



Metsä Board

Results for January–September 2023

26 October 2023

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Q3 2023 in brief

- Paperboard demand remained stable but muted; production adjustment measures continued
- Average sales price for paperboards decreased slightly from Q2
- Demand for market pulp better in China than in Europe
- Investment shutdowns at Kemi kraftliner mill (completed) and Husum folding boxboard mill
- Metsä Fibre's new bioproduct mill in Kemi started up



Sales

479
EUR million

(Q3 2022: EUR 647m)



Comparable operating result

5.5
EUR million

(Q3 2022: EUR 153m)

Paperboard deliveries

340,000
tonnes

(Q3 2022: 454,000)

Paperboard production

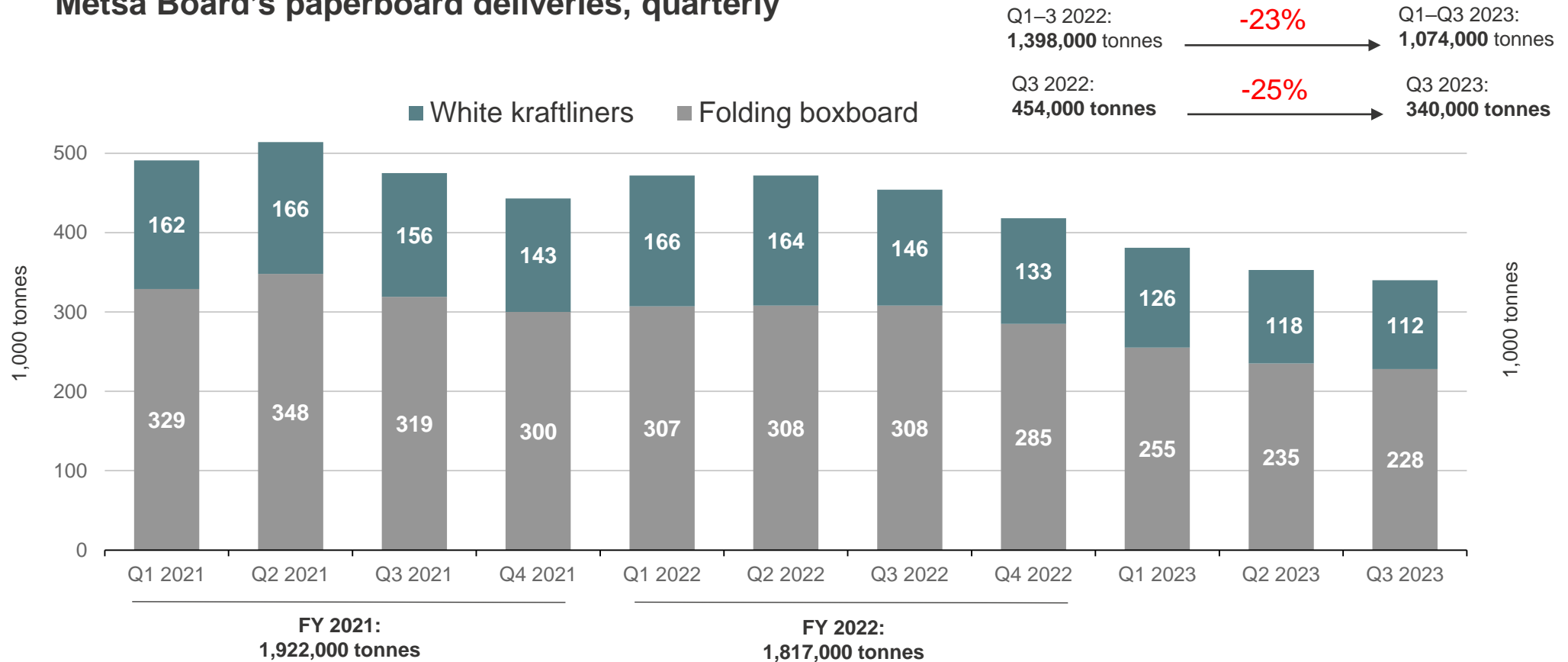
310,000
tonnes

(Q3 2022: 484,000)



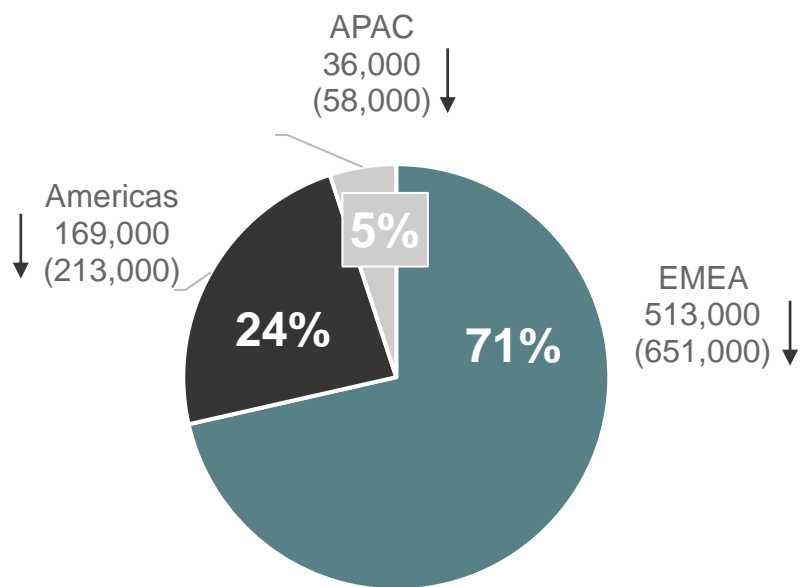
Weak consumer demand keeps activity at a low level

Metsä Board's paperboard deliveries, quarterly

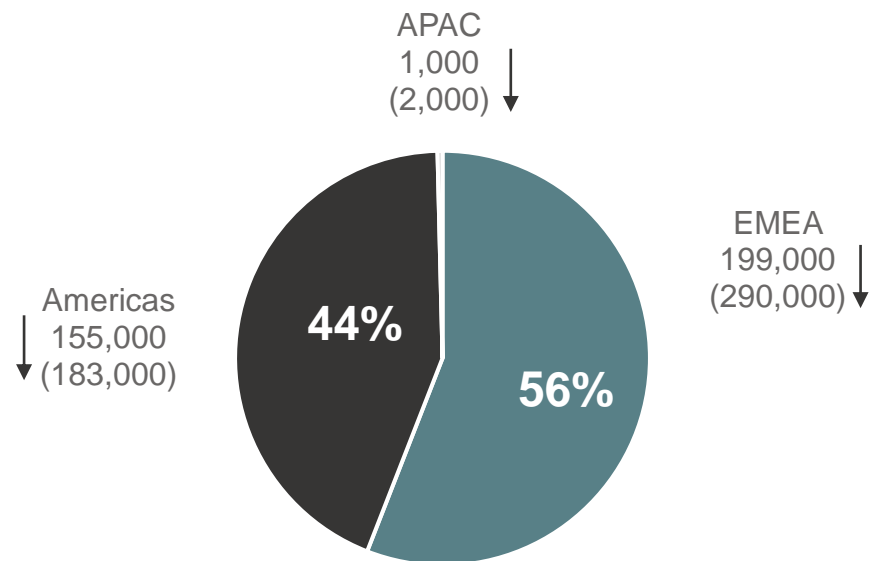


Paperboard deliveries by region

FBF deliveries 1–9 2023 (1–9 2022)
total 718,000 tonnes (923,000)



WKL deliveries 1–9 2023 (1–9 2022)
total 356,000 tonnes (476,000)



