Metsä Board
Interim report 1.1.–31.3.2023



Metsä Board's comparable operating result in January–March 2023 was EUR 89 million

January–March 2023 (compared to 1–3/2022)

- Sales were EUR 542.1 million (582.0).
- The comparable operating result was EUR 88.7 million 121.5), or 16.4% of sales (20.9). Operating result was EUR 88.4 million (140.7).
- Comparable earnings per share were EUR 0.19 (0.26), and earnings per share were EUR 0.19 (0.31).
- Comparable return on capital employed was 13.9 % (21.1).
- Net cash flow from operations was EUR 126.4 million (92.6).

Events in January–March 2023

- The demand for fresh fibre paperboards declined due to the decreasing demand for consumer products and the adjustments made to inventories in the value chain.
- The average prices of Metsä Board's paperboards increased. This was caused especially by the price increases in folding boxboard for annual contract customers.
- The demand situation for market pulp weakened more than expected in Europe. In China, the economic recovery has not boosted demand for market pulp as expected. Market prices for pulp (PIX) decreased from the previous quarter.
- Metsä Board adjusted its paperboard, pulp and BCTMP production to meet demand. Production volumes were below capacity levels.
- The 2023 Annual General Meeting was held on 23 March. The AGM decided to distribute a dividend of EUR 0.58 per share for the 2022 financial period.
- The associated company Metsä Fibre paid Metsä Board a dividend of EUR 83 million for the 2022 financial period.
- Metsä Board updated its 2030 sustainability targets

Events after the review period

Metsä Board issued a profit warning on 12 April 2023 regarding the result guidance for January–March 2023. The company previously estimated that its comparable operating result for January–March 2023 would be roughly at the same level as in October–December 2022. The comparable operating result for October–December 2022 was EUR 100.8 million, compared to EUR 88.7 million in January–March 2023.

Result guidance for April–June 2023

Metsä Board's comparable operating result in April–June 2023 is expected to be weaker than in January–March 2023.

Metsä Board's CEO Mika Joukio:

"Despite the challenging business environment, our first-quarter sales totalled EUR 542 million, and our comparable operating margin was 16.4% (1–3/2022: 582 and 20.9). This is an excellent performance, taking into account that our production and delivery volumes decreased notably from the comparison period and remained below capacity levels. In addition, our profitability was negatively affected by total costs, which were some 15% higher than in the corresponding period last year. In January–March, our cash flow from operations was EUR 126 million (1–3/2022: 93), and our balance sheet remained strong, with our interest-bearing net liabilities close to zero.

The decline in demand for consumer products and adjustments to inventories in the value chain continue to affect the demand for fresh fibre paperboards. However, the higher average prices of our paperboards and a positive currency effect have made up for the weaker result caused by declining volumes. In the first quarter, average prices were driven up by new annual contract prices for folding boxboard and focus on customers in our main market areas. We adjusted and will continue to adjust our production to match the demand situation. In the second quarter, our production will also be restricted by several planned annual maintenance shutdowns at our mills in Finland.

In the beginning of the year, the pulp market developed weaker than expected, having a negative impact on our profitability. In Europe, the demand for market pulp has decreased by the prolonged shutdowns of paper and paperboard producers. In China, the economic recovery following the lifting of strict Covid restrictions has not boosted demand for market pulp as expected. Market pulp prices decreased in January–March from the previous quarter, and the same trend has continued after the review period.

Russia's unjustified attack on Ukraine has affected the European energy markets, making energy self-sufficiency a significant competitive factor for companies. Metsä Board's high energy self-sufficiency will further

improve this year, with the new recovery boiler and turbine started up in Husum, and the Olkiluoto 3 nuclear power plant coming online. The war also discontinued wood imports from Russia, making for a tighter wood market in the Baltic Sea region. In Finland and Sweden, pulpwood prices have increased as a result of stumpage prices and cost inflation in the supply chain. Currently, the availability of pulpwood is good and adequate for production to meet demand.

Despite the short-term challenges, I feel positive about Metsä Board's future. Our company is on a strong financial shape, and we are investing in sustainable fibre-based packaging materials with excellent growth prospects for the long term. Our investments in Husum and Kemi will be completed in the second half of this year, increasing our annual paperboard capacity by approximately 240,000 tonnes. The pre-engineering of our new folding boxboard mill in Kaskinen is ongoing, and a potential investment decision can be made in 2024 at the earliest. In addition, our associated company Metsä Fibre's new bioproduct mill will start up in Kemi this year. The mill is the largest ever forest industry investment in Finland."

Key figures

	2023 Q1	2022 Q1	2022 Q4	2022 Q1–Q4
Sales, EUR million	542.1	582.0	599.8	2,479.6
EBITDA, EUR million	113.4	161.9	111.4	614.6
comparable, EUR million	113.7	142.7	116.8	602.8
EBITDA, % of sales	20.9	27.8	18.6	24.8
comparable, % of sales	21.0	24.5	19.5	24.3
Operating result, EUR million	88.4	140.7	94.7	531.5
comparable, EUR million	88.7	121.5	100.8	520.7
Operating result, % of sales	16.3	24.2	15.8	21.4
comparable, % of sales	16.4	20.9	16.8	21.0
Result before taxes, EUR million	87.7	139.1	93.4	524.9
comparable, EUR million	88.2	119.9	99.9	514.6
Result for the period, EUR million	75.5	120.7	89.6	461.3
comparable, EUR million	75.9	101.5	95.1	451.4
Earnings per share, EUR	0.19	0.31	0.21	1.15
comparable, EUR	0.19	0.26	0.23	1.13
Return on equity, %	13.8	26.1	16.4	22.5
comparable, %	13.9	22.0	17.4	22.0
Return on capital employed, %	13.9	24.4	14.6	21.4
comparable, %	13.9	21.1	15.5	20.9
Equity ratio [1)], %	62	60	66	66
Net gearing [1)], %	0	-5	4	4
Interest-bearing net liabilities/comparable EBITDA	0.0	-0.2	0.2	0.2
Shareholders' equity per share [1)], EUR	5.48	4.76	5.86	5.86
Interest-bearing net liabilities [1)], EUR million	8.6	-99.7	94.5	94.5
Total investment, EUR million	57.4	107.1	77.2	304.1
Net cash flow from operations, EUR million	126.4	92.6	70.2	232.0
Personnel [1)]	2,280	2,235	2,248	2,248

