

Metsä

Metsä Board Results for January–March 2024

Presentation material

25 April 2024

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 2024 in brief

- Paperboard demand picked up, average sales price of FBB decreased
- Increased pulp demand in Europe with improved market prices (PIX)
- No planned maintenance
- Political strikes led to 2–3 weeks of shutdowns in Finnish mills
- Severe gas explosion in Kemi bioproduct mill. Impacts extended to white kraftliner production
- Metsä Board decided not to invest in FBB mill in Kaskinen. Instead, company is planning investments in existing mills and new products.



Sales

484

EUR million

Q1 2023: EUR 542m



Comparable operating result

32

EUR million

Q1 2023: EUR 89m

Paperboard deliveries

364,000

tonnes

Q1 2023: 381,000

Paperboard production

400,000

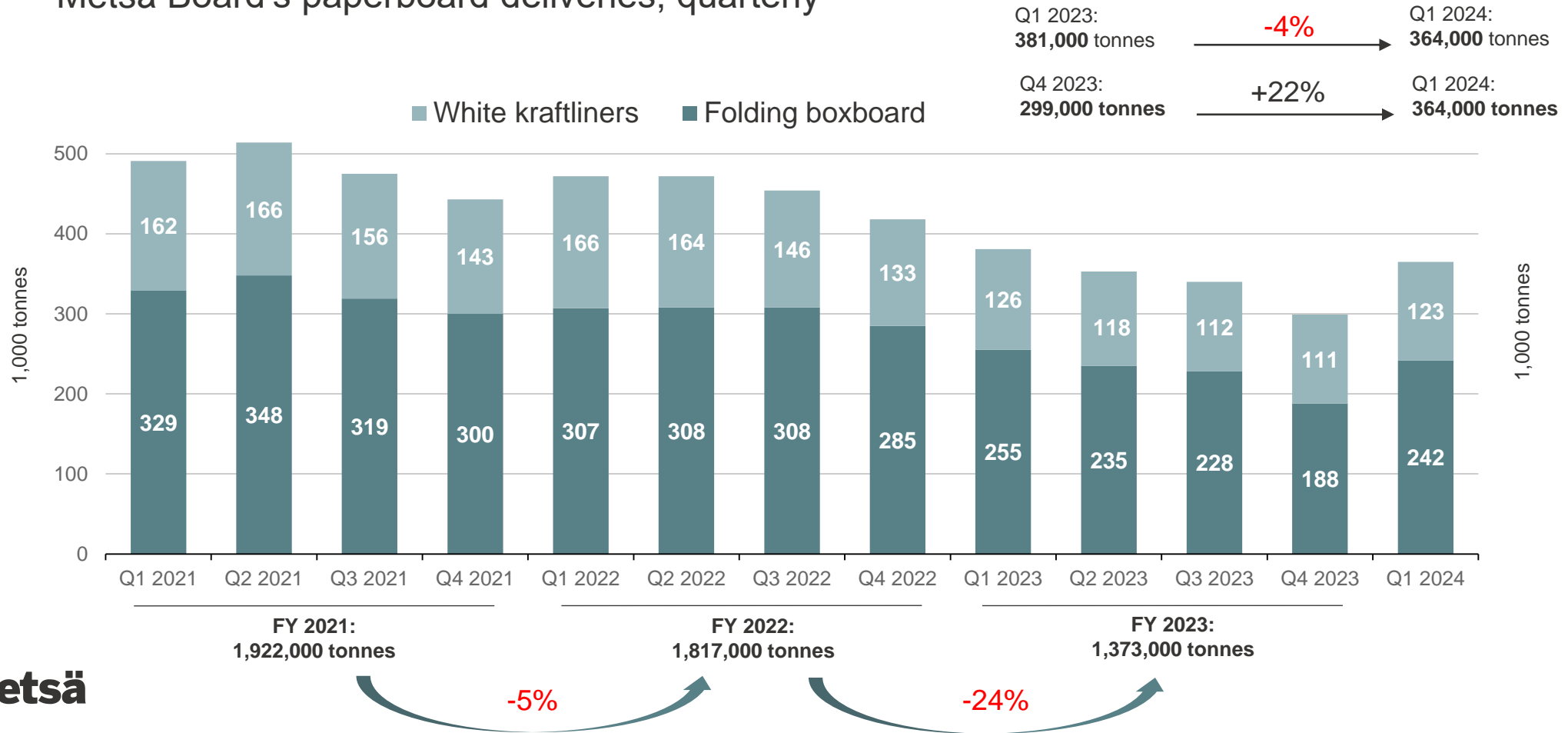
tonnes

Q1 2023: 376,000



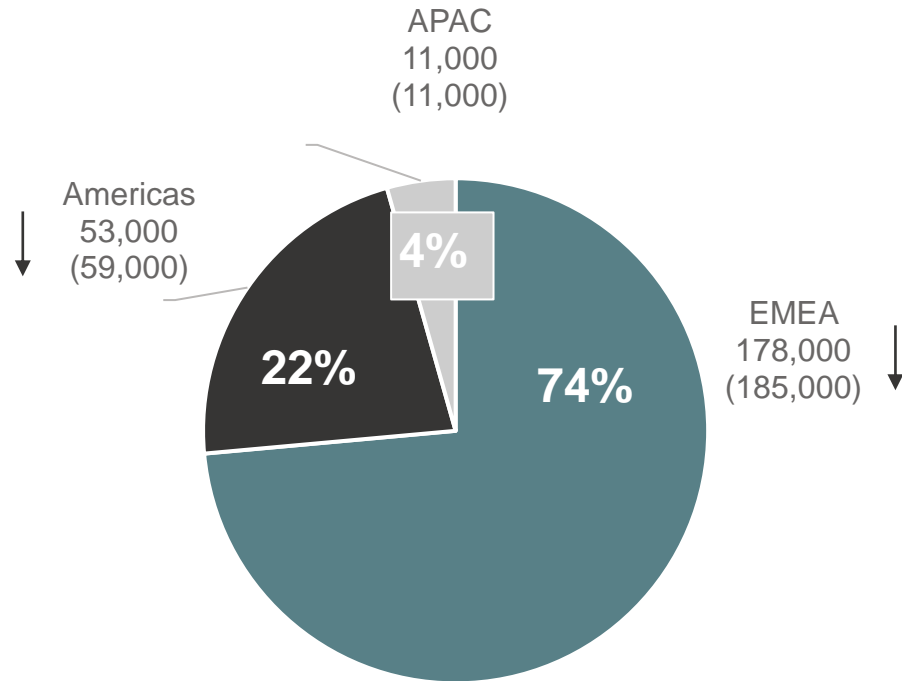
A pick-up in paperboard demand after a long downturn

Metsä Board's paperboard deliveries, quarterly

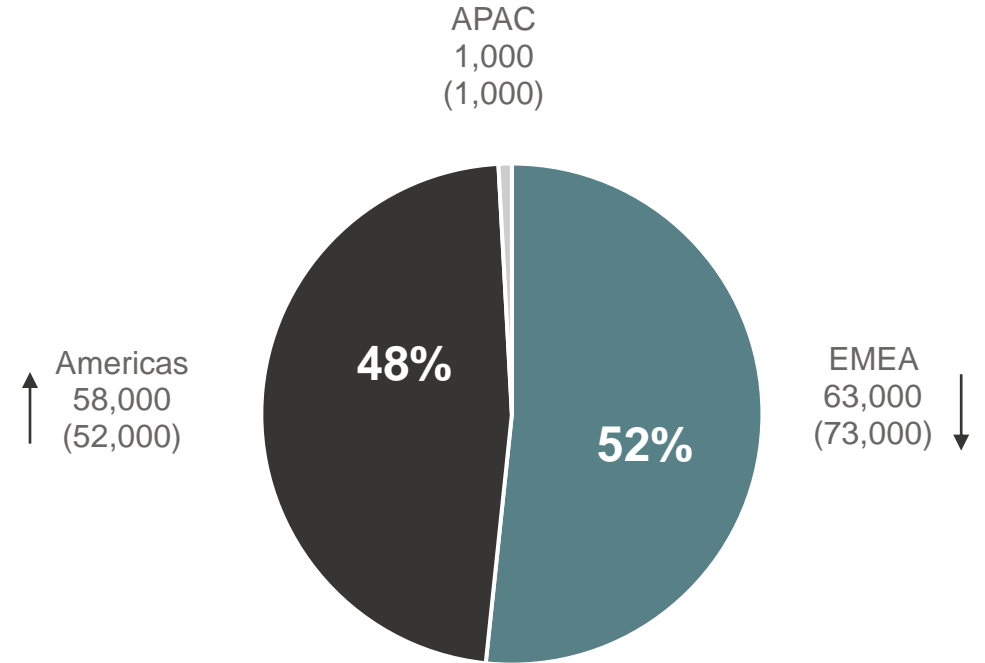


Paperboard deliveries by region

FBB deliveries Q1 2024 (Q1 2023)
total 242,000 tonnes (255,000)