FBF = Folding boxboard

WKL = White kraftliners, coated and uncoated

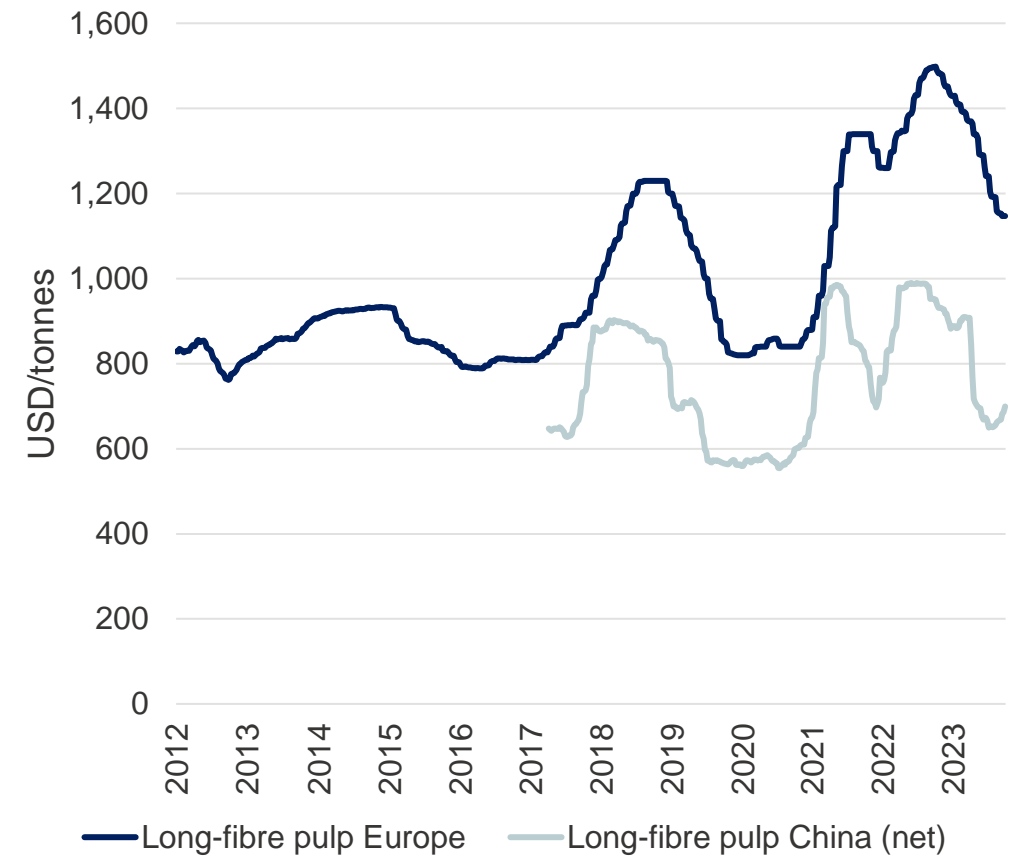
Market pulp

- Market pulp deliveries (1–9/23 vs 1–9/22)
 - Metsä Board -32%: (273,000t vs 399,000t)
 - Metsä Fibre^{*)} -11%: (1,981,000t vs 2,231,000t)
- Gradual improvement in market situation
 - In China, demand has been at a good level since the summer
 - In Europe, demand growth is constrained by production curtailments of paper/paperboard producers
- Decreased supply in **softwood pulp**
- Price (PIX) development in **softwood pulp**
 - 1–9/23 vs 1–9/22: Europe -7%, China -20%
 - Q3/23 vs Q3/22: Europe -21%, China -32%

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



Softwood pulp price (PIX) development in Europe and China



Source: Fastmarkets FOEX

Production adjustment measures reflected in energy efficiency and water use

TARGET

set for 2030

ACTUAL

1–9/23 or September 2023

Accidents at work
TRIF, TARGET 0

ACTUAL 6.7
(1–9/22: 7.7)



Certified wood fibre
TARGET >90%

ACTUAL 90%
(1–9/22: 82)



Fossil-based CO₂
emissions¹⁾
TARGET 0 (Scope 1 and 2)

ACTUAL Scope 1:
138,723t
(1–9/22: 169,092)



Process water use²⁾
TARGET -35%

ACTUAL +0.7%
(9/22: -13.5)



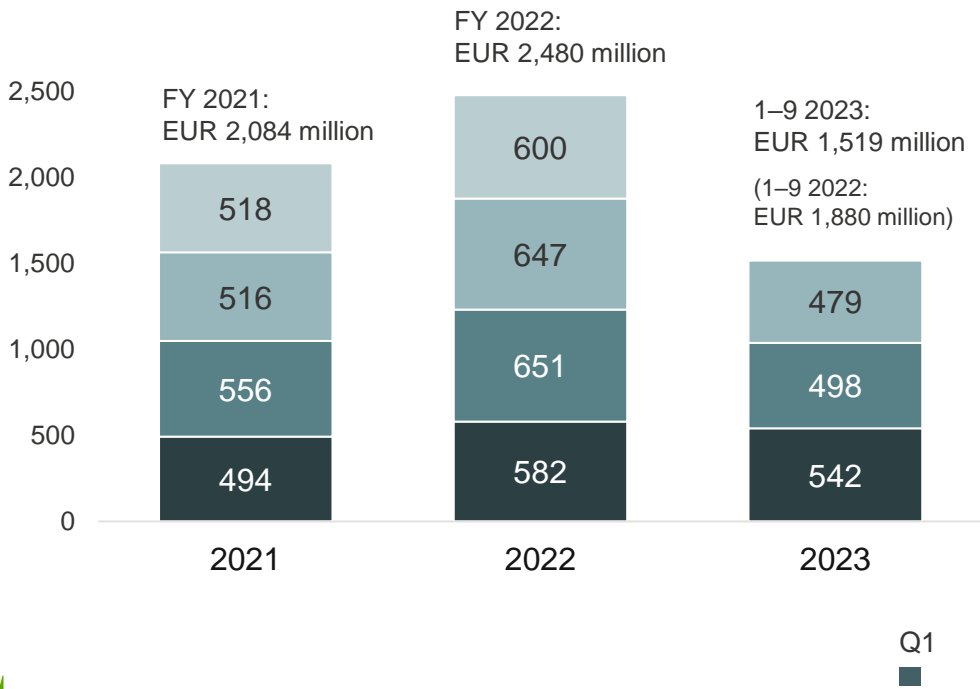
Energy efficiency²⁾
TARGET +10%

ACTUAL -6.5%
(9/22: +5.2)

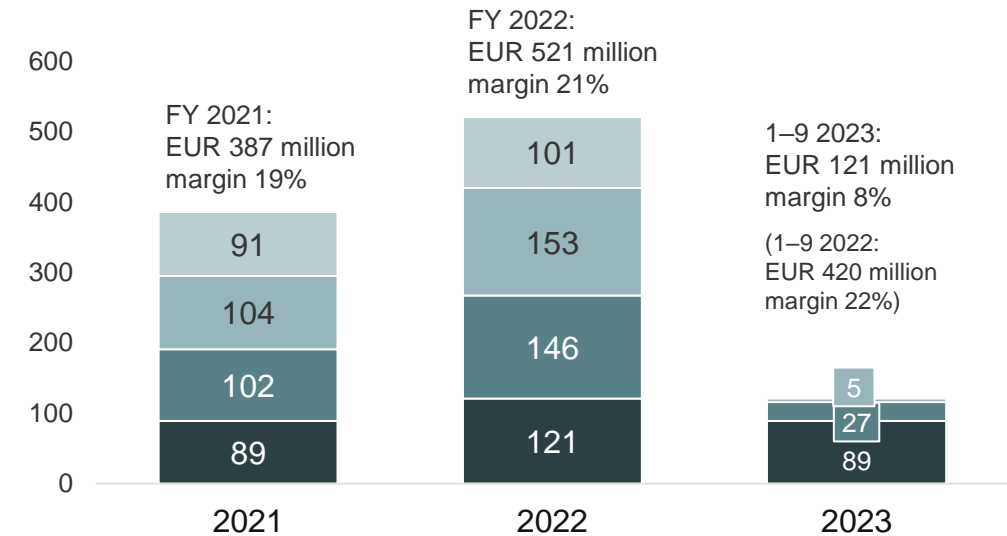


Sales and profitability significantly behind last year's performance

Sales, quarterly
EUR million



Comparable operating result, quarterly
EUR million and % of sales (margin)



Main items affecting comparable operating result

Q3 2023 vs Q3 2022: -96%

EUR 5 million vs 153 EUR million



Positives:

- Higher sales prices for folding boxboards
- FX after hedges, impact EUR +27m



Negatives:

- Decreased delivery volumes of paperboards
- Production adjustment measures
- Decreased pulp prices
- Result share from Metsä Fibre (EUR -2m vs EUR 56m)
- More maintenance and investment shutdowns

Q1–Q3 2023 vs Q1–Q3 2022: -71%

EUR 121 million vs 420 EUR million



Positives:

- Higher sales prices for paperboards
- FX after hedges, impact EUR +80m
- Sale of unused emission allowances EUR 45m (Q1–Q3 2022: EUR 19m)



Negatives:

