

Metsä Board

Results for January–March 2023

Presentation material

27 April 2023



Disclaimer

This presentation includes forward-looking statements. The words “believe”, “expect”, “anticipate”, “intend”, “may”, “plan”, “estimate”, “will”, “should”, “could”, “aim”, “target”, “might” or in each case, their negative, or any similar expressions identify certain of these forward-looking statements. Others can be identified from the context in which the statements are made. By their nature, forward-looking statements are subject to assumptions, risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, actual results may differ, even materially, from those expressed or implied by these forward-looking statements. We urge presentation participants not to place undue reliance on such statements.

The information and views contained in this presentation are provided as at the date of this presentation and are subject to change without notice. Metsä Board does not undertake any obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Viewers should understand that this presentation does not constitute, and should not be construed as, an offer to buy or subscribe for Metsä Board’s securities anywhere in the world or an inducement to enter into any investment activity relating to the same. No part of this presentation should form the basis of, or be relied on in connection with, any contract or commitment or decision to invest in Metsä Board securities whatsoever. Potential investors are instructed to acquaint themselves with Metsä Board’s annual accounts, interim reports and stock exchange releases, as well as other information published by Metsä Board, to form a comprehensive picture of the company and its securities.

Metsä Board publishes inside information according to the Market Abuse Regulation (MAR) and the rules of Nasdaq Helsinki.

Q1 2023 in brief

- Improved average sales price of paperboards
- Total delivery volumes of paperboards decreased
- Weakened market pulp demand
- Production was adjusted to meet the lower demand
- AGM confirmed the dividend for FY2022: EUR 0.58/share
- Updated sustainability targets for 2030

Sales

542

EUR million

(Q1 2022: EUR 582m)



Comparable operating result

89

EUR million

(Q1 2022: EUR 121m)

Paperboard deliveries

380,000

tonnes

(Q1 2022: 473,000)

Paperboard production

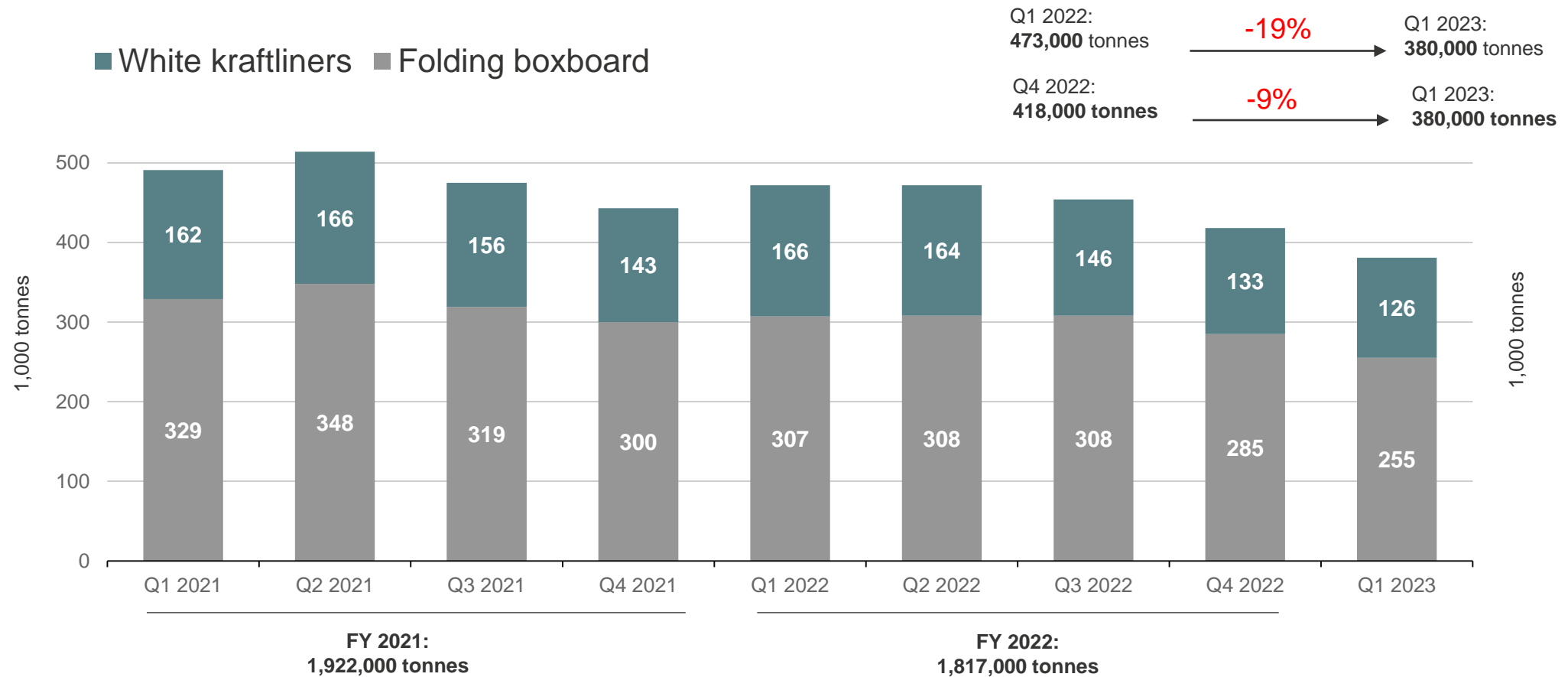
376,000

tonnes

(Q1 2022: 497,000)

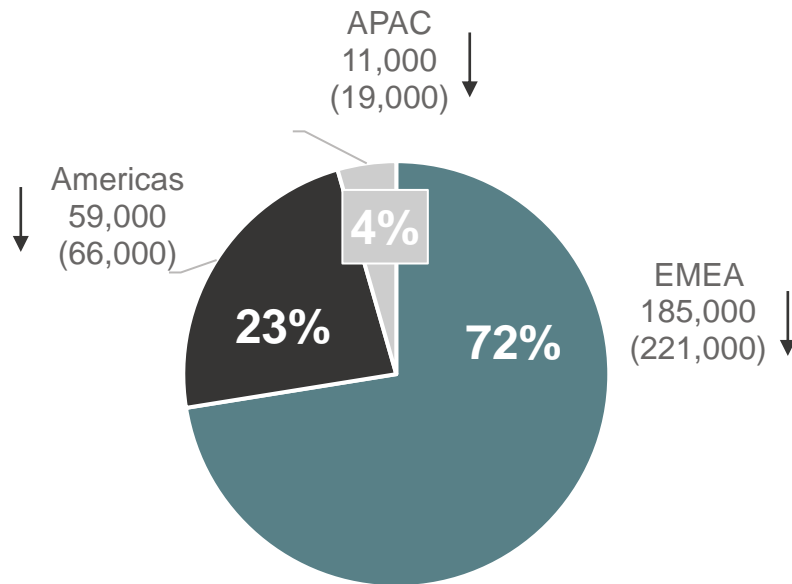


Weakened demand in consumer products reduced volumes

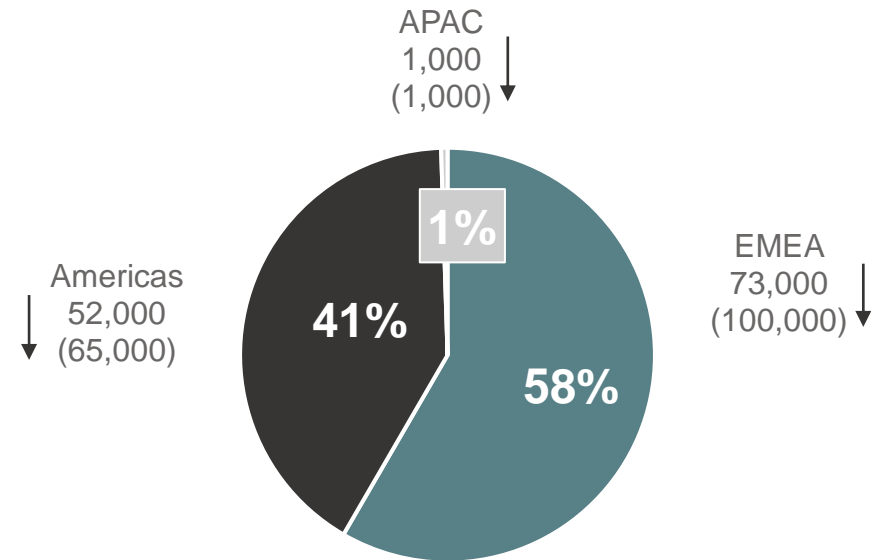


Paperboard deliveries by region

FBB deliveries Q1 2023 (Q1 2022)
total 255,000 tonnes (307,000)



