



Metsä

Metsä Group

Interim report Q1/2019

Ilkka Härmälä
President and CEO

26 April 2019

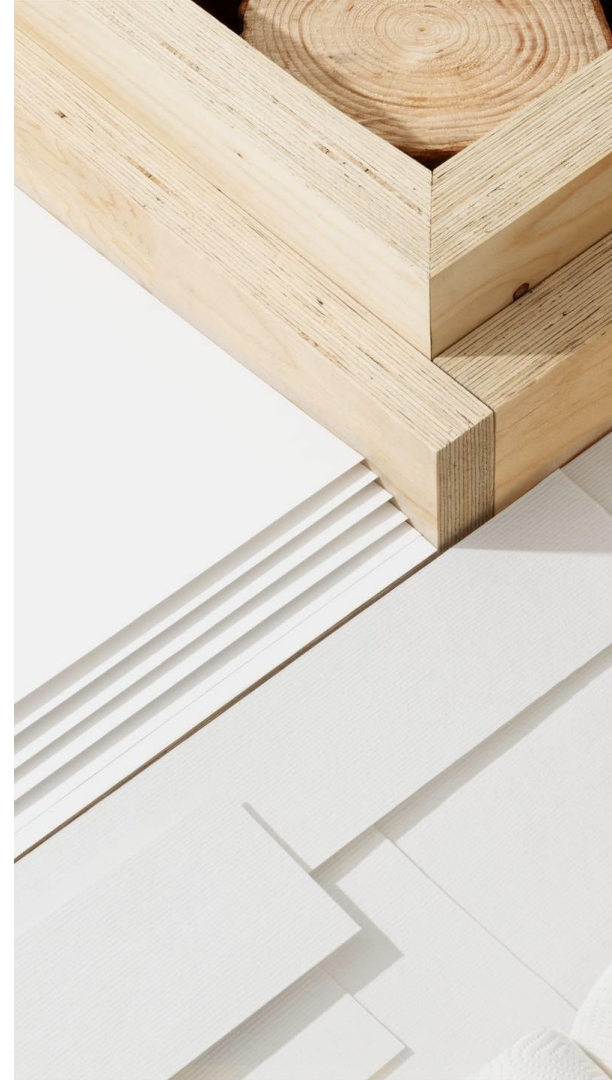
Metsä Group achieved good result

- Sales EUR 1,438 million (Q1/2018: EUR 1,428 million)
- Operating result* EUR 180 million (EUR 208 million)
- Operating result* 12.5% of sales (14.6%)
- Return on capital employed* 13.8% (16.6%)
- Profit-making ability weakened compared to the excellent previous year, mainly due to the pulp price decline in late 2018
- The decrease in the operating result in Q1/2019 vs. Q1/2018 was mainly due to higher raw material and production costs. Exchange rate fluctuations had a positive effect on the operating result