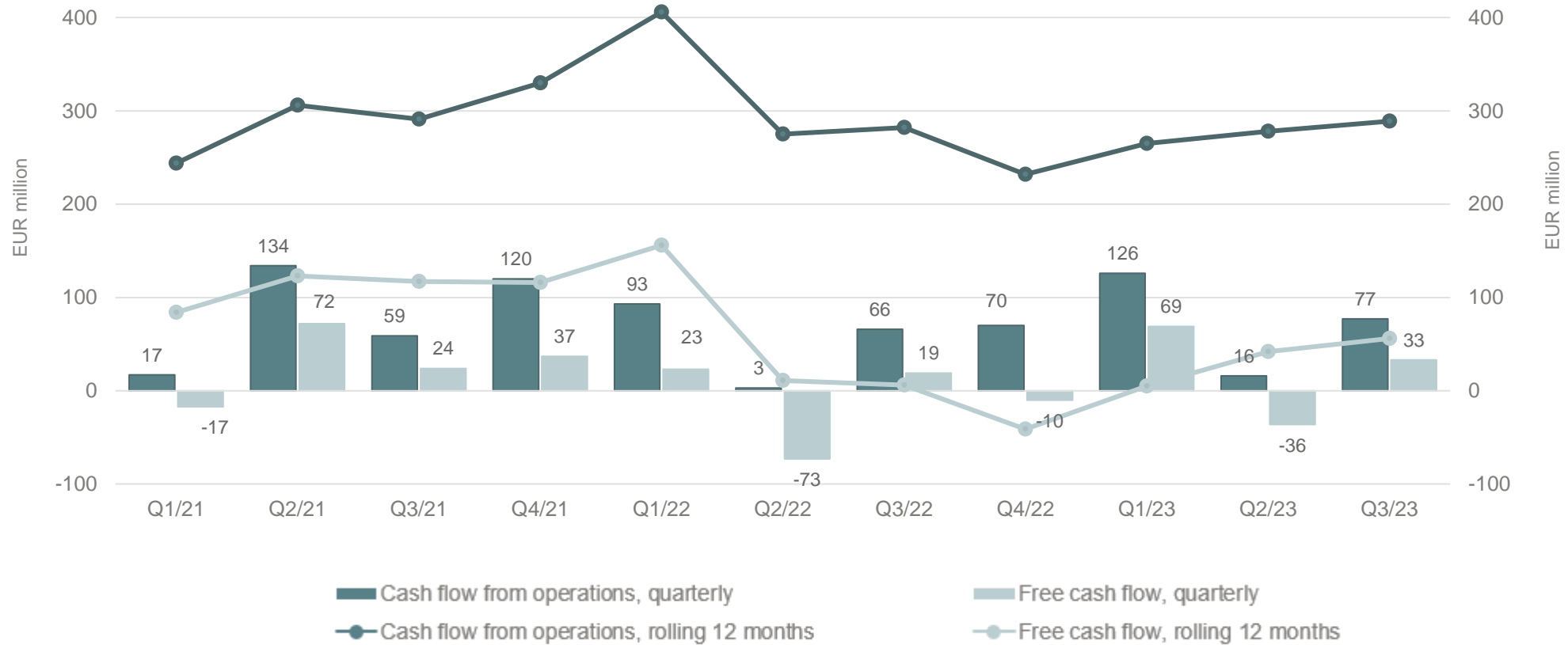
- Decreased delivery volumes of paperboards and market pulp
- Production adjustment measures
- Increased fibre and chemicals costs
- Result share from Metsä Fibre (EUR 33m vs EUR 133m)
- More maintenance and investment shutdowns

Comparable ROCE, rolling 12 months, at 8.8%

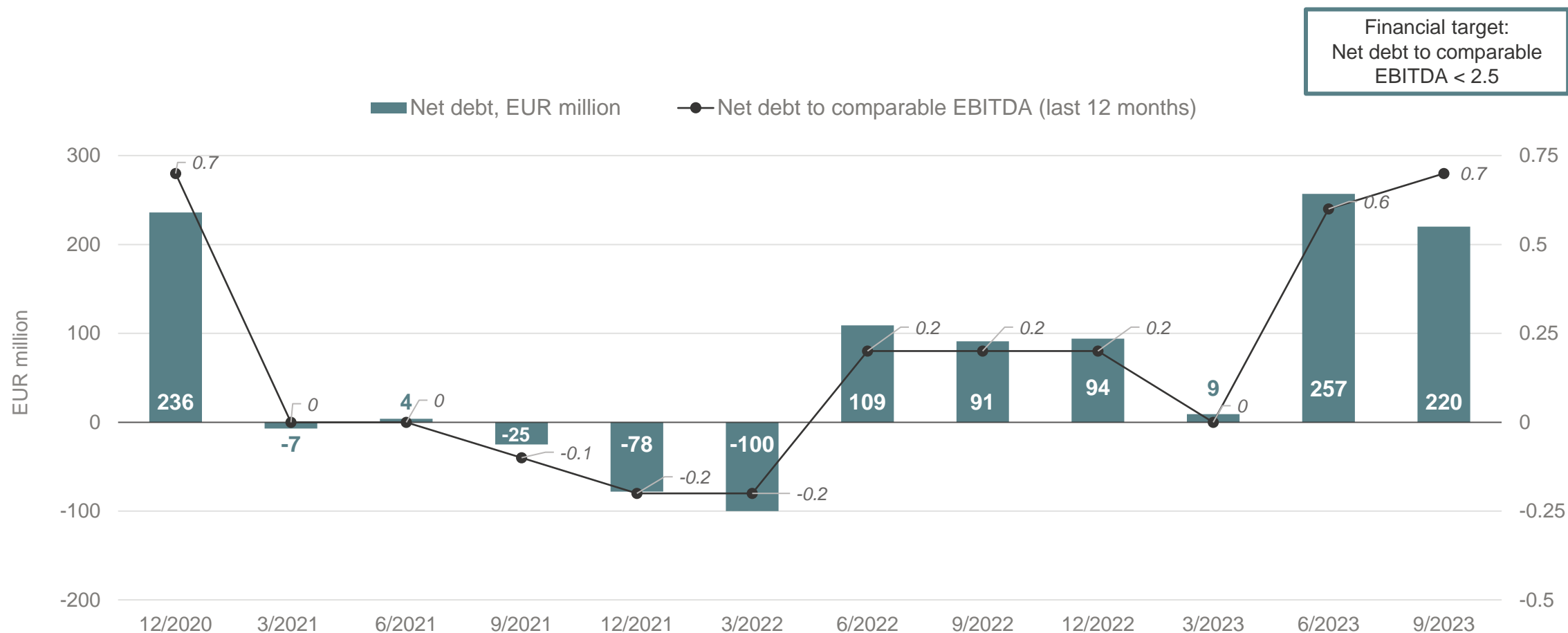
Comparable return on capital employed, %
Quarterly and rolling 12 months



Efficient use of working capital supported cash flows



Large dividend payment and investments reflected in net debt



Sustainable investments support our growth in fibre-based packaging materials



Kemi mill development programme

- +40,000 t/a white kraftliner, full production capacity during 2024
- Decreased water and energy use
- Included an unbleached pulp production line of 180,000 t/a from Metsä Fibre
- Investment value EUR 110* million
- Started up in Q3/2023



Husum folding boxboard capacity expansion

- +200,000 t/a FBB, full production capacity during 2025
 - Investment value EUR 230 million
 - Investment shutdown ongoing, start-up in Q4/2023
- In addition, port warehouse capacity will be increased, value ~EUR 20–30 million

