





# Metsä Group Interim Report Q1/2024

President and CEO Ilkka Hämmälä

25 April 2024



# Strikes have a EUR 60 million negative impact on Metsä Group's result

- Sales EUR 1,457 million (Q1/2023: EUR 1,634 million)
- Operating result\* EUR 70 million (276)
- Operating result\* 4.8% of sales (16.9)
- Return on capital employed\* 4.0% (15.3)
- The market situation improved from the previous quarter. However, the comparable operating result was weakened by the decline in sales prices compared to Q1/2023 and the strikes in Finland
- The political strikes will have a negative impact of EUR 60 million, EUR 40 million of which is allocated to the first quarter
- Exchange rate fluctuations had a negative impact of around EUR 4 million on the result



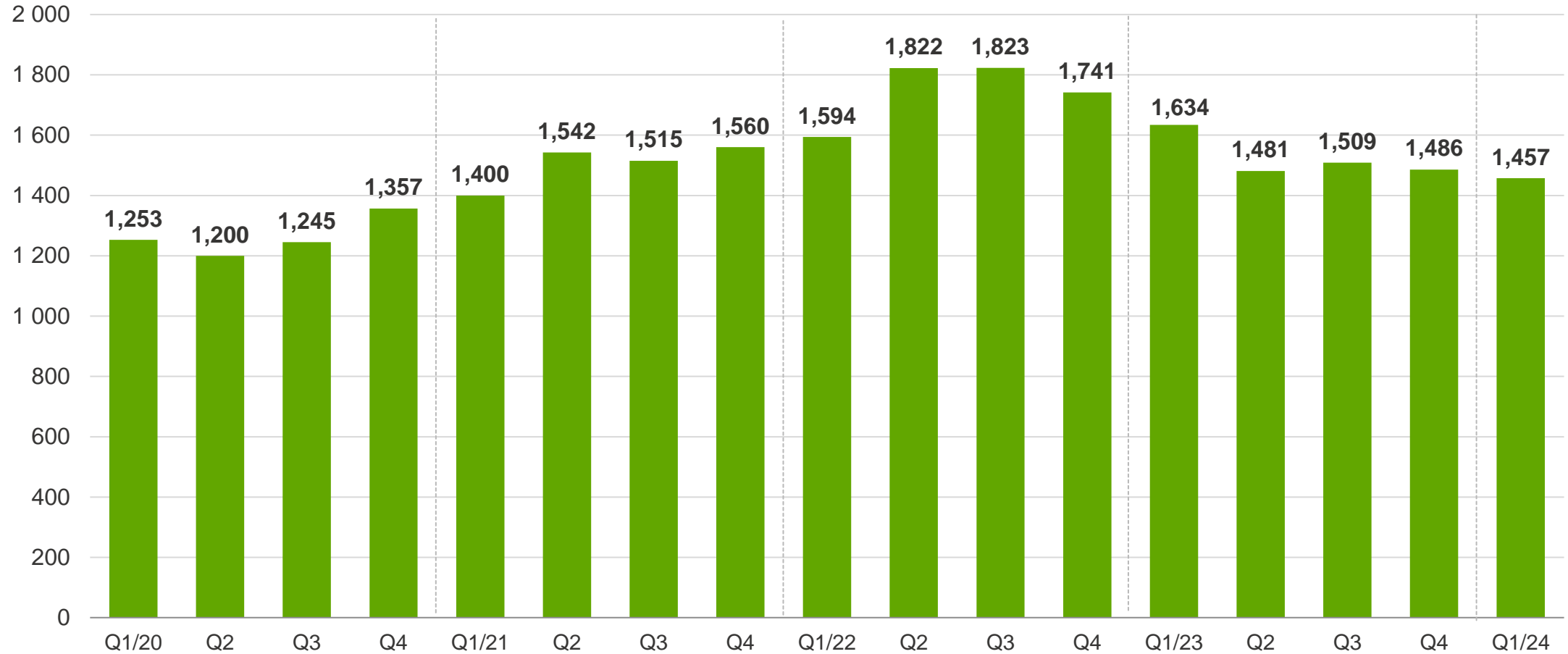
# Recent events

- A 5-year investment programme with a value of EUR 100 million was launched at the Mänttä tissue paper mill
- We announced that the folding boxboard mill in Kaskinen will not be constructed. Instead, Metsä Board launched programmes for new products and investments at its current mills
- We initiated pre-engineering for a mill for wood fibre packaging products and a pre-study for a textile fibre mill
- Metsä Group and Andritz decided to build a demo plant for the development of new lignin products in Äänekoski
- An explosion at the Kemi bioproduct mill's evaporation plant will have negative impact on profit of approximately EUR 100 million in the Q2 2024
- The majority of our 21 mills in Finland were shut down for 2–3 weeks due to the port strike and the strike affecting rail goods transport
- The tissue paper mill investment in Mariestad and the Kerto LVL mill investment in Äänekoski made good progress