WKL deliveries Q1 2023 (Q1 2022)
126,000 tonnes (166,000)



FBB = Folding boxboard

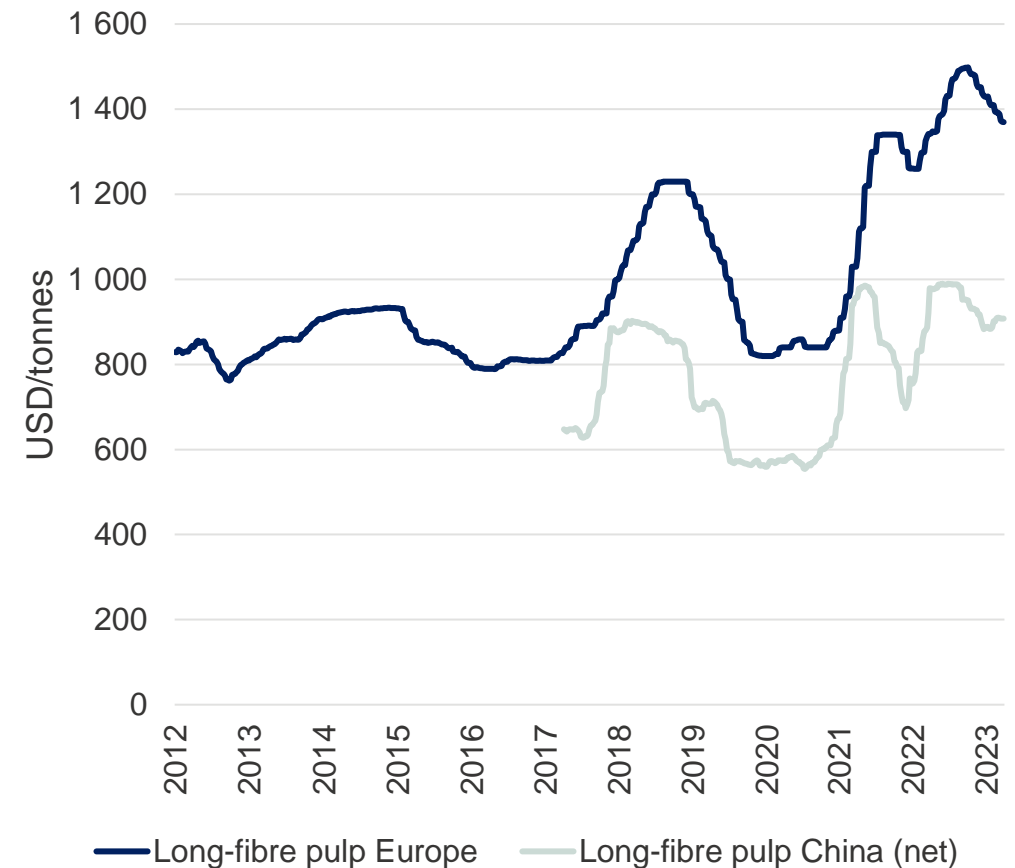
WKL = White kraftliners, coated and uncoated

Market pulp

- Market pulp deliveries (Q1 2023 vs Q1 2022)
 - Metsä Board -32%: (83,000 vs 122,000 tonnes)
 - Metsä Fibre^{*)} -14%: (647,000 vs 751,000 tonnes)
- Weakened demand in softwood market pulp
 - In Europe, prolonged production shutdowns by paper/paperboard producers
 - In China, the economic recovery has not boosted demand for market pulp as expected.
- Price (PIX) development in softwood pulp
 - Q1 2023 vs Q4 2022: Europe -4%, China -2%
 - Q1 2023 vs Q1 2022: Europe +8%, China +5%

^{*)} Metsä Fibre's total pulp delivery volumes

Softwood pulp price (PIX) development in Europe and China



Production adjustment measures reflected in energy efficiency and water use

TARGET
set for 2030

0

Accidents at
work, TRIF

+10%

Energy
efficiency

COMPARED TO 2018

-35%

Process water
used

COMPARED TO 2018

>90%

Certified wood
fibre

ACTUAL
in Q1 2023

5.3

Q1 2022: 7.1

+0.1%

Q1 2022: +4.8%

-9.1%

Q1 2022: -11.9%

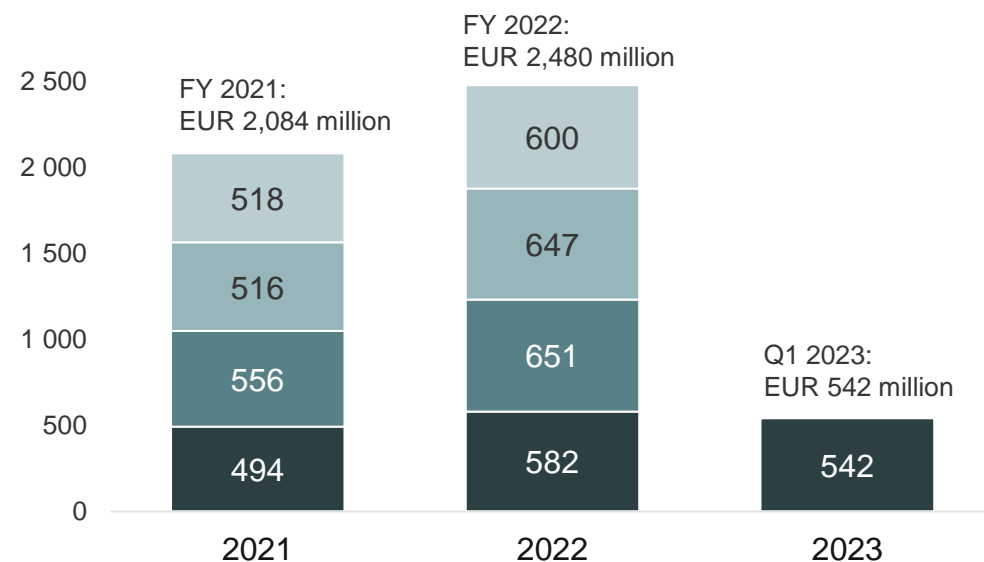
90%

Q1 2022: 83%

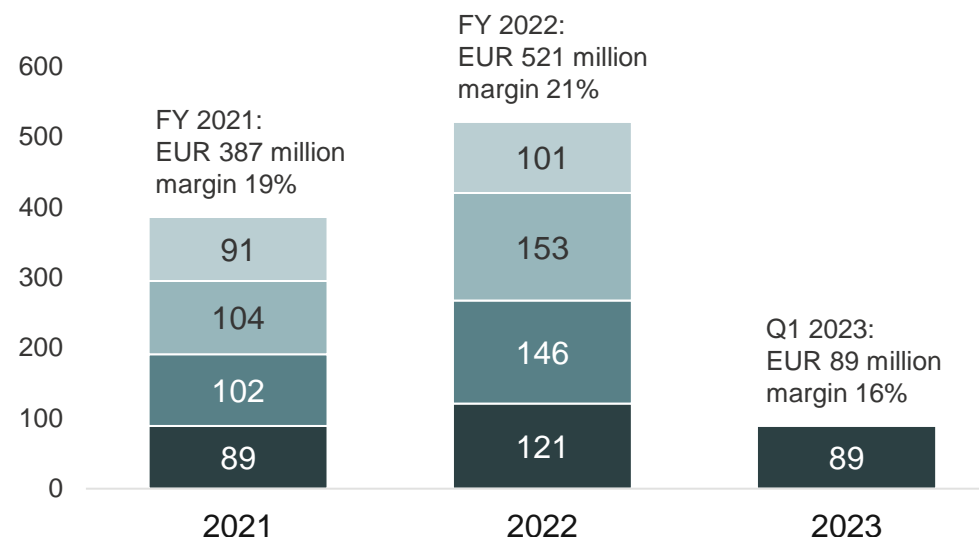
TRIF = Total Recordable Injury Frequency per million hours worked.