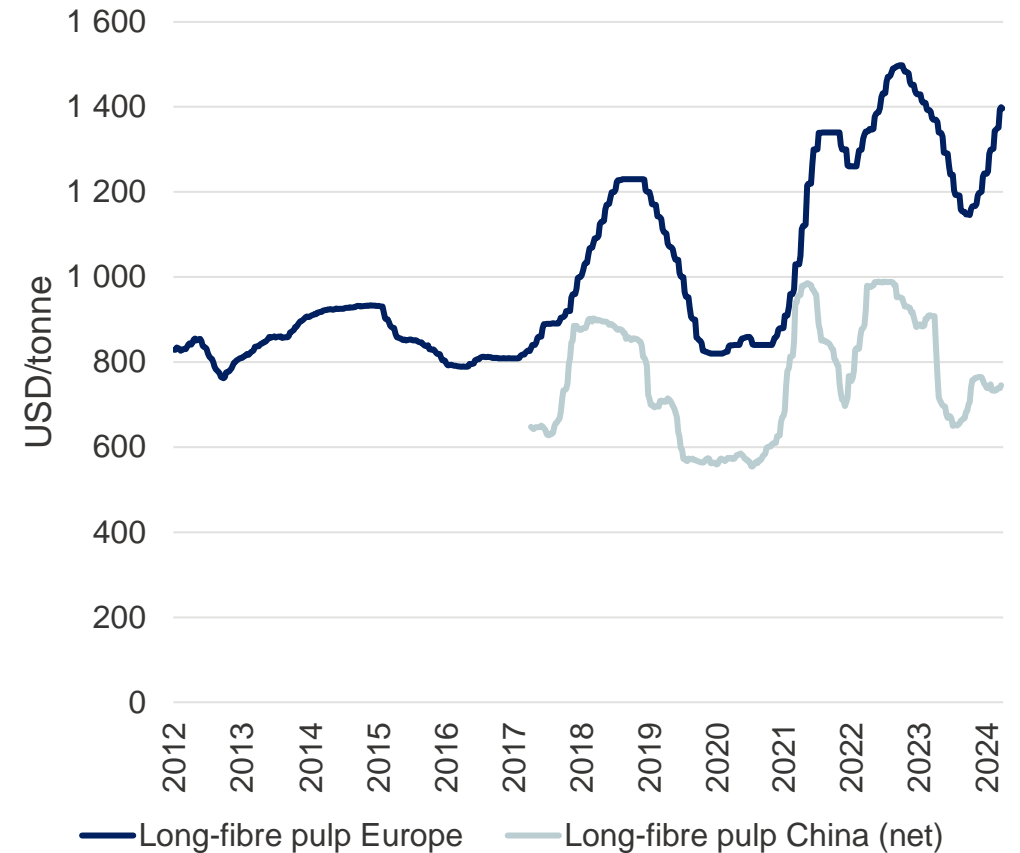
WKL deliveries Q1 2024 (Q1 2023)
total 123,000 tonnes (126,000)



Market pulp

- Market pulp deliveries (Q1 2024 vs Q1 2023)
 - Metsä Board +39%: (115,000 t vs 83,000 t)
 - Metsä Fibre¹⁾ +6%: (686,000 t vs 647,000 t)
- Improved market situation, especially in Europe. Market pulp demand has picked up due to the increased activity among paper and paperboard producers
- Limited supply of long-fibre pulp due to the political strikes in Finland, global logistical bottlenecks, maintenance works and long shutdown in Kemi
- Price (PIX) development²⁾ in **long-fibre pulp**
 - Q1/2024 vs Q4/2023: Europe +11%, China -2%
 - Q1/2024 vs Q1/2023: Europe -5%, China -18%

Long-fibre pulp price (PIX) development in Europe and China



1) Metsä Fibre's total pulp delivery volumes
2) Change calculated from average prices for the period

Source: Fastmarkets FOEX

Sustainability key figures

TARGET
set for 2030

ACTUAL
Q1 2024

Accidents at work
TRIF, TARGET 0

ACTUAL 2.2
Q1/23: 5.3
FY23: 6.1



Certified wood fibre
TARGET >90%

ACTUAL 92%
Q1/23: 90
FY23: 91



Fossil-based CO₂ emissions¹⁾, scope 1
TARGET 0

ACTUAL 49kt
Q1/23: 59kt
FY23: 181kt



Process water use²⁾
TARGET -35%

ACTUAL -1.0%
Q1/23: -7.9
FY23: +3.5



Energy efficiency²⁾
TARGET +10%

ACTUAL -2.7%
Q1/23: +0.1
FY23: -5.8

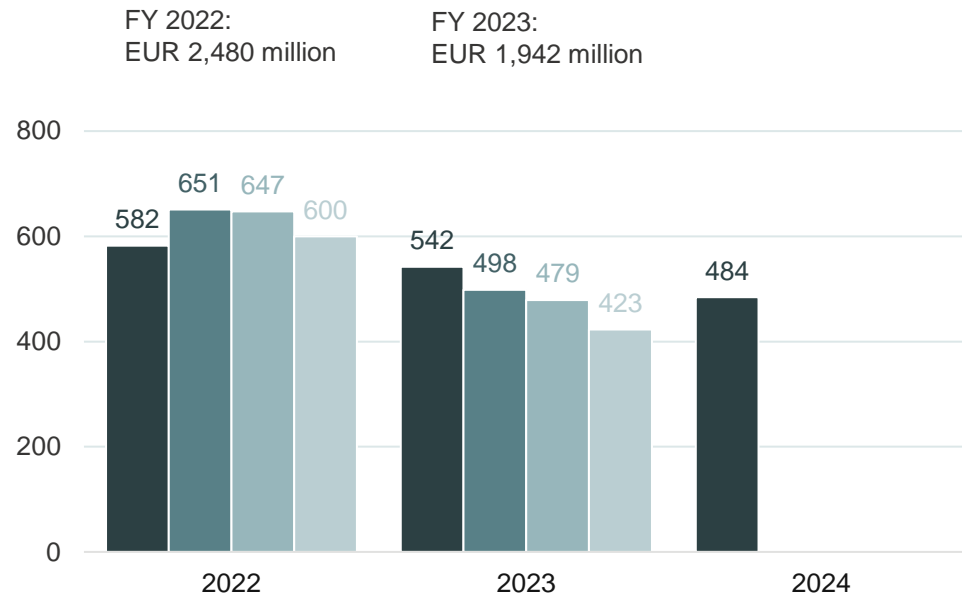


TRIF = Total Recordable Injury Frequency per million hours worked

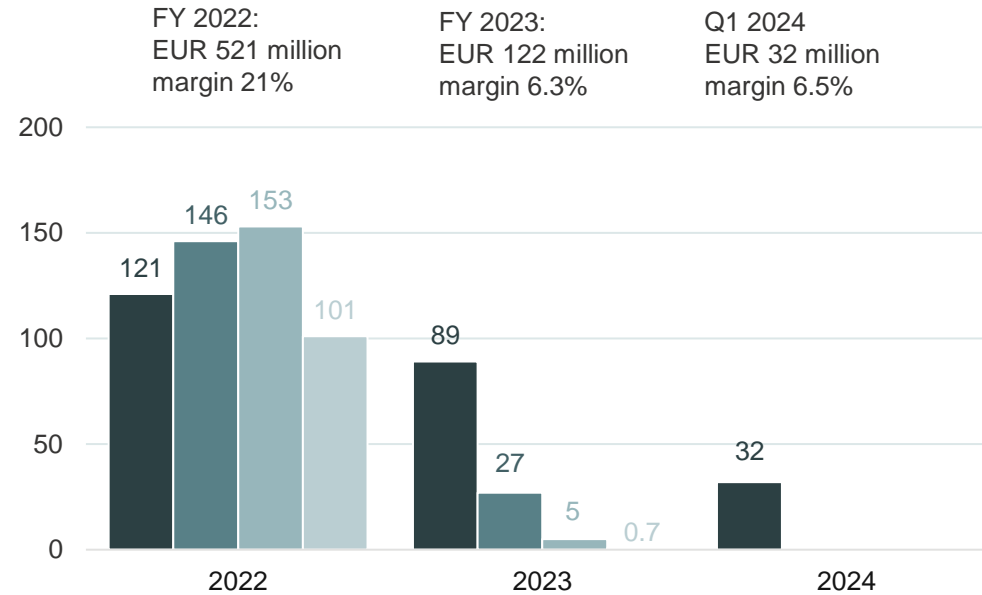
1) Scope 1. Scope 2 emissions are reported only annually, FY2023: 2kt
2) Change from the base year of 2018, per tonne produced, rolling 12 months

Q1 2024: Sales EUR 484 million, operating margin at 6.5%

Sales, quarterly EUR million



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



Q1 Q2 Q3 Q4

Main items affecting comparable operating result

Q1 2024 vs Q1 2023:

EUR 32 million vs 89 EUR million

Positives:

- ↗ Reduced cost level, except wood costs
- ↗ Increased market pulp volumes
- ↗ FX after hedges, impact EUR +6m

Negatives:

- ↘ Lower prices in paperboard (FBB) prices and market pulp
- ↘ Result share from Metsä Fibre (EUR -6m vs EUR 29m)
- ↘ Political strikes in Finland, estimated impact 10–15 million
- ↘ Sale of unused emission allowances EUR 5m (Q1/23: EUR 20m)
- ↘ Increased wood costs

Q1 2024 vs Q4 2023:

EUR 32 million vs 0.7 EUR million

Positives:

