



Metsä Board

Results for January–March 2022

Presentation material

April 28, 2022

Q1 2022 in brief

- Strong demand for paperboards continued; Metsä Board's paperboard deliveries were at 473,000 tonnes
- Average sales prices of paperboards improved by 20% year-on-year
- No major maintenance shutdowns; a new production record was reached in pulp and BCTMP
- Elevated logistics costs due to the rapid price increase in fuels and global transport availability issues
- Strong financial situation maintained, supporting ongoing investments



Sales

580

EUR million



Comparable operating result

121

EUR million

Comparable ROCE

21.1%

Target > 12%

Interest-bearing net debt

-100

EUR million



Russia's attack on Ukraine

Metsä Board's measures to replace operations related to Russia

FIGURES ARE FROM FY2021

- Paperboard sales to Russia have been discontinued
 - Reallocation to other markets enables Metsä Board to support its customers' growth
 - Reallocation not limited by demand, but rather by bottlenecks in supply chain

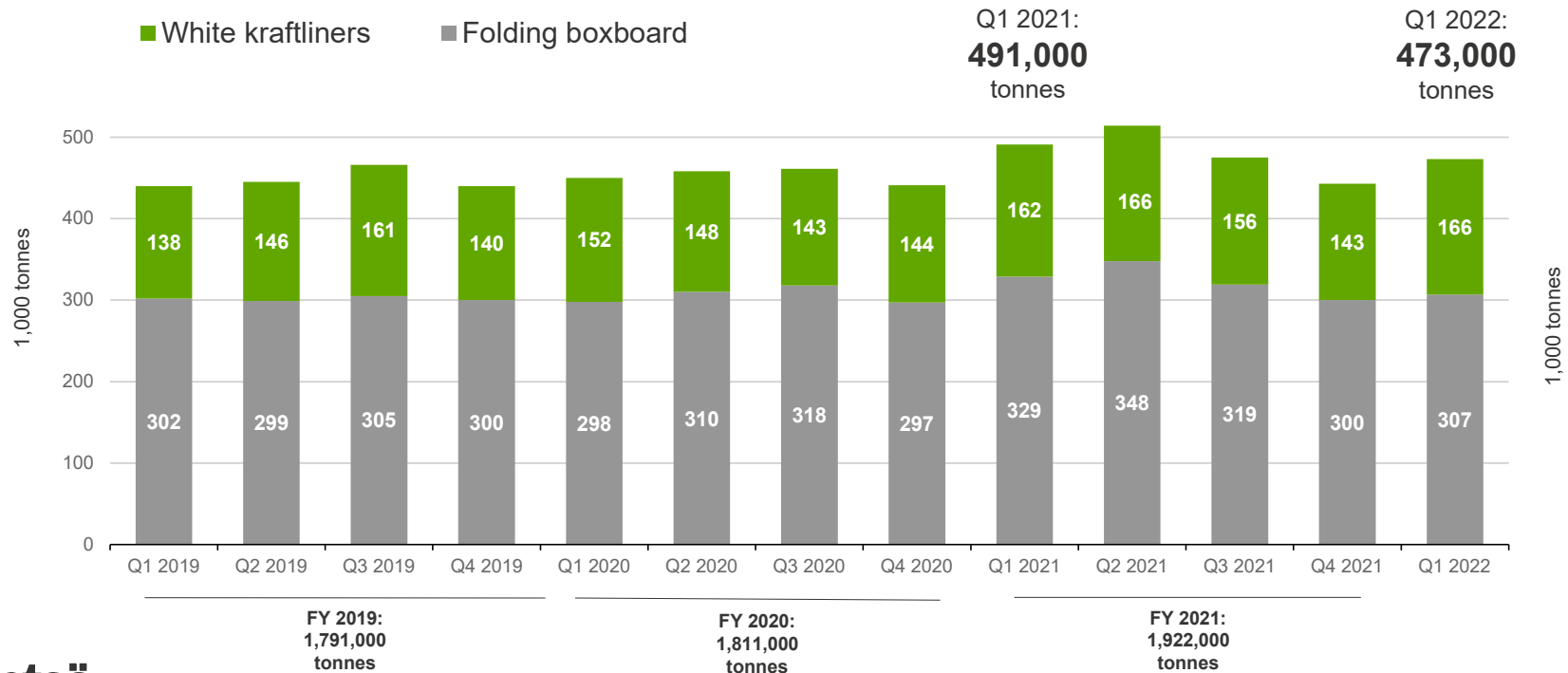
Russia's share of sales 5.6% (130,000 tonnes of folding boxboard deliveries)
- Metsä Group has discontinued wood procurement from Russia
 - Sourcing focused on existing sourcing regions: Finland, Sweden and the Baltic countries

9% of Metsä Board's total wood sourcing from Russia
- Metsä Board is exploring alternatives to using natural gas
 - Short-term: Replacement with LPG, LNG or oil
 - Long-term: All Metsä Board's energy use will be 100% fossil free

Three Metsä Board mills in Finland (Tako, Kyro, Joutseno) are using natural gas

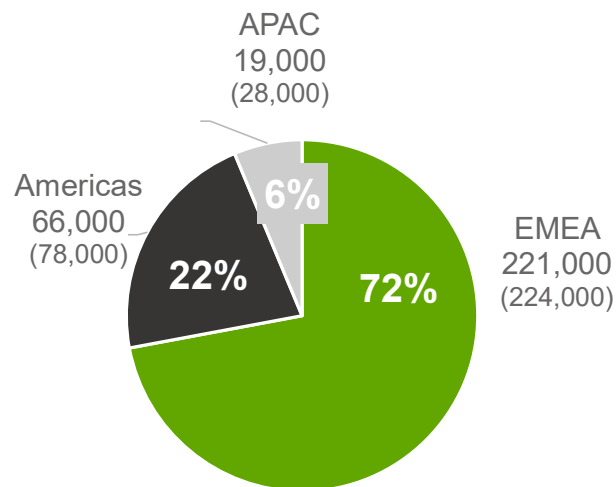
Low stock levels affected paperboard deliveries in Q1 2022