Reduced volumes reflected in sales; improved prices offset negative result impact

Sales, quarterly
EUR million



Comparable operating result, quarterly
EUR million and % of sales



Main items affecting comparable operating result

Q1 2023 vs Q1 2022: -27%
EUR 89 million vs 121 EUR million



Positives:

- Higher sales prices for paperboards and market pulp
- FX after hedges, impact EUR +24m
- Sale of unused emission allowances EUR 20 million (Q1 2022: EUR 7m)



Negatives:

- Increased costs of chemicals, energy, pulp wood and logistics
- Decreased delivery volumes of paperboards and market pulp
- Result share from Metsä Fibre (EUR 29m vs EUR 31m)



Q1 2023 vs Q4 2022: -12%
EUR 89 million vs 101 EUR million



Positives:

- Higher sales prices for folding boxboards
- FX after hedges, impact EUR +7m
- Sale of unused emission allowances EUR 20 million (Q1 2022: EUR 10m)
- No maintenance



Negatives:

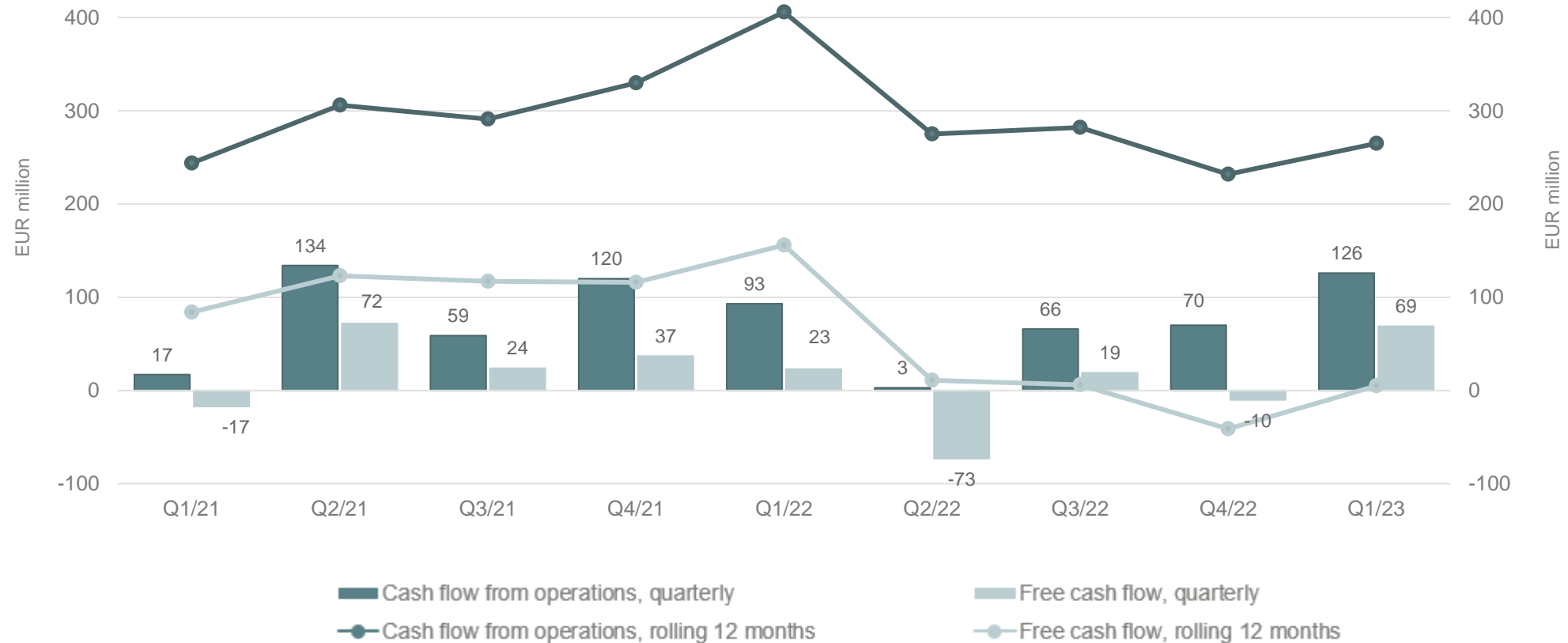
- Decreased delivery volumes of paperboards
- Weakened price and lower delivery volumes of market pulp
- Increased pulp wood costs
- Result share from Metsä Fibre (EUR 29m vs EUR 42m)
- Higher depreciation EUR -10 million

Q1 2023 comparable ROCE at 13.9%

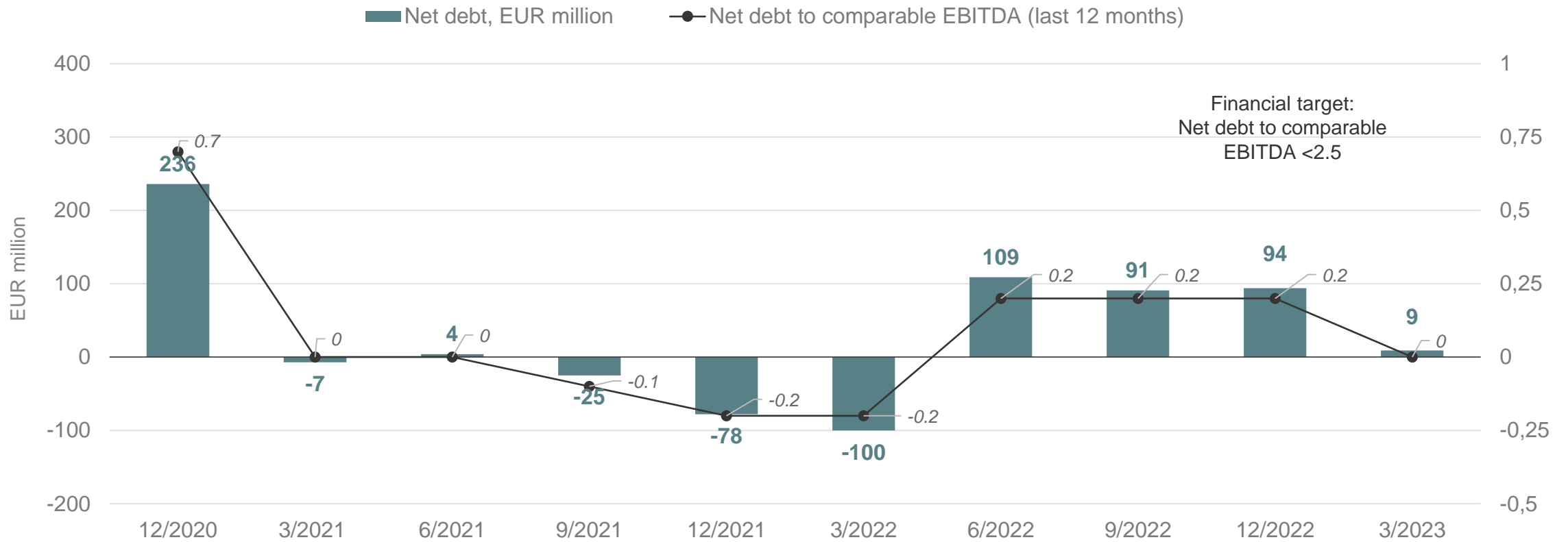
Comparable return on capital employed, %
Quarterly and rolling 12 months



Strong cash flow in Q1 2023, supported by dividend from Metsä Fibre



Balance sheet remained strong



Ongoing and planned investments support our growth in fibre-based packaging materials



Husum folding boxboard capacity expansion

- Start up in H2/2023
- +200,000 t/a FBB, full production capacity during 2025
- Investment value EUR 210 million

In addition, port warehouse capacity will be increased, value ~ EUR 20–30 million



Kemi white kraftliner development programme

- Start up in H2/2023
- +40,000 t/a white kraftliner, full production capacity during 2024
- Decreased water and energy use
- Investment value EUR 67* million

*) final value will be specified later

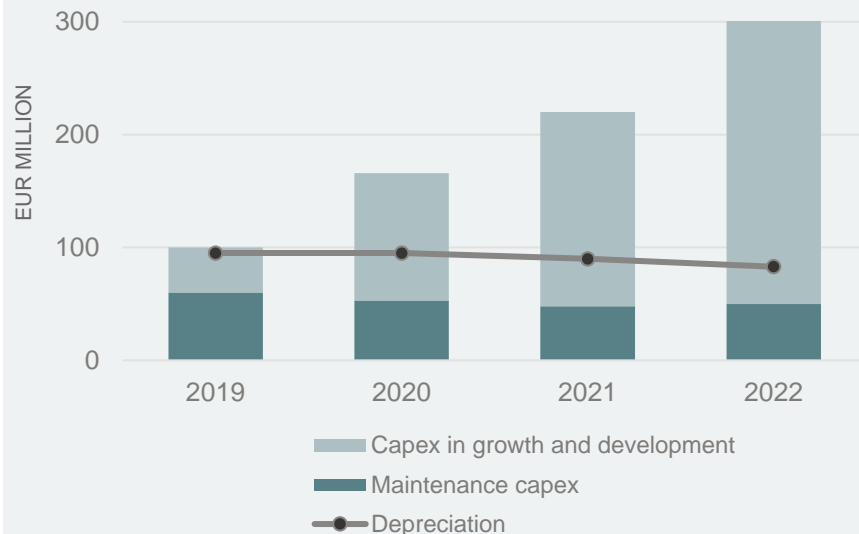


Pre-engineering for new folding boxboard mill in Kaskinen

- Pre-engineering based on world-class resource efficiency and 100% fossil free production
- 800,000 t/a folding boxboard
- Possible investment decision in 2024 at the earliest