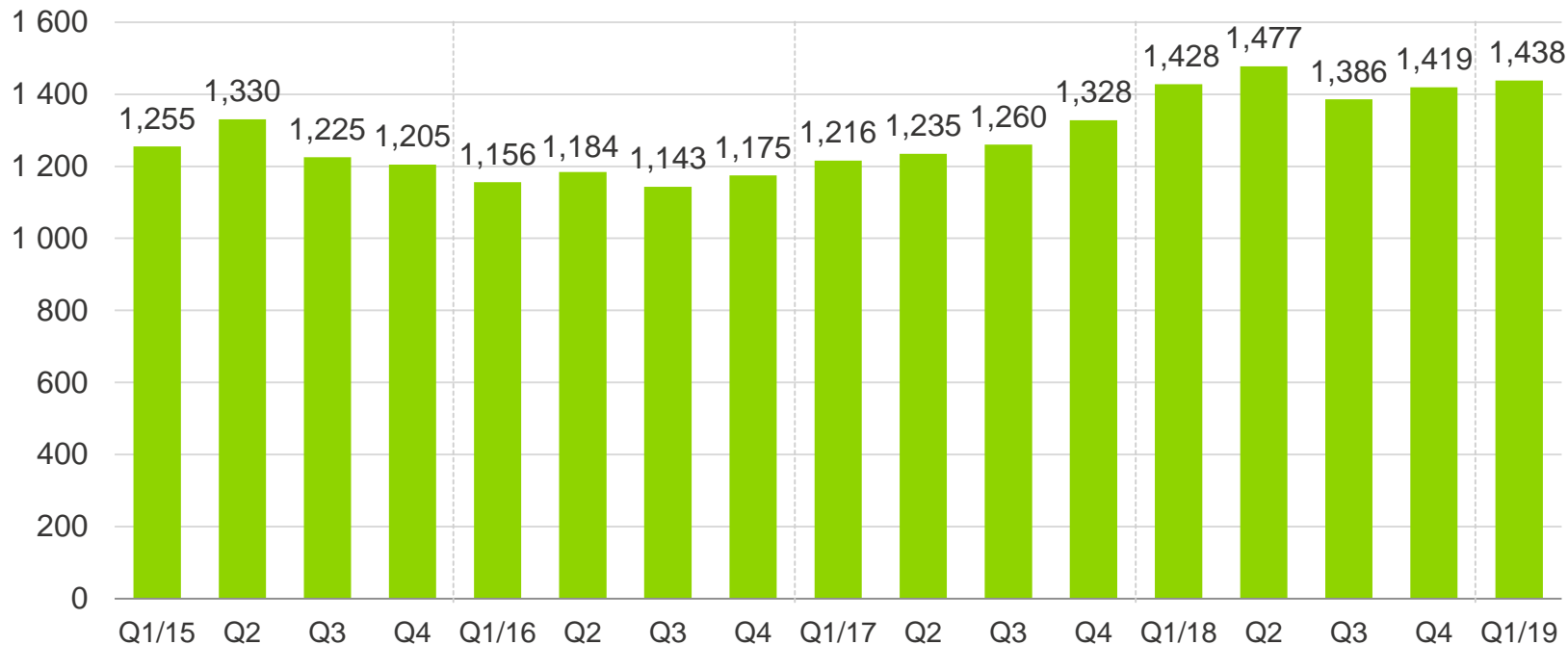
Events in the first quarter of 2019

- Delivery volumes and prices of folding boxboard increased. Delivery volumes of white kraftliner declined
- Market pulp deliveries began to grow after the sudden decline in Q4/2018. The market in China picked up, and prices began to rise. In Europe, prices declined following the price changes in China with a typical delay
- Metsä Fibre invested EUR 30 million in the capacity of the debarking department at the Joutseno mill
- Rest of the production lines at the plywood mill in Pärnu by Metsä Wood were started up. The new Kerto® LVL line in Punkaharju started up for a test run