Q1 2022 vs Q1 2021: -4%

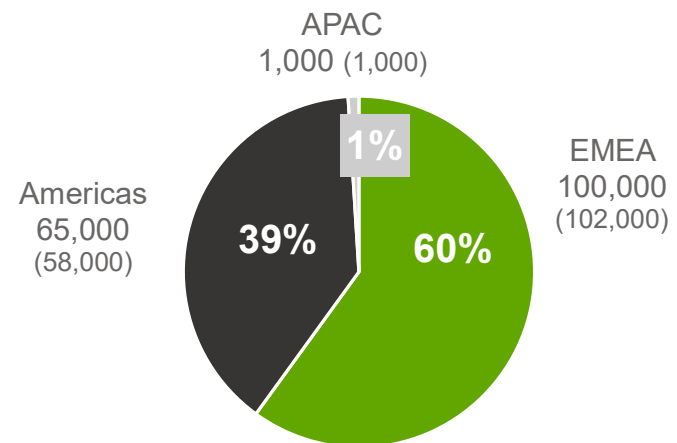


Paperboard sales by market area

FBB deliveries in Q1/2022 (Q1/2021)
total 307,000 tonnes (329,000)



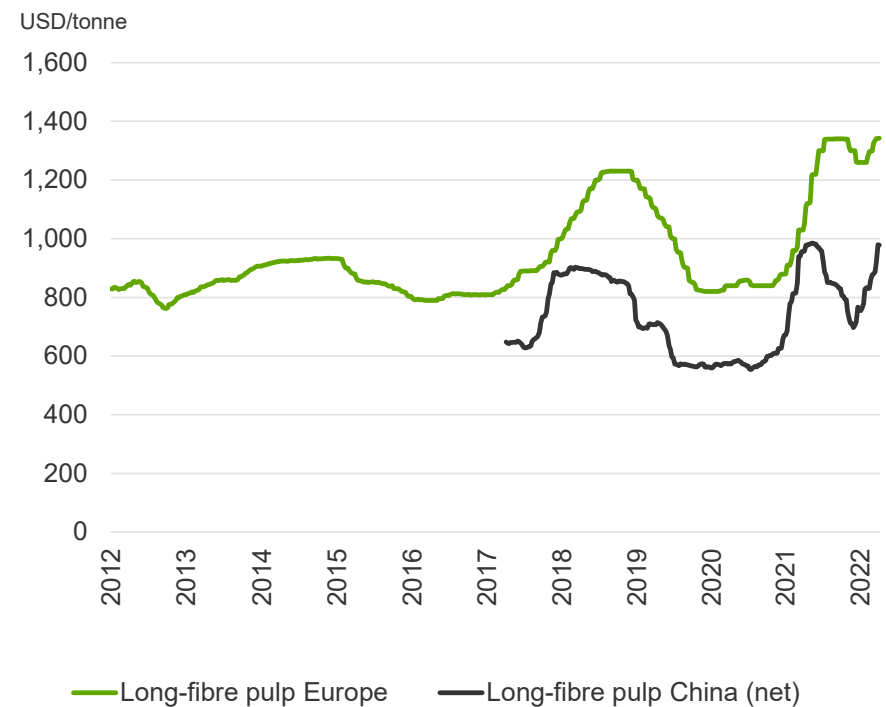
WKL deliveries in Q1/2022 (Q1/2021)
total 166,000 tonnes (162,000)



Market pulp

- Market pulp deliveries in Q1 2022 vs Q1 2021
 - Metsä Board +5% (122,000 vs 116,000 tonnes)
 - Metsä Fibre^{*)} -5% (749,000 vs 787,000 tonnes)
- Good demand in long-fibre market pulp in Europe and China
- Global market pulp supply has reduced due to the bottlenecks in logistics, unplanned production shutdowns and high cost inflation in energy and chemicals
- Imbalance between demand and supply has pushed prices up

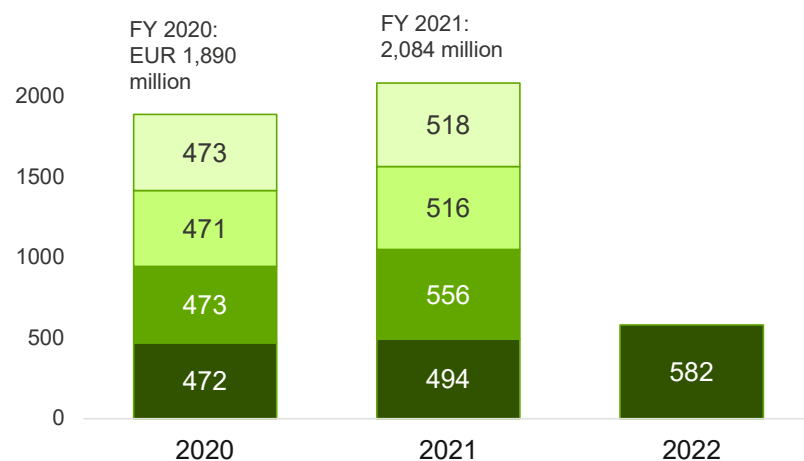
Pulp price (PIX) development in Europe and China



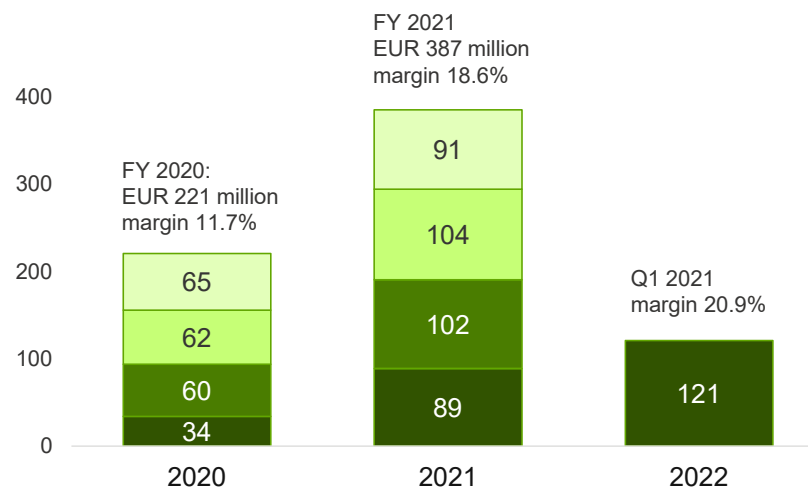
Source: Fastmarkets Foex

Improved sales prices boosted both sales and profitability, operating margin over 20%