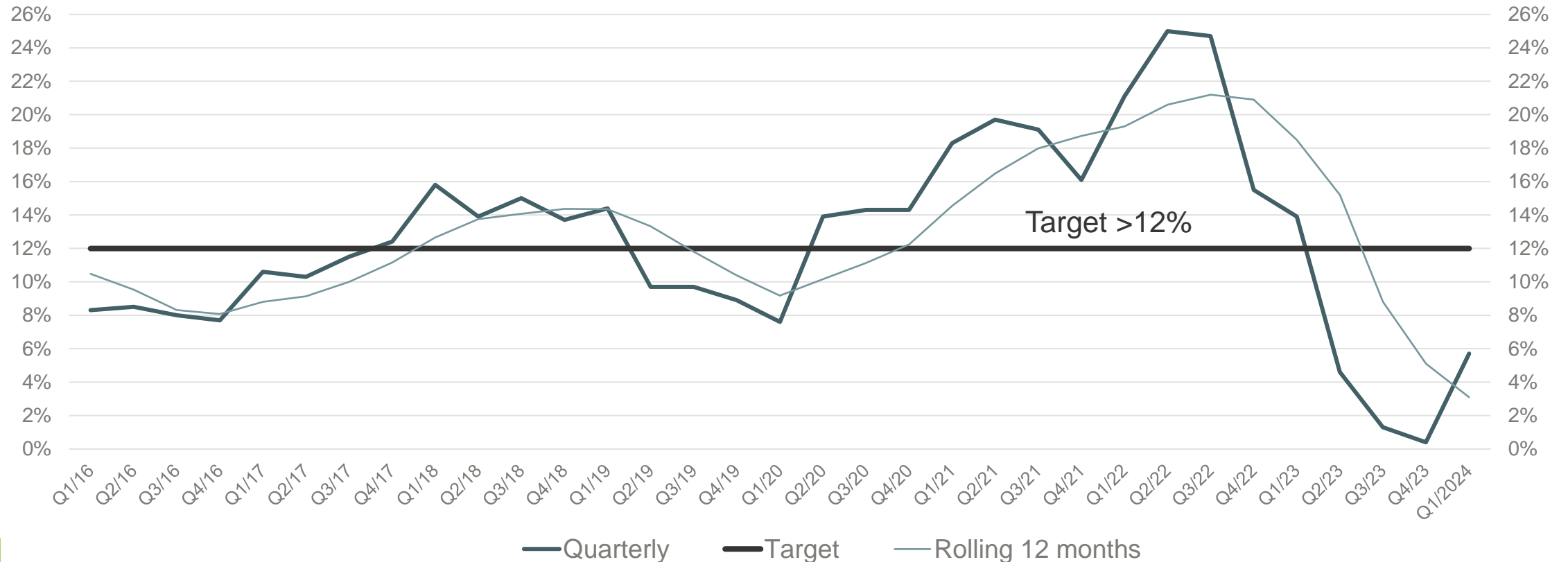
- ↗ Increased paperboard volumes
- ↗ No maintenance
- ↗ Improved operating efficiency, especially in Husum FBB

Negatives:

- ↘ Lower prices in paperboard (FBB)
- ↘ Political strikes in Finland, estimated impact 10–15 million

Q1 2024 comparable ROCE 5.7%

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



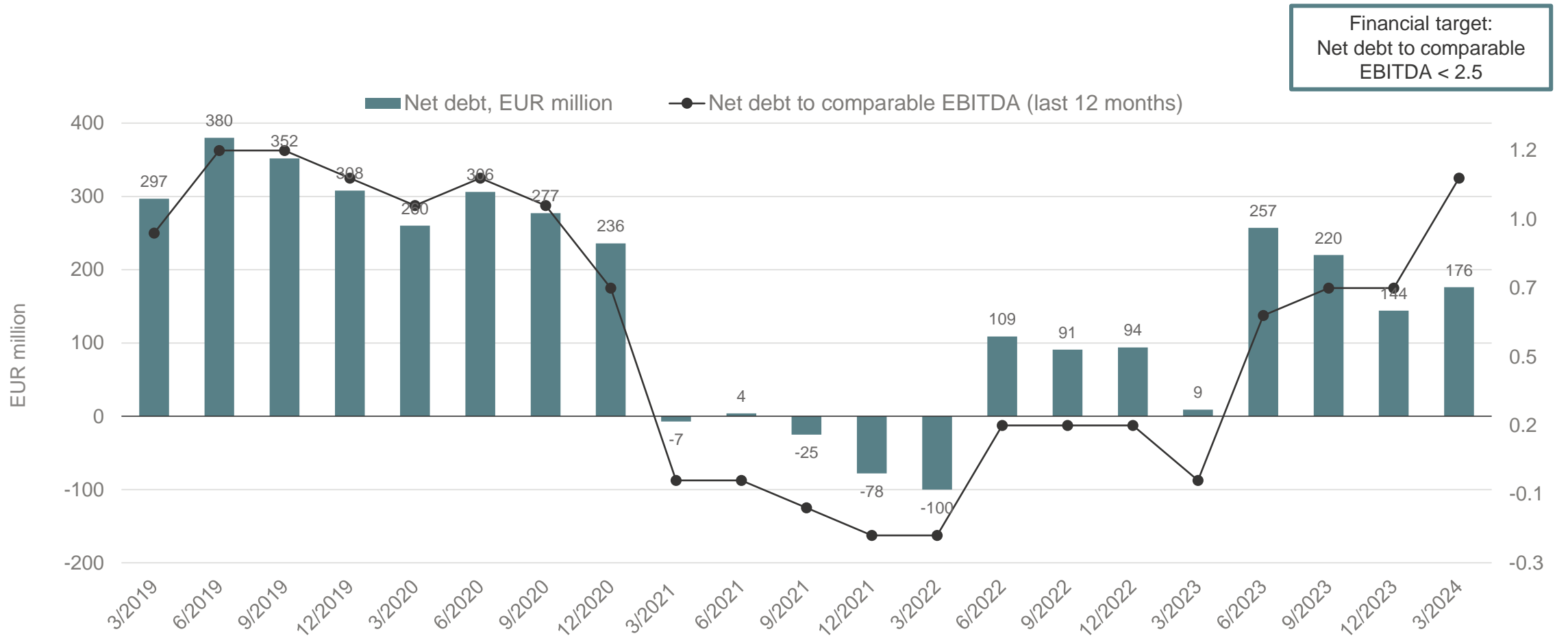
Increased activity reflected in Q1 working capital

Q1 2024 cash flow includes dividend from Metsä Fibre EUR 10 million (Q1/2023: EUR 83 million)



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

Net debt and leverage



Investments in Husum and Kemi completed



Husum folding boxboard capacity expansion and port investments, 2021–2023

- Increase of 200,000 t/y folding boxboard
- Total capacity 600,000 t/y, fully available on the market in 2026
- Investment value EUR 230 million

Ongoing

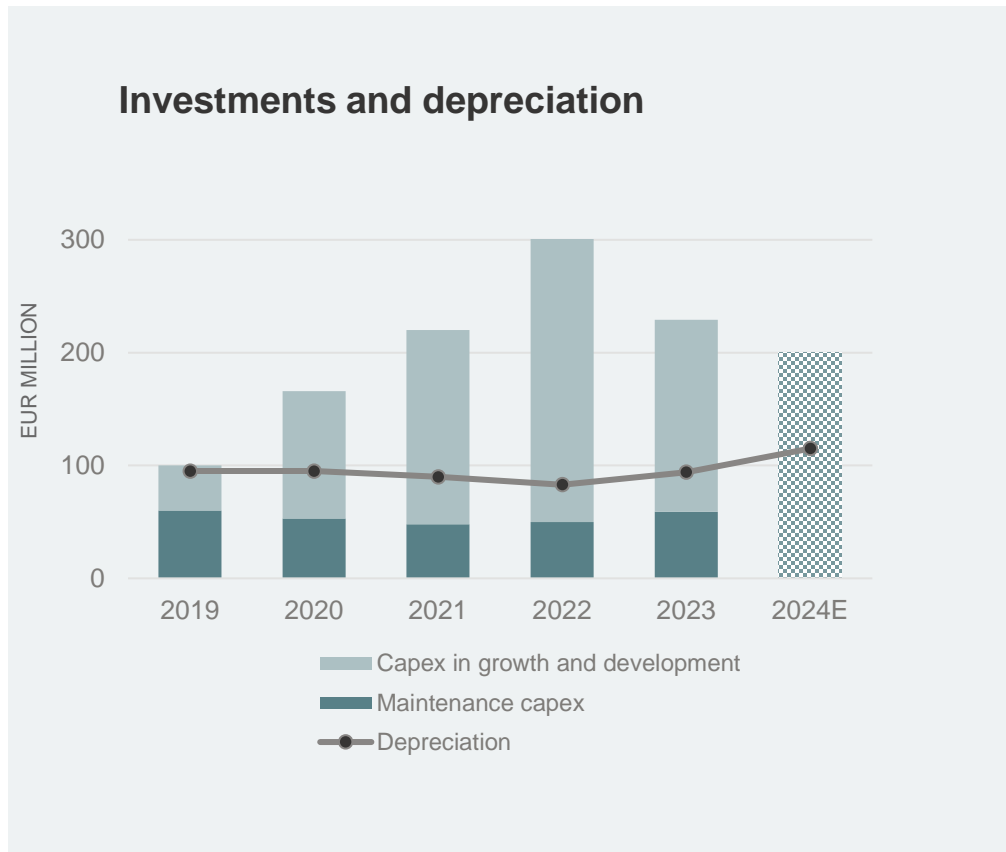
- Increase in port warehouse capacity, EUR 20 million, est. completion in 2024



