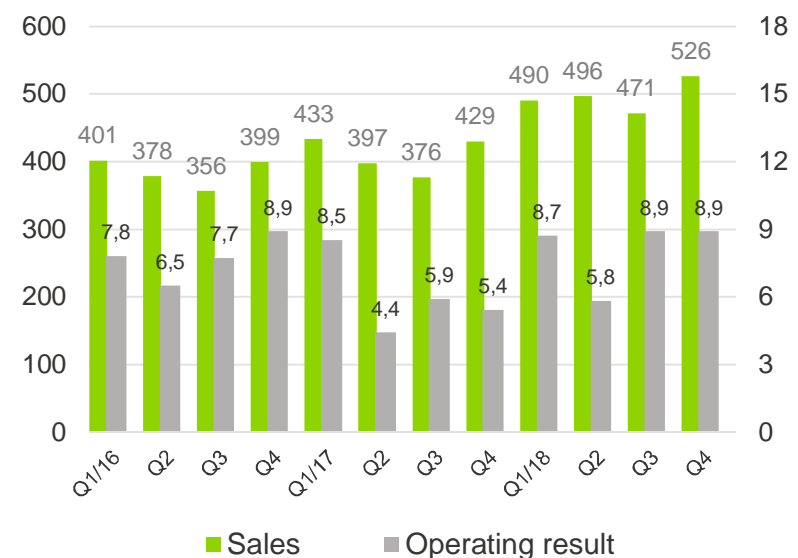


Wood delivery volumes at record level

- The supply of wood in Finland was good. Rising stumpage prices stabilized during the second half of the year
- Harvesting and transport conditions in Finland were good throughout the year
- Early in the year, there was scarcity of wood in the Baltic Sea region, due to the weather in the autumn and early winter. Market situation balanced at the end of the year
- Metsä Forest delivered approximately 36.4 million cubic metres (32.0) of wood
- 35% of wood acquired from private forest owners was purchased by digital means. In the sale of forest management services, the figure was 42%

Sales and comparable operating result

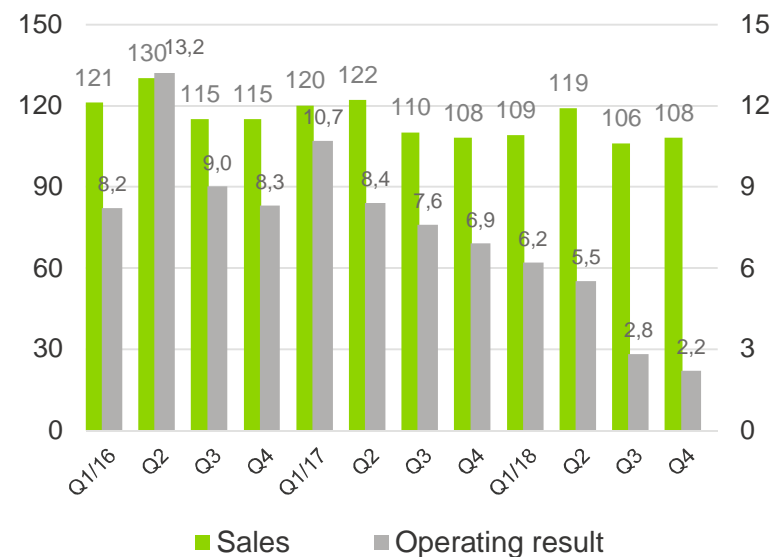
EUR million



Good demand for engineered wood products. UK market was challenging

- Sales of engineered wood products remained at last year's level. Sales of the UK business declined
- Sales price rose thanks to price increases and a better product mix
- Challenges in production declined delivery volumes
- The profitability was weakened by cost inflation, a decline in the profitability of the UK business and the costs from the new mills
- Production began in August at the new birch plywood mill in Pärnu, Estonia
- Construction of Kerto LVL line at Punkaharju proceeded according to schedule towards the start-up in the first half of 2019