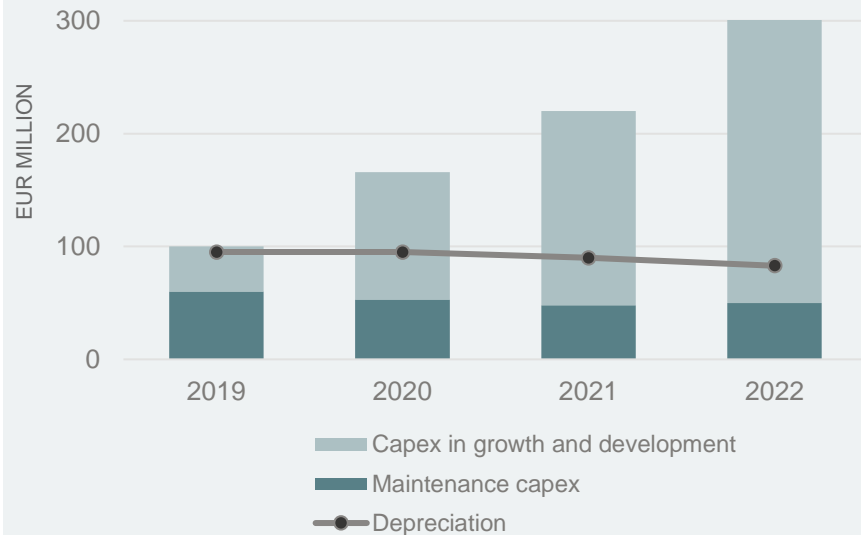


Pre-engineering for new folding boxboard mill in Kaskinen

- 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 around EUR 95 million

Indicative timetable for ongoing and planned investments

Ongoing/finalised investments



Planned investments, no decision made



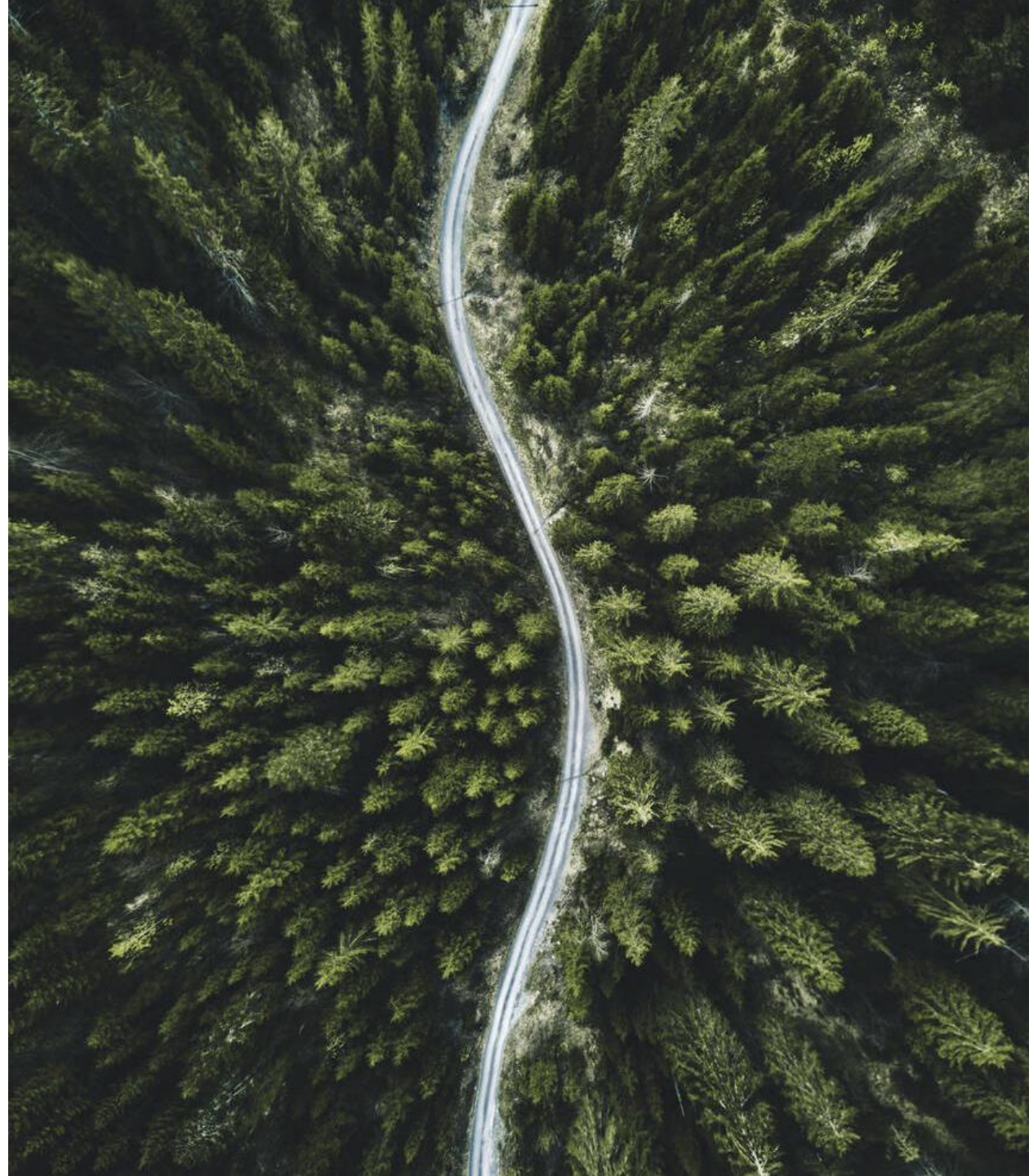
^{*)} Investment value has been revised from initial estimate of EUR 67 million

^{**)} In addition, an investment in increased port warehouse capacity, value ~EUR 20–30 million

Near-term outlook

October–December 2023

- Uncertainty around paperboard market continues
- Paperboard delivery volumes are expected to slightly decrease due to seasonality
- Production adjustment measures continue
- Average sales price of FBB expected to slightly decrease, WKL to remain stable
- Total costs expected to remain stable, less maintenance and investment shutdowns than in Q3
- Demand for market pulp better in China than in Europe, increasing pulp prices (PIX)
- Slightly negative impact from FX compared to Q3





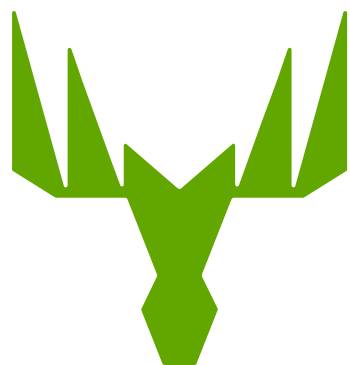
Result guidance

Metsä Board's comparable operating result in October–December 2023 is expected to be at the same level as in July–September 2023 (EUR 5.5 million)

Summary

- A quiet but stable paperboard market
- Efficient working capital management supports cash flows
- Strong focus on sales mix continues
- Long-term demand drivers for sustainable packaging materials are in place





Metsä

Appendix

Key financials

		Q3/23	Q3/22	Change Q3/23 vs Q3/22	1–9/23	1–9/22	Change 1–9/23 vs 1–9/22	FY 2022
Sales	EUR, m	479	647	-26%	1,519	1,880	-19%	2,480
EBITDA*	EUR, m	24	176	-87%	190	486	-61%	603
Operating result*	EUR, m	5	153	-96%	121	420	-71%	521
% of sales*	%	1.1	23.6		8.0	22.3		21.0
Metsä Fibre's share of operating result*	EUR, m	-2	56		33	133		
Earnings per share	EUR	0.01	0.33	-96%	0.26	0.94	-72%	1.15
ROCE*	%	1.3	24.7		6.7	23.0		20.9
Total investments	EUR, m	49	45	+9%	157	227	-31%	304
Cash flow from operations	EUR, m	77	66	+15%	219	162	+35%	232
IB Net debt at end of period	EUR, m	220	91		220	91		94.5



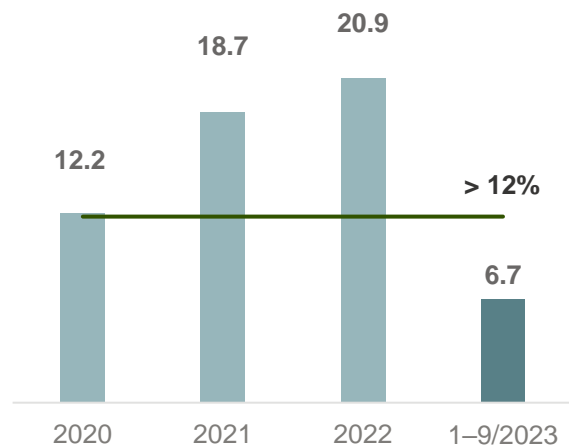
Metsä

**comparable*

Long-term financial targets and dividend payout

Comparable ROCE:

