

Metsä's year
2021



A woman with brown hair and blue eyes, wearing a dark brown jacket, is looking upwards with a thoughtful expression. She is in a forest with many trees in the background.

Your partner in sustainable growth

Climate change concerns us all, and our future must be based on the use of renewable materials. Northern wood is the world's best renewable resource and a solution to many future challenges. Our business operations cover the entire value chain for wood. We focus on tissue and greaseproof papers, paperboard, pulp, wood products, wood supply and forest services.

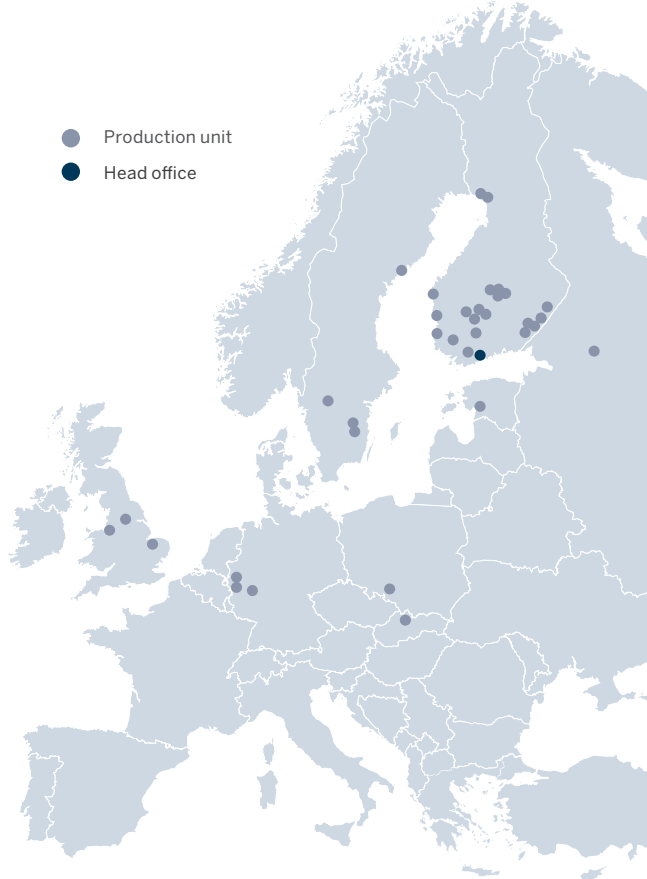
[Learn more about us!](#)

Sales*
EUR million
6,017

Comparable operating
result
EUR million
914

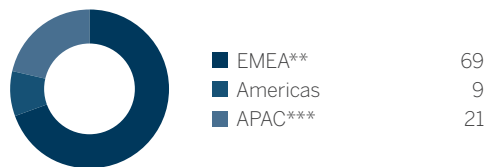
Comparable ROCE
%
16.2

Employees
9,500

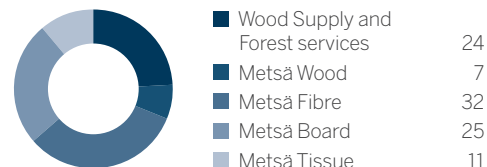


Sales 2021

BY MARKET AREA
%



BY BUSINESS AREA
%



* External sales
** Europe, the Middle East and Africa
*** Asia-Pacific

Highlights of 2021



Strong investments

For Metsä Group, 2021 was a year of investments. We decided to construct a bioproduct mill in Kemi valued at EUR 1.85 billion in Kemi. It will be the largest investment in Finland in the history of Finnish forest industry. Construction work on the EUR 200 million Rauma sawmill continued as planned, and the production will begin in 2022. We also announced our plan to invest in the construction of a new Kerto® LVL mill of approximately EUR 200 million in Äänekoski. In addition to Finland, we also invested in Sweden, where the Husum pulp mill will be renewed in two stages. As well as this, we decided to invest around EUR 210 million to increase the Husum mill's annual capacity for folding boxboard by 200,000 tonnes.