Sales and comparable operating result
EUR million

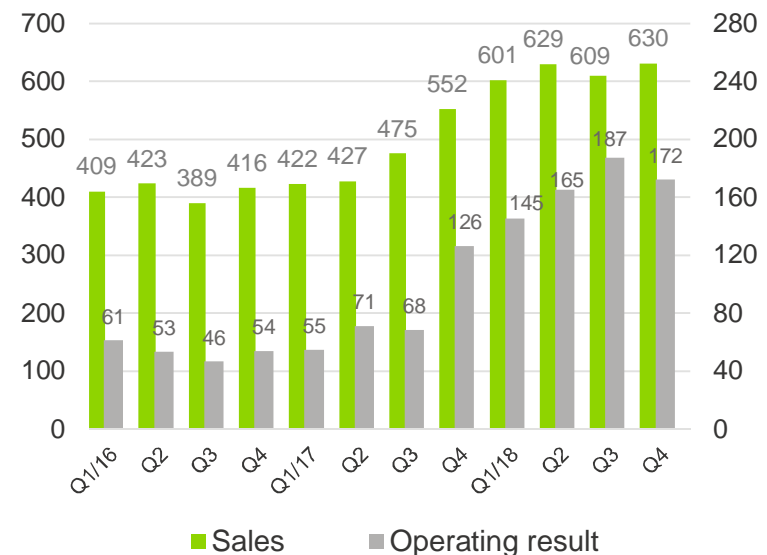


Excellent performance thanks to strong pulp demand

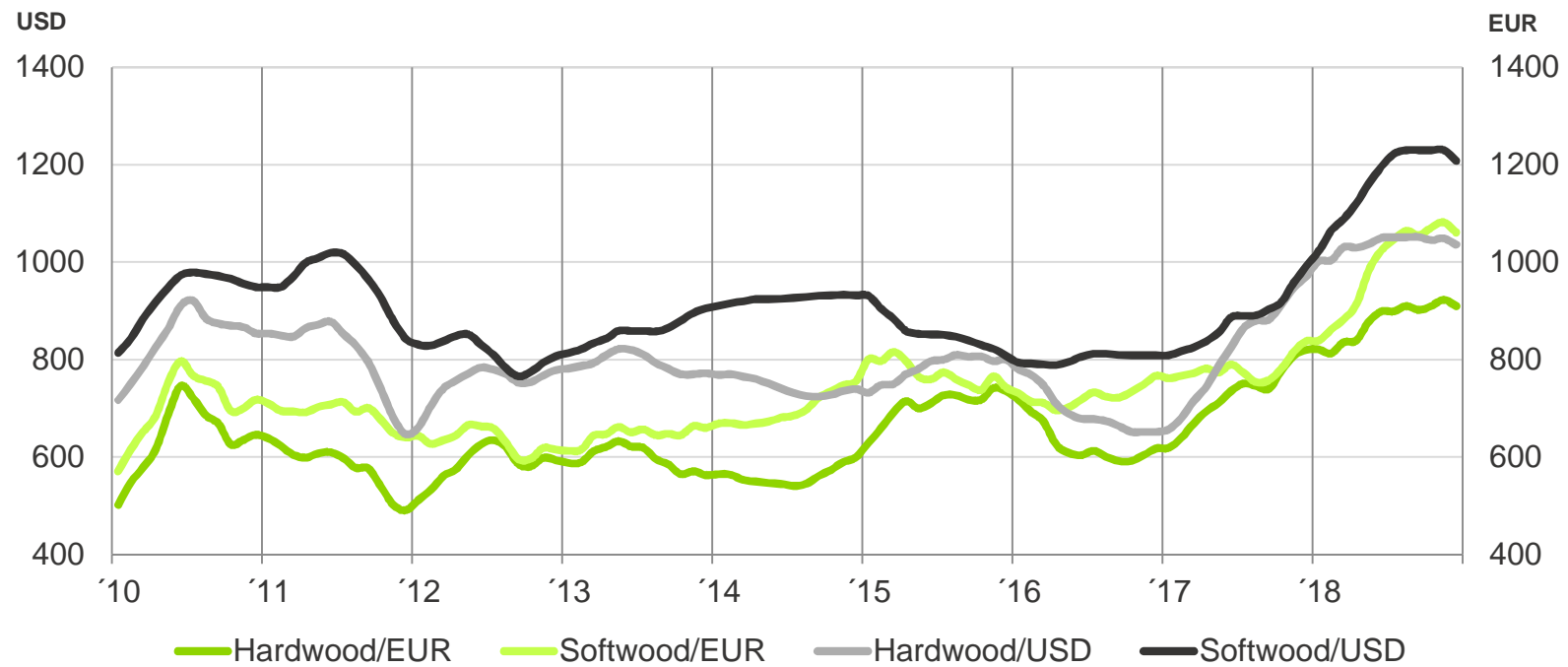
- Higher pulp prices as well as deliveries as a result of the bioproduct mill increased sales and operating result
- Strong demand in the pulp market during the first three quarters increased prices to all-time high
- The USD-denominated average market prices of long-fibre pulp rose by 32% and short-fibre pulp by 26% compared to the previous year
- Slowdown in economic development in China reduced local prices of and demand for pulp at the end of the year
- Delivery volumes of sawn timber decreased. The prices of sawn timber developed favourably until the autumn, after which they took a downward turn