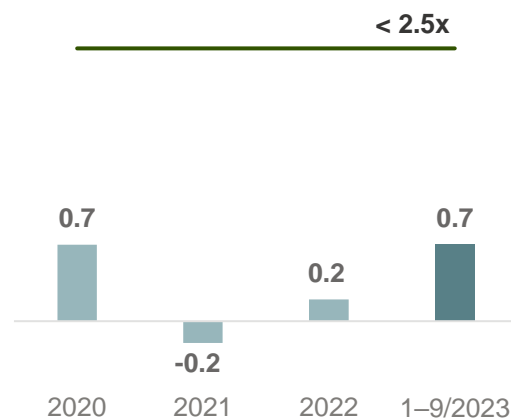
Target at least 12%



Net debt/comparable

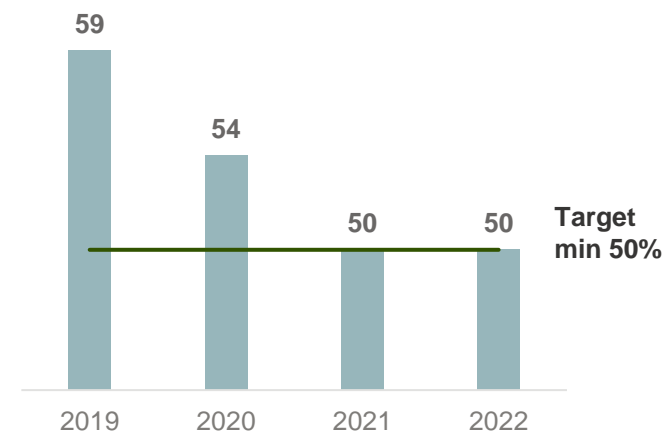
EBITDA:

Maximum level 2.5x



Dividend policy:

Payout ratio at least 50% of net result



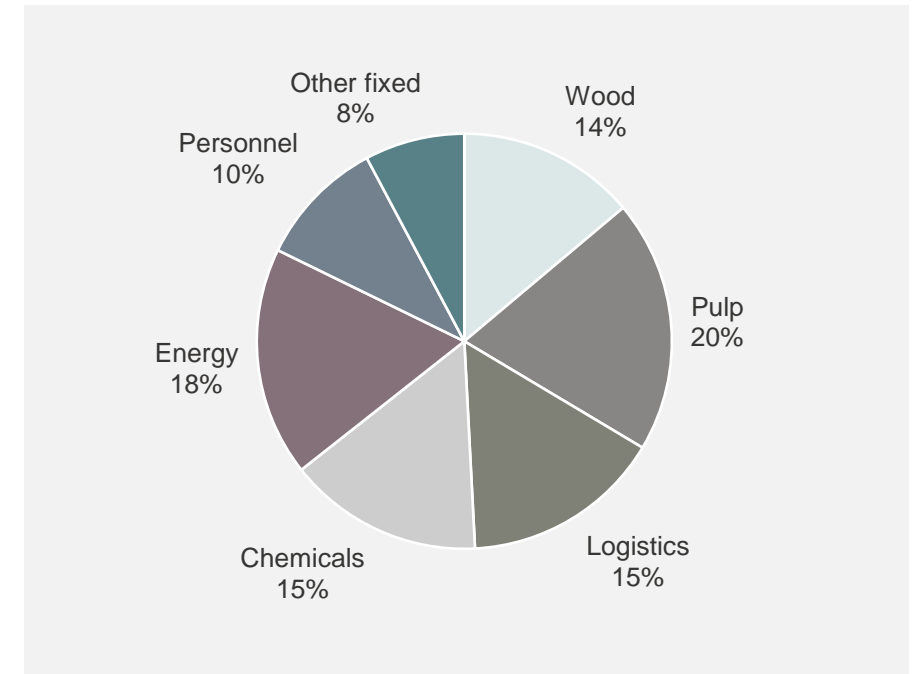
Cost inflation has slowed down, but overall cost level is still high

January–September 2023 (January–September 2022)

- Clearly higher cost level compared to 2022
- Wood costs have risen as a result of increased stumpage prices in Finland and Sweden
- In chemicals, prices increased especially in caustic soda and starch
- Energy costs slightly higher

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%.

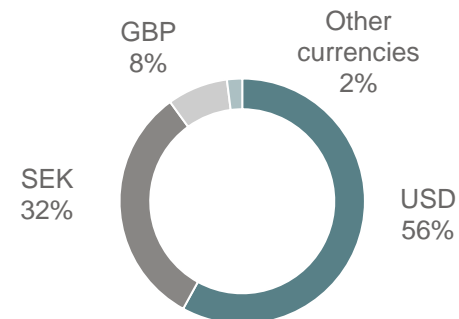
Metsä Fibre's pulp cost structure in 2022: Wood 51%, Chemicals 15%, Logistics 12%, Personnel 5%, Other 17%.

Impacts of FX changes

- Impact including hedges, actual
 - Q3 2023 vs Q3 2022: EUR 27 million
 - Q1-Q3 2023 vs Q1-Q3 2022: EUR 80 million
- Estimated impacts, including hedges
 - Q4 2023 vs Q3 2023: slightly negative
 - Q4 2023 vs Q4 2022: positive

At the end of the review period, an average of 8.9 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 1.4 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

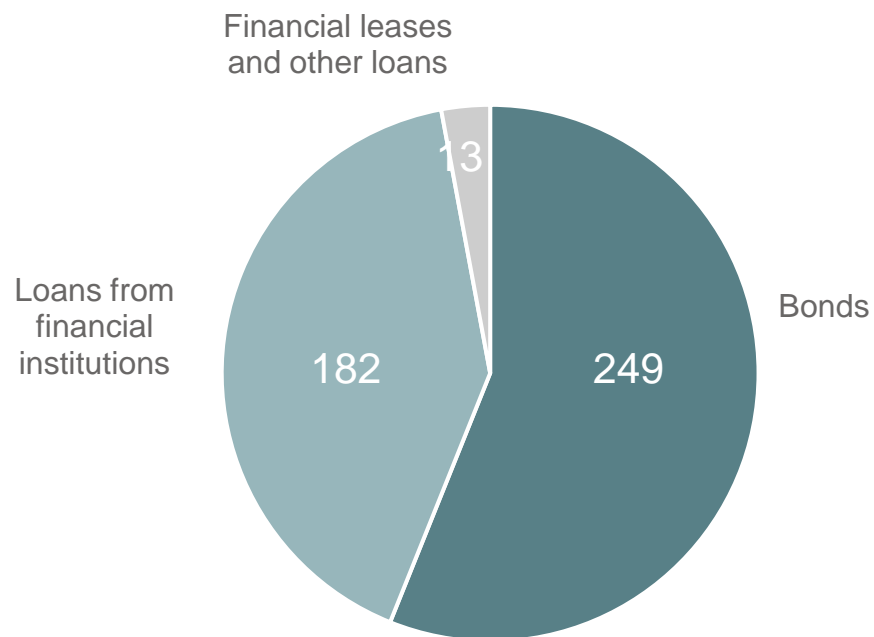
10% strengthening of foreign currency vs EUR would have an impact on Metsä Board's EBIT in

Currency	Next 12 months
USD, \$	EUR +80 million
SEK, kr	EUR -45 million
GBP, £	EUR +10 million