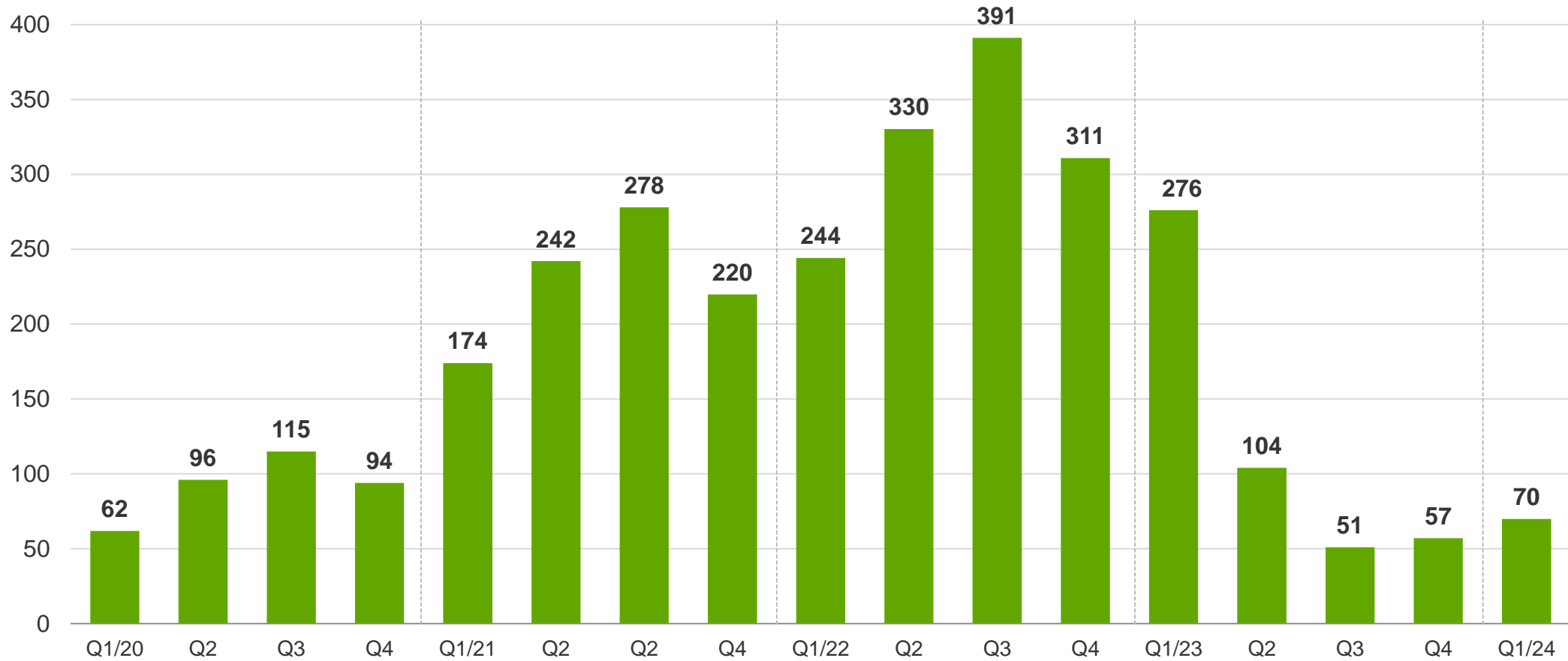
# Sales, quarterly

EUR million



# Comparable operating result, quarterly

EUR million



# Change in comparable operating result

EUR million

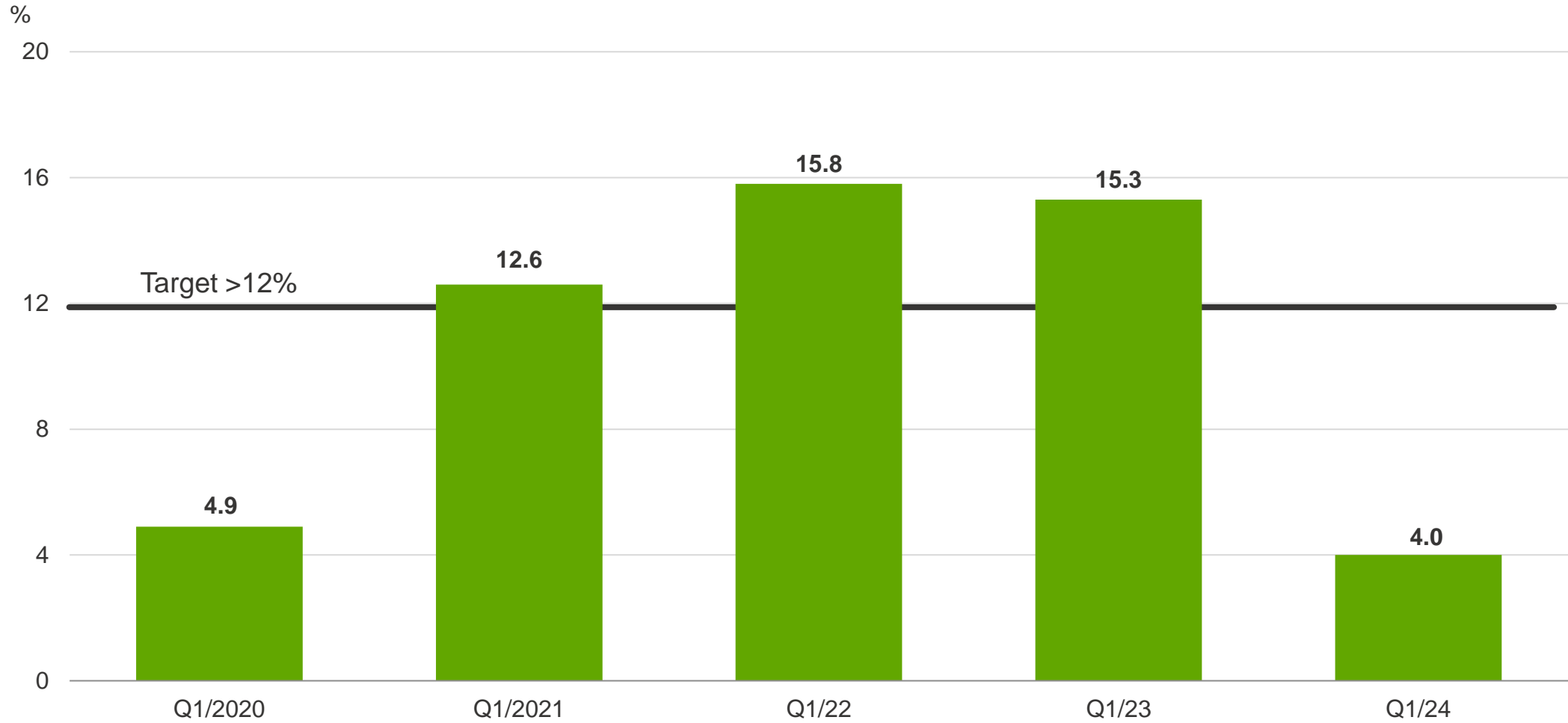
<b>Comparable operating result Q1/2023</b>	<b>276</b>
Sales prices	-146
Sales volumes	1
Exchange rates (after hedging)	-4
Change in the unit costs of wood raw material	-36
Change in the unit costs of raw material, energy and other variable costs	34
Employee costs	5
Maintenance and other fixed costs	-36