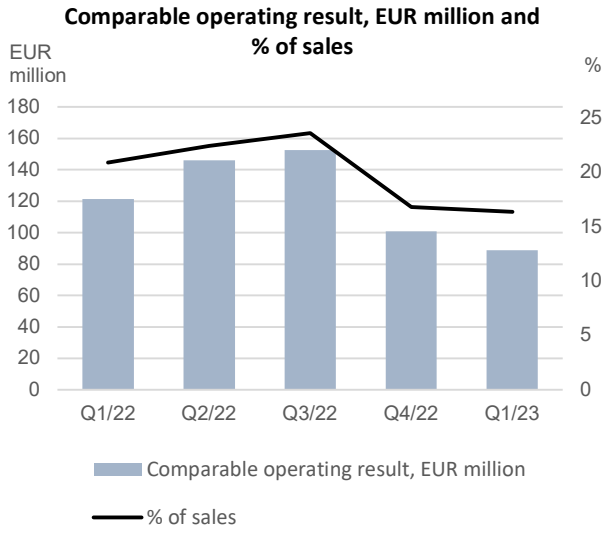
[1)] at the end of the period

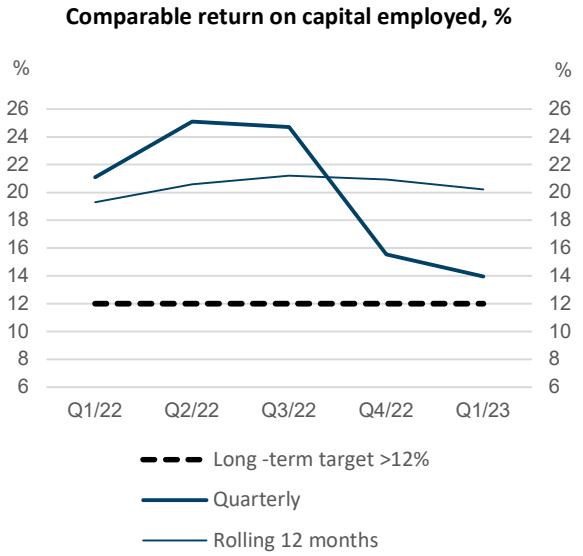
Delivery and production volumes

1,000 tonnes	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2022 Q1–Q4
Delivery volumes						
Folding boxboard	255	285	308	308	307	1,208
White kraftliner	126	133	146	164	166	609
Metsä Board's market pulp [1)]	83	105	124	152	122	503
Metsä Fibre's market pulp [2)]	161	162	177	192	187	717
Production volumes						
Folding boxboard	263	264	337	336	335	1,272
White kraftliner	113	133	147	164	162	605
Metsä Board's pulp [1)]	298	319	360	362	368	1,409
Metsä Fibre's pulp [2)]	184	190	190	171	181	731

[1)] Includes chemical pulp and high-yield pulp (BCTMP).

[2)] Equal to Metsä Board's 24.9% holding in Metsä Fibre.





Interim Report 1 January–31 March 2023

Sales and result

January–March 2023 (compared to 1–3/2022)

Metsä Board's sales totalled EUR 542.1 million (582.0). Folding boxboard accounted for 61% (57) of sales, while 24% (27) of sales came from white kraftliner, 12% (13) from market pulp, and 3% (4) from other operations.

Total deliveries of paperboards were 380,000 (473,000) tonnes, of which 68% was delivered to the EMEA region, 29% to the Americas, and 3% to the APAC region. Metsä Board's deliveries of market pulp were 83,000 (122,000) tonnes, of which 80% was delivered to the EMEA region, and 20% to the APAC region.

The comparable operating result was EUR 88.7 million (121.5), and the operating result was EUR 88.4 million (140.7). Items affecting comparability totalled EUR -0.3 million and were related to the translation difference from Metsä Fibre's discontinued operations in Russia.

The comparable operating result was weakened by the lower delivery volumes of paperboards and market pulp. In turn, the higher average prices of paperboards and market pulp improved the operating result.

Exchange rate fluctuations, including hedges, had a positive impact of approximately EUR 24 million on the operating result.

The costs of chemicals, energy, pulpwood and logistics increased. In chemicals, the price increase was particularly notable in caustic soda, peroxides and starch.

Wood costs increased due to higher stumpage prices in Finland and Sweden and higher costs in the harvesting and supply chain. Higher pulp price weakened the profitability of stand-alone paperboard business. Depreciation was approximately EUR 4 million higher than in the comparison period.

Unused emissions allowances were sold for a total of approximately EUR 20 million (1–3/2022: EUR 7 million).

The associated company Metsä Fibre's share of Metsä Board's comparable operating result in January–March was EUR 28.6 million (30.8). Metsä Fibre's operating result improved thanks to higher sales prices, as well as the US dollar strengthening against the euro. On the other hand, the higher production costs, weaker profitability of the sawn timber business and lower pulp delivery volumes weakened the operating result.

Financial income and expenses totalled EUR -0.7 million (-1.6), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -0.8 million (-0.4).

The result before taxes was EUR 87.7 million (139.1). The comparable result before taxes was EUR 88.2 million (119.9). Income taxes amounted to EUR 12.3 million (18.4).

Earnings per share were EUR 0.19 (0.31). The return on equity was 13.8% (26.1), and the comparable return on equity was 13.9% (22.0). The return on capital employed was 13.9% (24.4), and the comparable return on capital employed was 13.9% (21.1).

Operating result in January–March 2023 in brief (compared to 10–12/2022)

The comparable operating result in January–March was EUR 88.7 million (100.8). The price increases in folding boxboard for annual contract customers compensated for the negative result effect caused by the lower paperboard delivery volumes. The company adjusted its paperboard production to match the demand situation. The lower delivery volumes and average prices of market pulp weakened profitability. The sales of by-products from pulp production also decreased. Wood costs increased. The costs of chemicals, energy and logistics were slightly lower. No annual maintenance shutdowns took place in the review period. Exchange rate fluctuations, including hedges, had a positive impact of around EUR 7 million. Unused emissions allowances were sold for approximately EUR 20 million (EUR 10 million). Due to the start of the new recovery boiler in Husum, depreciation increased by approximately EUR 10 million from the previous quarter. Metsä Fibre's share of Metsä Board's comparable operating result in January–March was EUR 28.6 million (41.9). Metsä Fibre's profitability was weakened by the drop in sales prices and higher wood costs.

Market development

The table below shows the deliveries and market prices of paperboard grades important for Metsä Board in Europe, the market prices of paperboards in United States, and the development of the PIX market prices of pulp in Europe and China. The changes in market prices have been calculated from the average prices of the period under review. Sources: Fastmarkets FOEX, Fastmarkets RISI, CEPI Cartonboard, CEPI Containerboard.