Sales, quarterly
EUR million



Comparable operating result, quarterly
EUR million and % of sales



Main items affecting comparable operating result

Q1 2022 vs Q1 2021: +37%
EUR 121 million vs EUR 89 million



Positives:

- Increased average sales prices in paperboards
- Increased market pulp prices
- Sale of emission allowances

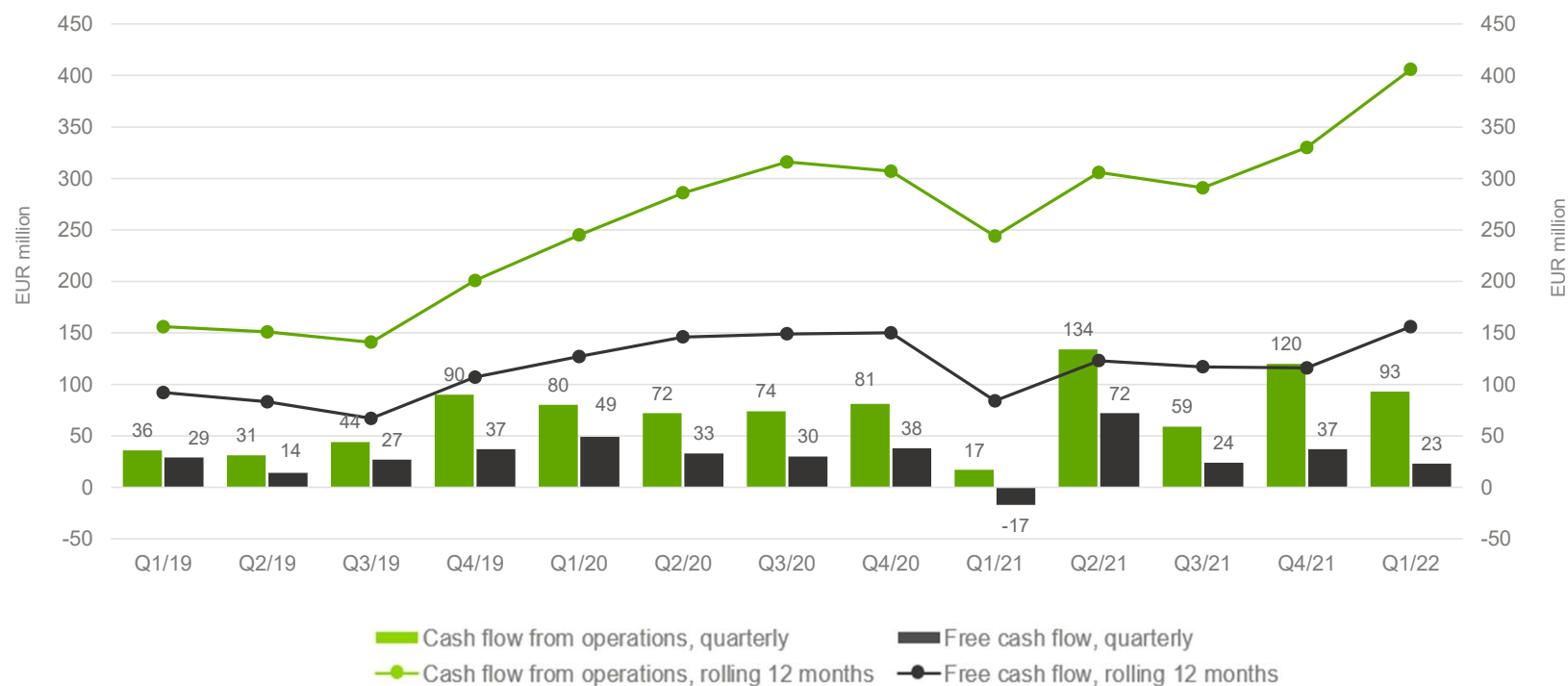


Negatives:

- Rapid cost inflation in chemicals, energy and logistics, higher fixed costs
- Lower delivery volumes in paperboard
- FX after hedges

Strong profitability reflected in operating cash flow

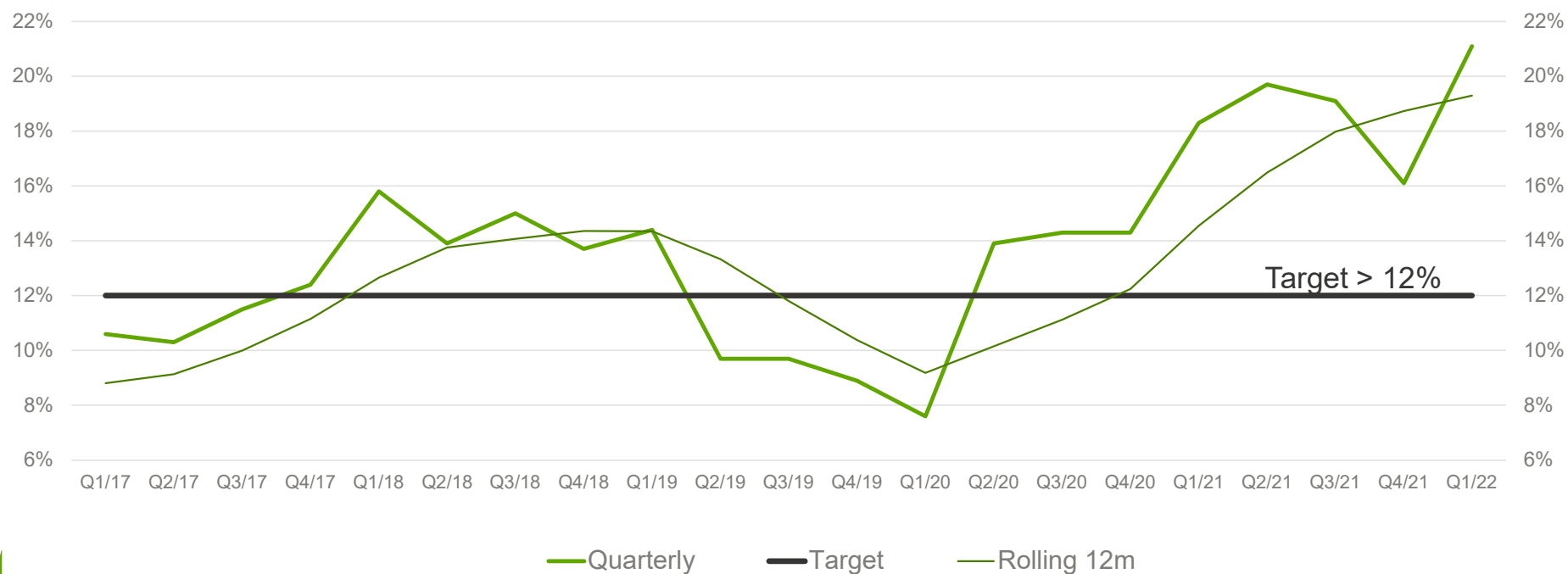
Q1 cash flow includes the dividend from Metsä Fibre, EUR 59 million