Change in inventories (including volume and valuation)	11
Depreciation and other	-34
<b>Comparable operating result Q1/2024</b>	<b>70</b>

# Items affecting comparability

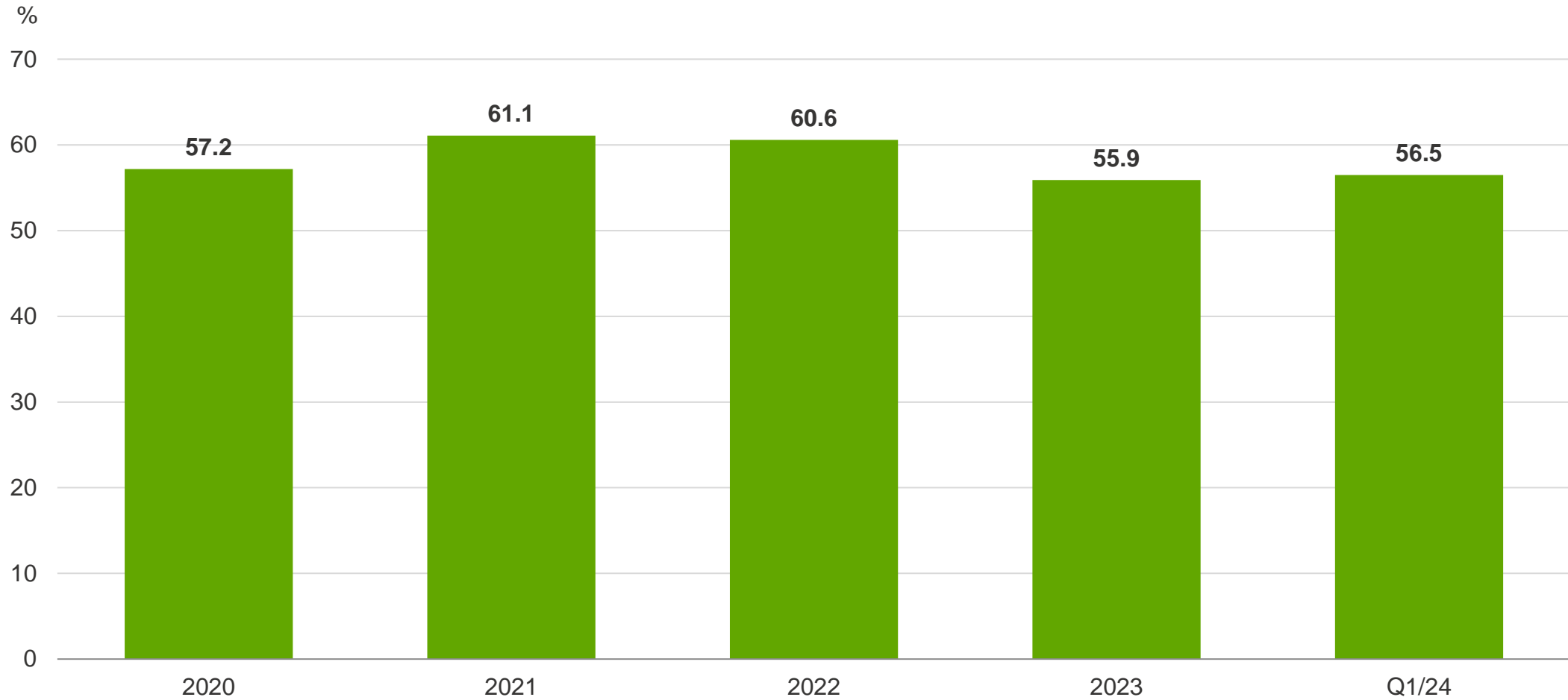
EUR million	Q1/2024
<b>OPERATING RESULT (IFRS)</b>	<b>57.7</b>
Items affecting comparability:	
Write-down of the Merikarvia sawmill	4.6
Write-down of the prefeasibility study for the Kaskinen folding boxboard mill	7.6
<b>Items affecting comparability, total</b>	<b>12.2</b>
<b>COMPARABLE OPERATING RESULT</b>	<b>69.9</b>