	Q1/23 vs Q1/22	Q1/23 vs Q4/22
Paperboard deliveries, Cepi members		
Folding boxboard, Europe	Decreased clearly	Decreased clearly
White kraftliners, Europe	Decreased clearly	Stable
Market prices of paperboards in local currencies		
Folding boxboard, Europe	Increased clearly	Stable
White kraftliners, Europe	Increased	Decreased clearly
Solid bleached board, USA	Increased clearly	Stable
Food service board, USA	Increased clearly	Stable

-1% < stable < +1%, increased (decreased): +1…+2% (-1%...-2%), increased clearly (decreased clearly): > +2% (< -2%)

Market prices of pulp, PIX, USD		
Long-fibre pulp, Europe	+8%	-4%
Short-fibre pulp, Europe	+16%	-3%
Long-fibre pulp, China	+5%	-2%
Short-fibre pulp, China	+18%	-12%

Business operations and their development

Metsä Board produces high-quality, sustainable fresh fibre paperboards, and is Europe's largest producer of folding boxboard and white kraftliners. Metsä Board's folding boxboard is mainly used in consumer product packaging like food and pharmaceutical packaging. The end uses of white kraftliners are mainly related to the various packaging needs of the retail sector. More than half of Metsä Board's white kraftliners are coated. The total annual paperboard capacity is approximately 2 million tonnes, and it is sold to roughly 100 countries. Metsä Board's main market areas are Europe and North America.

In addition, Metsä Board produces chemical pulp and bleached mechanical pulp (BCTMP), which are used in own paperboard production, but also sold as market pulp. The annual capacity for pulp and BCTMP is roughly 1.5 million tonnes. In addition, Metsä Board owns 24.9% of its associated company Metsä Fibre, a global leader in the production of softwood market pulp. Metsä Fibre's annual capacity for pulp is roughly 3.3 million tonnes.

Metsä Board covers its energy consumption with its own production and supplementary purchases from the market. Most of the electricity consumption is covered by company's own production and by electricity purchased from Pohjolan Voima and Metsä Fibre. Metsä Board has a 2.6% holding in Pohjolan Voima, from which it purchases electricity at cost price.

Paperboard sales

Metsä Board's paperboard deliveries in January–March totalled 380,000 tonnes (1–3/2022: 473,000).

Deliveries of folding boxboard were 255,000 tonnes (307,000), of which 72% (72) was delivered to the EMEA region, 23% (22) to the Americas, and 4% (6) to the APAC region. Deliveries of white kraftliners were 126,000 tonnes (166,000), of which 58% (60) was delivered to the EMEA region, 41% (39) to the Americas, and 0% (1) to the APAC region.

The decline in demand for consumer products and the adjustments to inventories in the value chain have reduced the demand for fresh fibre paperboards. Metsä Board's paperboard sales were slightly better in North America than Europe. However, in South America and the APAC region, paperboard sales decreased notably.

The average prices of paperboards improved clearly from the comparison period. The average prices of folding boxboard in euros increased by approximately 20%, and those of white kraftliners by approximately 10%.

The volumes of paperboard imported from Asia to South America, Turkey and the Middle East have been increasing since the global challenges in logistics eased.

Market pulp sales

Metsä Board's market pulp deliveries totalled 83,000 tonnes (122,000) in January–March, with the EMEA region accounting for 80%, and the APAC region for 20%.

The associated company Metsä Fibre's overall paperboard deliveries totalled 647,000 (749,000) tonnes, of which 54% was delivered to the EMEA region, 43% to the APAC region, and 3% to the Americas. Metsä Board holds 24.9% of Metsä Fibre.

The demand situation for market pulp has weakened. In Europe, the demand has decreased because of the prolonged production shutdowns of paper and paperboard producers. In China, the economic recovery following the lifting of the pandemic-related restrictions has not boosted demand for market pulp as expected. The weaker than expected demand has filled pulp warehouses in China's main ports. However, the global supply of long-fibre pulp has decreased due to the limited availability of raw material in North America. The prices of market pulp (PIX) increased from the comparison period but decreased compared to the previous quarter. Since the review period, prices have continued on a downward trend, especially in China.

Paperboard, pulp and BCTMP production

The production volume of paperboard totalled 376,000 tonnes (497,000), while the combined production volume of pulp and BCTMP amounted to 298,000 tonnes (368,000). The production volume of pulp and BCTMP was at a record high in the comparison period. Paperboard, pulp and BCTMP production was reduced in the review period to match the weaker demand situation. At the Finnish mills, production was also restricted by the two-week strike by the Finnish Transport Workers' Union AKT and the Finnish Port Operators Association.

No planned annual maintenance shutdowns took place at the mills in January–March.

Cash flow

Net cash flow from operations in January–March 2023 was EUR 126.4 million (1–3/2022: 92.6). Working capital increased by EUR 46.1 million (increased of 42.9). The cash flow from operating activities for the period includes dividends received from the associate company Metsä Fibre of EUR 82.8 million (1–3/2022: EUR 58.8 million).

Balance sheet and financing

Metsä Board's equity ratio at the end of the review period was 62% (31 December 2022: 66) and the net gearing ratio was 0% (4). The ratio of interest-bearing net liabilities to comparable EBITDA in the previous 12 months was 0.0 (0.2).

At the end of the review period, interest-bearing liabilities totalled EUR 451.3 million (31 December 2022: 453.0). Non-euro-denominated loans accounted for 2.0% of loans and floating-rate loans for 13.7%, the rest being fixed-rate loans. The average interest rate on liabilities was 2.5% (2.2), and the average maturity of non-current liabilities was 3.7 years (4.0). The interest rate maturity of loans was 34.8 months (36.1).

Interest-bearing net debt totalled EUR 8.6 million (31 December 2022: 94.5).

Metsä Board's liquidity has remained strong. At the end of the review period, the available liquidity was EUR 640 million (31 December 2022: 556.0), consisting of the following items: liquid assets and investments of EUR 440.4 million and a syndicated credit facility (revolving credit facility) of EUR 200.0 million. Of the liquid assets, EUR 427.4 million consisted of short-term deposits with Metsä Group Treasury, and EUR 12.9 million were cash funds and investments. Other interest-bearing receivables amounted to EUR 2.3 million. In addition to items reported as liquidity, the liquidity reserve is complemented by Metsä Group's internal undrawn short-term credit facility of EUR 150.0 million and undrawn pension premium (TyEL) funds of EUR 227.6 million.

The fair value of other non-current investments was EUR 355.3 million (31 December 2022: 345.4). The change in value was related to the increase in the fair value of Pohjolan Voima Oyj's shares.

An average of 8.6 months of the net foreign currency exposure was hedged, including the hedging of the balance sheet position of trade receivables and trade payables.