Free cash flow = cash flow from operations – investments in intangible and tangible assets

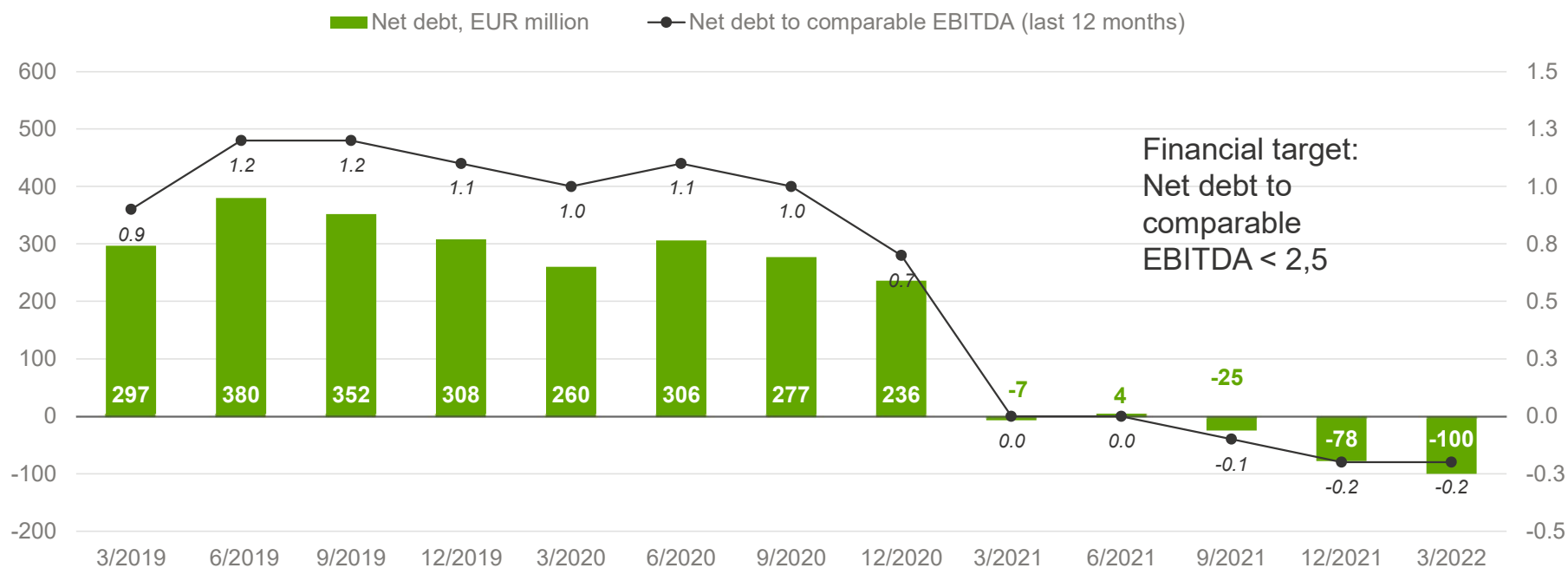
Q1 2022 comparable ROCE at 21.1%

Comparable return on capital employed, %
Quarterly and rolling 12 months



Net debt and leverage remained negative

31 March 2022: Net debt EUR -100 million, comparable EBITDA R12: EUR 502 million

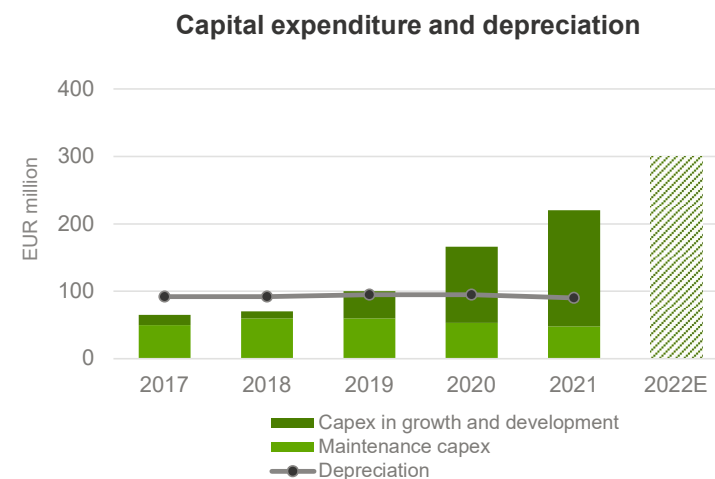


Investing in sustainable growth

- **Husum pulp mill renewal**, first phase
 - No new pulp capacity, higher energy self-sufficiency
 - EUR 360 million, expected start-up September 2022
 - Second phase will follow during 2020s
- **Folding boxboard capacity expansion** in Husum
 - +200,000 t/a folding boxboard
 - EUR 210 million, expected start-up H2 2023
- **Kemi paperboard development** programme
 - +40,000 t/a white kraftliner, improved water and energy use
 - EUR 67 million, expected start-up H2 2023
- Total capex for 2022 is estimated at EUR 300 million, of which annual maintenance capex is EUR 50–60 million
- Q1 2022 total capex* EUR 107 million



*) Includes the impacts of the acquisition of Hämeenkyrön Voima



Near-term outlook

April–June 2022

- Strong demand for paperboards continues
- Metsä Board's paperboard delivery volumes expected to remain stable, average sales prices expected to increase compared to Q1 2022
- Demand for market pulp is expected to remain good. Several factors limit supply
- Increased maintenance shutdowns compared to Q1
- Cost inflation continues in logistics, energy and chemicals





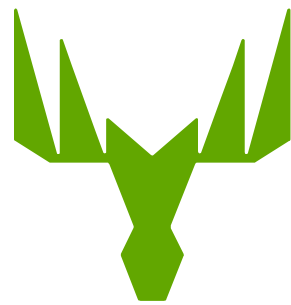
Result guidance

Metsä Board's comparable operating result in April–June 2022 is expected to improve compared to January–March 2022 (EUR 121.5 million)