Sales and comparable operating result

EUR million



Pulp price (PIX) 2010–2018



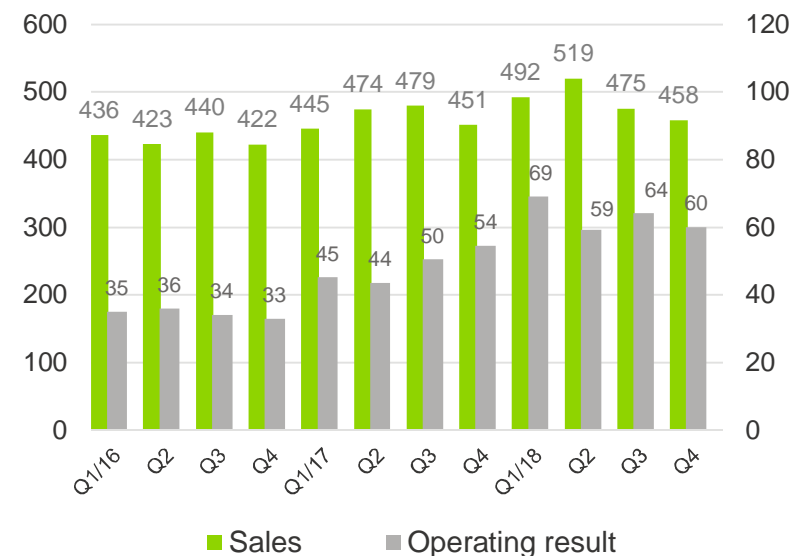
Lähde: Foex

Good price and delivery development also in paperboard

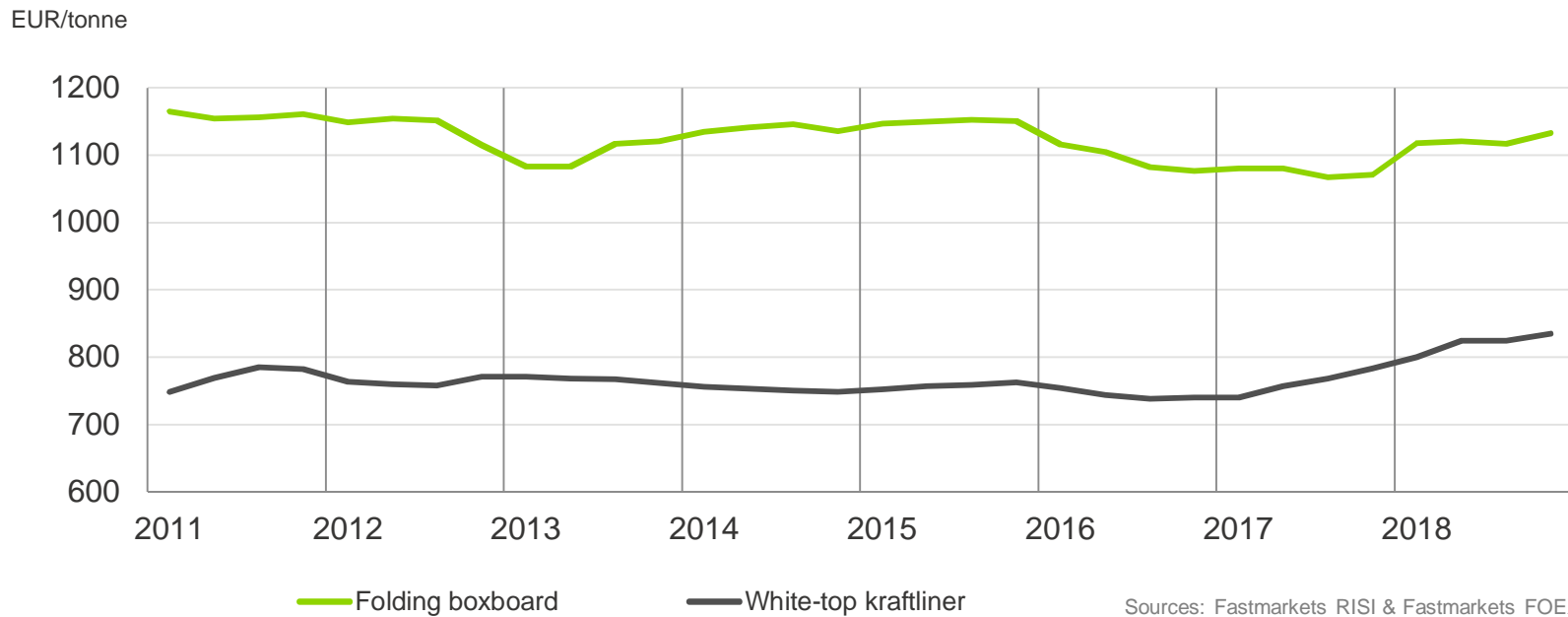
- Sales and profitability improved thanks to higher prices of paperboard and market pulp as well as increased folding boxboard deliveries
- Increased pulp production and delivery volumes of the associated company Metsä Fibre’s pulp had a clearly positive effect on results
- The production costs increased due to higher wood prices and road transport costs in the USA
- Exchange rate fluctuations had a negative effect of approximately EUR 53 million compared to the previous year