Metsä Board has investment grade credit ratings by S&P Global and Moody's Investor Service. Metsä Board's rating by S&P Global is BBB-, with a stable outlook. The company's rating by Moody's is Baa2, with stable outlook.

Investments

Investments during the review period totalled EUR 57.4 million (1–3/2022: 107.1), with growth and development investments accounting for roughly 89%, and maintenance investments for roughly 11%. Out of total investments, the company's own property, plant and equipment amounted to EUR 57.3 million (84.2), and leased property, plant and equipment to EUR 0.1 (22.9). In the latter, the most significant item in previous year was the machinery and equipment for the boiler plant from the acquisition of Hämeenkyrön Voima Oy, totalling EUR 18.0 million.

Development programme of Kemi paperboard mill

In 2021, Metsä Board initiated the development programme for the Kemi paperboard mill, which will increase the mill's annual white kraftliner capacity by around 40,000 tonnes. The programme includes a series of modernisation and bottleneck investments in the paperboard machine. In addition, it will reduce the mill's water use by 40% and energy use by 5% per tonne of paperboard produced. As part of the programme, Metsä Board will buy a modernised production line for unbleached pulp from Metsä Fibre. The production line's annual capacity is roughly 180,000 tonnes.

The value of the investment is expected to be higher than the initial estimate of EUR 67 million. The initial value is increased, among other things, by the increased cost level. The investments will take place in 2021-2023. The additional white kraftliner capacity is expected to start ramping up in the third quarter of 2023, and to be fully available in the market in 2025.

Capacity expansion of folding boxboard in Husum

Metsä Board will increase its annual production capacity of folding boxboard by 200,000 tonnes at the Husum integrated mill in Sweden. Following the investment, the folding boxboard production capacity of the BM1 will be 600,000 tonnes per year. The value of the investment is approximately EUR 210 million, taking place in 2021–2024.

The additional folding boxboard capacity is expected to start ramping up in the fourth quarter of 2023, and to be fully available in the market in 2026.

The investment is expected to increase Metsä Board's annual sales by approximately EUR 200 million and improve annual comparable EBITDA by approximately EUR 50 million. The company expects to achieve the growth and improved result in full in 2026.

Due to the growing logistics volumes of the Husum integrated mill, the port concept will also be renewed. The value of the investments still partly being planned is EUR 20–30 million. The investments mainly target new warehouse capacity, expected to be completed in 2024.

Pre-engineering for folding boxboard mill in Kaskinen

Metsä Board has started a pre-engineering for a new folding boxboard mill with an annual capacity of approximately 800 000 tonnes in Kaskinen, Finland. The pre-engineering includes technical design, infrastructure and logistics solutions, and tendering for the main equipment. In addition, an environmental impact assessment (EIA) and an environmental permit process are ongoing. A potential investment decision could be made in 2024 at the earliest.

Metsä Fibre's Kemi bioproduct mill

Metsä Board's associated company Metsä Fibre is building a new bioproduct mill in Kemi, Finland, which is expected to start up in the third quarter of 2023. The new bioproduct mill will produce annually some 1.5 million tonnes of softwood and hardwood pulp as well as other bioproducts. The pulp production capacity includes the existing production line for unbleached pulp, used in the production of white kraftliner, with an annual capacity of roughly 180,000 tonnes. The new bioproduct mill will replace the current pulp mill in Kemi, with an annual capacity of roughly 610,000 tonnes.

The bioproduct mill will not use any fossil fuels, and its electricity self-sufficiency will be 250%.

The estimated investment value of the bioproduct mill is approximately EUR 2.02 billion, composed of internal financing and debt. Metsä Board will not invest equity in Metsä Fibre to finance the project.

Personnel

At the end of March 2023, the number of personnel was 2,280 (31/03/2022: 2,235), of whom 1,224 (1,246) were based in Finland. In January–March, Metsä Board employed 2,270 people on average (1–3/2022: 2,347). Personnel expenses in January–March totalled EUR 53.6 million (55.0).

Shares and trading

Metsä Board has two series of shares. Each series A share entitles its holder to twenty (20) votes at a General Meeting of Shareholders, and each series B share entitles the holder to one (1) vote. All shares carry the same right to receive a dividend. Metsä Board's shares are listed on the Nasdaq Helsinki.

At the end of March 2023, closing price of Metsä Board's B share on the Nasdaq Helsinki was EUR 7.42. The share's highest and lowest prices were EUR 8.96 and EUR 7.21, respectively. Correspondingly, the closing price of the A share was EUR 12.30; the share's highest and lowest prices were EUR 13.05 and EUR 9.54, respectively.

In January–March, the average daily trading volumes of the B and A shares on the Nasdaq Helsinki were around 572,500 shares and around 2,900 shares respectively. The total trading volume of the B share was EUR 298 million, and the total trading volume of the A share was EUR 2 million.

At the end of March 2023, the market value of all Metsä Board shares was EUR 2.8 billion, of which the market value of the B shares and the A shares accounted for EUR 2.4 billion and EUR 0.4 billion respectively.

Metsä Board's major shareholder Metsäliitto Cooperative holds approximately 50% of Metsä Board's shares and 68% of votes. As Metsä Board is an entity controlled by Metsäliitto Cooperative, Metsäliitto Cooperative's ownership also includes the 701,215 own shares held by Metsä Board.

International and nominee-registered investors held approximately 11% (14) of all shares.

Sustainability

Metsä Board is a forerunner in sustainability and advances the bio- and circular economy. Climate change mitigation and adapting the business to a low-carbon future are at the core of Metsä Board's strategy and operational business. The company aims for entirely fossil free production and products by the end of 2030. In accordance with the principles of the circular economy, the company focuses on the sustainable use of forests and the resource efficiency of processes, and in generating as little waste and emissions as possible, and keeping materials in circulation for extended periods of time. Resource-efficiently produced lightweight, recyclable and/or compostable products also provide alternatives to plastic.

Key sustainability figures

	2023 Q1	2022 Q1	2022 Q4	2022 Q1–Q4	Target 2030
Total recordable incident frequency TRIF[1)]	5.3	7.1	4.0	6.7	0
Lost-time accidents frequency LTA1F[1)]	3.2	5.1	3.0	5.4	0
Share of certified wood fibre, %	90	83	87	83	>90
Share of fossil free energy of total energy consumption[2)], %	-	-	-	87	100
Direct fossil-based CO_2 emissions, tonnes (Scope 1)	58,492	54,651	66,945	236,037	0
Indirect fossil-based CO_2 emissions[3)], tonnes (Scope 2)	-	-	-	147,061	0
Energy efficiency improvement[4)], %	+0.1	+4.8	+2.7	-	+10
Reduction in process water use[4)], %	-9.1	-11.9	-12.2	-	-35

1) Per million hours worked. The former subsidiary Hangö Stevedoring is included in the figures until February 2022.
2) Reported annually.
3) Market-based, reported annually. Year 2022 figure has been revised from previously reported 139,746 tonnes to 147,061 tonnes.
4) Change from the base year of 2018, per tonne produced, rolling 12 months.