Kemi mill development programme, 2021–2023

- Increase of 40,000 t/y white kraftliner
- Total capacity 465,000 t/y, fully available on the market in 2025
- Decreased water and energy use
- Investment value EUR 110 million

Investments and depreciation



January–March 2024

- Total investments in Q1/2024 were EUR 24 million, and depreciation EUR 34 million

Year 2024

- Total investments in 2024 are expected to be slightly lower than in 2023
- Year 2024 includes investments carried over from 2023

New investments at our current mills

Towards **improved competitiveness, fossil free production** and **new products**
The timing and scope of the investments will be specified as the plans progress



Husum pulp mill

- Renewing the fibre line



Husum board mill, BM2

- Introducing new products on the existing white kraftliner production line



Simpele board mill

- Renewals in paperboard machine and finishing area
- Renewals in mechanical pulp production and new power plant



Kyro board mill

- Improving the performance of barrier boards and expanding end use areas

Modernisation of Simpele board mill

Investment decision on 24 April 2024

- Renewal of the paperboard machine
 - enables fossil free production
 - improves the quality of FBB
 - increases production efficiency
 - increases annual FBB production capacity by 10,000 tonnes
- Project start-up in H1 2024, with estimated completion in H2 2025
- Estimated investment value EUR 60 million, divided in 2024–2026

Simpele board mill

- After the investment, annual capacity will be 310,000 tonnes of premium lightweight folding boxboard
- Main end uses in food and pharma packaging
- Future investments in the mill include renewals in the mechanical pulp production and in the finishing area of paperboard, as well as a new power plant



Near-term outlook

April–June 2024

- Solid paperboard demand is expected to continue in Q2
- Paperboard delivery volumes expected to slightly increase, average sales prices to remain stable
- Total costs, excluding pulp, expected to remain stable; more maintenance compared to Q1
- Notable increase in market pulp prices (PIX) in Europe, tight market situation for long-fibre pulp
- Negative result impact from political strikes in Q2 estimated roughly at the same level as in Q1 (EUR 10–15 million*)
- Negative result impact from Kemi integrate shutdown estimated at EUR 30–40 million*

* includes the impact through Metsä Fibre's result share, but no insurance compensations



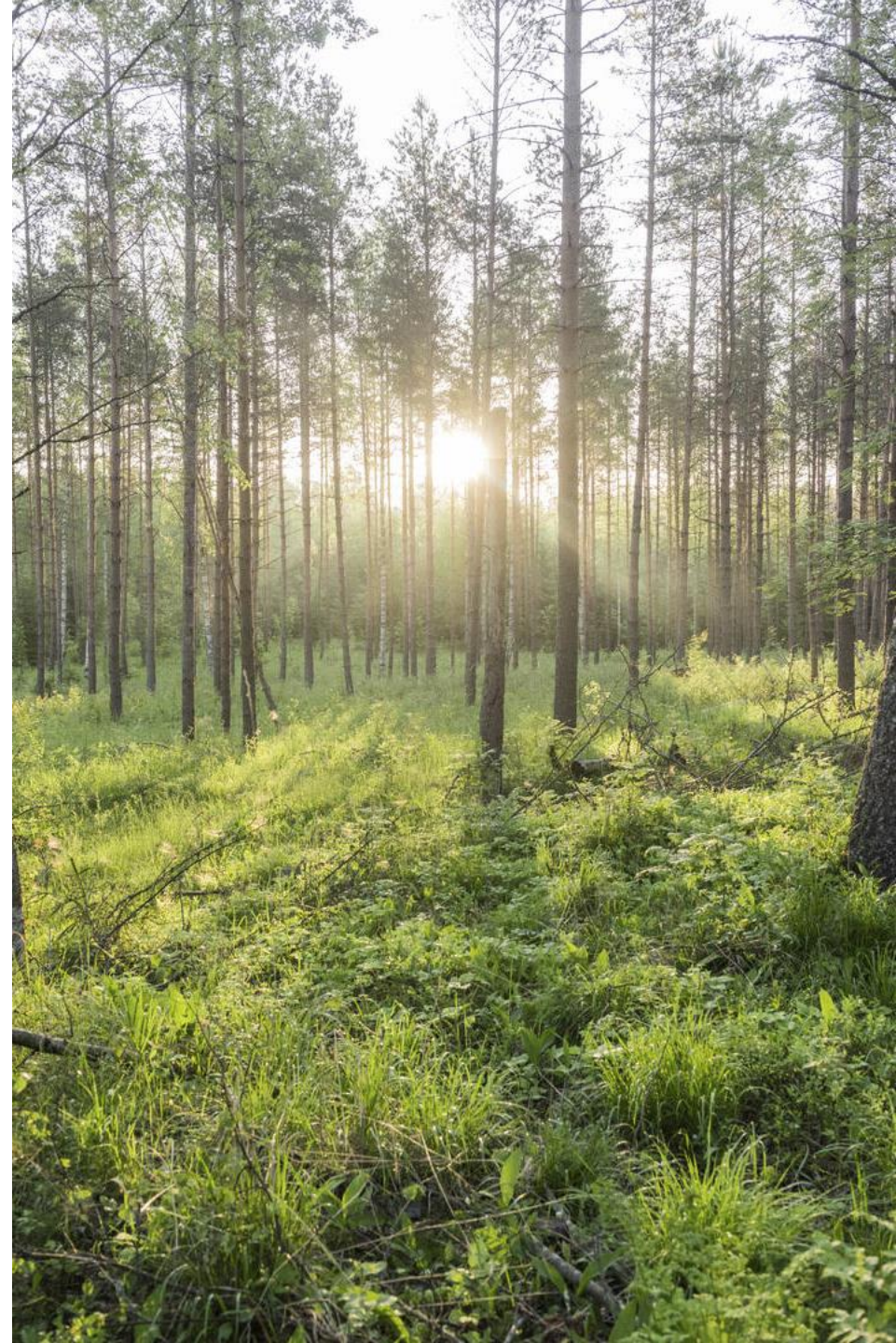
Result guidance

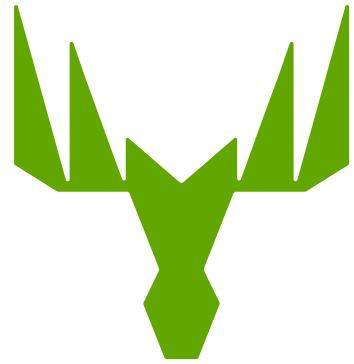
Metsä Board's comparable operating result in April–June 2024 is expected to be weaker than in January–March 2024 (EUR 32 million)



Summary

- A fresh start to 2024 with improved order inflows
- Political strikes in Finland caused an estimated loss of EUR 25 million in H1 2024
- Explosion at Kemi integrate will impact kraftliner production; result impact EUR 30–40 million in Q2
- Future investments aim to improve competitiveness, accelerate our target of fossil free production and introduce new products
 - Modernisation of Simpele mill started





Metsä

Appendix

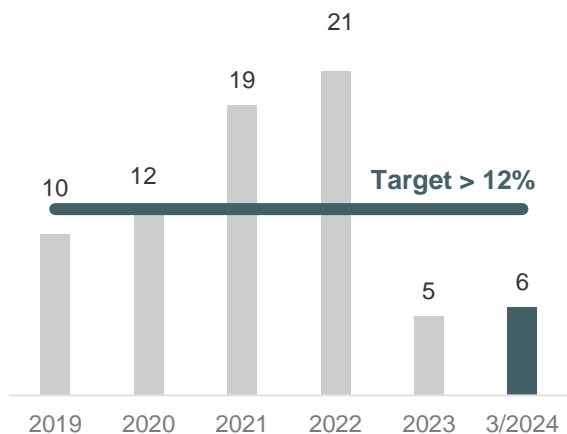
Key financials

		Q1/24	Q1/23	Change Q1/24 vs Q1/23	Q4/23	FY/23
Sales	EUR, m	484	542	-11%	423	1,942
EBITDA*	EUR, m	58	114	-49%	26	216
Operating result*	EUR, m	32	89	-64%	1	122
<i>% of sales*</i>	%	6.5	16.4		0.2	6.3
Metsä Fibre's share of operating result*	EUR, m	-6	29		-5	28
Earnings per share	EUR	0.04	0.19	-81%	0.01	0.27
<i>ROCE*</i>	%	5.7	13.9		0.4	5.1
Total investments	EUR, m	24	57	-58%	72	229
Cash flow from operations	EUR, m	-8	126	-106%	124	343
IB Net debt at end of period	EUR, m	176	9		144	144