Summary

- Another record high quarter, supported by higher paperboard prices
- Strong demand for sustainable fresh fibre paperboards continues
- Cost inflation remains high, especially in logistics
- Russia's attack on Ukraine impacts Metsä Board's operations and weakens visibility





Metsä

Appendix

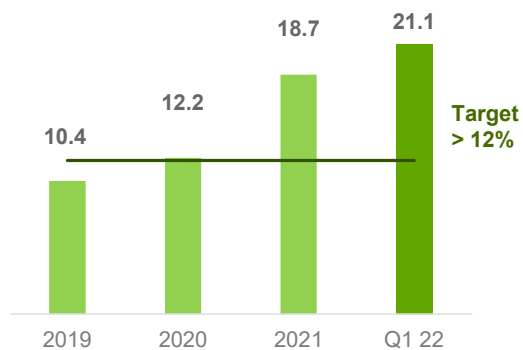
Key financials

		Q1/22	Q1/21	Change Q1/22 vs Q1/21	Q4/21	FY/21
Sales	EUR, m	582	494	18%	518	2,084
EBITDA*	EUR, m	143	112	27%	109	472
Operating result*	EUR, m	121	89	37%	91	387
% of sales*	%	20.9	18.0		17.6	18.6
Metsä Fibre's share of operating result*	EUR, m	31	13		35	123
Earnings per share	EUR	0.31	0.18	76%	0.19	0.82
ROCE*	%	21.1	18.3		16.1	18.7
Total investments	EUR, m	107	35	206%	87	220
Cash flow from operations	EUR, m	93	17	453%	120	330
IB Net debt, at end of period	EUR, m	-100	-7		-78	-78

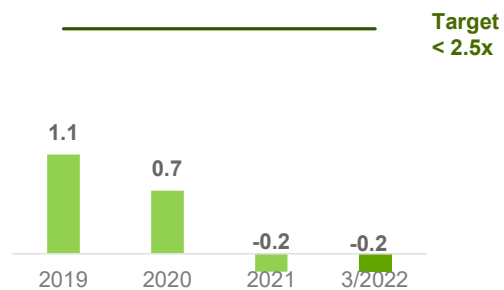
*comparable

Long-term financial targets

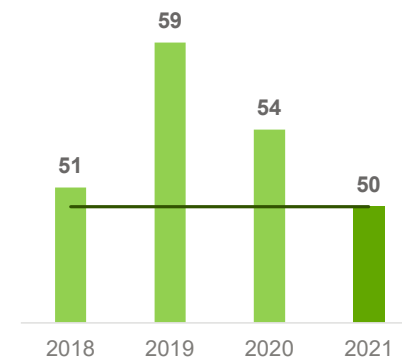
Comparable ROCE:
Target at least 12%



**Net debt/
comparable EBITDA:**
Maximum level 2.5x



Dividend policy:
Payout ratio at least 50%
of net result



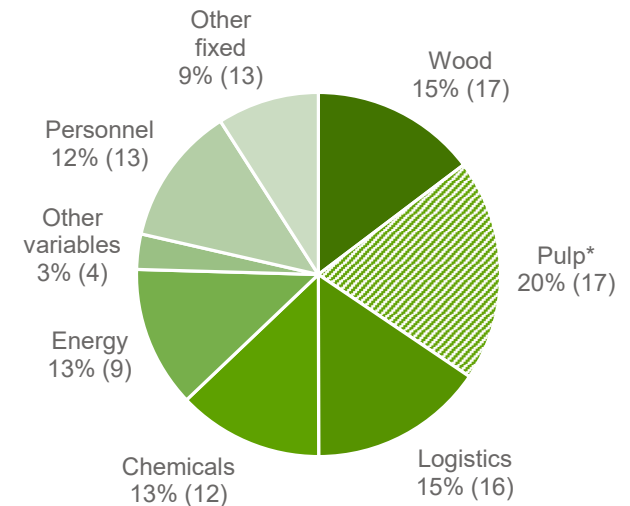
Cost inflation continued in Q1 2022

- Cost inflation continued in Q1 2022 especially in logistics, energy and chemicals. Logistics costs increased due to the reduced availability of transportation equipment and higher fuel prices
- High cost level is expected to continue in 2022
- Total costs in 2021 were EUR 1,747 million (2020: 1,532)
 - Main increases in energy (higher electricity prices), chemicals (e.g. latex, PE) and logistics



Metsä Board's cost structure in 2021

Total costs EUR 1,747 million (1,532)



*) **Pulp**: Metsä Board purchases all external pulp from its associated company Metsä Fibre, of which Metsä Board owns 24.9%.

Metsä Fibre's pulp cost structure in 2021: Wood 57%, Chemicals 11%, Logistics 10%, Personnel 5%, Other 17%.

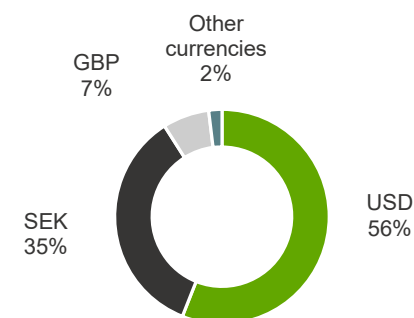
Impacts of FX changes

- Impact including hedges, actual
 - Q1 2022 vs Q4 2021: EUR +3.8 million
 - Q1 2022 vs Q1 2021: EUR -3.5 million
- Estimated impacts including hedges
 - Q2 2022 vs Q1 2022: slightly positive
 - Q2 2022 vs Q2 2021: slightly positive

At the end of the review period, an average of 8.5 months of the net foreign currency exposure was hedged. In addition to the balance sheet position of trade receivables and trade payables, half the projected annual net foreign currency exposure at the normal level is hedged.