New innovations from wood

Metsä Group's innovation company Metsä Spring actively develops new wood-based products and new business. Our demo plant producing novel 3D fibre products will be launched in Äänekoski in 2022. We also introduced our new textile fibre brand, Kuura, which achieved the highest 'green shirt' rating in Canopy's sustainability assessment. The climate impacts of Kuura, made of pulp at the Äänekoski demo plant, were found to be smaller than those of most other textile fibres.

We also invested in two new start-ups which utilise wood for new kinds of products. Montinutra produces important ingredients for the cosmetics, food and pharmaceutical industries, using sawdust as raw material. Innomost, in turn, uses birch bark to produce valuable ingredients for cosmetics and hygiene products.

The jacket shown here is made of Kuura fibre.



A strategy of profitable growth

Our business is based on renewable raw materials and recyclable products in which wood from northern sustainably managed forests and our profound expertise provide a competitive advantage. Changes in the business environment offer us numerous opportunities. With industrial efficiency, we convert renewable resources into carbon storing and recyclable products for people's daily lives. We expand our product portfolio and invest in new business opportunities. We grow profitably with our customers.

Metsä Group's operating principles

- Increase the value of our owner-members' forests
- Implement sustainability objectives and ethical corporate culture
- Develop personnel's core competencies
- Grow profitably together with our customers
- Increase industrial efficiency
- Renew products and services
- Strengthen the competitive position through careful selection of markets and customers
- Full utilisation of common, efficient business processes, Group Services and synergies
- Efficient use of capital in investments

The diagram consists of concentric circles. The outermost ring contains the text 'PROFITABLE GROWTH' at the top, 'SUSTAINABILITY' at the bottom, 'PRODUCTS AND SERVICES' on the left, and 'INNOVATIONS' on the right. The next ring inward contains 'ONE METSÄ' on the left, 'BEST WORKPLACE' at the top, 'INVESTMENTS' on the right, and 'INDUSTRIAL EFFICIENCY' at the bottom. The innermost circle features the Metsä logo and the text 'NORTHERN WOOD'.



Purpose

Advancing bioeconomy and circular economy by efficiently processing northern wood into first-class products.

Vision

The preferred partner in developing sustainable business.

| Megatrends | | Population growth | Urbanisation | Biodiversity loss |
|------------|--|-------------------|----------------|-------------------|
| | | | Climate change | Digitalisation |

Values

- Reliability**

We appreciate each other's work and strengthen confidence by acting consistently and predictably.
- Cooperation**

We develop our operations in cooperation with our customers and share the best practices.
- Renewal**

We are aware of future challenges and have the courage to question old practices.
- Responsible profitability**

We bear responsibility for the environment, our partners and each other to ensure successful business operations.

Our 2030 sustainability objectives

Our sustainability work is based on four themes. Through a strong commitment to our 2030 sustainability objectives we are building a climate-neutral society and a responsible corporate culture.



Well-being



100% Responsible corporate culture

0 Accidents



Forests and wood



+30% Carbon bound to forests & products vs. 2018

Safeguarding biodiversity

100% Regeneration harvesting sites have retention trees

90% Harvesting sites have biodiversity stumps



The UN's global Sustainable Development Goals (SDGs) guide our day-to-day activities. Read more on our website [metsagroup.com](https://www.metsagroup.com)




Sustainable products




100% Fossil free products & packaging materials

100% Traceable raw materials

100% Sustainable suppliers



Climate and environment



0 Fossil CO₂ emissions

-25% Process water per product tonne vs. 2018

100% Side streams utilised

Partner to forest owners

Forest management and the sustainable use of forests are long-term activities, continuing from one generation to the next. When managed responsibly, forests grow well, remain robust and act as carbon sinks.

Our parent company Metsäliitto is a cooperative of nearly 100,000 Finnish forest owners. Our forest management services enable the owner-members to increase the value of their forest assets – the financial value, nature value or both. Our range of services

includes services for all stages of forest development, such as high-quality Finnish seedlings and seeds, young stand management work, harvesting and fertilising. We are experts in both continuous cover forests and forests with an even age structure.