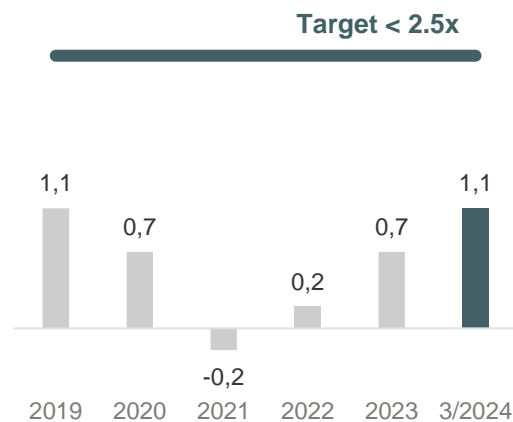
*comparable

Financial targets and dividend payout

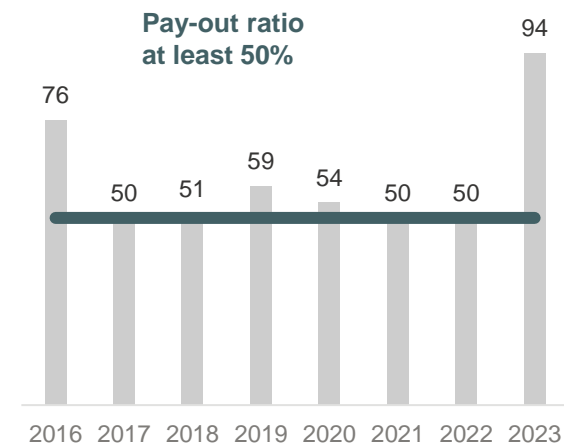
Comparable ROCE, %:



Net debt / comparable EBITDA (12 months):



Dividend policy
Dividend / net result



Cost structure

FY 2023 (vs FY 2022)

- Year-on-year cost inflation, excluding pulp costs, +4%
- Main increase in wood costs: higher stumpage prices in Finland and Sweden^{*)}

Q1 2024 (vs Q1 2023)

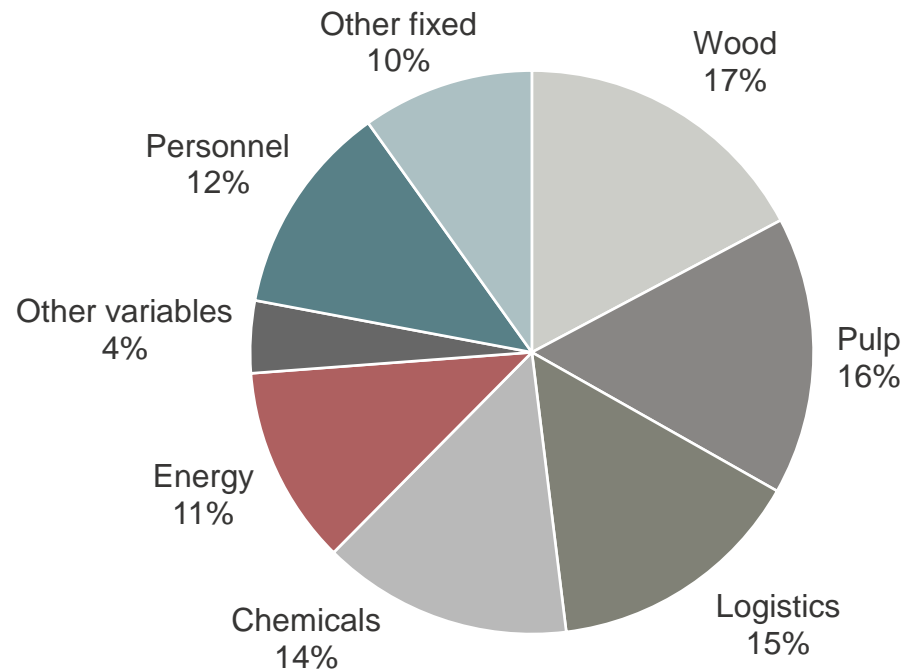
- Cost deflation, excluding pulp costs, -4%
- All other cost items except wood costs decreased or were stable

^{*)} price development on slide 33



Metsä Board's cost structure in 2023

Total costs EUR 1.7 billion (2.1)



^{*)} **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 2023: Wood 56%, Chemicals 13%, Logistics 9%, Personnel 6%, Other 16%.

Impacts of FX changes

- Impact including hedges, actual
 - Q1 2024 vs Q1 2023: EUR +6 million
- Estimated impacts, including hedges
 - Q2 2024 vs Q1 2024: slightly positive
 - Q2 2024 vs Q2 2023: slightly positive

Hedging policy:

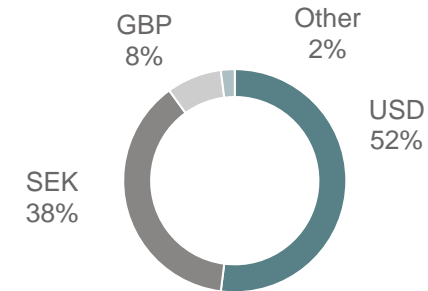
In addition to the balance sheet position of trade receivables and trade payables, 50% of the projected annual net foreign currency exposure at the normal level is hedged.

At the end of the review period, an average of 8.7 months of the net foreign currency exposure was hedged



Annual FX transaction exposure

total EUR 1.3 billion



The foreign currency transaction exposure consists of foreign currency denominated sales and costs.

FX sensitivities, excluding hedges

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

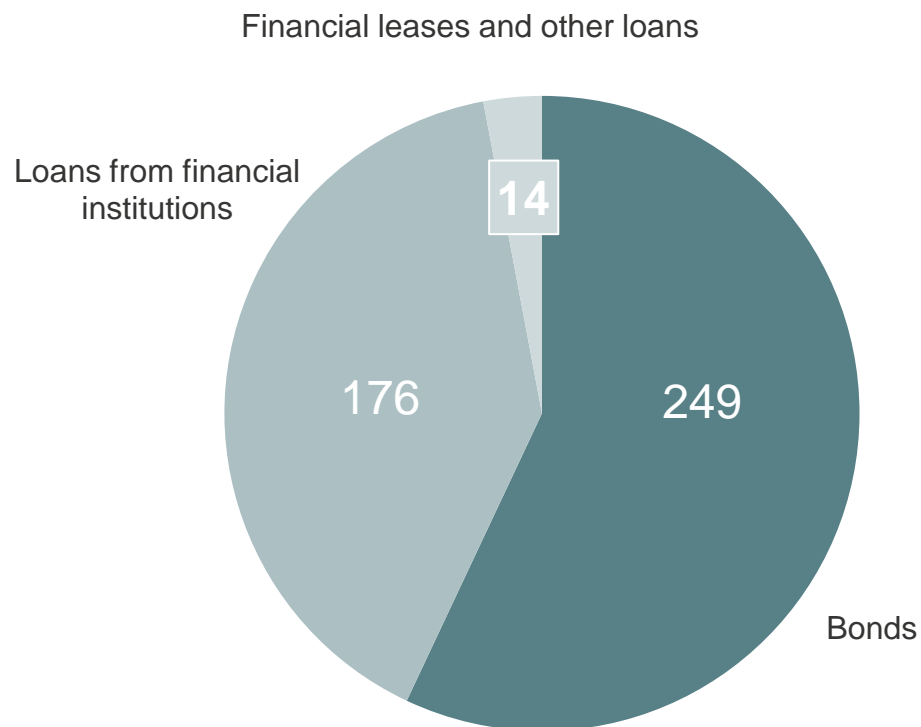
Currency	Next 12 months
USD, \$	EUR +70 million
SEK, kr	EUR -50 million
GBP, £	EUR +10 million

Debt structure and liquidity

31 March 2024

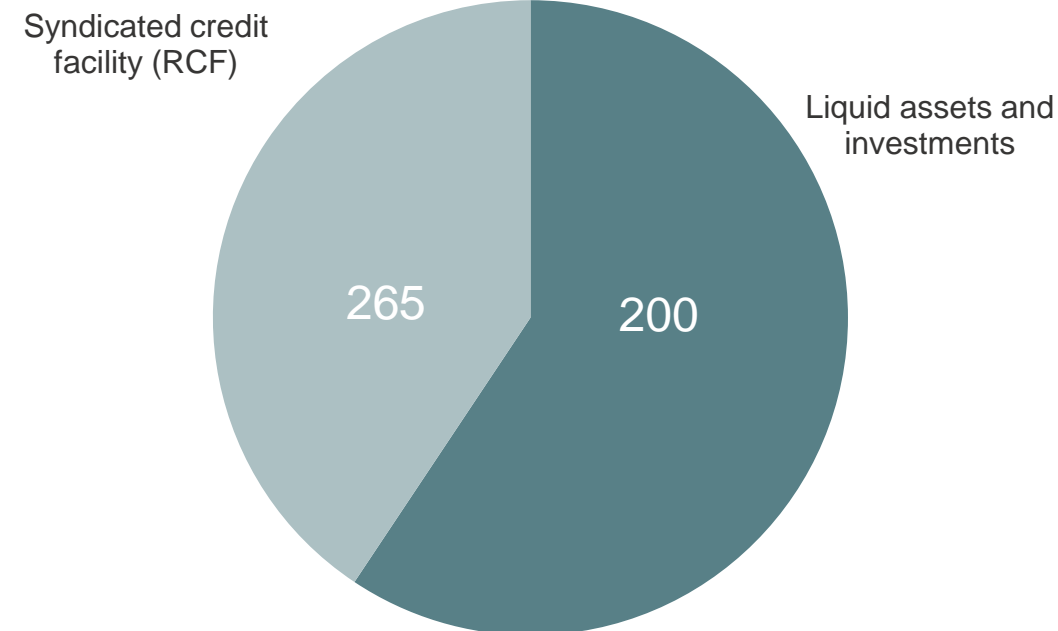
Interest-bearing debt

EUR 442 million



Liquidity

EUR 465 million



Liquidity is complemented by:

- Commercial paper programme of EUR 200 million
- Metsä Group's internal undrawn short-term credit facility of EUR 147 million
- Undrawn pension loans of EUR 230 million

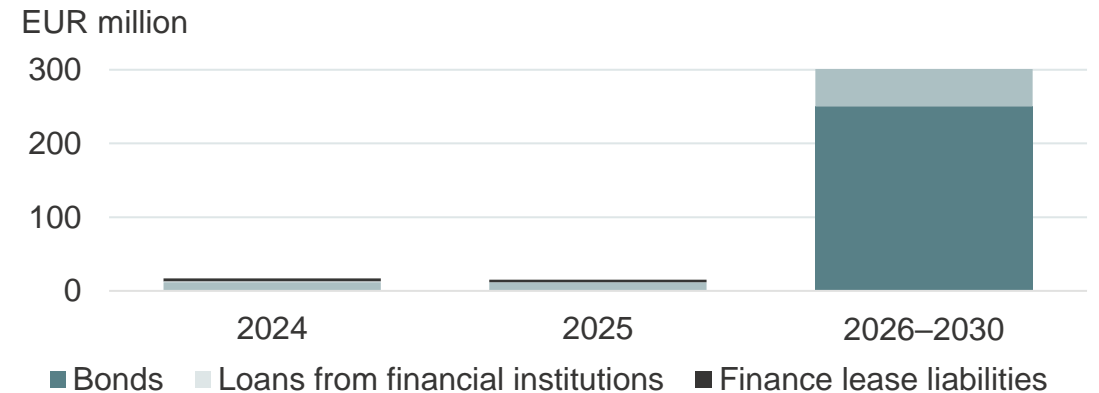
Debt maturity and credit ratings

31 March 2024

- Total interest-bearing debt was EUR 442 million, and net debt was EUR 176 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 2.8 years
- Net financial costs, including foreign exchange differences, were:
 - Q1 2024: EUR -2.9 million
 - FY 2023: EUR 0.1 million

Maturity of interest-bearing debt

Total EUR 442 million



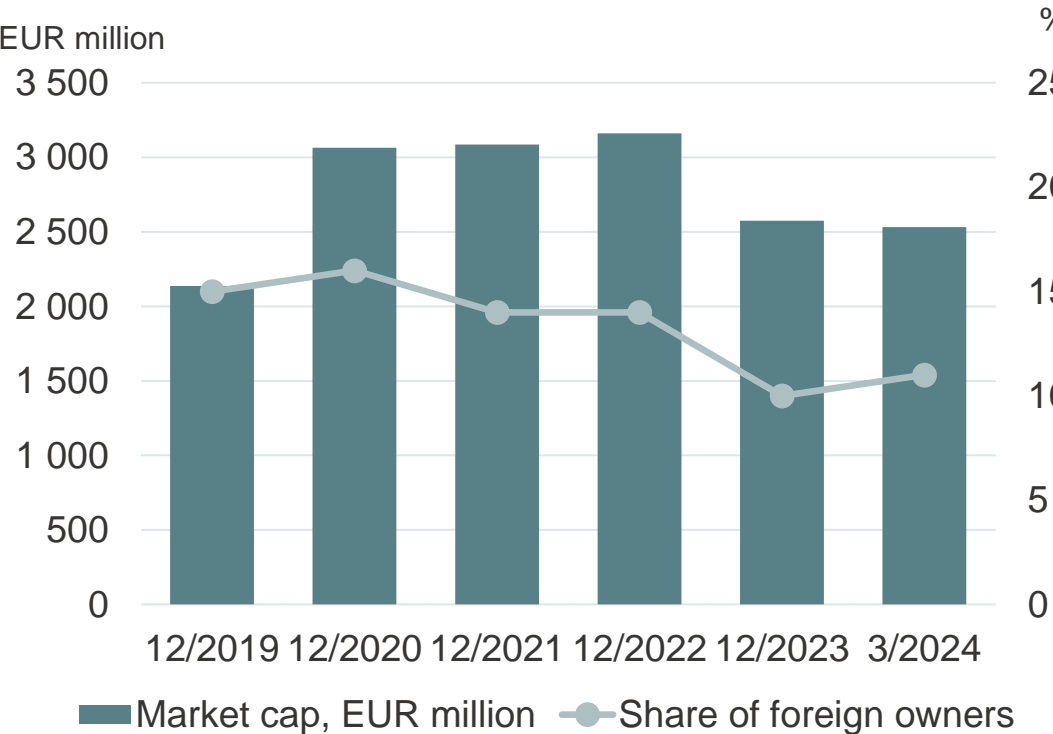
Metsä Board's credit ratings are *investment grade*

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

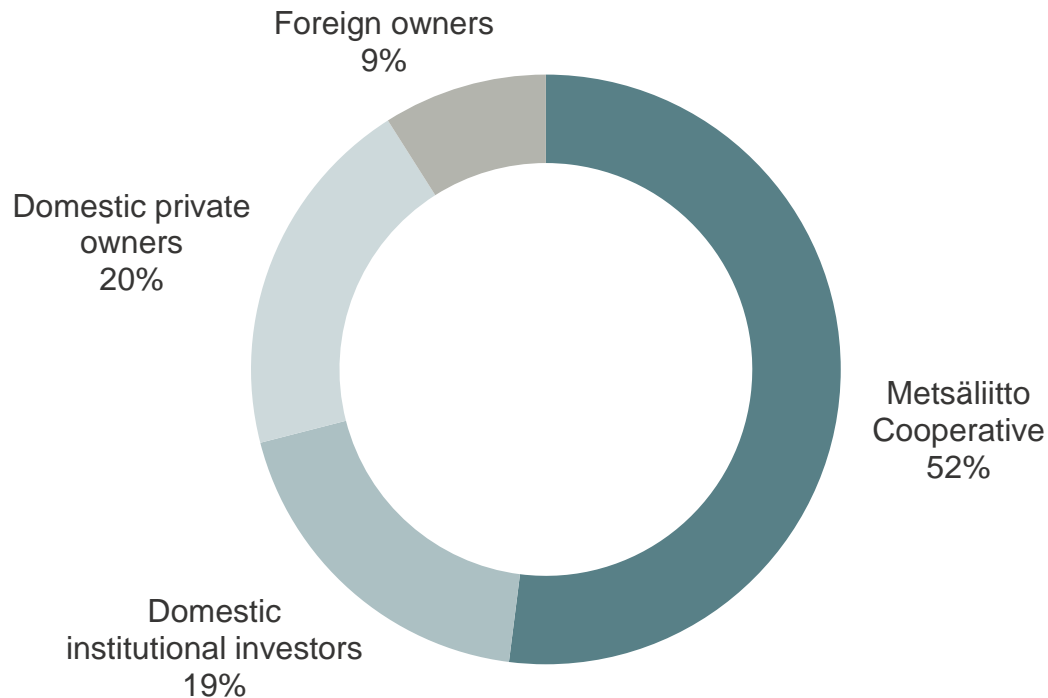
Metsä Board has two share series, A and B shares