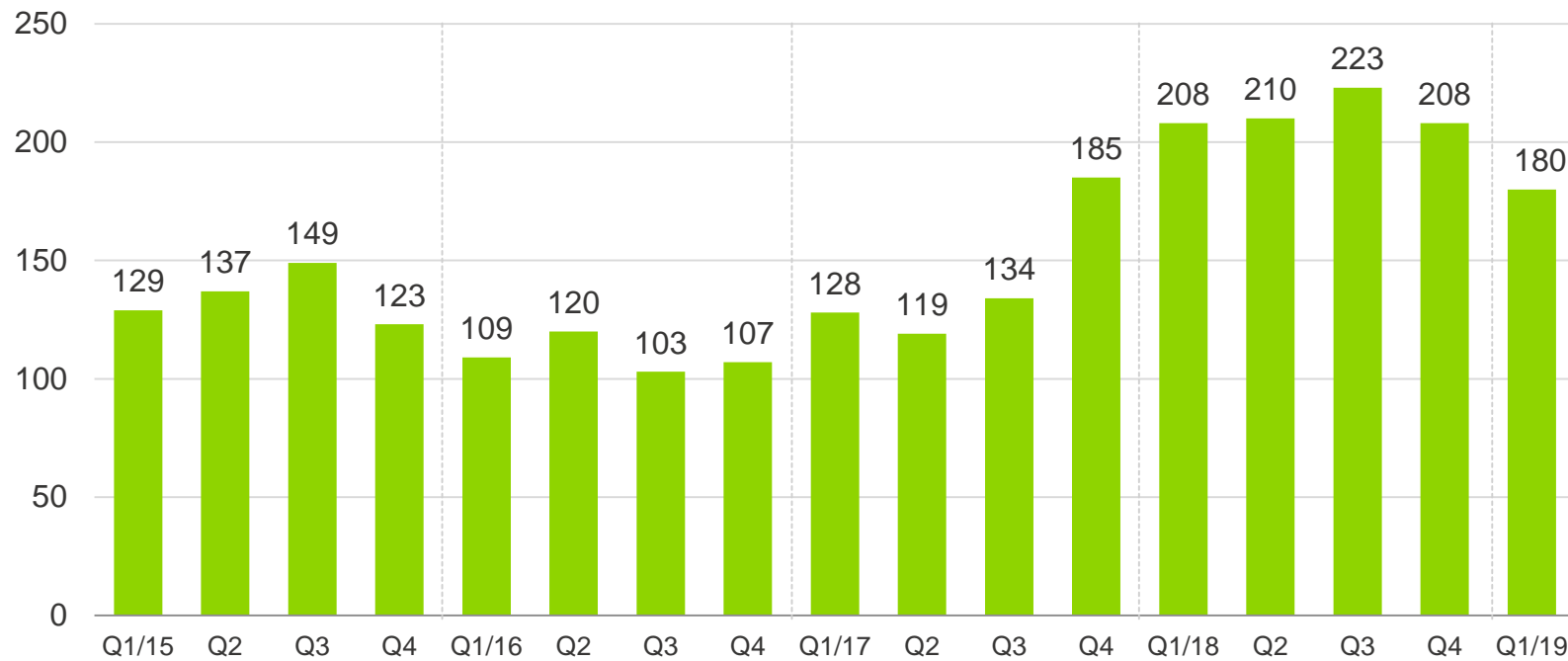
Sales quarterly

EUR million



Comparable operating result quarterly

EUR million



Change in comparable operating result

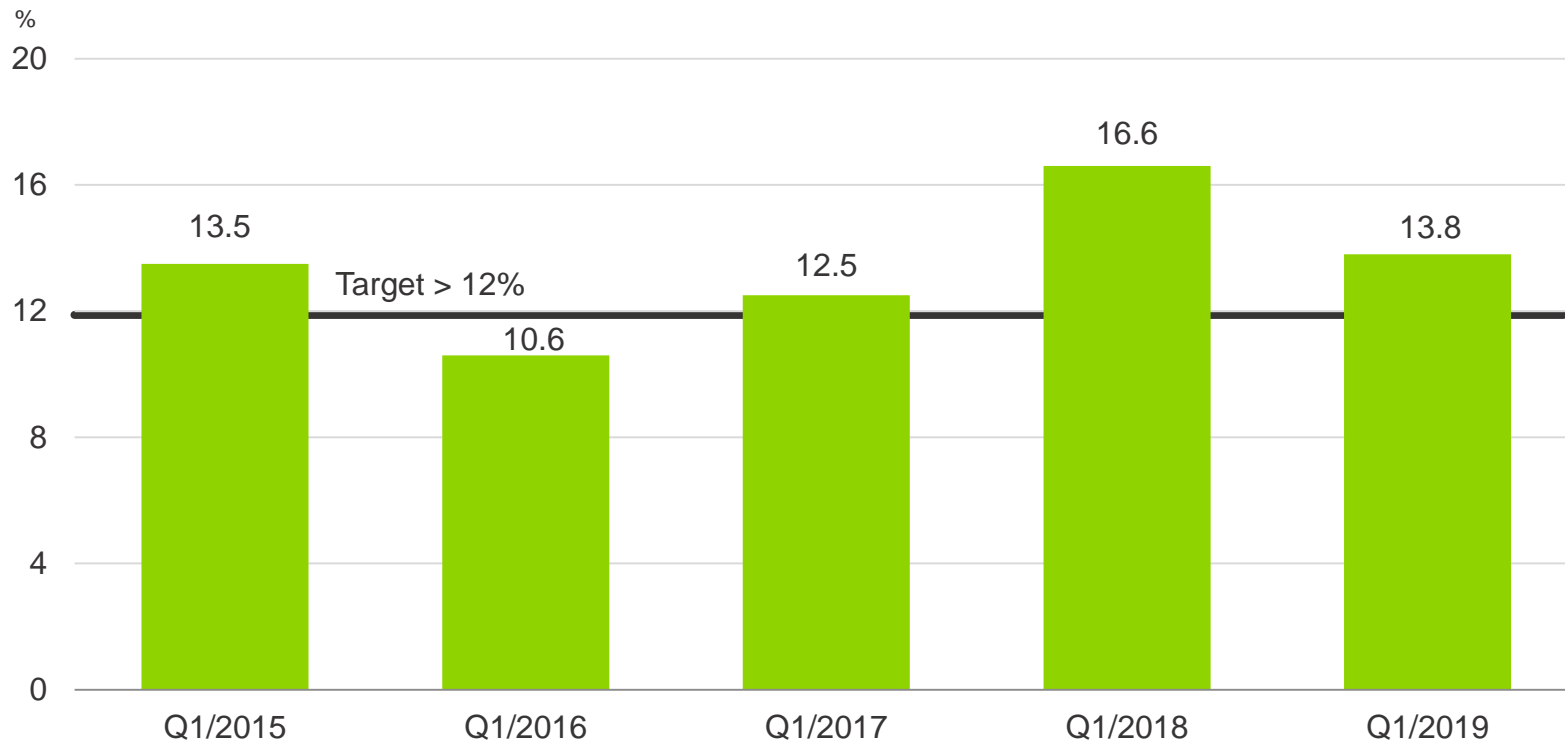
EUR million

Comparable operating result Q1/2018	208
Sales prices	-4
Sales volumes	-2
Exchange rates	28
Raw material and energy	-51
Employee costs	-3
Maintenance and other fixed costs	-7
Depreciations	9
Other	2
Comparable operating result Q1/2019	180