Digital opportunities will continue to improve and expand forest owners' services. In 2021, digital services accounted for 52% of Metsä Group's wood trade and 58% of its forest service sales.

| In 2021, we supplied more than 34 million seedlings to forest owners.



Wood products manufactured with industrial efficiency

We focus on industrial-scale wood products: birch and spruce plywoods, Kerto® LVL, as well as spruce and pine sawn timber and upgraded products. The most important applications for wood products lie in the construction, furniture, packaging and transport industries, all of which are set to grow in the future, boosted by urbanisation and increasing e-commerce.

We upgrade the best parts of trees into wood products and optimise the use of log wood to ensure that this high-quality raw material is utilised efficiently and in the best possible way. For the most part, our sawn timber products are upgraded for industrial planing, the construction industry, and the door and window industry. Our engineered wood products offer excellent strength and stiffness, making them ideal for purposes that require strong and durable raw materials.

Metsä Group is Finland's largest producer of sawn timber and Europe's largest producer of LVL products. We manufacture wood products with industrial efficiency and decades of experience. Wood products are a solution to the environmental challenges faced by construction. They reduce the carbon footprint of buildings and transport, and store carbon, keeping it out of the atmosphere.

Wood construction
boosts demand for
our high-quality
wood products.

Premium pulp for numerous bioproducts

We specialise in high-quality softwood and birch pulp made from Nordic pulpwood. Our bleached pulps are used as raw materials in paperboards, tissue and printing papers as well as in many speciality products. Our products can replace fossil-based raw materials.

Some of the pulp we produce ends up in our own paperboard and tissue paper products, but the majority is sold on the world markets. Pulp is one of Finland's most important export products, and Metsä Group is the world's biggest producer of softwood market pulp.

Sustainably produced and certified pulp products are in high demand, because renewable wood fibre offers a responsible alternative to fossil-based products. Pulp, and the other bioproducts generated in connection to its production, will also serve as the raw material of many future innovations.


Population growth will
increase the demand for
environmentally friendly,
wood-based products.

Light and strong paperboards for sustainable packaging

As Europe's leading producer of fresh fibre paperboard, we focus on premium folding boxboards, food service boards and white kraftliners. Our lightweight, safe and eco-friendly paperboards are suitable for food, cosmetics, pharmaceutical and electronic appliance packaging, as well as for many retail packaging needs.

For example, the continuously growing food packaging business and the accelerating growth of e-commerce are increasing the demand for safe and recyclable paperboard packages globally. Our customers all around the globe include brand owners, converters and wholesalers who value sustainability and the functional properties of paperboard.

Our product range is complemented with a variety of expert services in sustainability, analysing and designing packages, technical consultation, supply chain, research and product development. Our shared goal is to create better consumer experiences with a lower environmental impact.




Higher living standards and urbanisation are driving the consumption of packaged products.

Cleaner everyday life with tissue and greaseproof papers

Our tissue and greaseproof papers are an important part of the everyday life of millions of people. We are one of leading tissue paper producers to households and professionals in Europe, and one of the world's leading suppliers of greaseproof papers. Our product development is guided by a deep understanding of our customers' needs, be they consumers or wholesalers in the retail sector.

Our well-known consumer brands – Lambi, Serla, Mola and Tinto – offer a comprehensive range of toilet papers, household towels and paper handkerchiefs for household and personal hygiene. Our greaseproof papers sold under the SAGA brand are designed for cooking and baking at home and in large professional kitchens and bakeries. Outside Finland, greaseproof papers are sold for further processing in giant reels.



Our tissue papers promote good hygiene.

Our Katrin brand, designed for industrial-size kitchens and professionals, offers an extensive range of products suitable for hygiene and cleaning, including hand towels, toilet papers, facial tissues, industrial wipes, dispensers and soaps. You can find these products in any public space from shopping centres to hospitals across Europe.