# Comparable ROCE

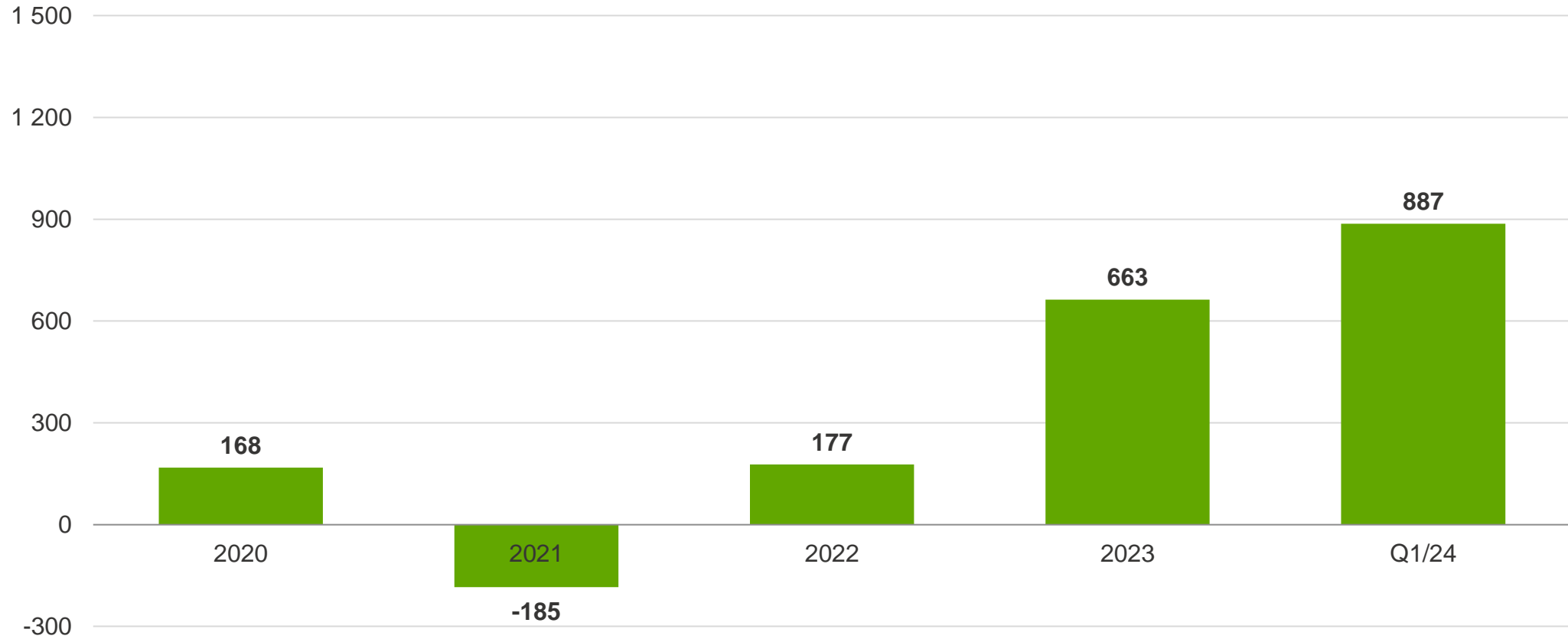


# Equity ratio



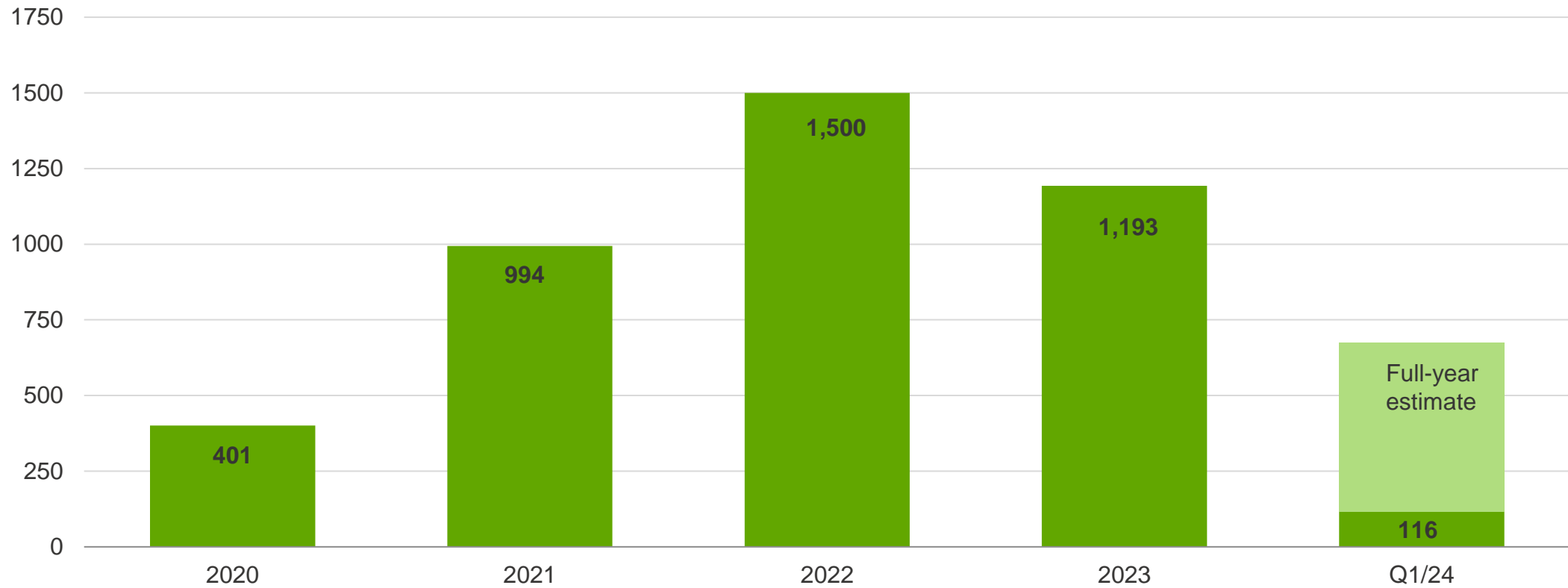
# Interest-bearing net liabilities

EUR million



# Total investments

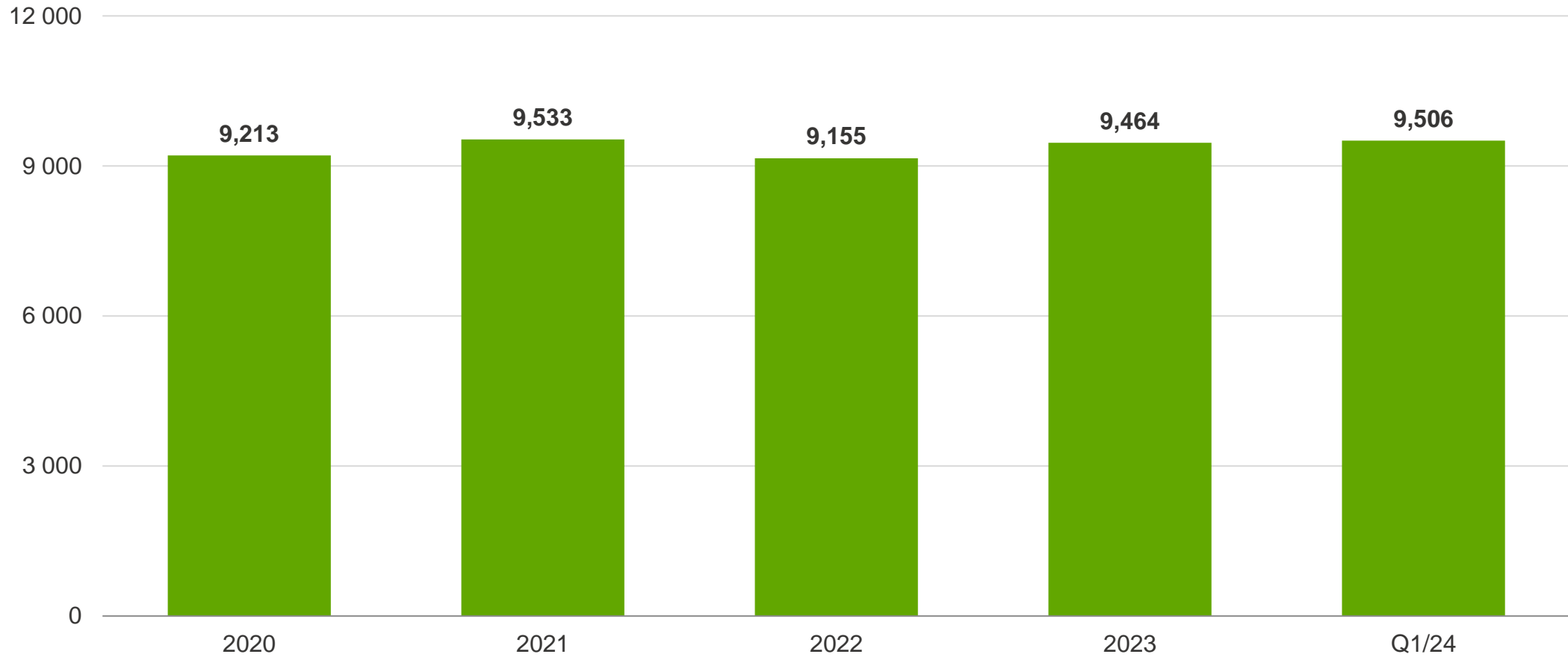
EUR million



Includes investments in leased property



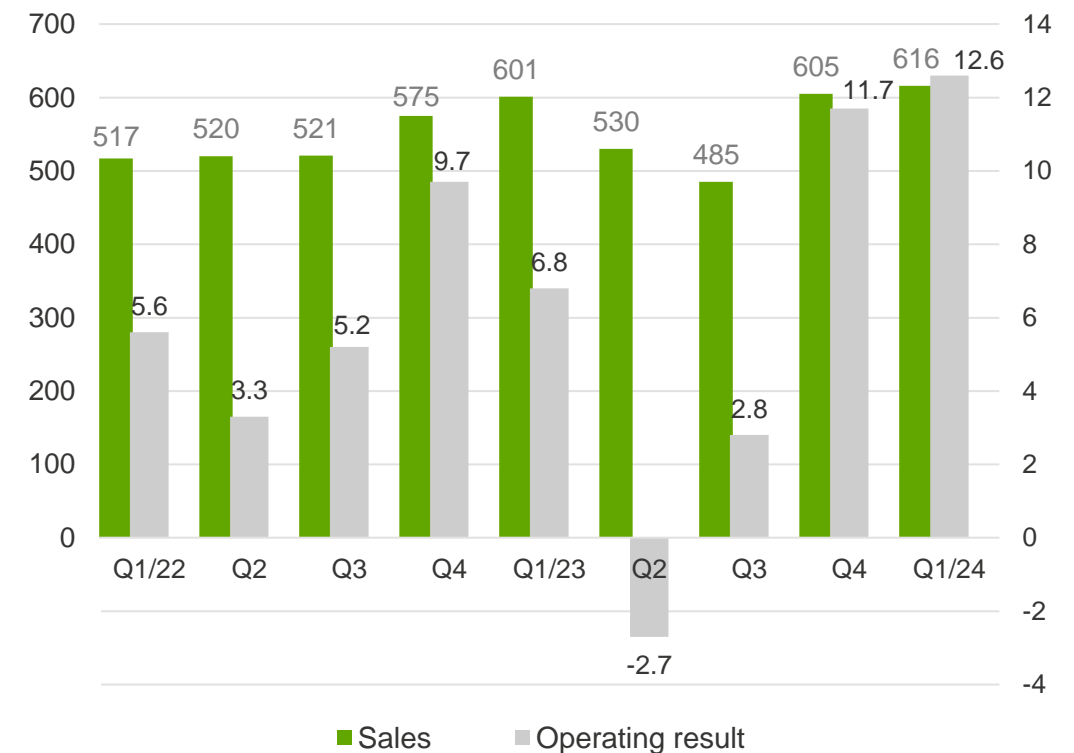
# Personnel



# Wood trade was balanced across the wood supply region

- Wood trade in private forests was normal in Finland