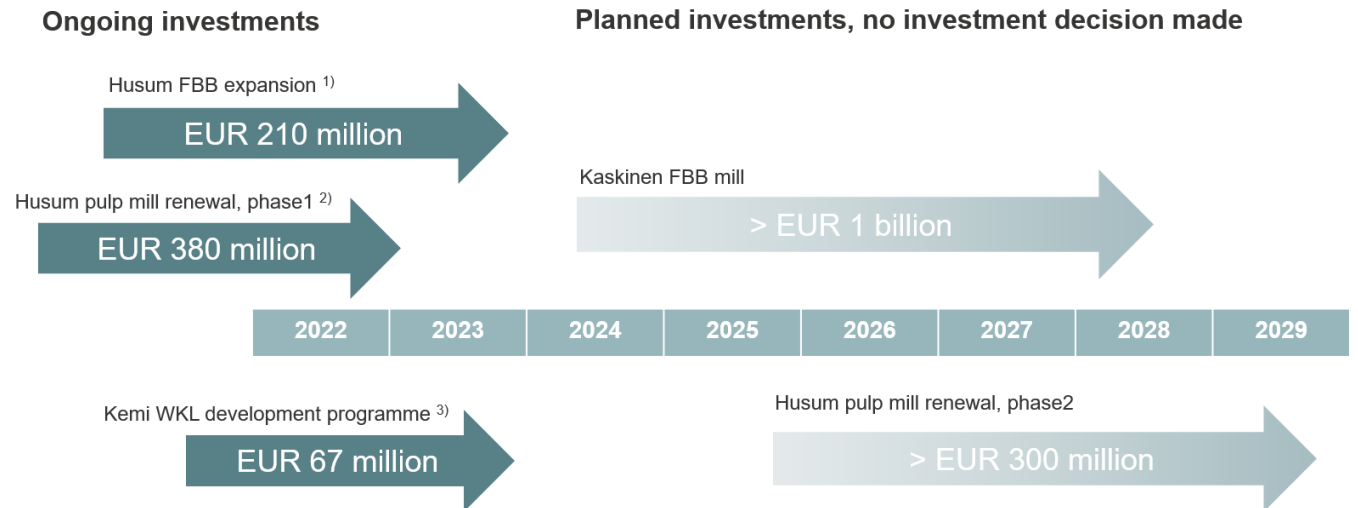
Strong financial situation creates solid platform for planned growth

Actual capital expenditure and depreciation



Total investments for 2023 estimated at EUR 250–300 million, depreciation at EUR 105 million

Indicative timetable for ongoing and planned investments

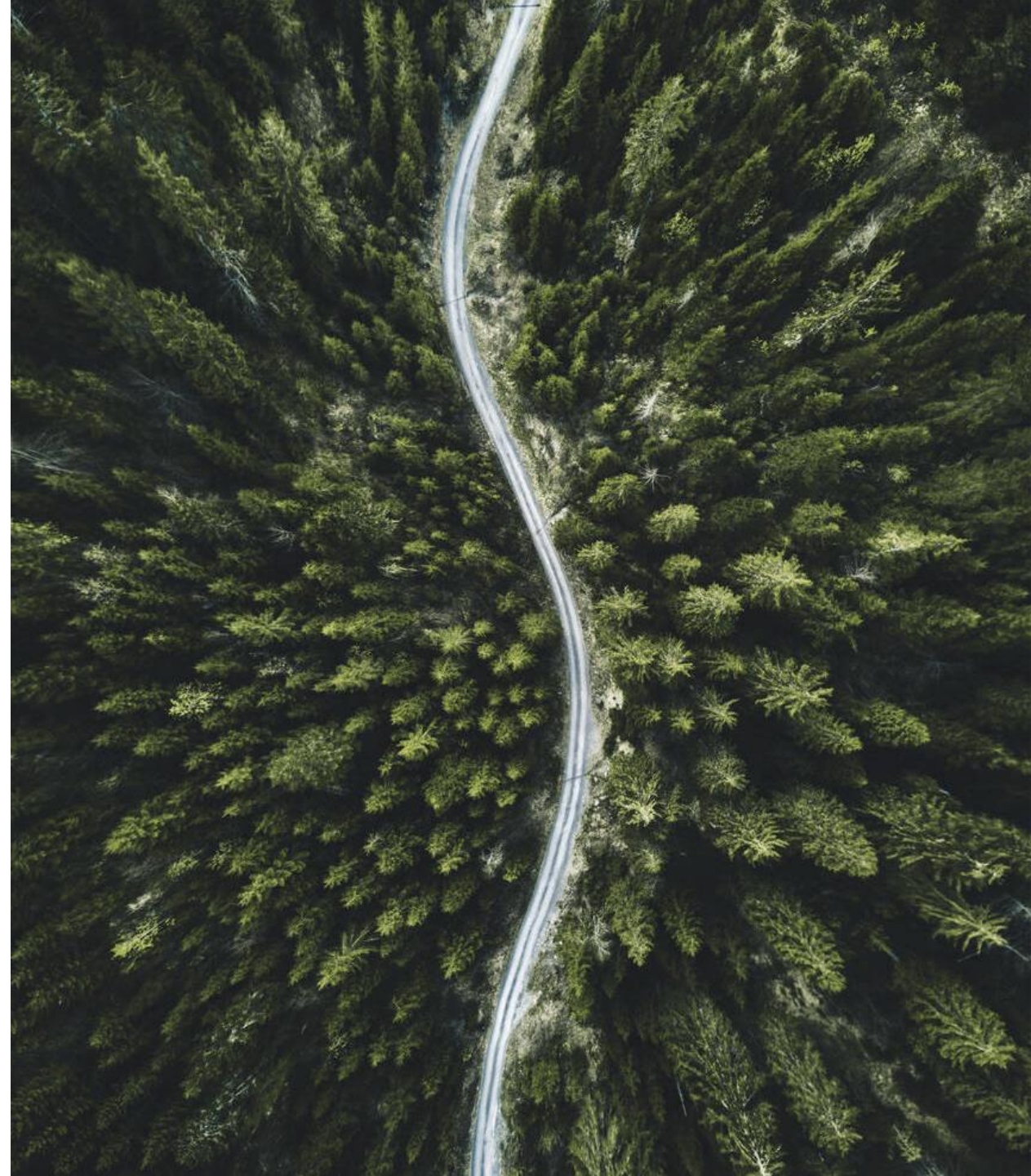


- 1) In addition, an investment in increased port warehouse capacity, value ~EUR 20–30 million
- 2) New recovery boiler and turbine started up 12/2022
- 3) Investment value will be higher than initial estimate of EUR 67 million

Near-term outlook

April–June 2023

- Outlook for sales development remains weak
- Paperboard delivery volumes and average sales prices expected to remain stable compared to Q1
- Muted demand with weakening prices for market pulp
- Total costs expected to remain stable
- Several annual maintenance shutdowns at Finnish mills
- Positive impact from FX compared to Q1





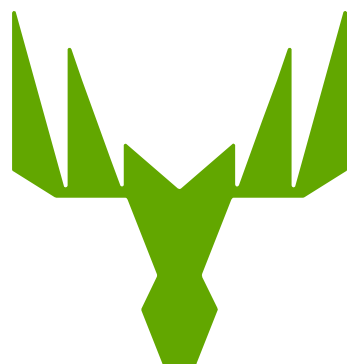
Result guidance

Metsä Board's comparable operating result in April–June 2023 is expected to be weaker than in January–March 2023 (EUR 89 million)

Summary

- Improved paperboard prices have offset negative impacts from lower volumes
- Short-term uncertainty continues
- Production has been and will be adjusted to meet the demand
- Major ongoing investments will be completed in H2