Annual transaction exposure
total EUR 1.5 billion



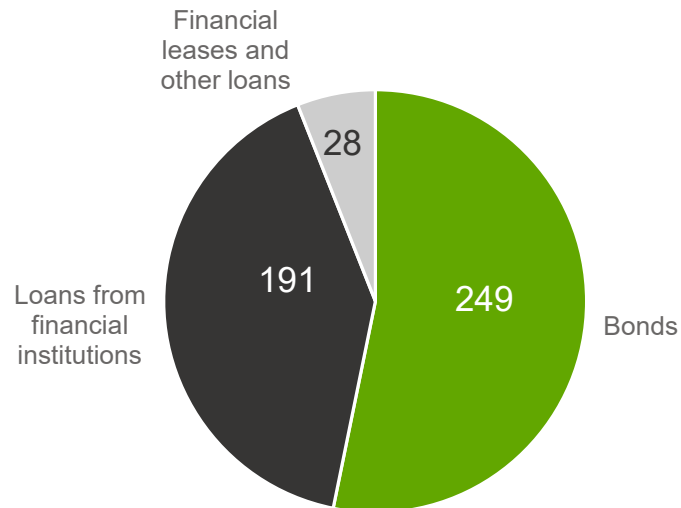
FX sensitivities excluding hedges

10% strengthening of foreign currency vs EUR would have an impact on Metsä Board's EBIT of

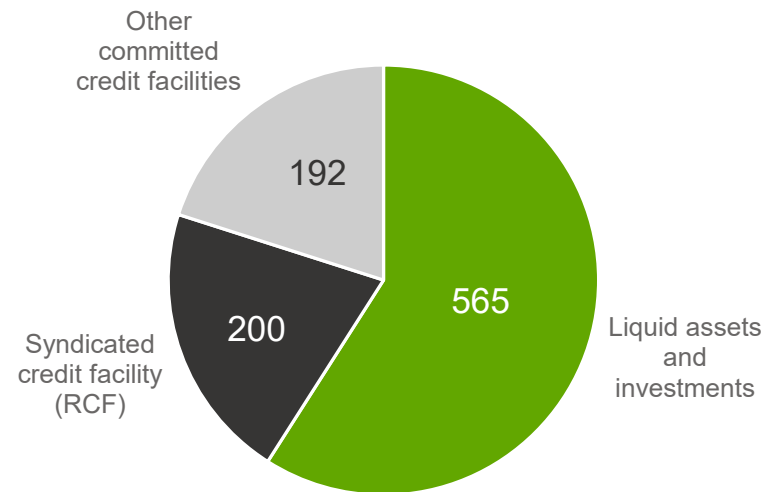
Currency	Next 12 months
USD, \$	EUR +86 million
SEK, kr	EUR -54 million
GBP, £	EUR +10 million

Debt structure and liquidity

Interest-bearing debt
EUR 468 million



Liquidity
EUR 957 million



Liquidity is complemented by

- Metsä Group's internal undrawn short-term credit facility of EUR 150 million and
- Undrawn pension loans of EUR 210 million.

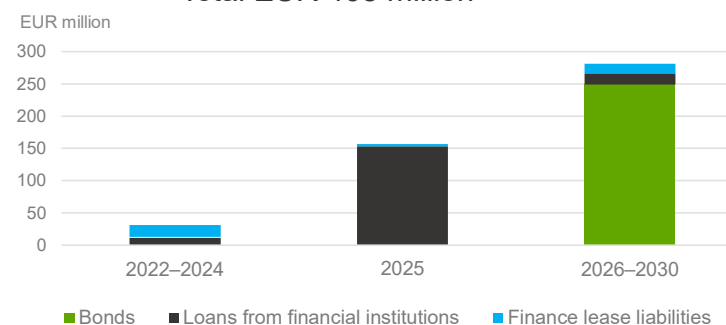
Debt maturity and credit ratings

31 March 2022

- Total interest-bearing debt was EUR 468 million and net debt was EUR -100 million
- The average interest rate on loans at the end of the review period was 2.3%, and the average maturity of long-term loans was 4.5 years
- Net financial costs including foreign exchange differences were:
 - Q1 2021: EUR 1.6 million
 - FY 2021: EUR 10 million



Maturity of interest-bearing debt Total EUR 468 million



Metsä Board's credit ratings are investment grade

Rating agency	Rating and outlook	Last update on rating
S&P Global	BBB-/stable	02/2018
Moody's Investor Services	Baa3/positive	01/2019

Market cap and ownership distribution

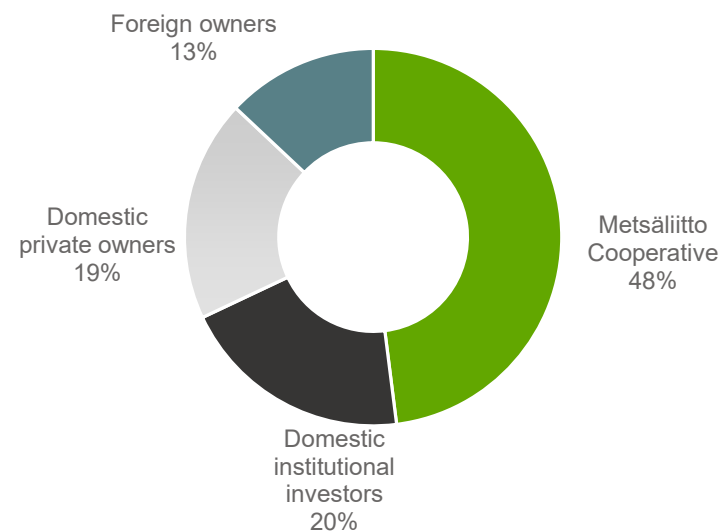
Metsä Board has two share series, A and B shares