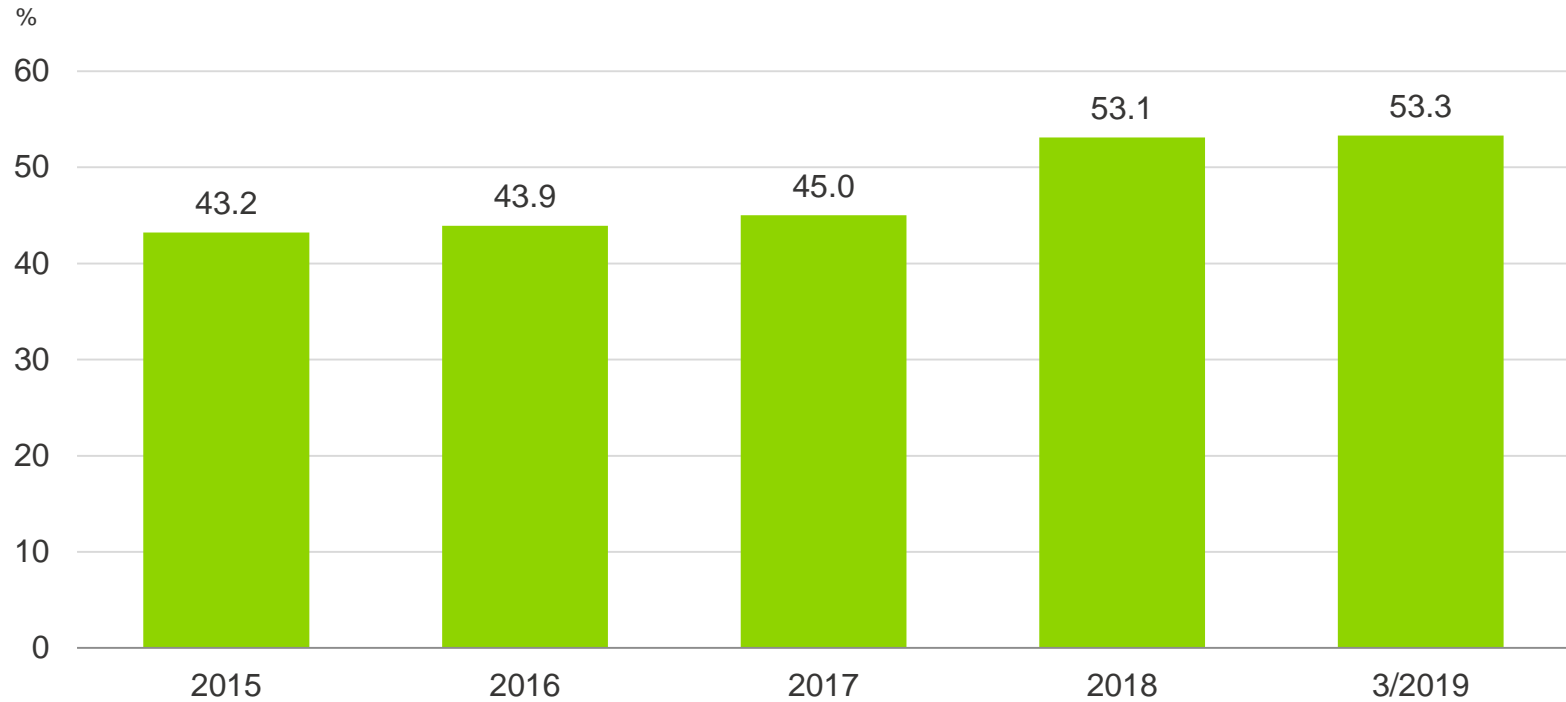
Items affecting comparability

EUR million	Q1/2019
Operating result (IFRS)	183.0
Items affecting comparability:	
Metsä Board / Disposal of the shares in Liaison Technologies Inc.	-3.3
Comparable operating result	179.7