Metsä

Appendix

Key financials

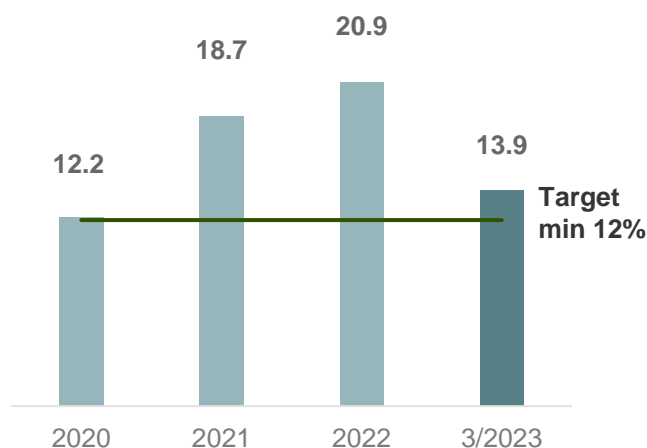
		Q1/23	Q1/22	Change Q1/23 vs Q1/22	Q4/22	FY/22
Sales	EUR, m	542	582	-7%	600	2,480
EBITDA*	EUR, m	114	143	-20%	117	603
Operating result*	EUR, m	89	121	-27%	101	521
% of sales*	%	16.4	20.9		16.8	21.0
Metsä Fibre's share of operating result*	EUR, m	29	31		123	175
Earnings per share	EUR	0.19	0.31	-39%	0.21	1.15
ROCE*	%	13.9	21.1		15.5	20.9
Total investments	EUR, m	57	107	-46%	77	304
Cash flow from operations	EUR, m	126	93	36%	70	232
IB Net debt, at end of period	EUR, m	9	-100		94	94

*comparable

Long-term financial targets and dividend payout

Comparable ROCE:

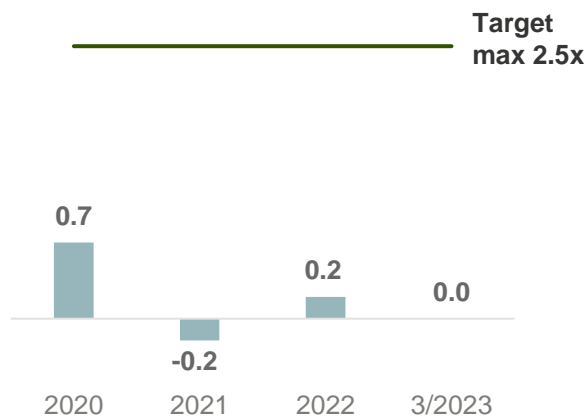
Target at least 12%



Net debt/comparable

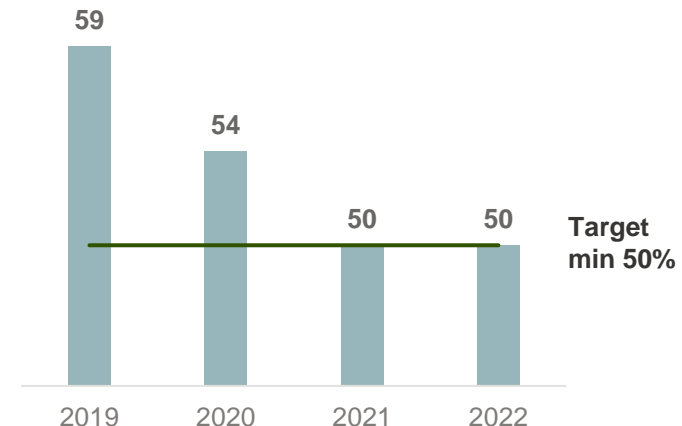
EBITDA:

Maximum level 2.5x



Dividend policy:

Payout ratio at least 50% of net result

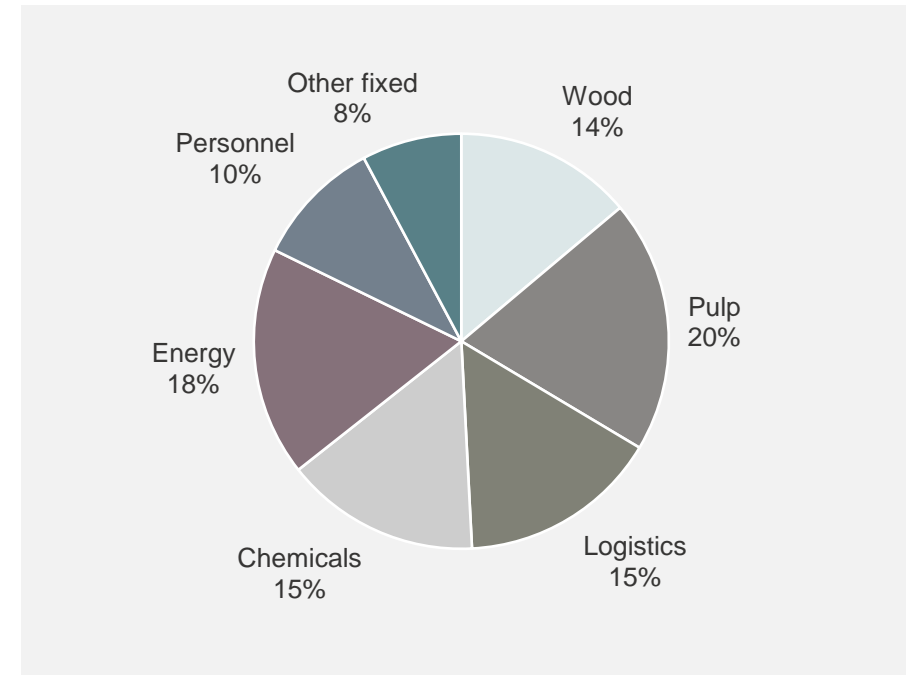


Cost inflation +15%

- In Q1 2023, total costs, excluding pulp, were roughly 15% higher compared to Q1 2022
- In chemicals, prices increased especially in caustic soda, peroxides, starch and latex
- Wood costs have risen as a result of increased stumpage prices and supply chain cost inflation
- Logistics costs increased due to higher warehousing and handling costs and higher fuel prices
- Compared to Q4 2022 costs were levelling off in energy, chemicals and logistics. Wood costs continued to increase

Metsä Board's cost structure in 2022

Total costs EUR 2,122 million (1,747)



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

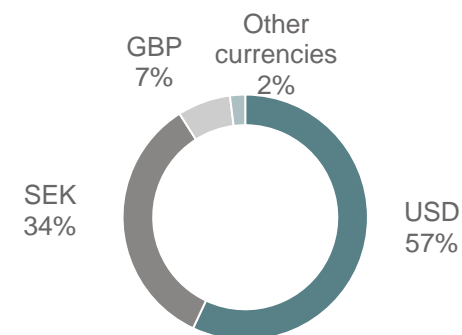
Metsä Fibre's pulp cost structure in 2022: Wood 51%, Chemicals 15%, Logistics 12%, Personnel 5%, Other 17%.

Impacts of FX changes

- Impact including hedges, actual
 - Q1 2023 vs Q4 2022: EUR 7 million
 - Q1 2023 vs Q1 2022: EUR 24 million
- Estimated impacts including hedges
 - Q2 2023 vs Q1 2023: positive
 - Q2 2023 vs Q2 2022: clearly positive

At the end of the review period, an average of 8.6 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 FX transaction exposure
total EUR 1.5 billion



The foreign currency transaction exposure consists of foreign currency denominated sales and costs. The exposure includes the foreign currency denominated balance sheet exposure consisting of accounts receivable and accounts payable, and a 50 per cent share of the annual contracted or estimated net currency cash flow.