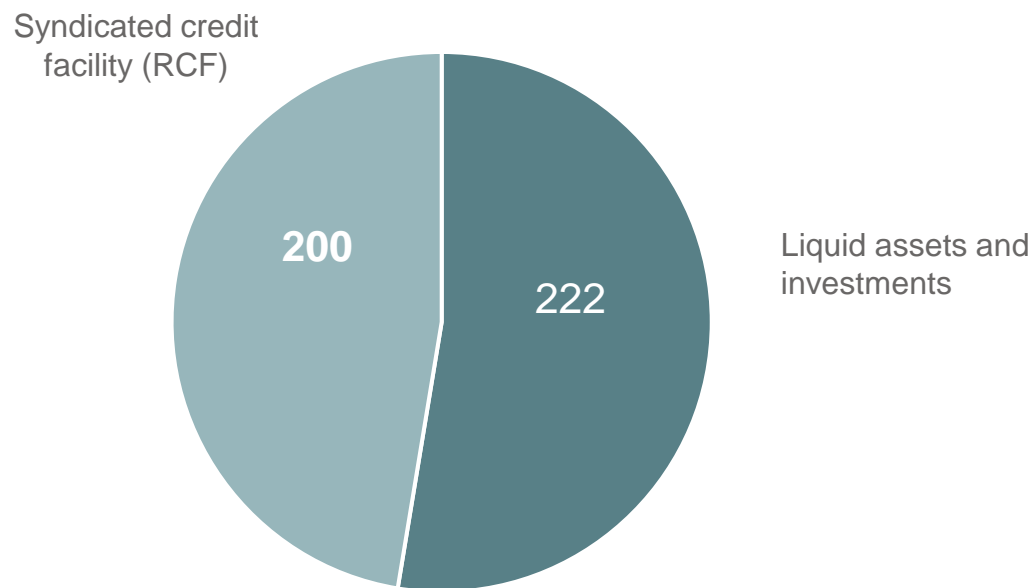
Debt structure and liquidity

30 September 2023

Interest-bearing debt EUR 444 million



Liquidity EUR 422 million



Liquidity is complemented by

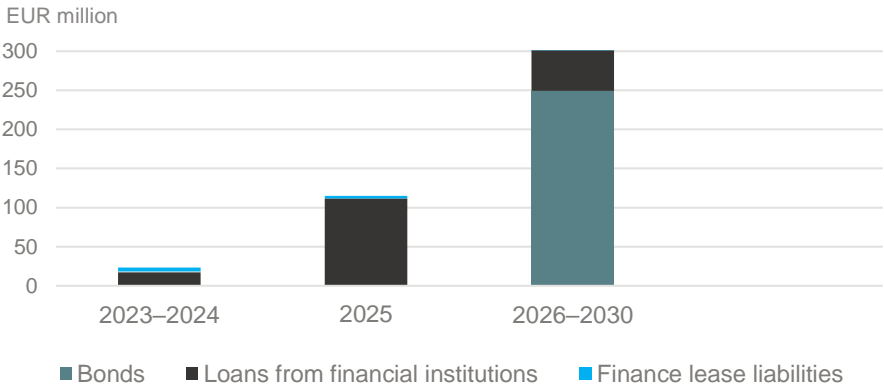
- Metsä Group's internal undrawn short-term credit facility of EUR 150 million and
- Undrawn pension loans of EUR 228 million.

Debt maturity and credit ratings

30 September 2023

- Total interest-bearing debt was EUR 444 million, and net debt was EUR 220 million
- The average interest rate on loans at the end of the review period was 2.6%, and the average maturity of long-term loans was 3.3 years
- Net financial costs, including foreign exchange differences, were:
 - 1–9 2023: EUR 1.5 million
 - FY 2022: EUR 6.6 million

Maturity of interest-bearing debt
Total EUR 444 million



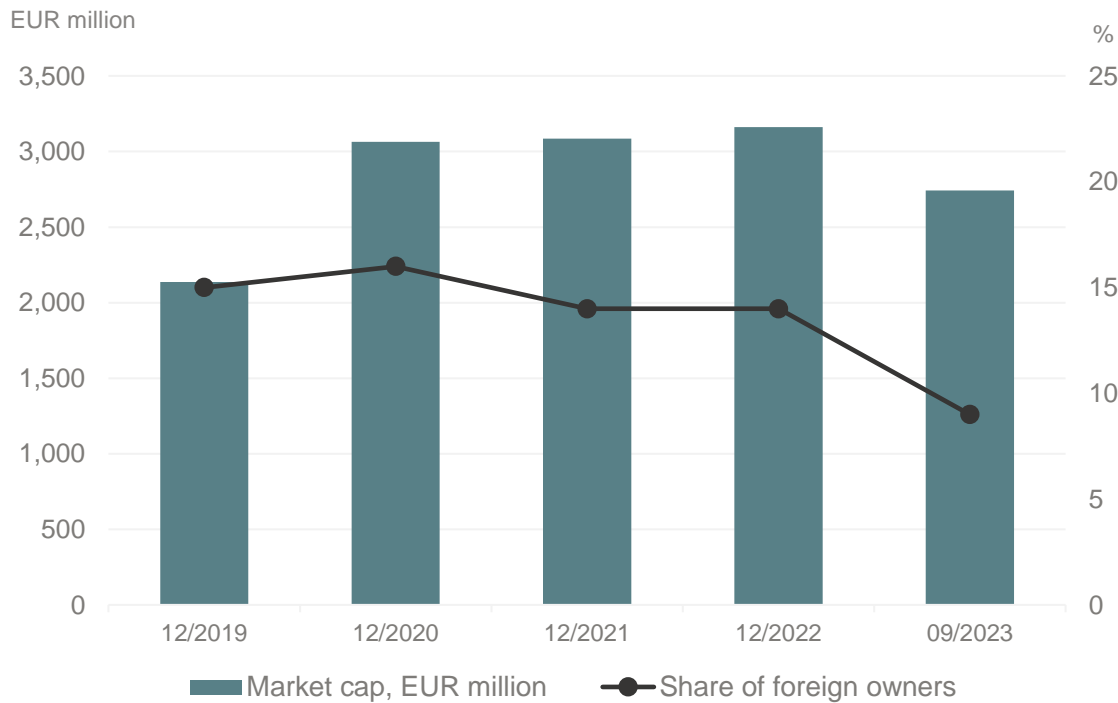
Metsä Board’s credit ratings are *investment grade*