We make the most of wood

Northern wood is an excellent renewable raw material that is suitable for our current wood products as well as for many new products of high added value. Metsä Group uses wood as efficiently and smartly as possible to ensure that every part of the tree goes to the best possible purpose. Our mills have closed cycles, and our production side streams are put to efficient use. Our innovation company Metsä Spring is always on the lookout for even better ways to use

side streams. The circular economy principles work well in industrial networks, or ecosystems, where one company's waste can be a valuable raw material for another. Networks create opportunities for new, innovative uses of wood. Wood and the side streams from its production can be used in cosmetics, textiles, fertilisers, soil improvement agents, 3D fibre products, composites and renewable energy, for example.

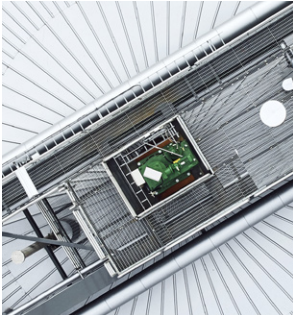
Innomost is one of Metsä Spring's partners. Its portfolio includes products such as betulin, suberin, birch charcoal powder and birch bark powder. These can be used in a variety of cosmetics products, skincare, haircare, and oral care products, as well as colour cosmetics. Metsä Group's production side stream, birch bark, is used as the raw material of the Innomost products.



Wood raw material from regeneration felling



Bioeconomy and circular economy at our mills



- Branches and top into renewable energy
- Sawdust into renewable energy
- Bark into product gas and other renewable energy
- Chips into pulp

Sustainable products



From pulpwood

- Pulp
- Paperboard
- Tissue and greaseproof paper
- Other bioproducts*
- Textile fibres**
- 3D fibre products**

From log wood

- Sawn timber
- Kerto® LVL
- Plywood

* Other bioproducts include i.a. tall oil, turpentine, methanol, sulphuric acid, fertilisers, soil improvement agents, biogas, electricity and heat
** New products under development

For a full description of our model of wood use, please read our Sustainability Report.

We create value sustainably

Resources



People

- 9,500 employees in 28 countries

Raw materials and supply chain

- Our nearly 100,000 owner-members hold roughly half of Finland's private forests (5.2 million ha)
- 35.3 million m³ of wood procured
- In addition to wood procurement, over EUR 3 billion in other raw material purchases from around 400 suppliers

Production

- 35 production units in 8 countries
- 35 TWh total energy consumption

Financial performance

- Equity ratio 61.1%
- Net gearing ratio -3.8%
- Capital employed EUR 5,978 million
- Investments EUR 994 million

Outputs



Sustainable products and services

- We use Nordic wood to make products for everyday life.
- Our products include pulp, paperboard, tissue and greaseproof papers, as well as wood products.
- We produce more than 15% of Finland's renewable energy.
- We offer sustainable forest management services for forest owners.



Emissions and waste

- Our emissions into the air include 1,126,000 tonnes of fossil-based carbon dioxide emissions.
- 90% of the fuels used in our production are renewable.

Impacts



Environmental impact

- We use wood from forests that grow more than they are used.
- We preserve biodiversity in compliance with our sustainability objectives.
- We promote the circular economy by using side streams efficiently and producing recyclable products.

Social impact

- EUR 680 million paid as wages and benefits to employees worldwide.
- We create some 15,000 jobs indirectly in Finland.

Economic impact

- EUR 623 million in income from wood sales to Finnish forest owners.
- The value of the exports of our mills in Finland totals EUR 3.6 billion, i.e. roughly 5% of Finland's exports.
- We paid a total of EUR 159.7 million in corporate income tax and real estate tax.

Read more about our model for value creation in our Sustainability Report.

A sustainably managed forest binds carbon and safeguards biodiversity

Forests grow and work as carbon sinks if the amount of wood in forests increases. Trees bind carbon dioxide as they grow, so the more the forests grow, the more efficiently they curb climate change. We procure our wood from sustainably managed northern forests, where forests grow more than they are used. Most of the wood we use originates in Finland.