Comparable ROCE

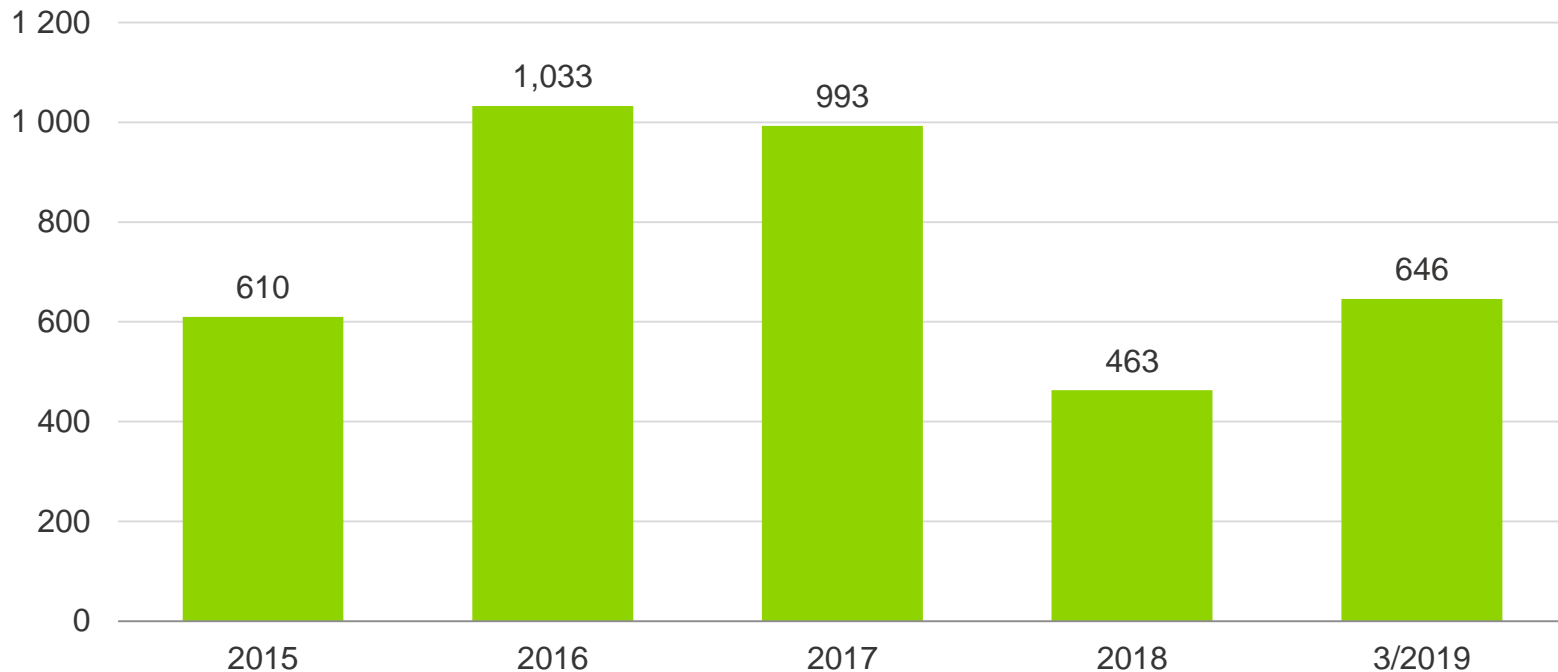


Equity ratio



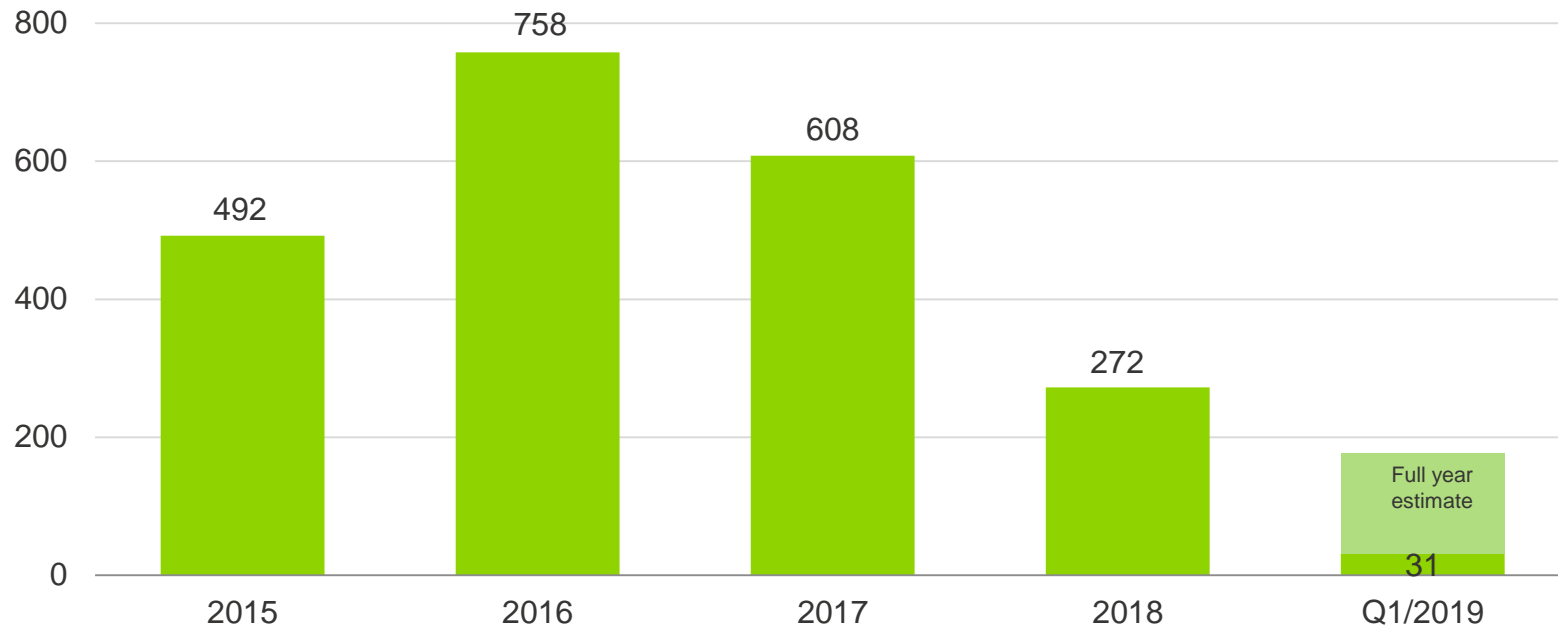
Interest-bearing net liabilities

EUR million

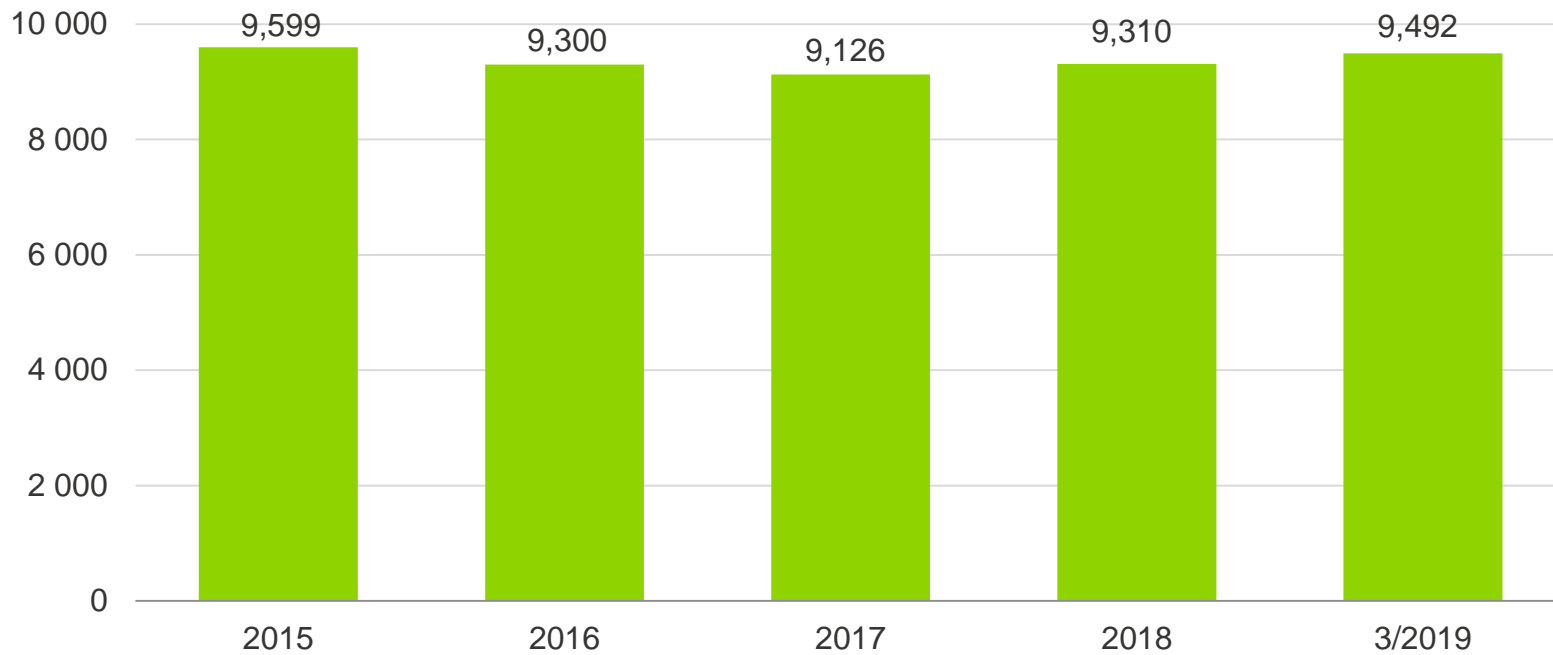


Capital expenditure

EUR million



Personnel

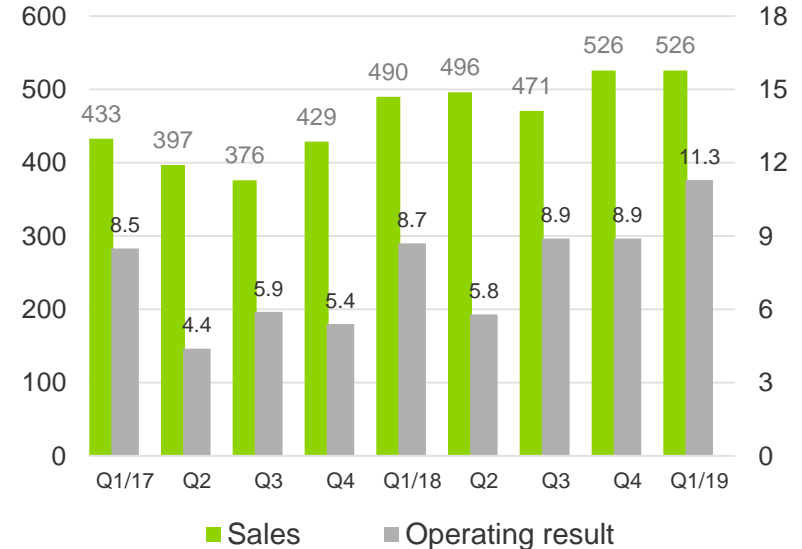


Wood was harvested according to targets

- Wood supply in Finland was steady. Log prices declined slightly, pulpwood prices were stable
- Metsä Forest purchased wood at the same rate as in Q1/2018. Deliveries to customers were carried out smoothly
- Harvesting and transportation conditions were good
- 37% of wood from private forest owners was purchased digitally. In the sale of forest management services, the figure was 50%