Safety at work

Metsä Board aims for zero accidents at work. All Metsä Board production units comply with the ISO 45001 management system, and the goal of the company's safety-at-work standards is to prevent accidents. Safety at work is developed through proactive safety work, training and investments, for example. The focus areas are personal risk assessment, improving hand safety and implementing common safety standards.

Share of certified wood fibre

All the wood used by Metsä Board comes from Northern European forests, which are regenerated after felling and where biodiversity is respected. The target is for at least 90% of the wood fibre used by Metsä Board to be certified by the end of 2030.

Energy and water use, and greenhouse gas emissions

Metsä Board aims to continuously improve the efficiency of energy and water use and reduce greenhouse gas emissions. The vast majority of our greenhouse gas emissions come from the energy generation required to produce pulp, BCTMP and paperboard. The use of process water and wastewater treatment also consume energy and thus cause greenhouse gas emissions. By the end of 2030, the company aims to improve energy efficiency by 10 percent and reduce process water use per tonne produced by 35 percent compared to 2018.

Metsä Board's goal is to phase out the use of fossil-based energy altogether by the end of 2030, at which point the company's direct and indirect fossil-based carbon dioxide emissions (Scope 1 and 2) will drop to zero. To achieve this, the company has a transition plan, which includes mill-specific measures and the necessary investments.

Metsä Board's reduction targets for greenhouse gas emissions have been approved by the Science Based Targets initiative and they meet the strictest requirements of the Paris Agreement, which aim to limit global warming to 1.5°C degrees. For the value chain (Scope 3), Metsä Board is committed to 70% of its non-fibre suppliers and of the logistics operators related to its customer deliveries, measured as a share of the total purchase costs, setting themselves targets in accordance with the SBTi by 2024. In 2022, 15% of the company's suppliers belonging to the target group had done so. In 2023–2024, Metsä Board will update its value chain related emission reduction target and also set a land use related emission reduction target (FLAG).

Other main events

Together with Metsä Group, Metsä Board renewed its 2030 sustainability targets in the first quarter of 2023.

The updated targets highlight the commitment to safeguarding biodiversity, mitigating climate change, promoting the sustainable use of natural resources, healthy workplace communities and ethical operations.

Metsä Board was selected on CDP Supplier Engagement Leaderboard for its work to engage with suppliers to jointly tackle climate change. CDP Supplier Engagement assessment complements the CDP results published in December 2022, in which Metsä Board secured a place on CDP's prestigious A List for tackling climate change, as well as using water resources and forests sustainably – all three environmental themes covered by CDP.

The updated sustainability targets and other sustainability topics are discussed in more detail on the company's website at https://www.metsagroup.com/metsaboard/sustainability/

R&D and innovation

Key themes in Metsä Board's development work include further reducing the weight of paperboards without compromising on other properties, as well as developing barrier solutions.

Lightweighting plays a key role in the pre-engineering of new folding boxboard mill in Kaskinen, with the aim of achieving world-class resource efficiency and a product that enables a lower carbon footprint. The mill will be based on fossil-free production and significantly lower consumption of wood, energy and water per tonne of folding boxboard produced compared to existing production facilities.

Metsä Board is also running a biobarrier programme, which aims to ensure that the solutions and polymers developed for paperboards are based on fossil free raw materials by the end of 2030. The development of barrier solutions is part of the ExpandFibre programme, Fortum and Metsä Group's EUR 50 million programme promoting the circular bioeconomy.

Metsä Group's innovation company Metsä Spring and Valmet Oyj started the production for 3D fibre products at the Äänekoski demo plant. The demo plant produces ready 3D fibre packaging from wet pulp without intermediate phases. The value of the demo plant investment is approximately EUR 20 million.

Resolutions of Annual General Meeting and authorisations

The Annual General Meeting (AGM) of Metsä Board Corporation was held on 23 March 2023. All the proposals made by the Board of Directors to the AGM were supported.

The AGM resolved that a dividend of EUR 0.58 per share will be distributed for the financial year of 2022. The dividend was paid on 5 April 2023.

The AGM resolved to amend the Articles of Association to include the Board of Directors' possibility to arrange, at their discretion, a General Meeting of Shareholders as a hybrid meeting. In addition, the amendment enables arranging a General Meeting of Shareholders as a virtual meeting without a meeting venue.

The AGM resolved to keep the remuneration of the members of the Board of Directors unchanged so that the Chair will be paid EUR 99,000, the Vice Chair EUR 85,000 and ordinary members EUR 67,000 per year. In addition, it was resolved to keep the meeting fees unchanged at EUR 800 for each attended meeting of the Board of Directors and its Committees. The AGM resolved that half of the annual remuneration will be paid in the company's Series B shares to be acquired from public trading. The transfer of such shares is restricted for a two-year period. Further, the Chair of the Audit Committee will be paid an additional monthly remuneration of EUR 900.

The AGM confirmed the number of members of the Board of Directors as nine (9) and elected the following persons as members of the Board of Directors: Hannu Anttila, M.Sc. (Economics), Raija-Leena Hankonen-Nybom M.Sc. (Economics), Erja Hyrsky M.Sc. (Economics), Ilkka Hämälä M.Sc. (Technology), Mari Kiviniemi M.Soc.Sc. (Economics), Jussi Linnaranta, M.Sc. (Agriculture and Forestry), Jukka Moisio M.Sc. (Economics), Mikko Mäkimattila, M.Sc. (Agriculture and Forestry), and Juha Vanhainen, M.Sc. (Process Technology). The term of office of the members of the Board of Directors expires at the end of the next AGM.

The AGM resolved to authorise the Board of Directors to decide on the issuance of shares, the transfer of treasury shares and the issuance of special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act. The authorisation applies to Series B shares. By virtue of the authorisation the Board of Directors may issue new shares or transfer treasury shares up to a maximum of 35,000,000 shares, including shares that may be issued by virtue of special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act. The number of shares corresponds to approximately 10 per cent of all shares in the company. The authorisation is effective until 30 June 2024.

The AGM resolved to authorise the Board of Directors to decide on the repurchase of the company's own Series B shares. The number of own shares to be repurchased under the authorisation shall not exceed 1,000,000 Series B shares, which corresponds to approximately 0.3 per cent of all shares in the company. The authorisation is effective until 30 June 2024.