FX sensitivities excluding hedges

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

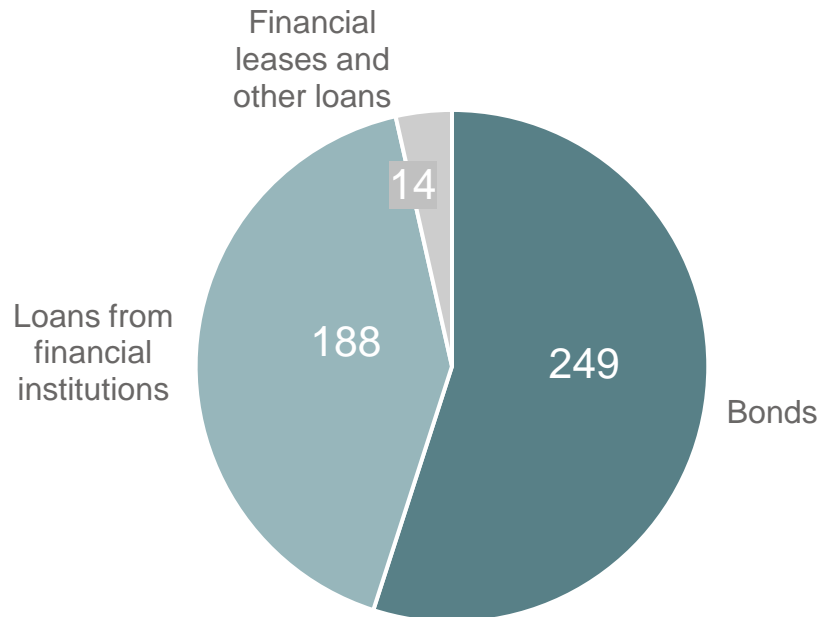
Currency	Next 12 months
USD, \$	EUR +100 million
SEK, kr	EUR -50 million
GBP, £	EUR +10 million

Debt structure and liquidity

31 March 2023

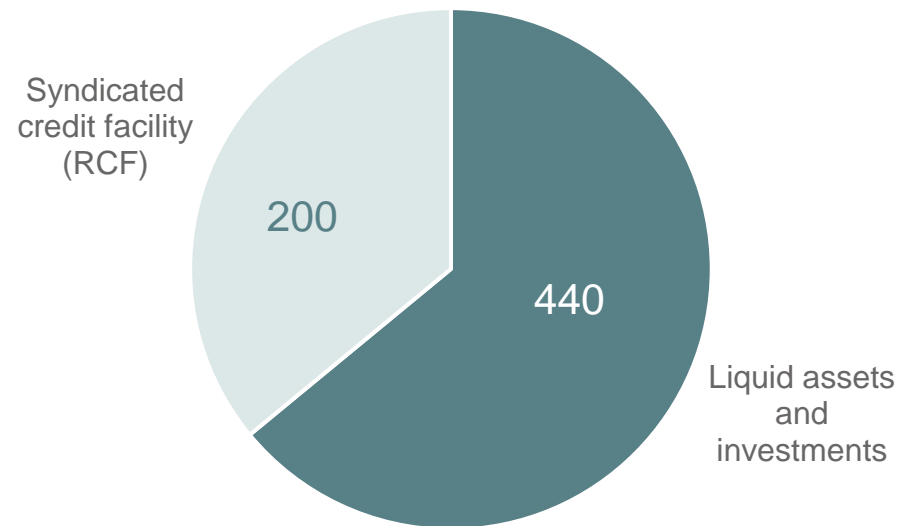
Interest-bearing debt

EUR 451 million



Liquidity

EUR 640 million



Liquidity is complemented by

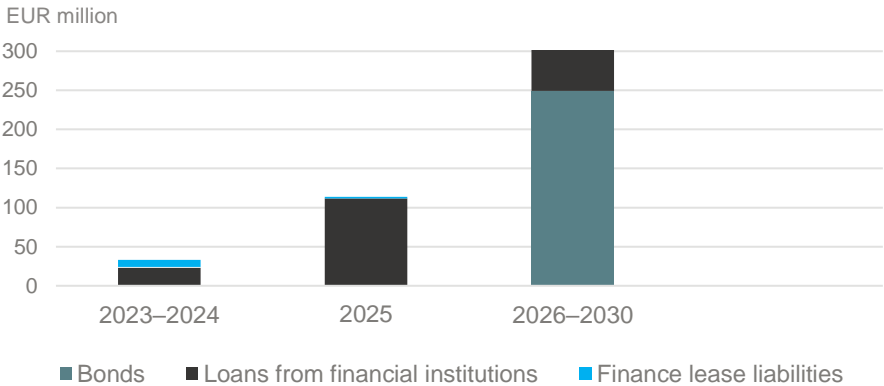
- Metsä Group's internal undrawn short-term credit facility of EUR 150 million and
- Undrawn pension loans of EUR 228 million.

Debt maturity and credit ratings

31 March 2023

- Total interest-bearing debt was EUR 451 million, and net debt was EUR 9 million
- The average interest rate on loans at the end of the review period was 2.5%, and the average maturity of long-term loans was 3.7 years
- Net financial costs including foreign exchange differences were:
 - Q1 2023: EUR 0.7 million
 - FY 2022: EUR 6.6 million

Maturity of interest-bearing debt
Total EUR 451 million



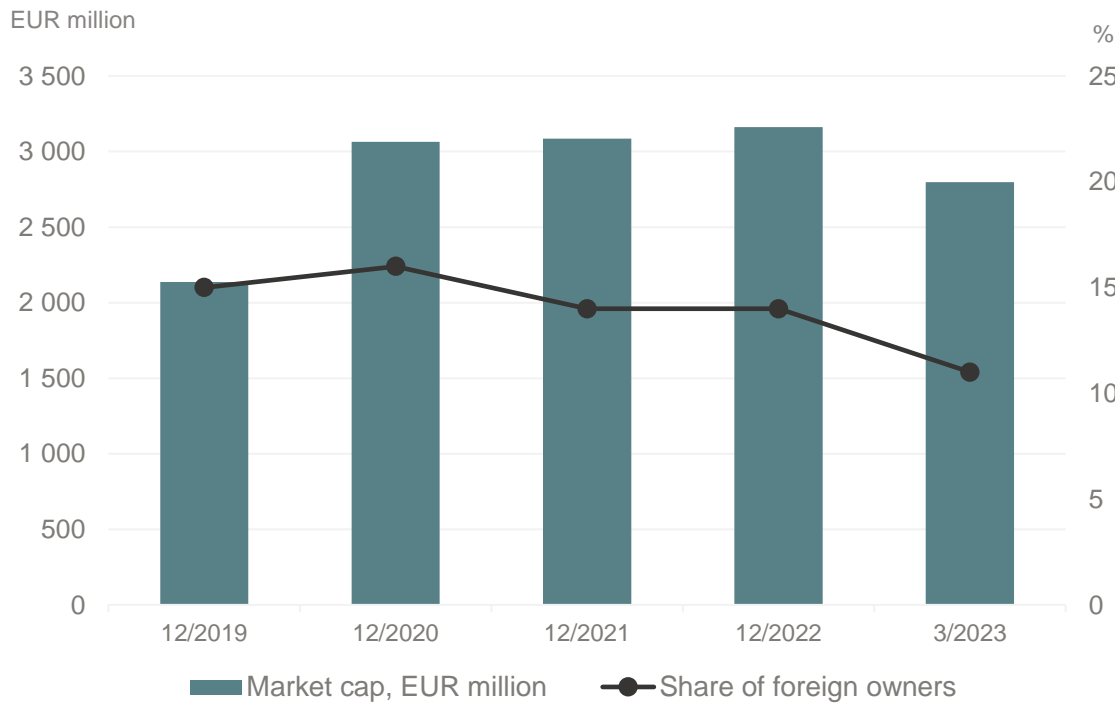
Metsä Board’s credit ratings are *investment grade*

Rating agency	Rating and outlook	Last update on rating
S&P Global	BBB-/stable	02/2018
Moody’s Investor Services	Baa2/stable	12/2022