Market cap and foreign owners

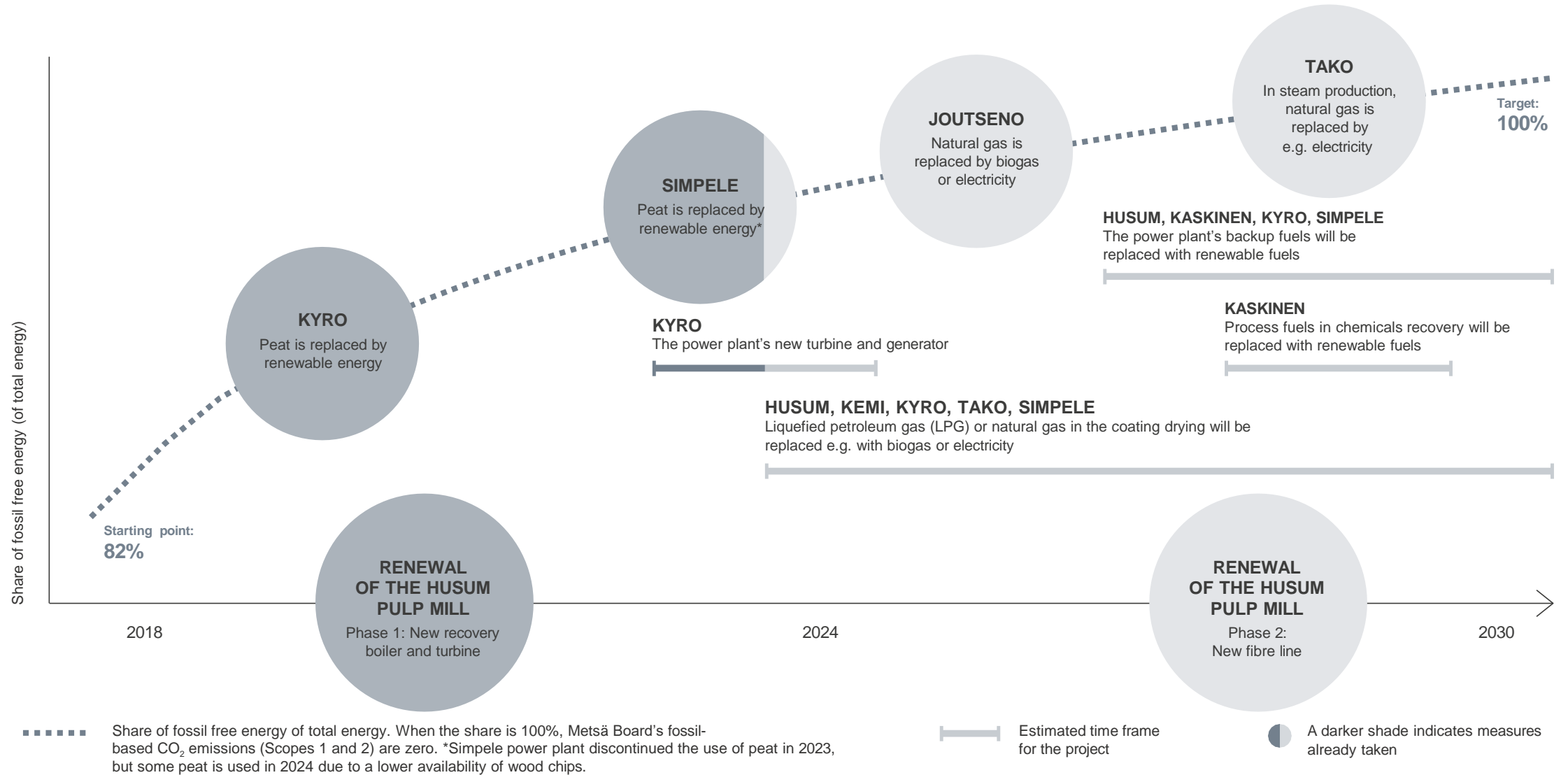


Ownership distribution

31 March 2024



Transition plan to fossil free mills by the end of 2030



We aim to improve our operations continuously



Metsä Board has an “A” score in the Climate and Water and an “A-” in the Forest rating.



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



[Link](#) to ISS website



[Link](#) to MSCI 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, **does** 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.



[Link](#) to Ellen MacArthur Foundation website



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

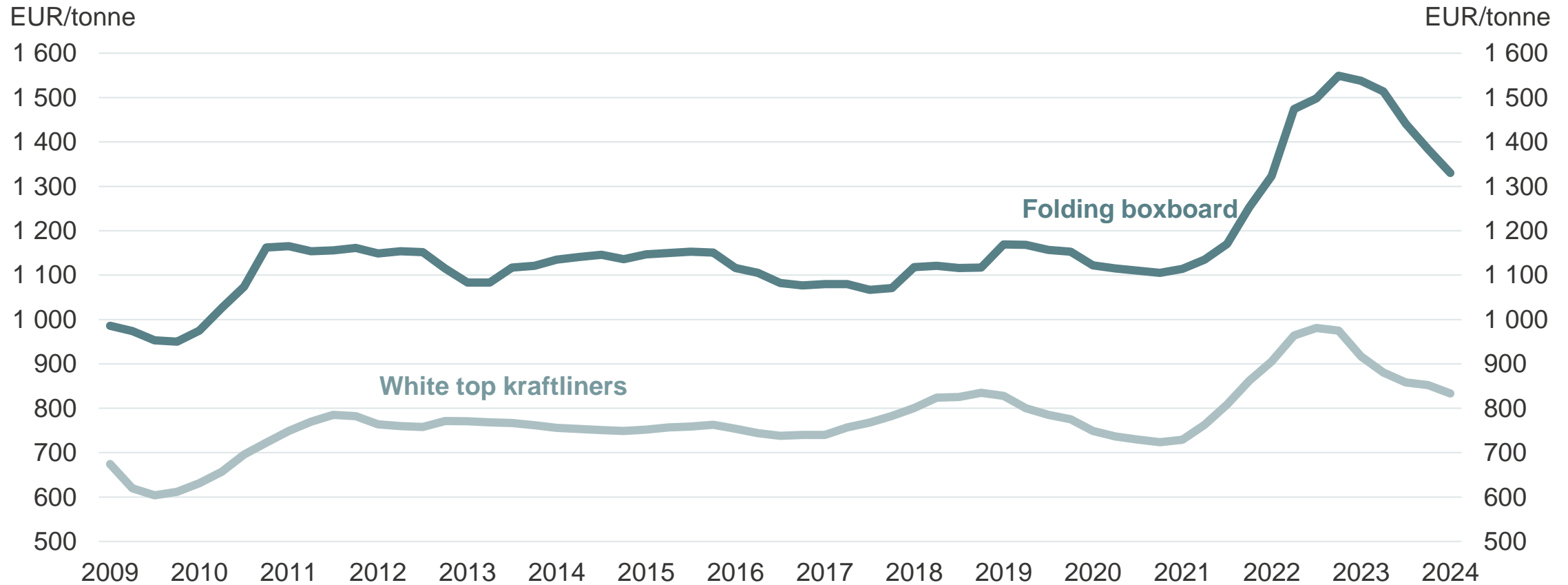
Metsä Board’s GHG emission reduction targets are approved by the Science Based Targets initiative.



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.

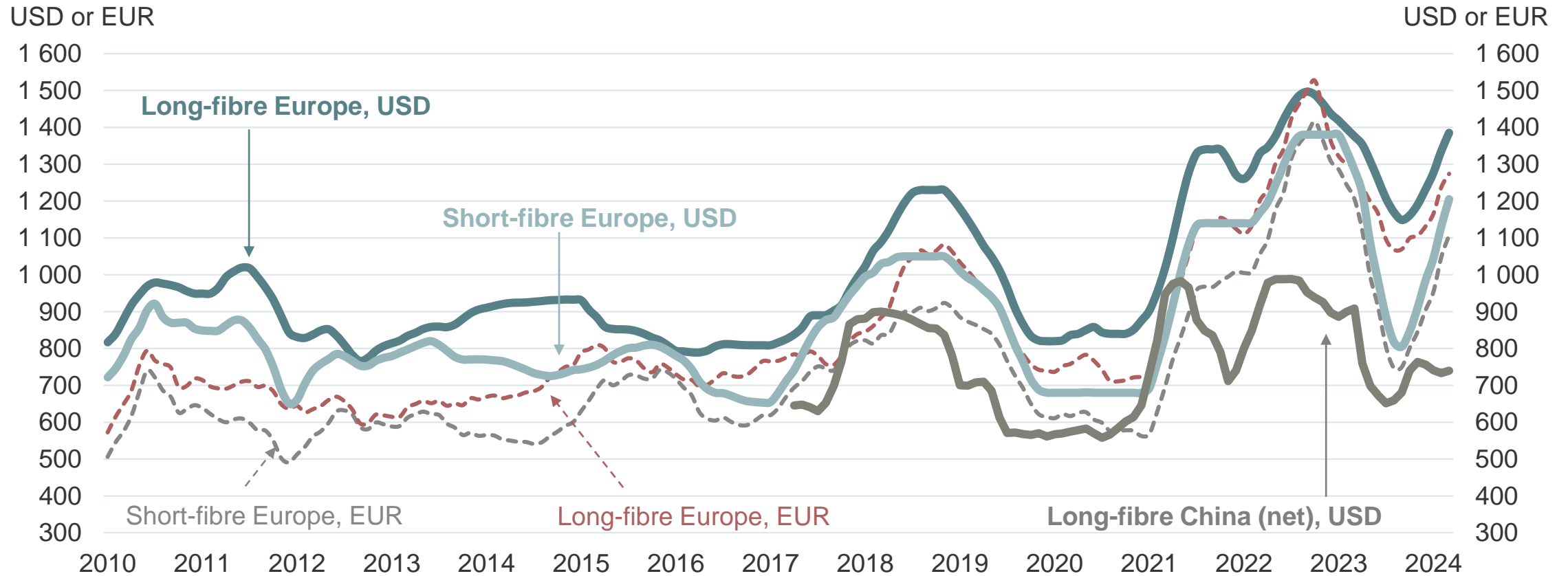


Price development of folding boxboard and white kraftliners in Europe



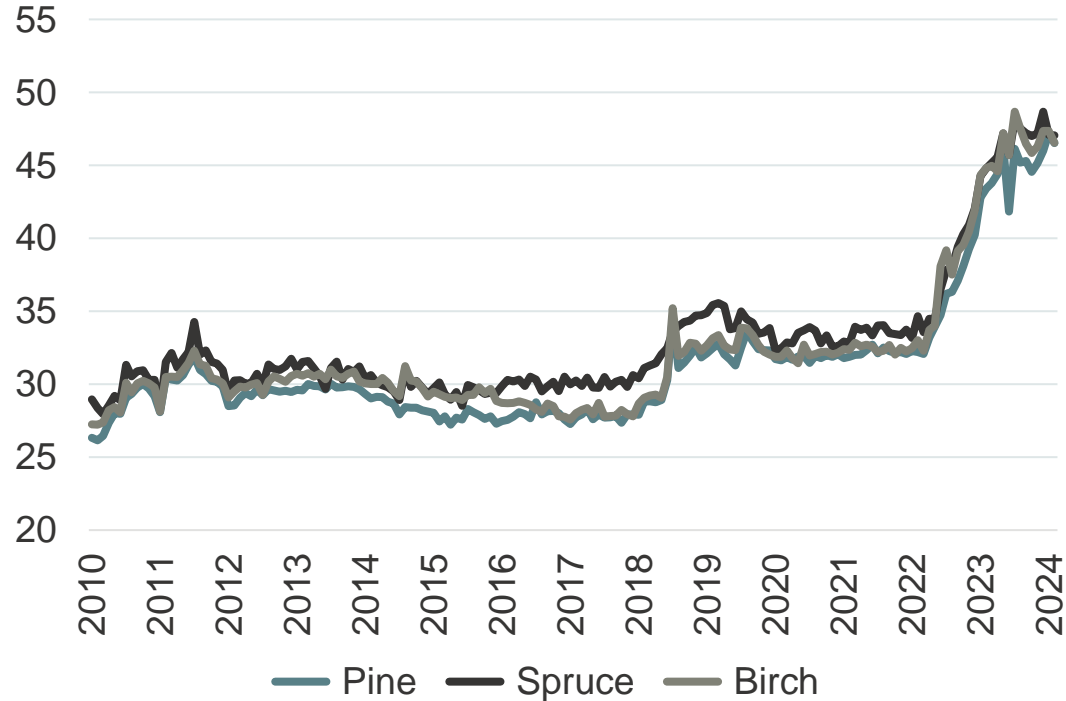
Price development of pulp (PIX)