We safeguard the biodiversity of forest nature by preserving valuable habitats, leaving retention trees in forests and buffer zones around water bodies, leaving high biodiversity stumps and protective thickets in place, as well as preserving existing thickets in place, as well as preserving existing decaying trees. We know the origin of the wood we

use: 88% of it is certified. Forest certification serves as proof of responsible operations throughout the value chain for both the forest owner and the customer.

We also fund projects that improve biodiversity and the state of waters outside commercial forests. These are related to, for example, wetlands, watercourses, and coastal environments, the living conditions of pollinators and new water protection methods.

Sustainable forestry safeguards biodiversity and secures recreational use in the same forests that provide wood as raw material for recyclable and fossil free bioproducts.

In commercial forests, biodiversity is promoted by preserving and adding structural features important for it.



| | |
|--|---|
| 1. Protective thicket A dense stand composed of trees and bushes offers protection and nutrition for animals. | 4. High biodiversity stump A decaying high stump provides habitats for species living in dying standing trees. |
| 2. Buffer zone The permanent vegetation of buffer zones located on the shores of water prevents nutrient runoff into the waters. | 5. Retention trees Retention trees help ensure that forests also contain decaying wood and trees of different ages. |
| 3. Decaying wood Fallen and standing decaying wood provides habitats for species that prefer dead trees. | 6. Nature habitat An area that stands out from its surroundings (e.g. a brook), the characteristics of which are preserved. |



An inspiring and diverse future workplace

Metsä For All

Metsä is a close-knit group of enthusiastic professionals who play a key role in combating climate change. Our responsible corporate culture creates a safe work environment for all of us. We are committed to developing a culture of diversity and equality in which everyone has the opportunity to succeed in their career and be an equal member of the workplace community.

We want to be a forerunner in diversity and inclusion, as well as in the promotion of gender equality and equal opportunities. A diverse personnel and an inclusive culture support renewal and innovation. We invest in good leadership and support for personal career development. Metsä offers various career opportunities.

Everyone has the right to leave work healthy

We never compromise on the safety and wellbeing of our people. For us, safety at work is an inherent part of daily management and leadership. We aim for zero accidents. This requires proactive safety work of the highest quality, risk identification and addressing dangerous working practices, as well as personal commitment from everyone. Healthy, motivated and satisfied employees are one of our success factors.



Metsä Board's Excellence Centre in Äänekoski fosters paperboard innovations.

METSÄ GROUP

The parent company Metsäliitto Cooperative is composed of nearly 100,000 Finnish forest owners.

Sales
EUR 6.0 billion

Personnel
9,500

WOOD SUPPLY AND FOREST SERVICES

METSÄ WOOD

Wood products

METSÄ FIBRE

Pulp and sawn timber

METSÄ BOARD

Paperboard

METSÄ TISSUE

Tissue and greaseproof papers

OWNERSHIP

Metsäliitto Cooperative
100%

Metsäliitto Cooperative
100%

Metsäliitto Cooperative
50.1%
Metsä Board 24.9%
Itochu Corporation
25.0%

Metsäliitto Cooperative
48% (67% of votes)
The company is listed
on Nasdaq Helsinki

Metsäliitto
Cooperative
100%

METSÄ SPRING Innovation company

Metsä Group's annual reporting includes four parts: Metsä Group's Annual Review, Brochure and Sustainability Report, as well as Metsä Board's Annual Report and Sustainability Report. Each report is available in both Finnish and English.

PUBLISHED BY Metsä Group

The publications are available at:
metsagroup.com/en
Feedback can be emailed to
communications@metsagroup.com
or provided on social media **@MetsaGroup**



Metsä Group
Brochure
2021



Metsä Group
Annual Review
2021



Metsä Group
Sustainability
Report 2021



Metsä Board
Annual and
Sustainability
Report 2021



Your partner in sustainable growth

The cover material of this report was produced at the Kyrö paperboard mill. The high-yield pulp in the middle layer of the paperboard was produced at the Joutseno mill, and the chemical pulp in the back layer was produced at the Äänekoski bioproduct mill. The coated folding boxboard made from pure fresh fibre is suitable for packaging and graphical end uses.

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