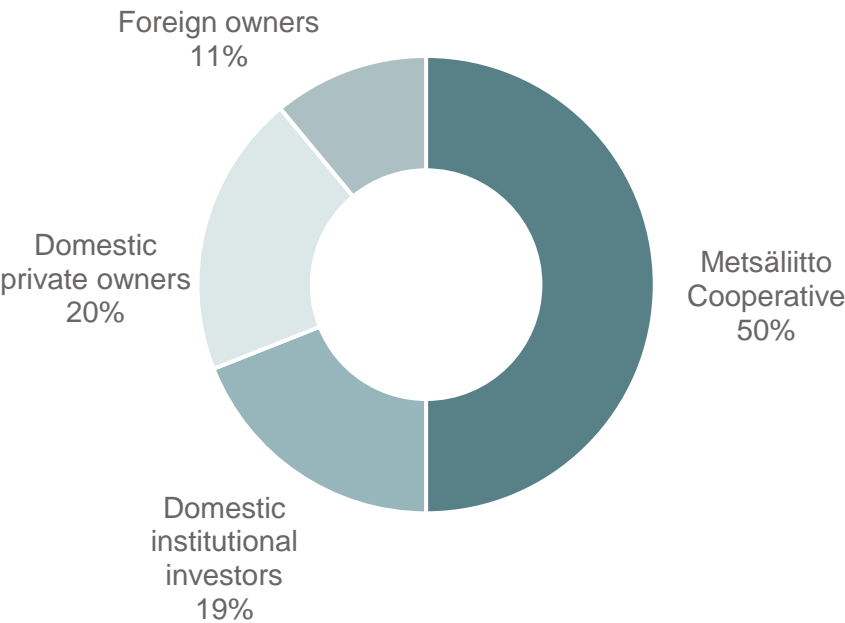
Market cap and ownership distribution

Metsä Board has two share series, A and B shares

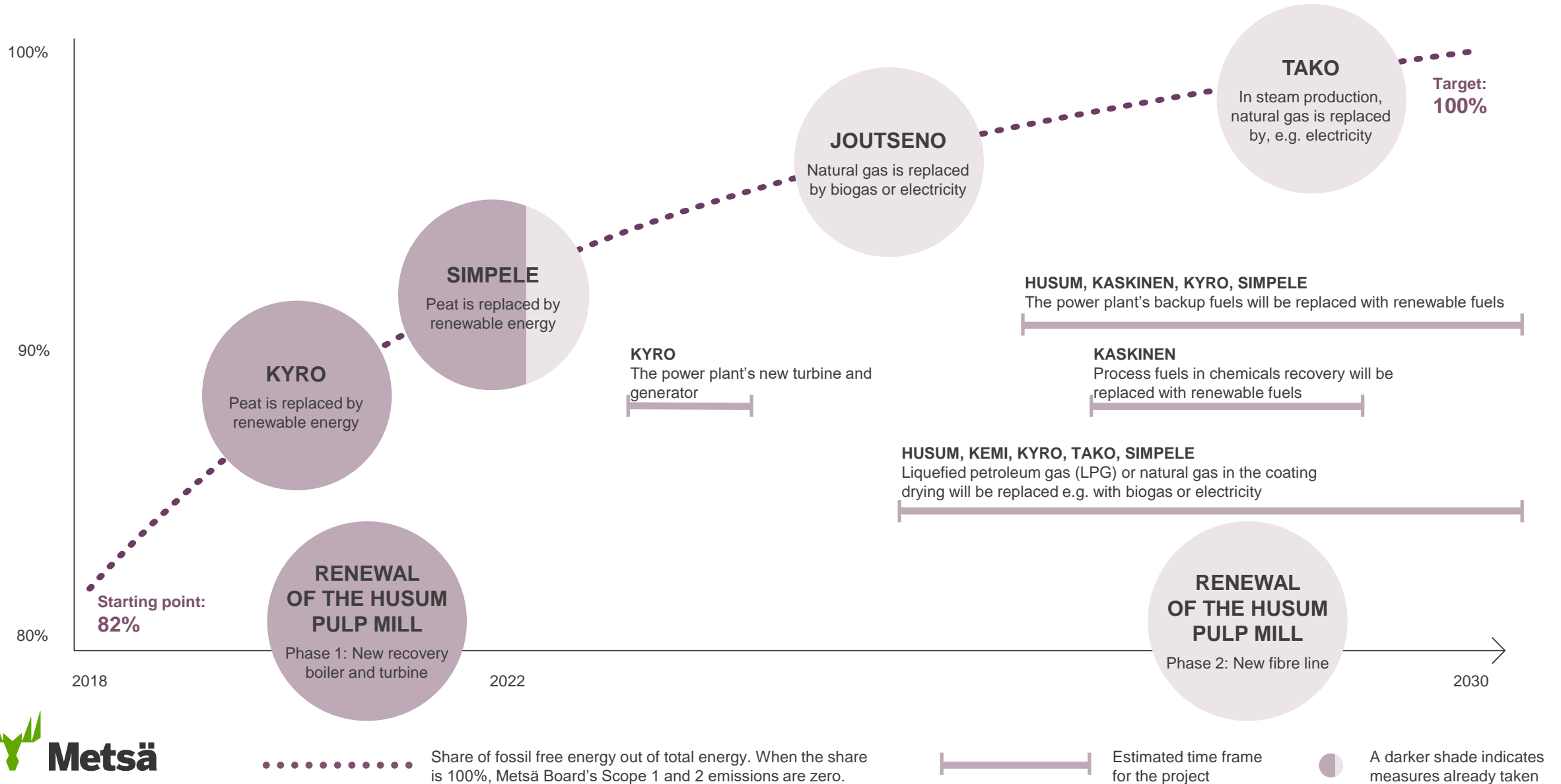
Market cap and foreign owners



Ownership distribution
31 March 2023



Transition plan towards fossil free production



Strong evidence of sustainability leadership



Metsä Board is among the top companies to have received an ‘A’ score in the **CDP’s Climate, Water and Forest** assessments for the 2nd year. Metsä Board is also placed on the **Supplier Engagement Leaderboard**.



Metsä Board again scored ‘**Platinum**’ in the **EcoVadis** sustainability rating in 2022 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.



Metsä Board, as part of Metsä Group, 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**.



[Link](#) to MSCI website



[Link](#) to Sustainalytics website



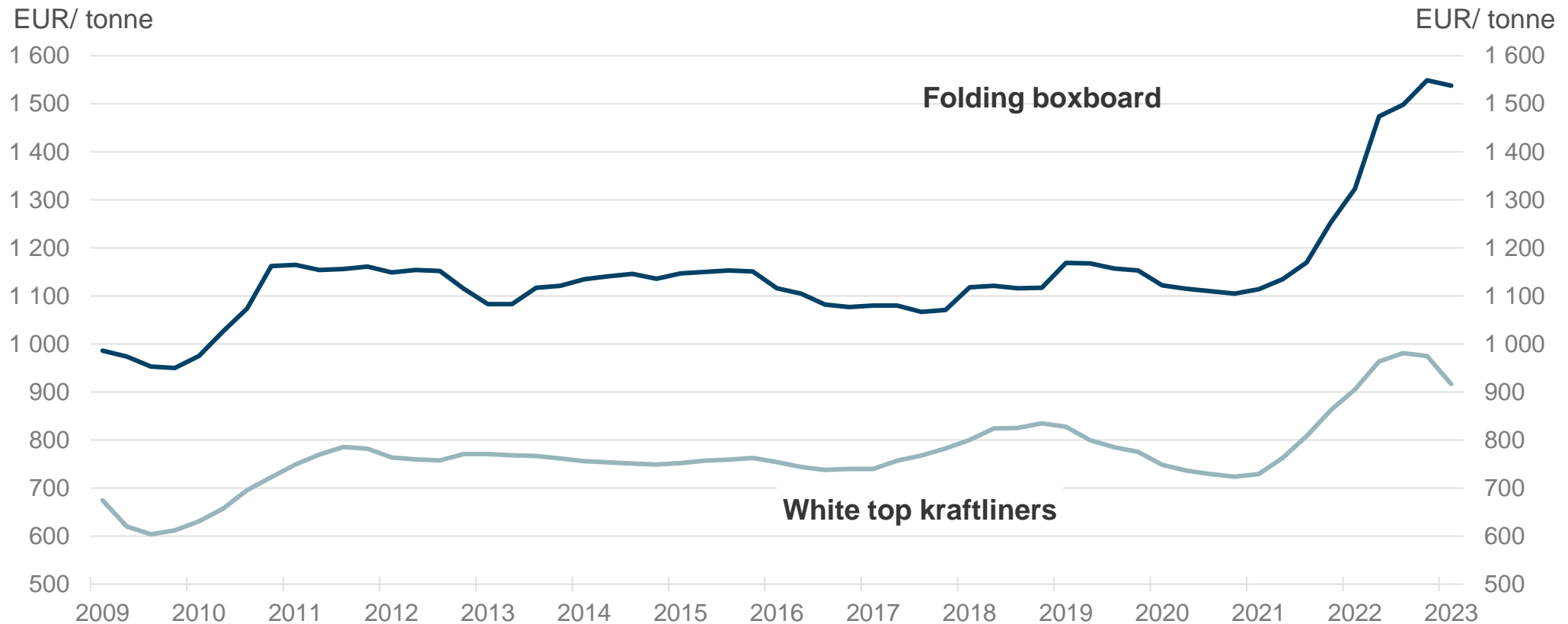
[Link](#) to Moody’s ESG Solutions website



[Link](#) to ISS website

THE USE BY METSÄ BOARD OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF METSÄ BOARD BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