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

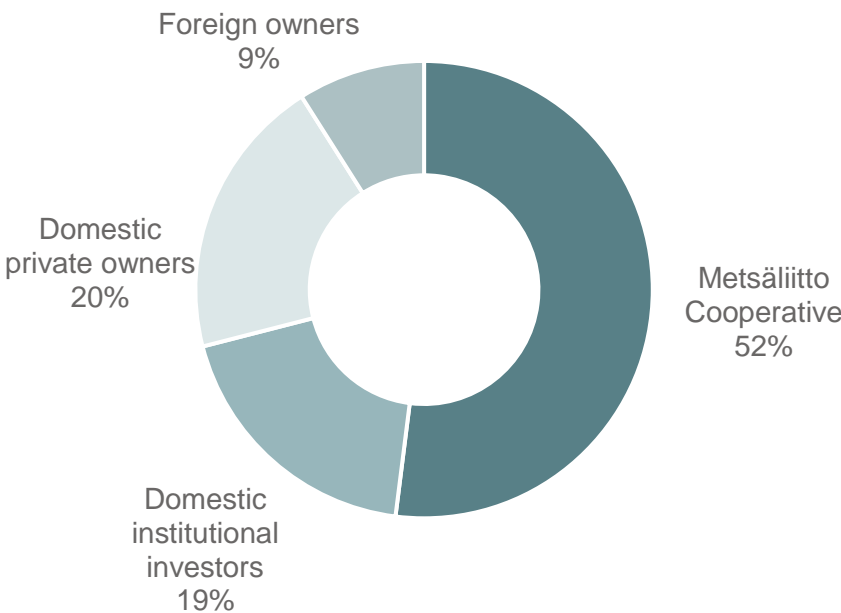
Market cap and ownership distribution

Metsä Board has two share series, A and B shares

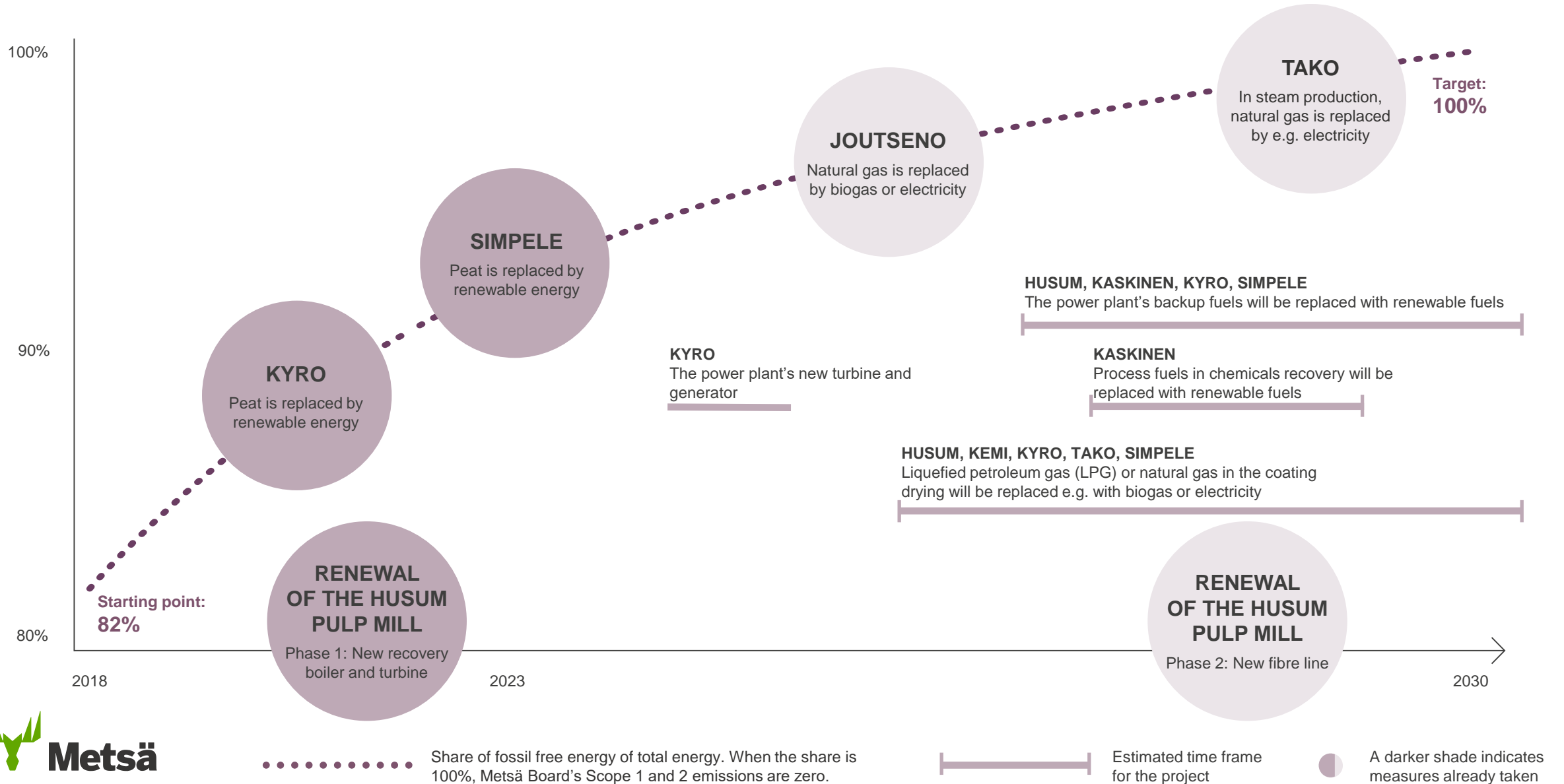
Market cap and foreign owners



Ownership distribution
30 September 2023



Transition plan towards fossil free production



Strong evidence of sustainability leadership



CLIMATE FORESTS WATER

Metsä Board holds an 'A' score in the CDP's Climate, Water and Forest and is placed on the Supplier Engagement Leaderboard.



Total score 87/100. Metsä Board has achieved the highest rating level every year since 2017.



[Link](#) to ISS website



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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



[Link](#) to MSCI website



[Link](#) to Sustainalytics website



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

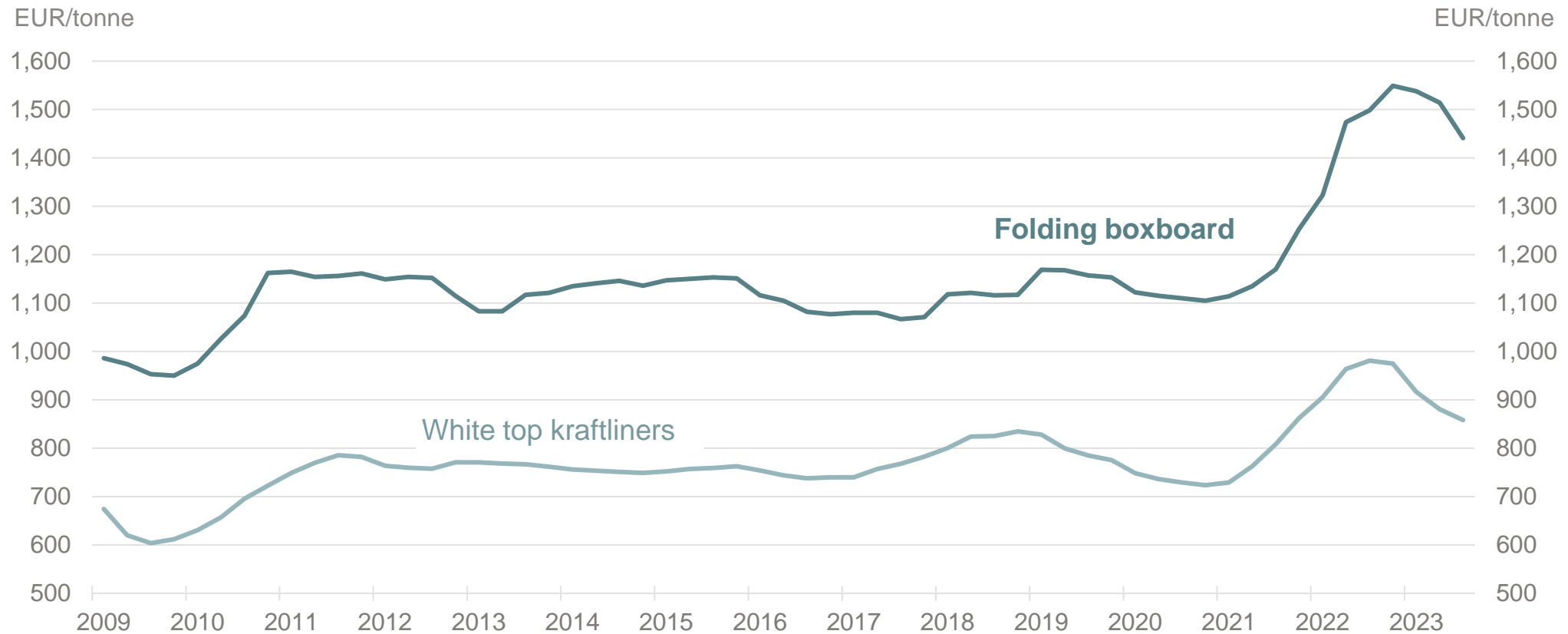


Metsä Board, as part of Metsä Group, is committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption. Metsä Board also supports the UN's Sustainable Development Goals, the SDGs.

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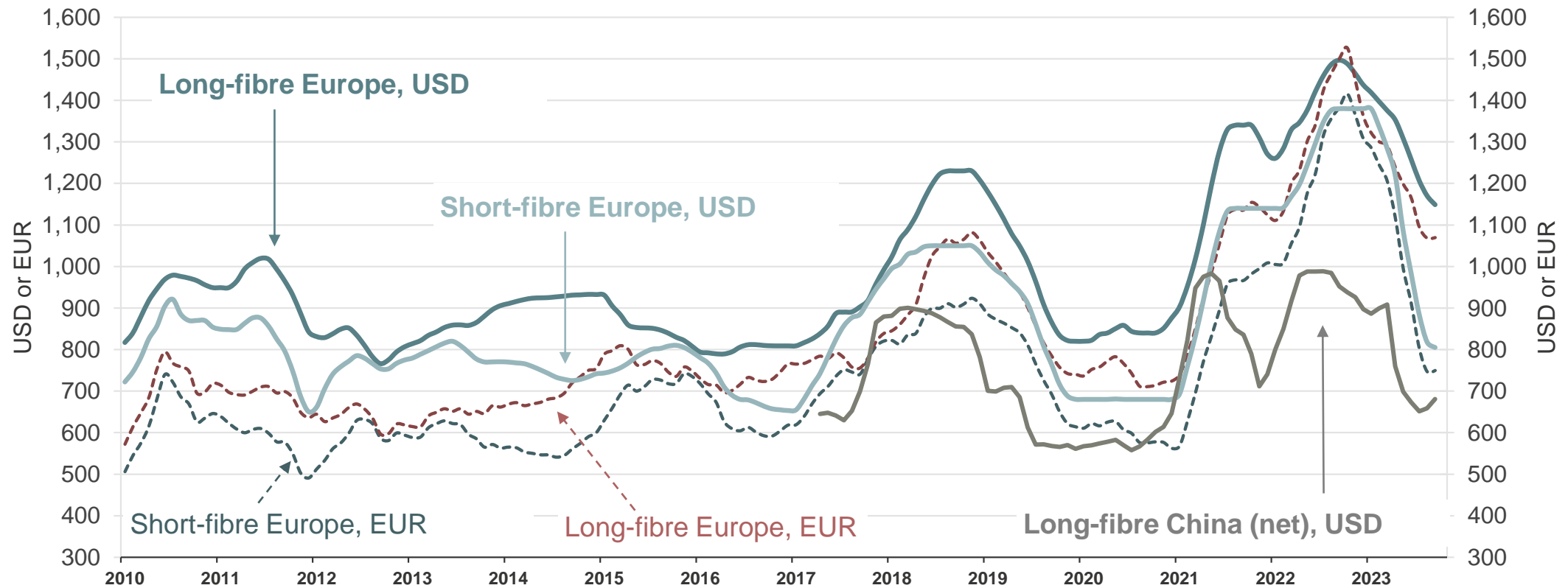
Price development of folding boxboard and white kraftliners in Europe