- Log and pulpwood prices increased. Weather conditions for harvesting were excellent except for the frost period in January
- We delivered a total of 8.4 million m<sup>3</sup> of wood (8.8)
- Metsä Group Plus trades, emphasising biodiversity, accounted for nearly 30% of all wood trade. A higher bonus is paid for them in February–April
- Metsä Group will reduce the use of fossil-based chemicals in harvesting by replacing them in stump treatment and by switching to biodegradable oils in the lubrication of harvesters' saw chains
- Metsä Group will expand the use of stem volume-based pricing to regeneration felling and first thinning sites
- Wood supply business in Estonia is sold to Combi Forest OÜ

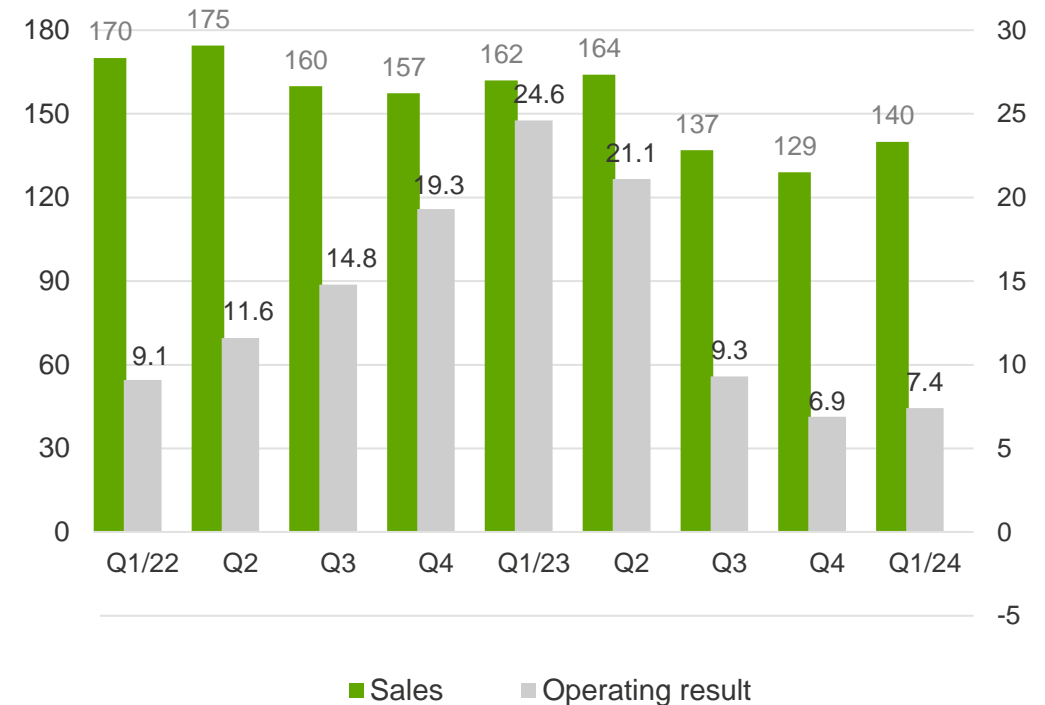
Sales and comparable operating result  
EUR million