Near-term risks and uncertainties

The uncertainty surrounding global development and growth continues. Russia's war in Ukraine, the European energy crisis, rapid inflation and the resulting rise in interest rates have undermined economic growth worldwide and especially in Europe. They have also reduced consumers' purchasing power. If prolonged, the situation may further reduce the demand for packaging material and negatively affect Metsä Board's profitability.

Prolonged cost inflation may affect the prices of Metsä Board's important production factors – wood, energy and chemicals. Metsä Board's main raw material, wood, accounts for more than a quarter of the company's overall costs. A sudden price increase in wood raw material or individual chemicals would have a negative impact on Metsä Board's profitability. If realised, the electricity market price risk may have a negative impact on Metsä Board's profitability or production continuity. Reduced availability of global freight capacity may result in additional costs or restrict paperboard and pulp deliveries, thereby negatively affecting the company's profitability.

Russia's war against Ukraine has a direct impact on Metsä Board's business through wood and energy supplies. Reduced availability of energy sources replacing natural gas from Russia could affect the continuity of paperboard and/or BCTMP production. The discontinued wood imports from Russia has tightened pulpwood market situation in Metsä Group's procurement areas. The limited availability of wood could have a negative impact on the continuity of Metsä Board's production.

The world is also witnessing other geopolitical tensions, and if these are aggravated, they may have a negative impact on the company's business. International sanctions have been imposed in relation to these crises, and they may have a direct or indirect impact on the demand for paperboards and therefore on profitability. Some countries have imposed import duties and other trade restrictions on each other's products. Negative developments in world trade could, if continued, weaken Metsä Board's profitability.

There are also other considerable uncertainties in the global economy. If realised, they may result in weakened demand and reduced prices for paperboard and pulp products. An imbalance in supply and demand may impact the prices of end products and Metsä Board's profitability. If paperboard imports from Asia and the Americas to Europe increase faster than demand, this may lead to an imbalance in the market situation. In addition, customers' weaker cash position or slower payment behaviour may have an impact on Metsä Board's cash flow and lead to credit losses.

Metsä Board focuses on the active development and growth of its paperboard business. The global growth of the paperboard business and the introduction of new products to the markets depend on the success of sales. Increasing sales on a global scale also involves cost and exchange rate risks. In addition, the acceptability and taxation of various packaging materials involve regulatory risks. The business is also developed by modernising the production technology, efficiency programmes, product development and harmonising business processes. If the costs of development projects and investments are significantly exceeded, their completion is delayed, or their productive or commercial objectives are not met, this could negatively affect the company's profitability.

A majority of Metsä Board's production is located in Finland. Finland has a history of labour disputes in both the forest industry and the distribution chain of forest industry products. These may have a negative impact on production volumes and customer deliveries and weaken the company's competitiveness and profitability.

Metsä Board's climate risks mainly concern forests and the use of energy and water. Regulation may steer the future use of forests. Moreover, increased regulation aimed at mitigating climate change and reducing greenhouse gas emissions may increase costs and result in substantial change requirements in production technology. The supply and demand of products in a low-carbon economy may differ from the current situation. Climate change may cause an increasing number of extreme weather phenomena, such as storms, floods and drought, and weaken the availability of the process water and electricity required by mills and result in breaks in production. Extreme weather conditions may also limit the availability of the wood raw material. Should they materialise, climate risks could have a negative impact on Metsä Board's profitability.

Changes in the market price of pulp have a significant impact on Metsä Board's profitability. A 10% decrease (increase) in the price of market pulp would have a negative (positive) impact of approximately EUR 40 million on the company's annual operating result.

The US dollar strengthening by 10% against the euro would have a positive impact of approximately EUR 100 million on Metsä Board's annual operating result. Correspondingly, the Swedish krona strengthening by 10% would have a negative impact of approximately EUR 50 million. The British pound strengthening by 10% would have a positive impact of approximately EUR 10 million. The impact of weakened exchange rates would be the opposite. The sensitivities do not include the impact of hedging.

The forward-looking estimates and statements in this interim report are based on current plans and estimates. For this reason, they contain risks and other uncertainties that may cause the results to differ from the statements concerning them. In the short term, Metsä

Board's result will be particularly affected by the price of and demand for finished products, raw material costs, the price of energy, and the exchange rate development of the euro compared to the company's other main currencies.

Further information on long-term risks and risk management is available on pages 85–88 of Metsä Board's 2022 Annual Report.

Near-term outlook

The decline in global economic growth and weakening purchasing power of consumers' are causing uncertainty in the market. The outlook for the near-term development of paperboard sales remains weak.

Metsä Board's paperboard delivery volumes in April–June 2023 are expected to remain roughly at the same level as in January–March 2023 (380,000 tonnes). The average prices for paperboards are expected to remain stable.

The demand outlook for market pulp will remain muted in both Europe and China. The market prices for pulp (PIX) are expected to decrease from the first quarter. The demand for sawn timber is expected to pick up somewhat in the second quarter.

Total costs are expected to remain fairly stable.

Several annual maintenance shutdowns will take place at Finnish mills in the second quarter.

In April–June 2023, exchange rate fluctuations, including the impact of hedges, will have a positive impact on the operating result compared to January–March 2023 and a clear positive impact compared to April–June 2022.

Annual maintenance and investment shutdowns in 2023

The main annual maintenance and investment shutdowns expected in 2023. Changes to plans are possible.

The main annual maintenance and investment shutdowns

Q1/2023	-
Q2/2023	Metsä Fibre's Äänekoski bioproduct mill and Rauma pulp mill
Q3/2023	Investment shutdown for folding boxboard in Husum, investment shutdown for white kraftliner in Kemi, start-up of Metsä Fibre's new bioproduct mill in Kemi
	Metsä Fibre's Joutseno pulp mill
Q4/2023	-

In the third quarter, an investment shutdown of around 45 days will take place on the BM1 folding boxboard machine in Husum, when the annual capacity of folding boxboard will be increased from 400,000 tonnes to 600,000 tonnes. The investment shutdown is expected to take place from the end of August to the beginning of October.

In the third quarter, Metsä Fibre's new bioproduct mill, with an annual capacity of 1.5 million tonnes of pulp, is expected to come online in Kemi. The new mill will replace the old pulp mill with an annual capacity of 610,000 tonnes. At the same time, an investment shutdown will take place on the paperboard production line to increase the annual capacity of white kraftliner from 425,000 tonnes to 465,000 tonnes.