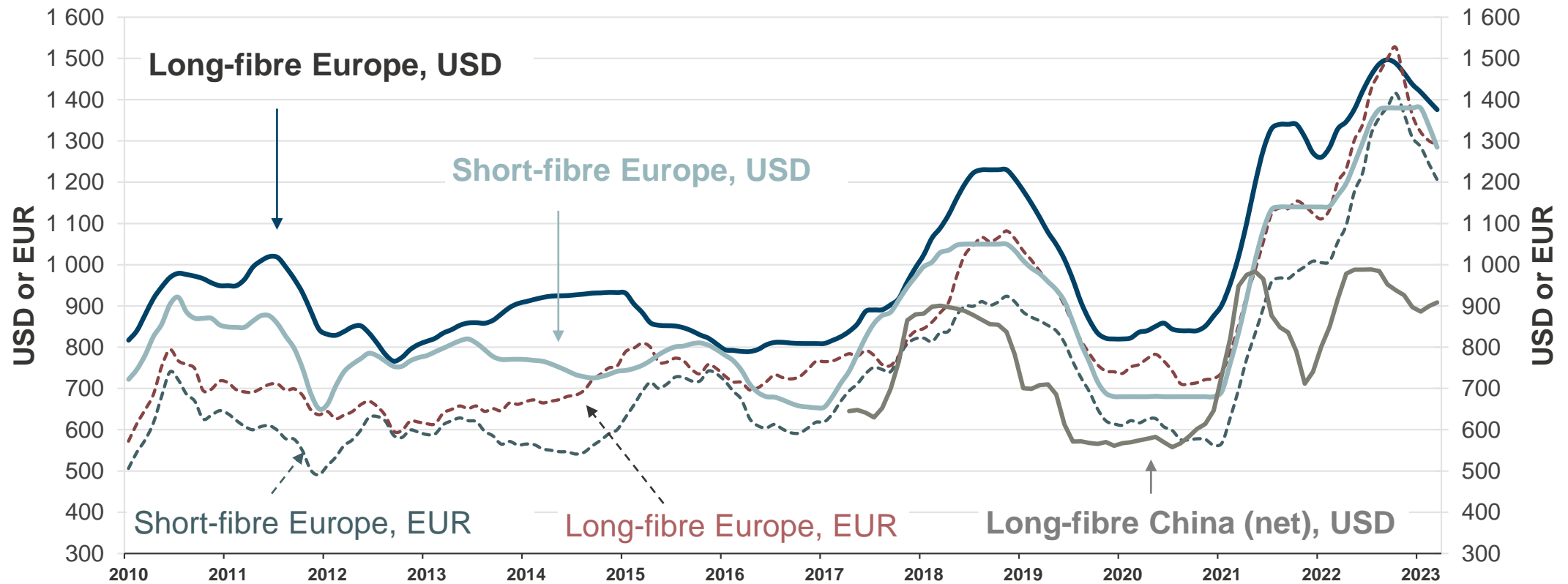
Price development of folding boxboard and white kraftliners in Europe



Sources: Fastmarkets RISI & Fastmarkets FOEX

Price development of pulp (PIX)

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



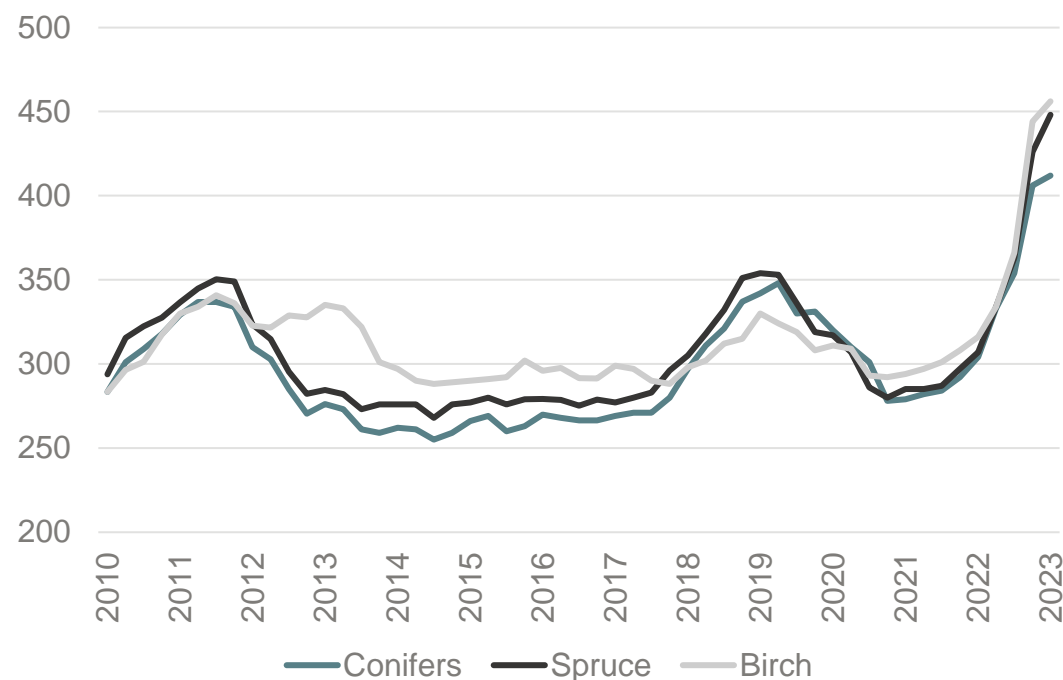
Price development of pulpwood in Finland and Sweden

Delivery at roadside

Price (on bark) of pulpwood in Finland
EUR/m³



Price (under bark) of pulpwood in Sweden
SEK/m³



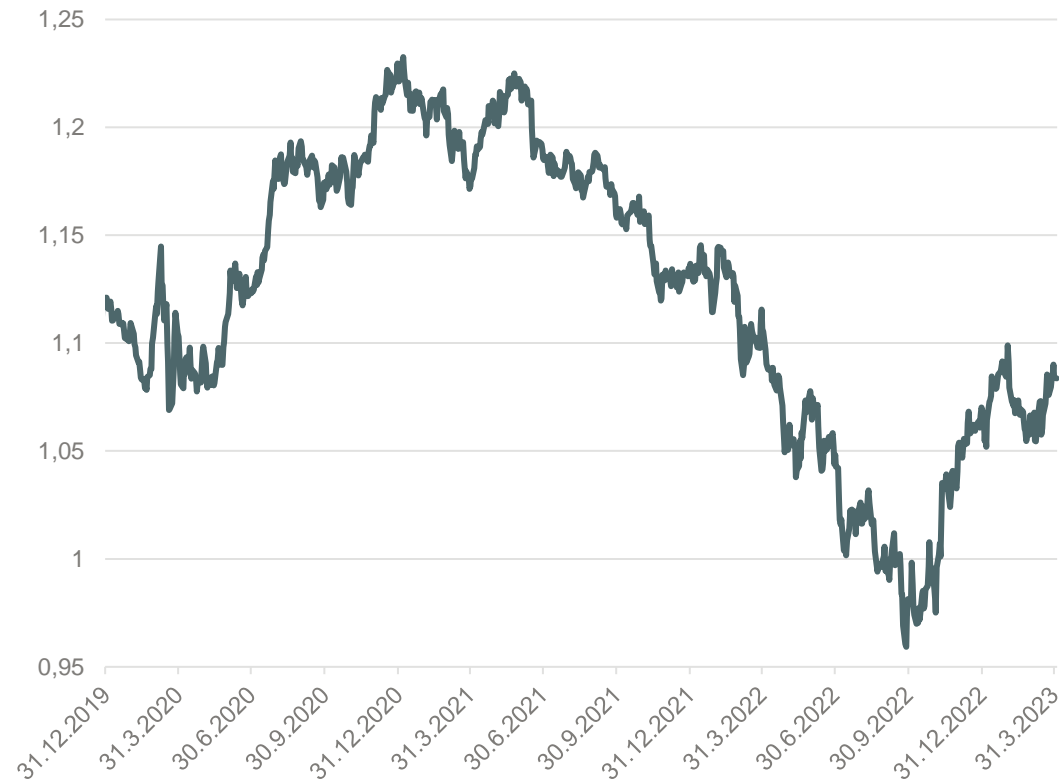
Sources:

[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 meter under bark)

FX rates development: EUR/USD and EUR/SEK

EUR/USD



EUR/SEK





**Together we make
the perfect package**

Katri Sundström
Vice President, Investor relations
+358 10 462 0101
katri.sundstrom@metsagroup.com