# The profitability of wood products remained muted

- Delivery volumes and sales prices decreased in all product groups compared to Q1/2023
- The markets for Kerto LVL and birch plywood remained at a good level. Birch plywood production was curtailed due to the limited availability of birch logs
- The early part of the year was marked by the production shutdowns and delivery challenges caused by the strikes. Higher raw material and logistics prices and challenges in the availability of birch logs weakened profitability
- Construction remained muted in Europe, weakening the demand for spruce plywood in particular
- The Äänekoski Kerto LVL mill's construction and machinery procurement progressed

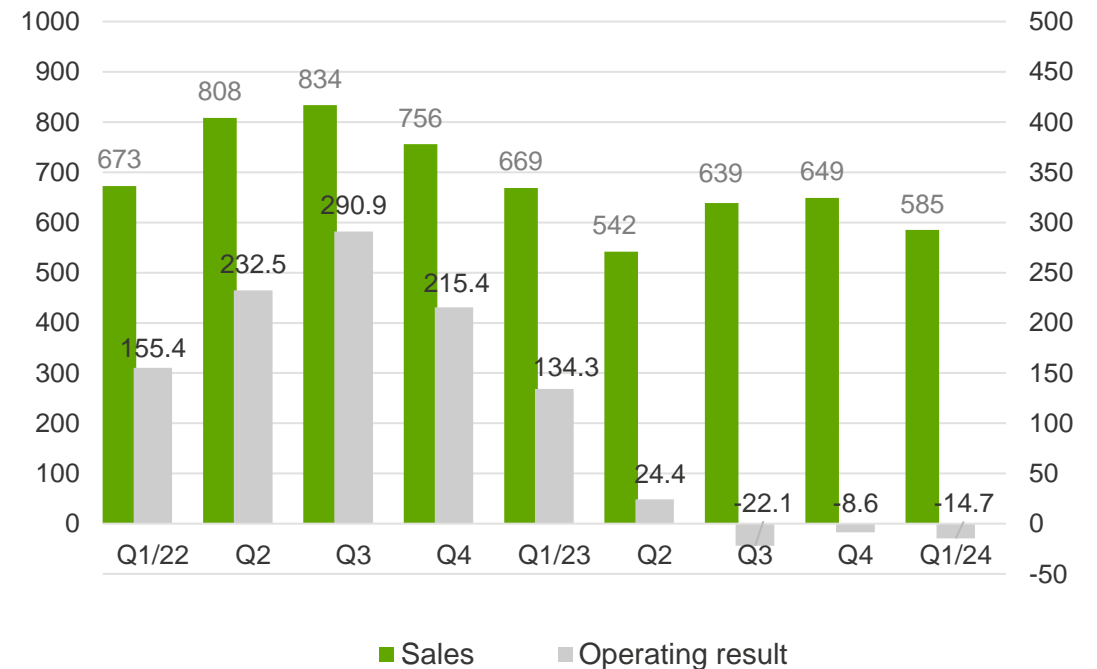
Sales and comparable operating result  
EUR million



# Continued weak result in the pulp and sawmill industry

- Demand for market pulp increased in Europe and North America and continued at a good level in China
- Pulp market prices increased in Europe compared to Q4/2023 and decreased slightly in China
- Lower sales prices and higher wood prices weakened sales and operating result compared to Q1/2023
- The political strikes in Finland affected pulp and sawn timber deliveries
- Sawn timber demand remained at a low level in all the main markets
- The Kemi bioproduct mill is facing a long downtime until the end of June following an explosion on the site
- Sawing operations ended in Merikarvia in early April