Events after the review period

Metsä Board issued a profit warning on 12 April 2023 regarding the result guidance for January–March 2023. The company previously estimated that its comparable operating result for January–March 2023 would be roughly at the same level as in October–December 2022. The comparable operating result for October–December 2022 was EUR 100.8 million, compared to EUR 88.7 million in January–March 2023.

Result guidance for April–June 2023

Metsä Board's comparable operating result in April–June 2023 is expected to be weaker than in January–March 2023.

METSÄ BOARD CORPORATION

Espoo, 27 April 2023

BOARD OF DIRECTORS

Further information:

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CEO Mika Joukio and CFO Henri Sederholm will present the interim report in a conference call and webcast held in English on 27 April 2023 at 3:00 p.m. EEST.

The presentation material will be available at www.metsagroup.com/metsaboard/investors/ and at

https://metsaboard.videosync.fi/2023-q1 before the start of the conference call.

To ask questions, join the conference call by registering on the following link: https://palvelu.flik.fi/teleconference/?id=10010167.

Financial reporting in 2023

27 July 2023: Half-year financial report 2023
26 October 2023: Interim Report for January–September 2023

Calculation of key ratios

Operating result	=	Result before income tax, financial income and expenses, exchange gains and losses and share of results from associated companies and joint ventures
EBITDA	=	Operating result before depreciation, amortisation and impairment losses
Return on equity (%)	=	(Result before income tax – income taxes) per (Shareholder's equity (average))
Return on capital employed (%)	=	(Result before income taxes + net exchange differences and other financial expenses) per (Balance total + non-interest bearing liabilities (average))
Equity ratio (%)	=	(Shareholder's equity) per (Balance total – advance payments received)
Net gearing ratio (%)	=	(Interest-bearing net liabilities) per (Shareholder's equity)
Interest-bearing net liabilities	=	Interest-bearing liabilities – cash and cash equivalents and interest-bearing receivables
Total investments	=	Investments in owned and leased fixed assets and investments in business combinations
Earnings per share	=	(Profit attributable to shareholders of parent company) per (Adjusted number of shares (average))
Shareholders' equity per share	=	(Equity attributable to shareholders of parent company) per (Adjusted number of shares at the end of the period)
Adjusted average share price	=	(Total traded volume per share (EUR)) per (Average adjusted number of shares traded during the financial year)
Market capitalisation	=	(Number of shares) x (market price at the end of period)

Comparable key ratios

According to the guidelines of the European Securities and Markets Authority (ESMA), alternative performance measures are key figures concerning historical or future financial performance, financial standing or cash flows that are not determined by the financial reporting framework applied by the company. Metsä Board's financial reporting framework consists of the IFRS standards in the form in which they were adopted by the EU in line with Regulation (EC) No. 1606/2002. With the exception of earnings per share, which have been defined in standard IAS 33 (Earnings per Share), the key figures presented in this financial report meet ESMA's criteria for alternative performance measures.

Metsä Board believes that the presentation of alternative performance measures provides users of financial statements with a better understanding of the company's financial performance and standing, including its use of equity, operational profitability and ability to service debt.

The reconciliation of the comparable key figures is presented in this financial report. Metsä Board considers that the key figures derived in this manner improve the comparability of reporting periods.

None of these key figures with items affecting comparability eliminated are key figures used in IFRS reporting, and they cannot be compared with other companies' key figures identified by the same names. Items affecting comparability include material gains and losses on disposals of assets, impairment and impairment reversals in accordance with IAS 36 "Impairment of Assets", corporate divestments and acquisitions, adjustment measures and other restructuring measures and their adjustments, costs arising from extensive and unforeseeable interruptions in production and the compensation received for them as well as items arising from legal proceedings.

Metsä Board considers comparable key figures to better reflect its operational performance, as they eliminate the effect on the result of items and business transactions arising from outside normal business operations.

Unaudited condensed consolidated statement of comprehensive income

EUR million	Note	2023 Q1	2022 Q1	2022 Q1-Q4
Sales	2, 6	**542.1**	**582.0**	**2,479.6**
Change in stocks of finished goods and work in progress		22.3	18.8	70.1
Other operating income	2, 6	24.9	29.6	79.6
Material and services	6	-416.8	-410.0	-1,824.3
Employee costs		-53.6	-55.0	-217.4
Share of result of associated company	6	28.3	30.8	163.1
Depreciation, amortisation and impairment losses		-25.0	-21.2	-83.1
Other operating expenses		-33.7	-34.3	-136.1
Operating result	2	**88.4**	**140.7**	**531.5**
Share of results of associated companies and joint ventures		0.0	0.0	0.0
Net exchange gains and losses		-0.8	-0.4	-5.0
Other net financial items	2, 6	0.2	-1.2	-1.7
Result before income tax		**87.7**	**139.1**	**524.9**
Income taxes	3	-12.3	-18.4	-63.5
Result for the period		**75.5**	**120.7**	**461.3**

EUR million	Note	2023 Q1	2022 Q1	2022 Q1-Q4
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains/losses on defined pension plans		-0.3	3.2	-4.7
Financial assets valued at fair value through other comprehensive income	8	9.8	8.7	178.5
Share of other comprehensive income of associated company		0.2	-0.5	3.0
Income tax relating to items that will not be reclassified		-1.9	-2.4	-33.9
Total		**7.9**	**9.0**	**142.9**
Items that may be reclassified to profit or loss				
Cash flow hedges		2.1	23.3	-3.1
Translation differences		-13.6	-3.7	-56.3
Share of other comprehensive income of associated company		1.3	4.7	28.1
Income tax relating to components of other comprehensive income		-0.4	-4.7	0.6
Total		**-10.6**	**19.6**	**-30.6**
Other comprehensive income, net of tax		**-2.7**	**28.6**	**112.2**
Total comprehensive income for the period		**72.7**	**149.3**	**573.6**
Result for the period attributable to				
Shareholders of parent company		67.9	110.7	409.9
Non-controlling interests		7.5	10.0	51.4
Total		75.5	120.7	461.3
Total comprehensive income for the period attributable to				
Shareholders of parent company		67.6	140.3	535.7
Non-controlling interests		5.1	9.0	37.8
Total		72.7	149.3	573.6
Earnings per share for result attributable to shareholders of parent company (EUR/share)		**0.19**	**0.31**	**1.15**

The notes are an integral part of the financial report.