Sales and comparable operating result

EUR million



Prices of folding boxboard and white-top kraftliner in Europe 2011–2018

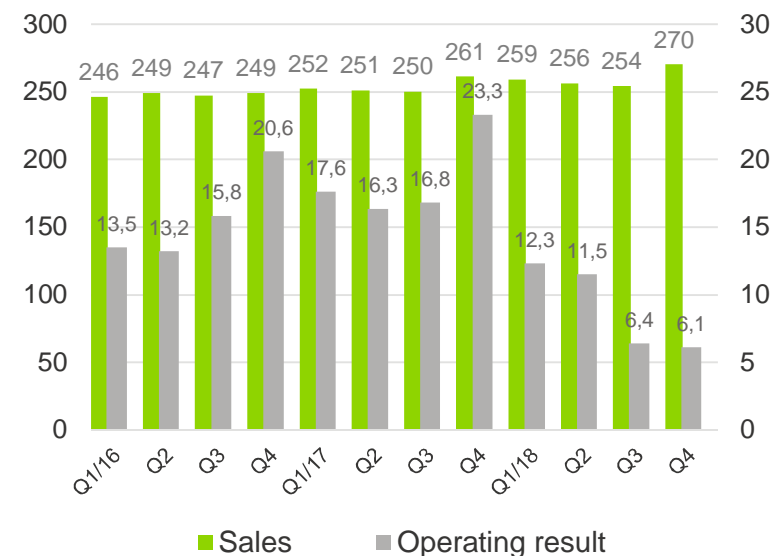


Production efficiency of tissue and greaseproof papers to be improved

- Growth in sales was mainly attributable to increased deliveries and higher prices
- Operating result was weakened by cost inflation which could not be passed on in full to end-product prices
- Also exchange rates had a negative result impact
- At the end of the year, Metsä Tissue commenced an operational review aiming at improving internal efficiency
- The strategic review of the Stotzheim mill in Germany explores short term profitability improvement possibilities as well as the mill's possible divestment or closure

Sales and comparable operating result

EUR million



Summary

Market outlook

- Wood demand will focus on thinning sites to be harvested when the ground is unfrozen and, in terms of energy wood, on crown wood
- Outlook for spruce plywood is good but the birch plywood is subject to uncertainty. The outlook of Kerto LVL products is primarily stable
- Demand for pulp and sawn timber is expected to remain good in 2019, provided that global economic growth is in line with forecasts
- Paperboard deliveries in the Q1 are expected to rise slightly. Folding boxboard market prices in local currencies are expected to rise, and the average prices are increased also by optimising the sales mix
- Demand for tissue and greaseproof papers is expected to remain stable. Demand for tissue paper increases in Central East Europe, and for greaseproof papers in Asia. Profitability is burdened by the high raw material prices



Near-term result outlook

- Metsä Group's comparable operating result in the first quarter of 2019 is expected to weaken from the fourth quarter of 2018



Make the most of Metsä