- Members of Metsäliitto Cooperative get 70% in advance funding for thinning fit for summer harvesting during 8 Feb and 30 Apr

Sales and comparable operating result

EUR million

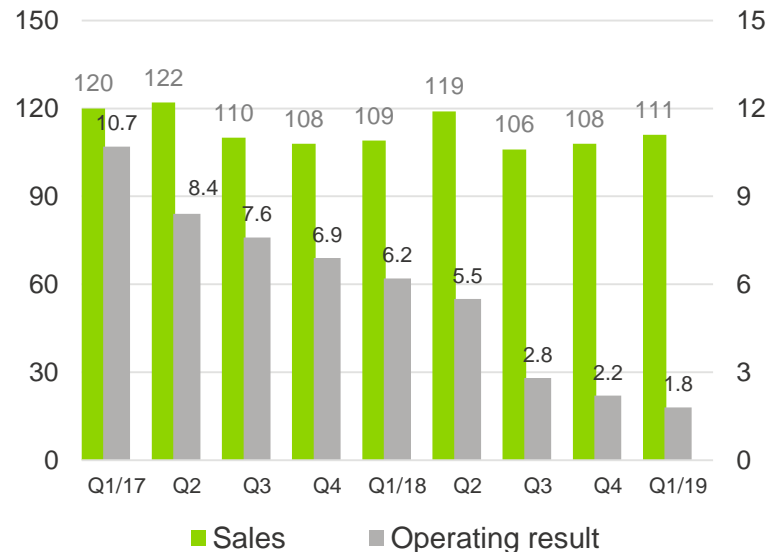


Market situation of birch plywood weakened

- Profitability declined due to the weaker market situation in birch plywood and the costs from the start-up of strategic investments
- Prices of Kerto LVL® products and spruce plywood increased. Prices of birch plywood declined slightly from the previous year
- Production of birch plywood was adjusted in the beginning of the year due to decrease in demand
- Profitability of the UK business improved
- All production lines at the birch plywood mill in Pärnu are running
- The new Kerto LVL line in Punkaharju started up for a production test run