Market cap and foreign owners

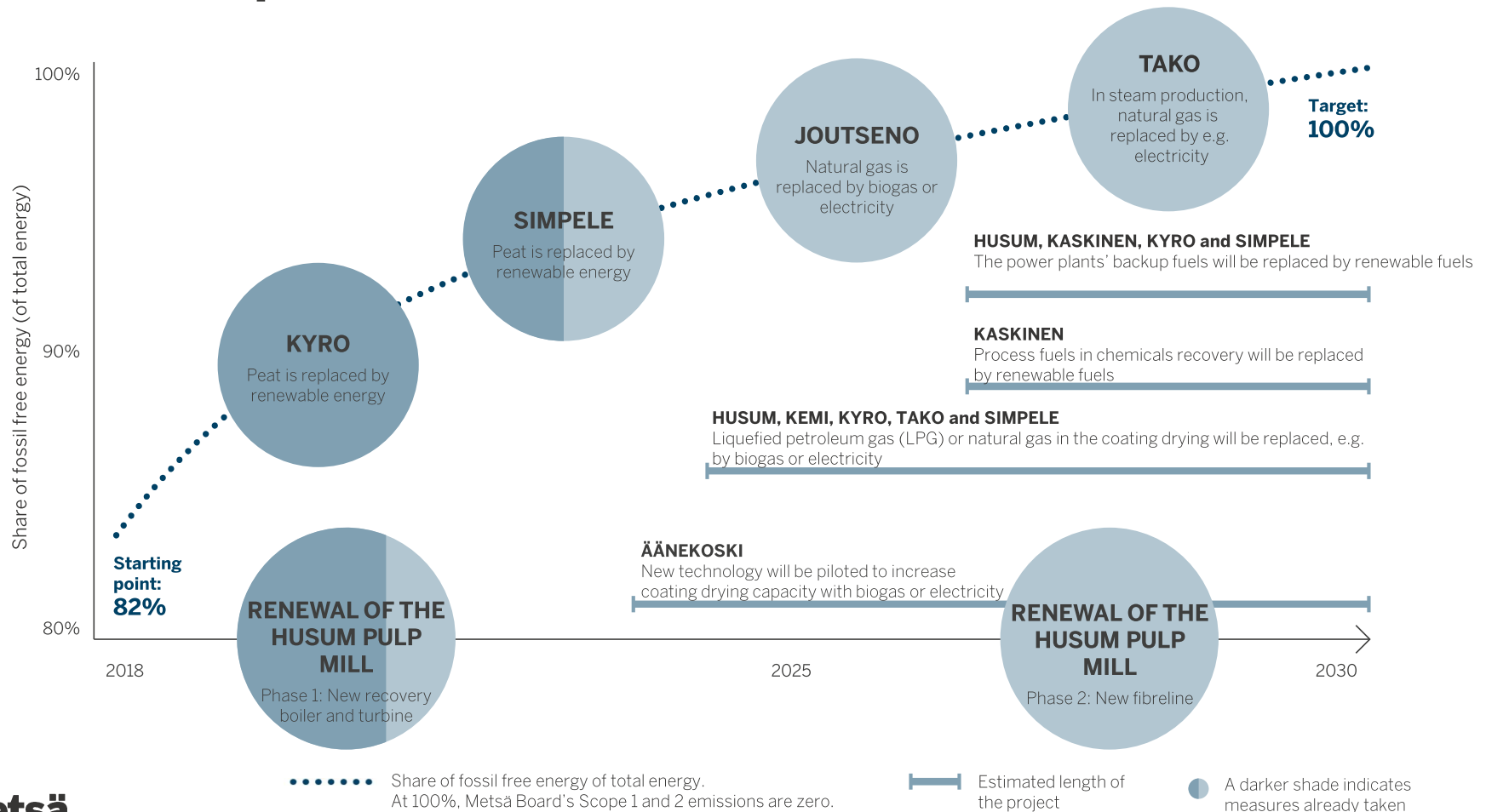


Ownership distribution

31 March 2022



Roadmap to fossil free mills



Strong evidence of sustainability leadership



Metsä Board is among the top companies to have received a **triple 'A'** score in the **CDP's Climate, Water and Forest** assessments. Metsä Board is also placed on the Supplier Engagement Leaderboard.



Metsä Board again scored **'Platinum'** in **EcoVadis's** sustainability rating in 2021 and is included in the **top 1%** of companies assessed in the manufacture of corrugated paper and paperboard, and of containers of paper and paperboard.



Metsä Board's GHG emission reduction targets are approved by the **Science Based Targets** initiative.



As part of Metsä Group, Metsä Board is committed to the **UN Global Compact** corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption. Metsä Board also supports the UN's Sustainable Development Goals, the **SDGs**.



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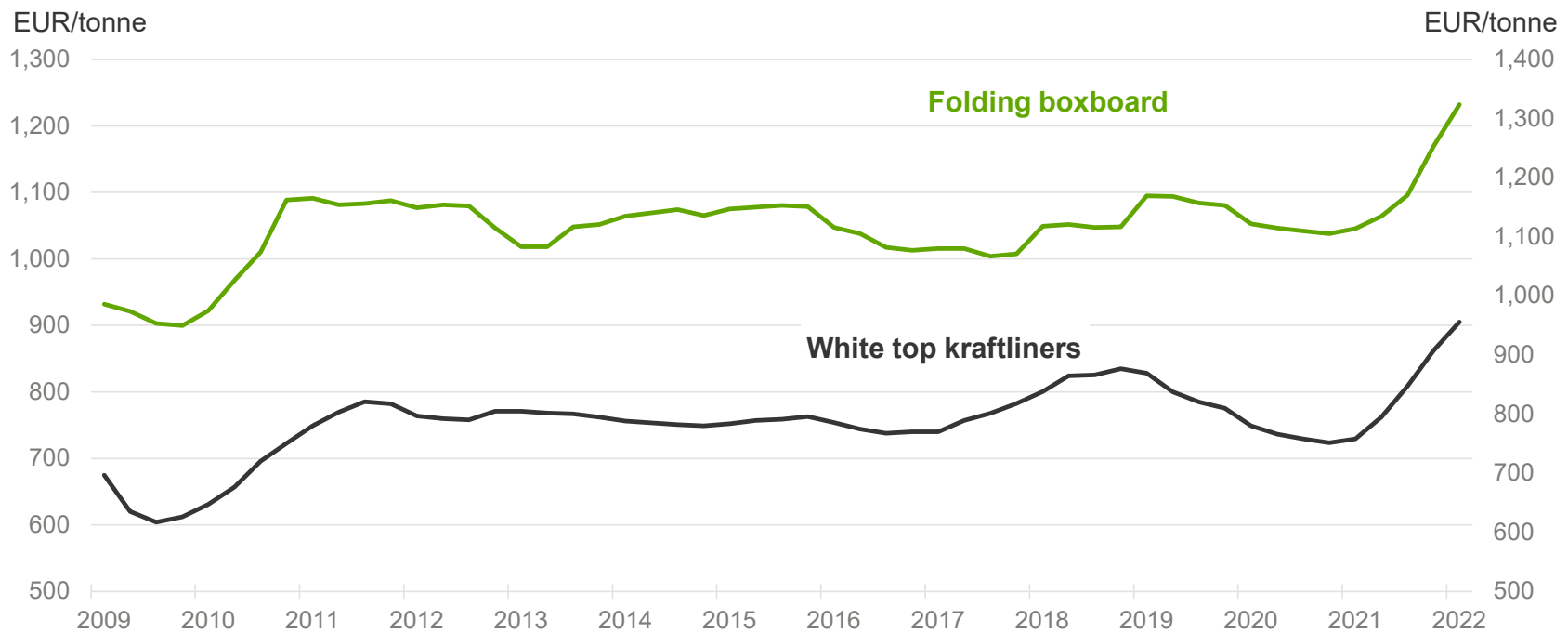