Sales and comparable operating result  
EUR million

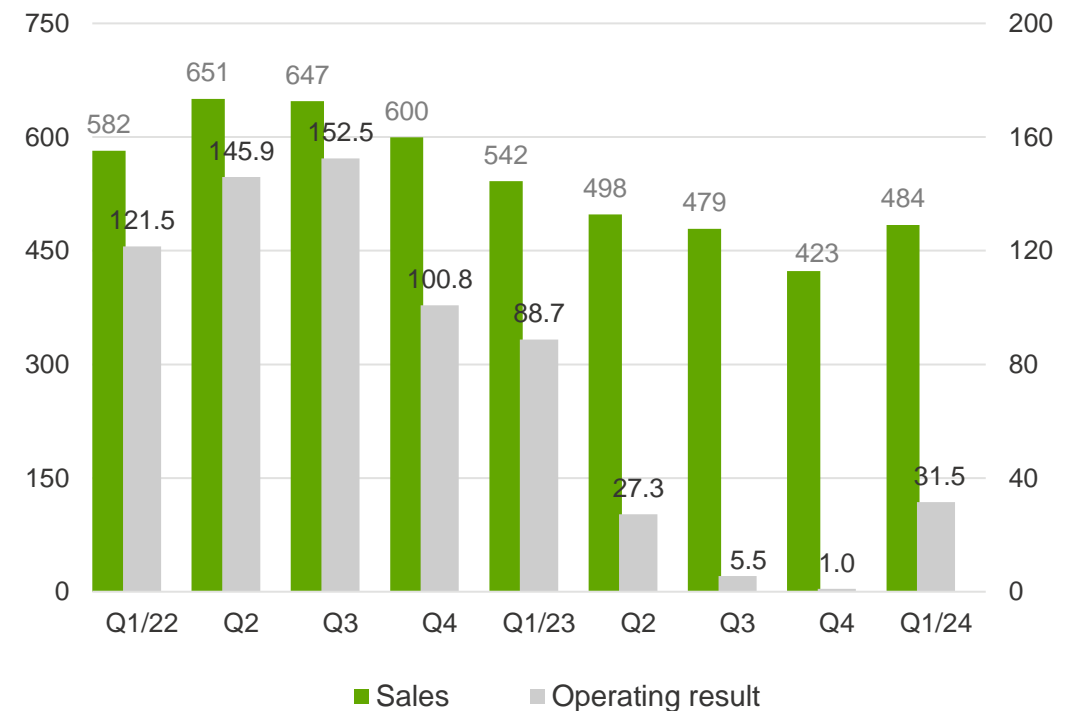




# Paperboard order flows strengthened

- Demand for paperboards picked up substantially from Q1 2024
- The operating result weakened by lower folding boxboard and market pulp prices
- Paperboard delivery volumes remained quite stable, while those of market pulp increased from the comparison period
- Except for wood costs, production costs decreased from the comparison period
- Metsä Board launched programmes for new product options and investments after not proceeding with Kaskinen mill investment. The programmes concern the Kyro, Simpele and Husum mills
- Metsä Board made an investment decision of EUR 60 million to modernise the Simpele folding boxboard machine

Sales and comparable operating result  
EUR million



# The tissue and greaseproof paper market remained at a good level

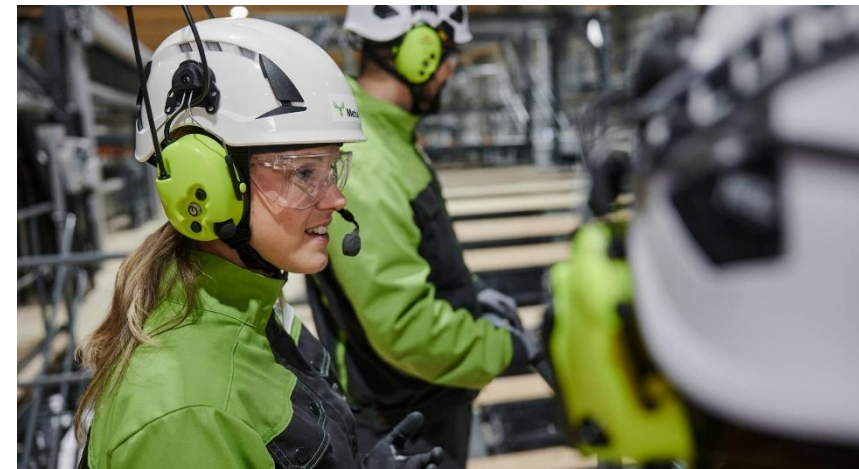
- The operating result decreased but remained good thanks to efficiency improvement and cost management
- Sales volumes and prices were slightly lower than in Q1/2023, and production curtailments continued
- Production costs remain at a high level compared to previous years
- The Mariestad mill's construction is underway, and the first buildings for the new expansion are beginning to rise
- A five-year investment programme with a value of EUR 100 million is being planned for the Mänttä tissue paper mill

Sales and comparable operating result  
EUR million



# Market outlook

- In the US, the strength of residential construction and new customer relationships support demand for Kerto LVL. The demand for birch plywood exceeds supply
- In softwood market pulp, the demand and supply situation is expected to become tighter, and the average pulp price is expected to increase significantly. Softwood pulp supply will be reduced by the long repair downtime of the Kemi bioproduct mill, the global decline in production capacity, and bottlenecks in supply chains
- The demand for sawn timber is expected to improve
- The good demand for paperboards is expected to continue in the second quarter. Paperboard delivery volumes are expected to increase slightly from the first quarter
- As higher costs are weakening the margin levels of tissue and greaseproof papers, near-term measures will be adopted to improve margins





# Near-term result outlook

In April–June 2024, Metsä Group's comparable operating result is expected to weaken from January–March 2024.







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