Sales and comparable operating result

EUR million

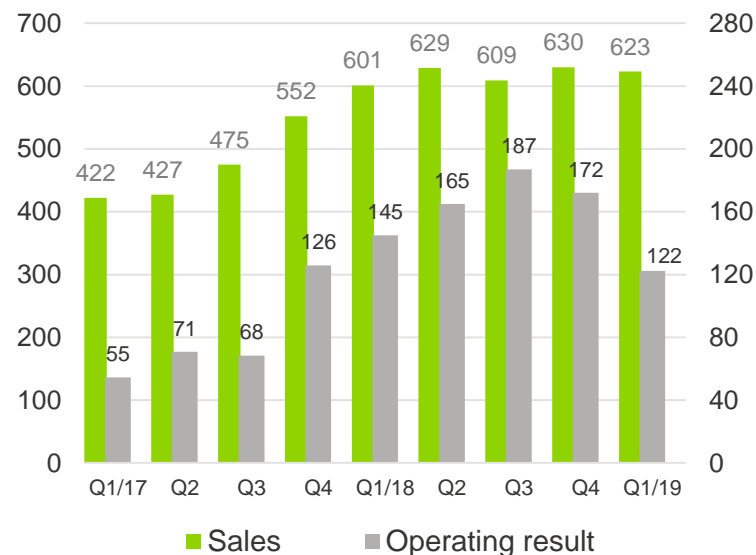


Pulp sales volumes increased

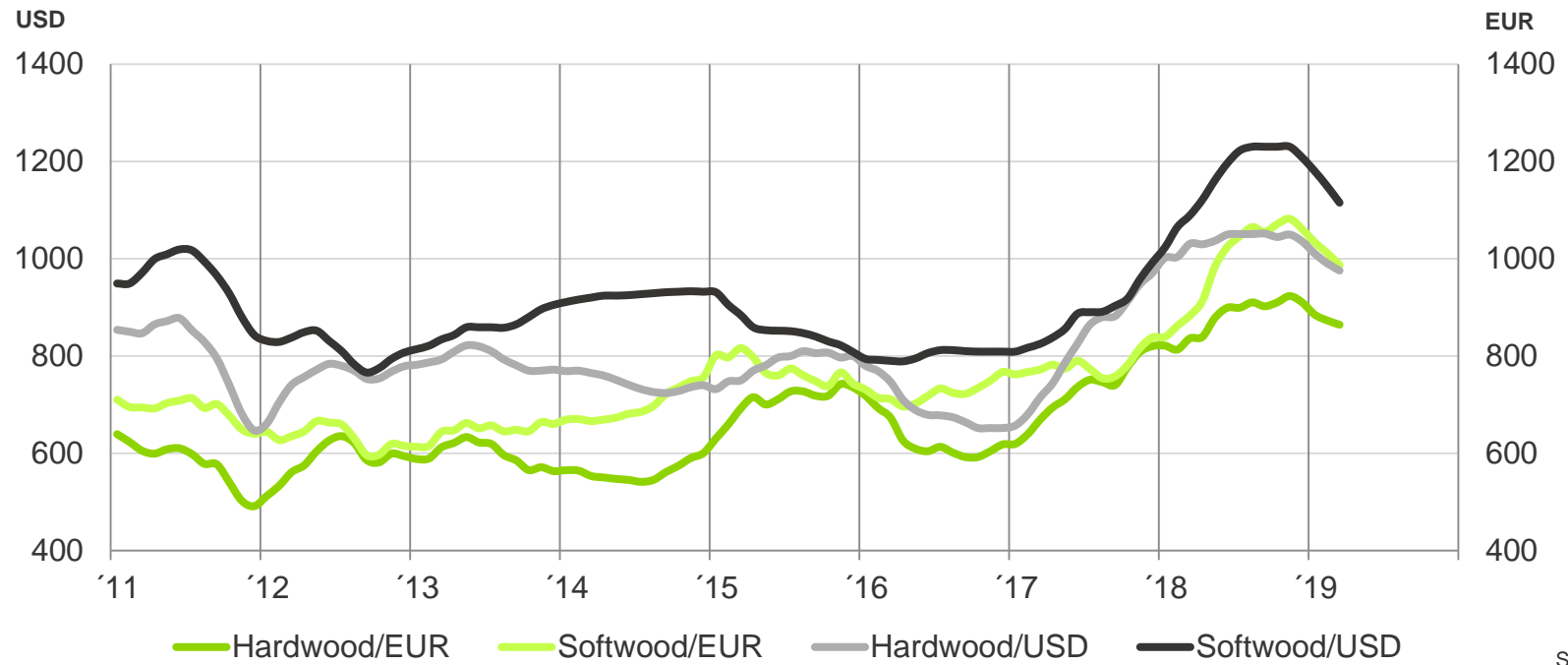
- Sales volume of pulp increased compared to Q1/2018
- Operating result declined mainly due to higher wood costs
- Strengthening of the US dollar had a positive impact on the operating result
- Average prices of long-fibre pulp increased 9%, and the prices of short-fibre pulp decreased 1%
- Demand for softwood pulp in China started to improve and the prices recovered during Q1/2019
- Demand and the price level of sawn timber were below the Q1/2018 level

Sales and comparable operating result

EUR million



Pulp price (PIX) 2011–Q1/2019



Source: Foex

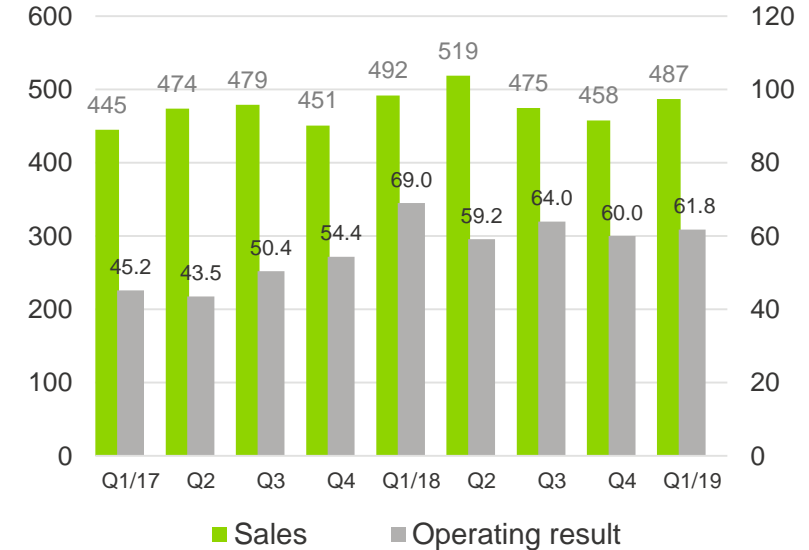


Good development in folding boxboard prices and delivery volumes

- Operating result improved due to the higher prices of folding boxboard and white kraftliner and the increased delivery volumes of folding boxboard
- The production costs of paperboard and pulp were clearly higher than in the comparison period. Wood prices as well as the North American logistics costs increased, in particular
- Exchange rate fluctuations had a positive impact on the result compared to Q1/2018