[Link to Moody's ESG Solutions webpage](#)



[Link to ISS webpage](#)

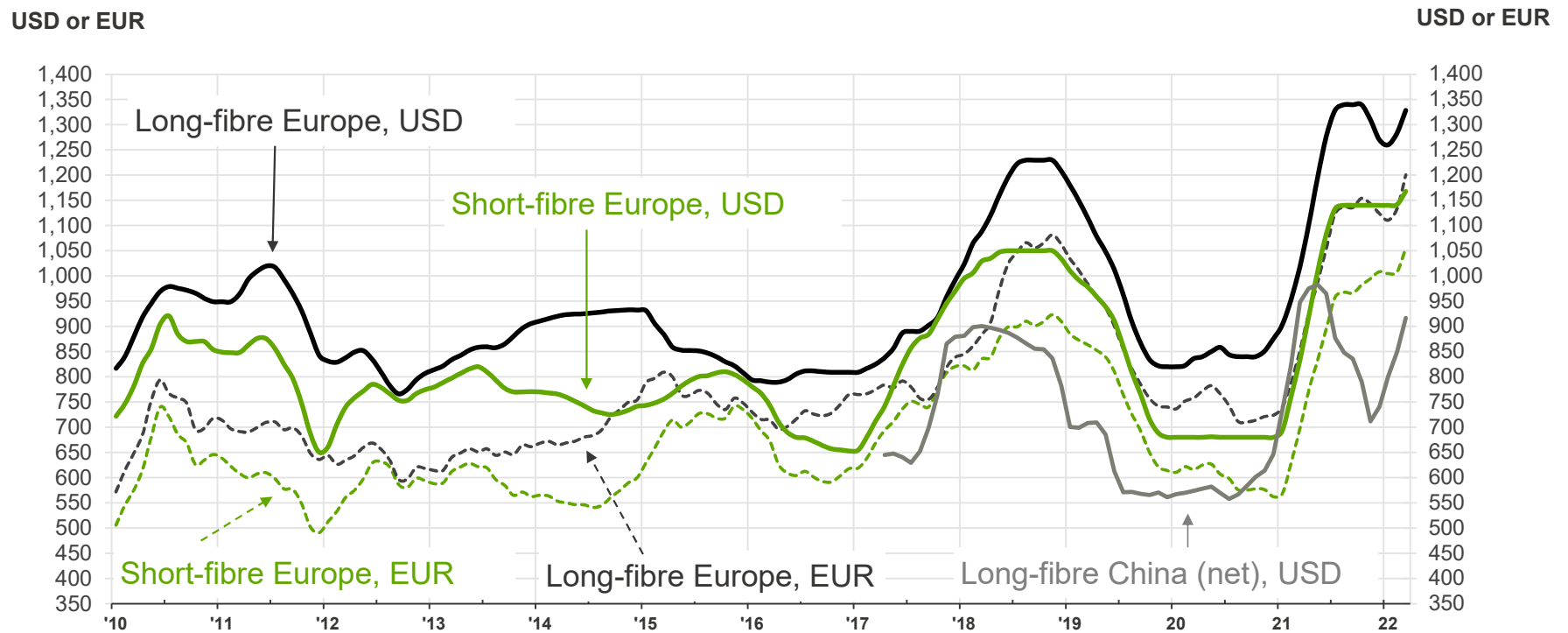
Price development of folding boxboard and white kraftliners in Europe



Sources: Fastmarkets RISI & Fastmarkets FOEX

Price development of pulp (PIX)

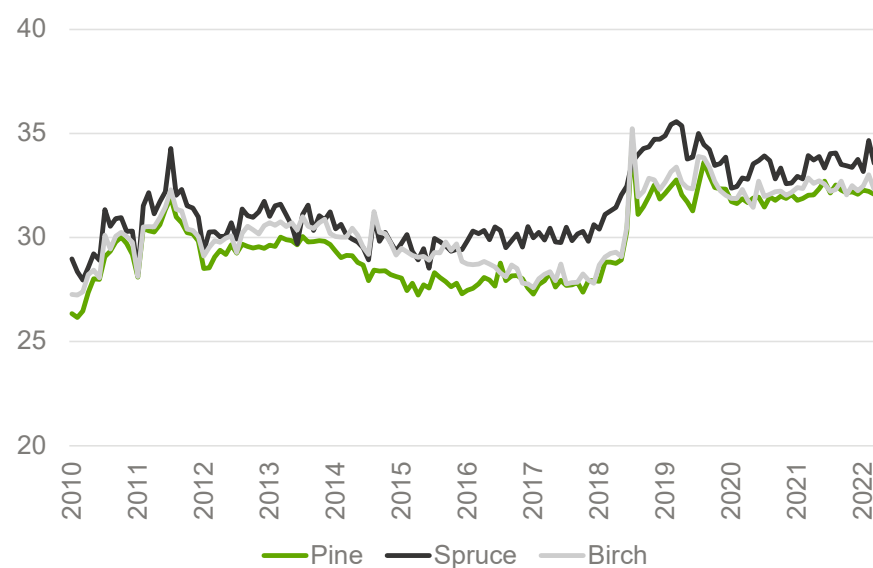
Long-fibre (SW) and short-fibre (HW) pulp



Price development of pulpwood in Finland and Sweden

Delivery at roadside

Finland
EUR/m³



Sweden
SEK/m³



Sources:

Finland - Luke (Natural Resources Institute Finland): Average delivery prices at roadside (EUR per solid cubic metre with bark, excl. VAT)

Sweden: Skogsstyrelsen (The Swedish Forest Agency): Average delivery prices at roadside (*SEK per cubic metre under bark*)



FX rates development: EUR/USD and EUR/SEK

EUR/USD



EUR/SEK





Metsä

**Together we make
the perfect package**

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