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

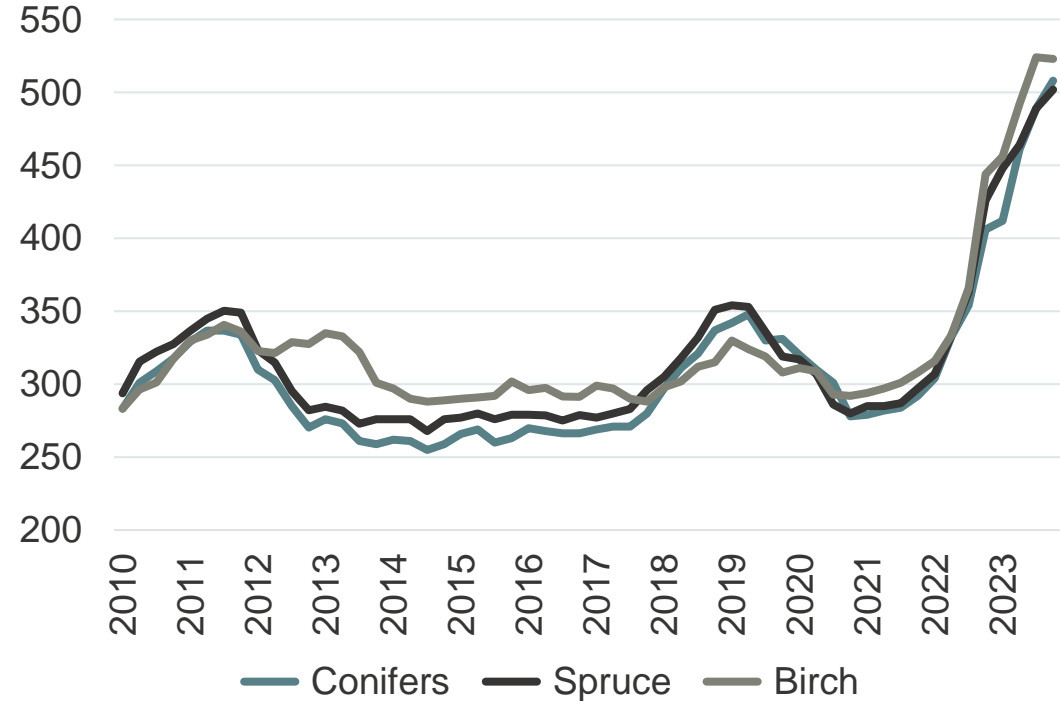


Price development of pulpwood in Finland and Sweden

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



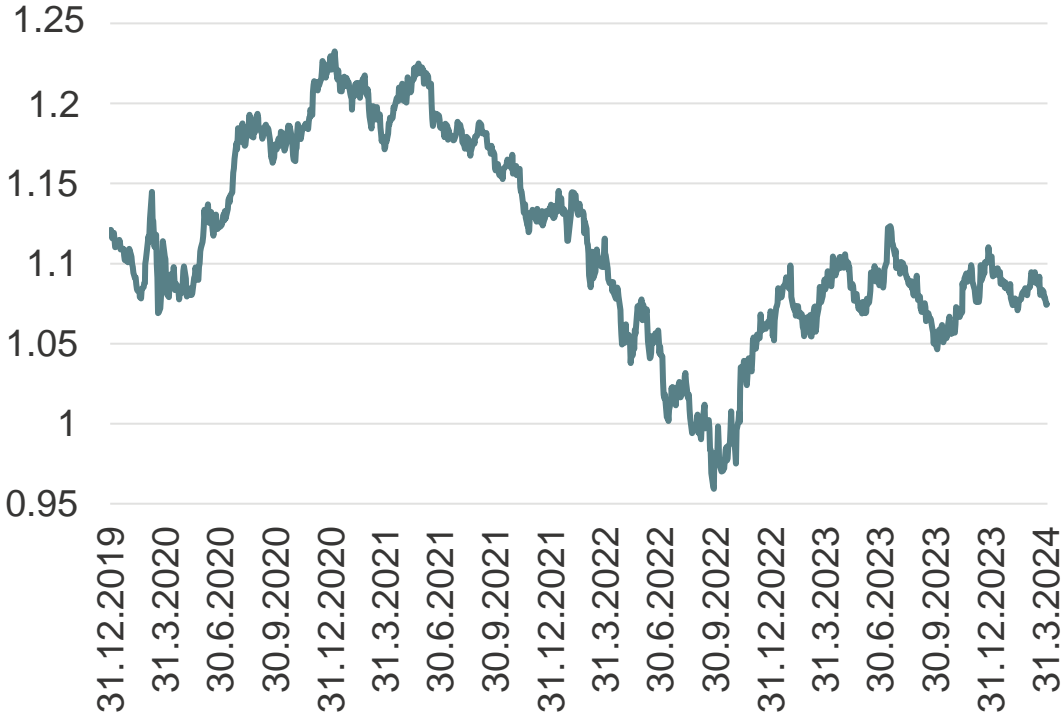
Price (delivery at roadside, under bark) of pulpwood in Sweden, SEK/m³



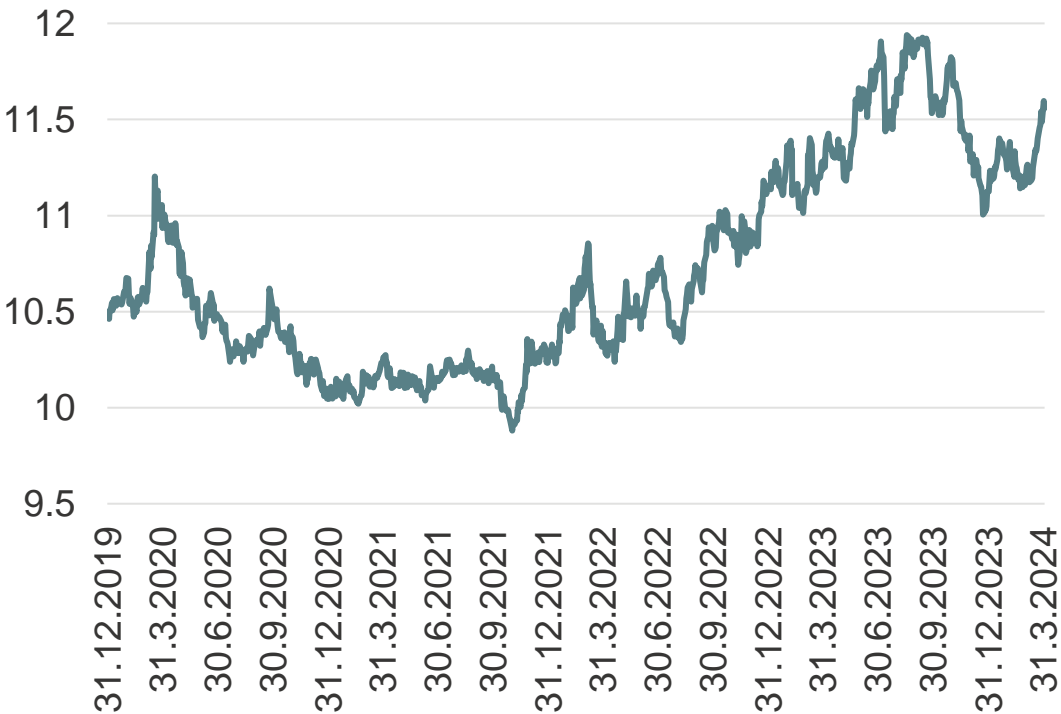
Sources:
 Finland – Luke (Natural Resources Institute Finland): Average delivery prices at roadside (EUR per solid cubic metre with bark, excl. VAT)
 Sweden – Skogsstyrelsen (The Swedish Forest Agency): Average delivery prices at roadside (SEK per cubic metre under bark)

FX rates development: EUR/USD and EUR/SEK

EUR/USD



EUR/SEK





Metsä

**Together we make
the perfect package**

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