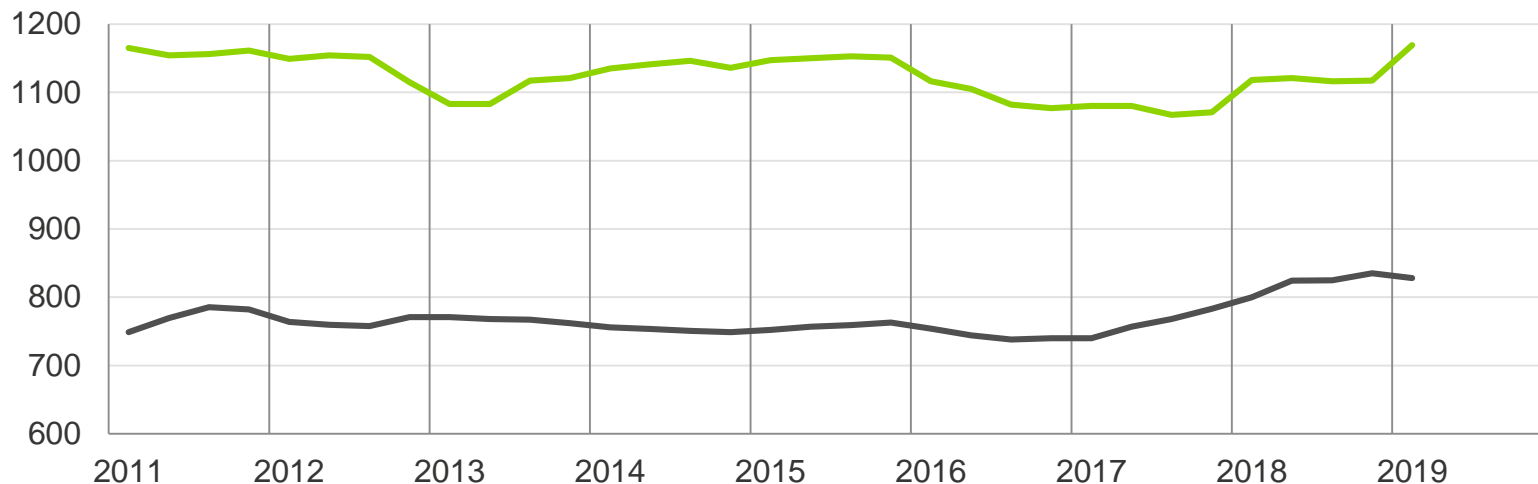
Sales and comparable operating result

EUR million



Prices of folding boxboard and white-top kraftliner in Europe 2011–Q1/2019

EUR/tonne



— Folding boxboard

— White-top kraftliner

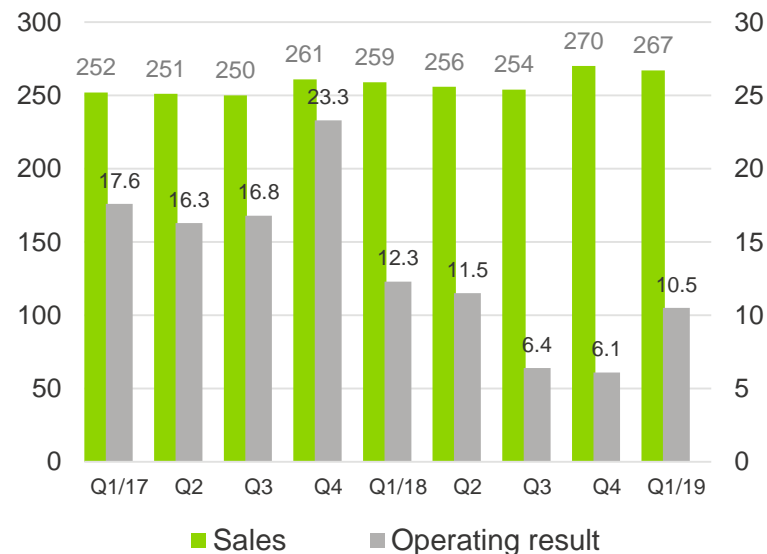
Sources: Fastmarkets RISI & Fastmarkets FOEX

Tissue and Greaseproof papers business is being streamlined

- Sales increased due to higher sales prices. Lower sales volumes and the weakening of the Swedish and Polish currencies had a negative impact on sales
- Lower sales volumes and cost inflation had a negative effect on the operating result
- The operational review proceeded according to plan
- Metsä Tissue commenced a programme aiming to savings in fixed costs of EUR 25 million a year
- Serla introduced a new packaging wrap which relies on recycled plastic and a renewable sugar cane as raw material

Sales and comparable operating result

EUR million



Outlook

- Wood demand focuses on thinning sites to be harvested when the ground is unfrozen and, in terms of energy wood, on crown wood
- Demand for Kerto LVL and spruce plywood remains stable. Uncertainty in the demand for birch plywood and the price competition in the distributor market continue
- Demand for pulp is expected to remain stable. Demand and supply will achieve a balance due to the maintenance shutdowns in Q2/2019. Producers' inventory levels are expected to decrease
- Paperboard deliveries are expected to remain at the same level as in Q4/2018. Prices of folding boxboard in local currencies are expected to remain stable. Weaker demand may have negative impact on the price of kraftliner
- Demand in the tissue and greaseproof paper markets remains stable. Profitability is burdened by the high prices of raw materials



Near-term outlook

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



Make the most of Metsä