Sources: Fastmarkets RISI & Fastmarkets FOEX

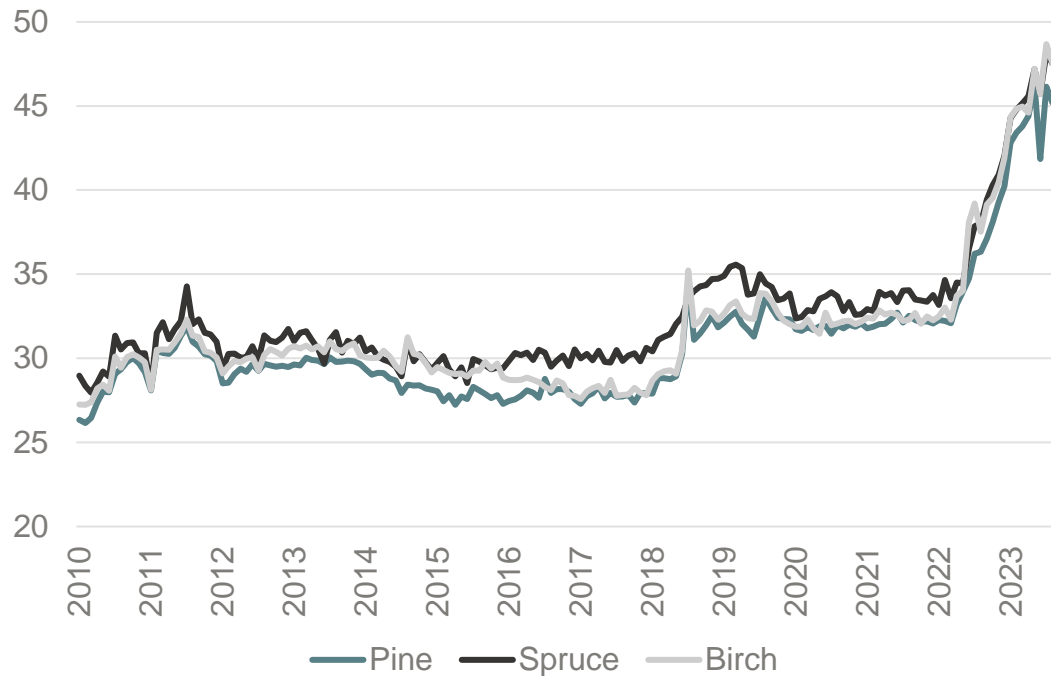
Price development of pulp (PIX)

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

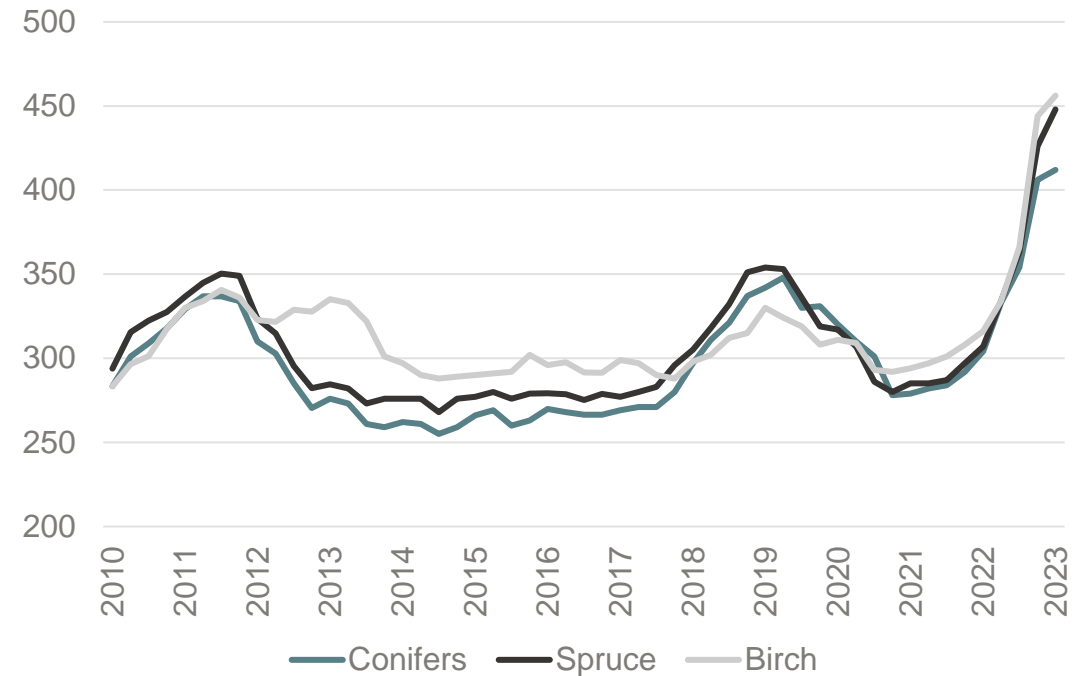


Price development of pulpwood in Finland and Sweden

Price (delivery at roadside, on bark) of pulpwood in Finland, EUR/m³

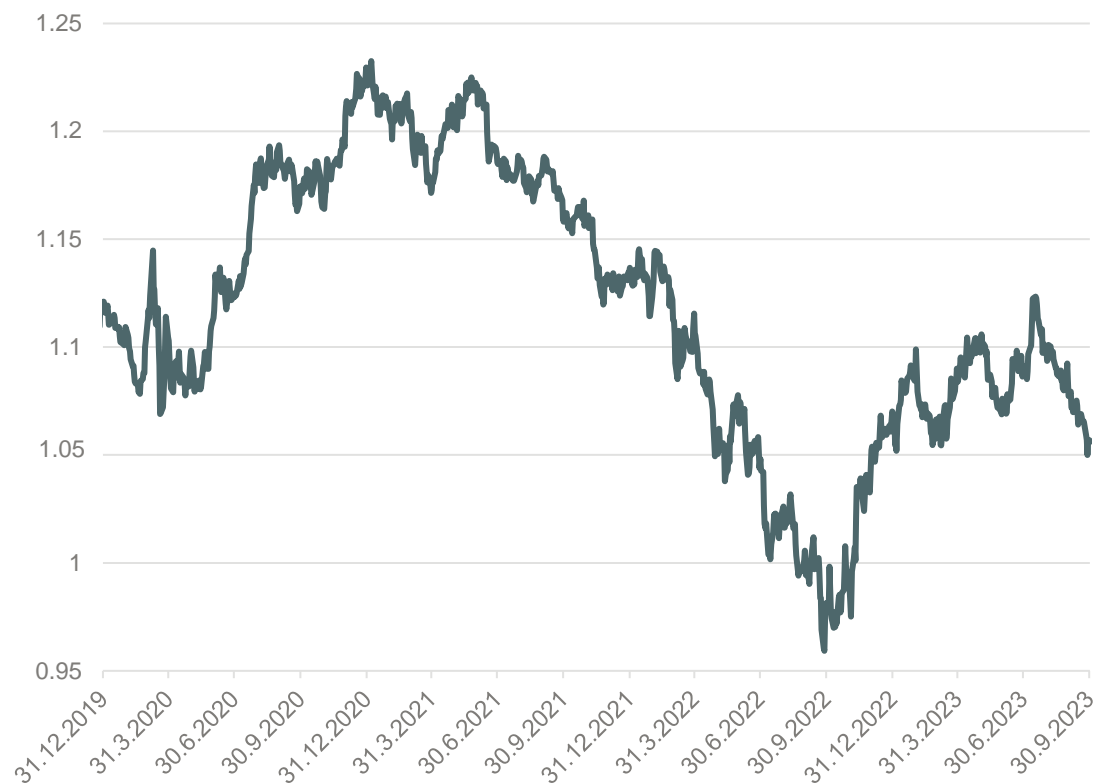


Price (delivery at roadside, under bark) of pulpwood in Sweden, SEK/m³



FX rates development: EUR/USD and EUR/SEK

EUR/USD



EUR/SEK





Metsä

**Together we make
the perfect package**

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