Unaudited condensed balance sheet

EUR million	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
ASSETS				
Non-current assets				
Goodwill		12.2	12.2	12.2
Other intangible assets		6.7	7.3	5.9
Tangible assets	4	1,130.1	1,014.8	1,107.9
Investments in associated companies and joint ventures		561.3	454.9	614.2
Other investments	8	355.3	177.7	345.4
Other non-current financial assets	6, 8	8.6	19.9	8.9
Deferred tax receivables	2	9.0	9.1	9.4
		2,083.2	1,695.9	2,103.9
Current assets				
Inventories		522.5	413.5	506.7
Accounts receivables and other receivables	6, 8	386.8	435.2	436.4
Cash and cash equivalents	6, 8	440.4	565.0	356.2
		1,349.6	1,413.7	1,299.3
Total assets		**3,432.8**	**3,109.6**	**3,403.2**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Equity attributable to shareholders of parent company		1,942.3	1,692.3	2,082.0
Non-controlling interests		178.3	155.2	173.2
Total equity		2,120.6	1,847.4	2,255.2
Non-current liabilities				
Deferred tax liabilities		149.8	103.7	149.5
Post-employment benefit obligations	2	10.5	13.0	10.4
Provisions	5	2.0	2.0	2.0
Borrowings	8	433.4	455.8	434.4
Other liabilities	8	4.3	2.1	3.9
		600.0	576.6	600.2
Current liabilities				
Provisions	5	4.6	1.0	4.9
Current borrowings	6, 8	17.9	12.1	18.6
Accounts payable and other liabilities	6, 8	689.6	672.4	524.4
		712.1	685.5	547.9
Total liabilities		1,312.2	1,262.1	1,148.1
Total shareholders' equity and liabilities		**3,432.8**	**3,109.6**	**3,403.2**

The notes are an integral part of the condensed financial report.

Unaudited consolidated statement of changes in shareholders' equity

EUR million	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Own shares	Retained earnings	Total	Non-controlling interests	Equity total
Shareholders' equity 1 January 2022	557.9	-27.2	118.3	208.9		841.5	1,699.4	146.2	1,845.6
Comprehensive income for the period									
Result for the period						110.7	110.7	10.0	120.7
Other comprehensive income net of tax total		-2.6	29.7			2.5	29.6	-1.0	28.6
Comprehensive income total		**-2.6**	**29.7**			**113.2**	**140.3**	**9.0**	**149.3**
Related party transactions									
Dividend						-145.8	-145.8		-145.8
Share based payments						-1.6	-1.6		-1.6
Shareholders' equity 31 March 2022	**557.9**	**-29.8**	**148.0**	**208.9**		**807.3**	**1,692.3**	**155.2**	**1,847.4**

EUR million	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Own shares	Retained earnings	Total	Non-controlling interests	Equity total
Shareholders' equity 1 January 2023	557.9	-64.0	283.9	208.9	-7.8	1,103.2	2,082.0	173.2	2,255.2
Comprehensive income for the period									
Result for the period						67.9	67.9	7.5	75.5
Other comprehensive income net of tax total		-11.1	11.0			-0.2	-0.3	-2.4	-2.7
Comprehensive income total		**-11.1**	**11.0**			**67.7**	**67.6**	**5.1**	**72.7**
Related party transactions									
Dividend						-205.8	-205.8		-205.8
Disposal of own shares					2.3	-2.3			
Share based payments						-1.4	-1.4		-1.4
Shareholders' equity 31 March 2023	**557.9**	**-75.1**	**294.9**	**208.9**	**-5.5**	**961.3**	**1,942.3**	**178.3**	**2,120.6**

The notes are an integral part of the financial report.

Unaudited condensed consolidated cash flow statement

EUR million	Note	2023 Q1	2022 Q1	2022 Q1-Q4
Result for the period		75.3	120.7	461.3
Total adjustments	7	-10.1	-15.6	-63.0
Change in working capital		-46.1	-42.9	-151.4
Net financial items	7	85.3	58.3	51.6
Income taxes paid		22.0	-27.9	-66.5
Net cash flow from operations		**126.4**	**92.6**	**232.0**
Acquisitions	7		-13.6	-13.6
Investments in intangible and tangible assets		-57.9	-70.4	-274.2
Disposals and other items	6, 7	20.3	35.1	82.4
Net cash flow from investing		**-37.6**	**-48.8**	**-205.3**
Changes in non-current loans and in other financial items	6	-1.8	-2.6	-18.1
Acquisition of treasury shares				-7.8
Paid dividend	7			-157.1
Net cash flow from financing		**-1.8**	**-2.6**	**-183.1**
Changes in cash and cash equivalents		**87.0**	**41.1**	**-156.5**
Cash and cash equivalents at beginning of period	6	356.2	524.2	524.2
Translation difference in cash and cash equivalents		-2.8	-0.4	-11.6
Changes in cash and cash equivalents		87.0	41.1	-156.5
Cash and cash equivalents at end of period	6	**440.4**	**565.0**	**356.2**

The notes are an integral part of the condensed financial report.

Appendices to the unaudited report

Note 1 – Background and basis of preparation

Metsä Board Corporation and its subsidiaries comprise a forest industry group whose main product areas are fresh fibre cartonboards and linerboards. Metsä Board Corporation, the parent company, is domiciled in Helsinki and the registered address of the company is Revontulenpuisto 2, 02100 Espoo, Finland. Metsä Board's ultimate parent company is Metsäliitto Cooperative.

This financial report has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2022 IFRS financial statements. The effects of foreign exchange changes on review period operating result vis-à-vis comparison period result have been calculated based on estimated review period net cash flows in relevant currencies and taking into account the realized effects of foreign exchange hedges.

The same accounting policies have been applied as in the 2022 IFRS financial statements with the following exception:

Depreciation of machinery and equipment during the financial year has been adjusted between the quarters when applicable in order to correspond with the distribution of the economic benefit of the asset between quarters. Refinitiv FX closing rate has been used as EUR/RUB valuation rate representing market rate at the time.

Amendments to standards applied during the 2023 financial period:

Amendments to IAS 12 Income taxes – Deferred tax related to assets and liabilities arising from a single transaction. The amendments narrow the scope of the initial recognition exemption and specify that the exemption does not apply to individual transactions, such as leases and decommissioning obligations that give rise to equal and opposite temporary differences. The amendments have an impact on the notes presented.

Other amendments to the standards do not have a material effect on the Group's financial report.

All amounts in the financial report are presented in millions of euros, unless otherwise stated.

This financial report was authorised for issue by the Board of Directors of Metsä Board on 27 April 2023.

Note 2 – Segment information

The Corporate Management Team is the chief operational decision-maker monitoring business operations performance based on the operating segments. Metsä Board's business operations consist solely of folding boxboard, fresh fibre linerboard and market pulp businesses. Metsä Board reports on its financial performance in one reporting segment.

Geographical distribution of sales

EUR million	2023 Q1	2022 Q1	2022 Q1-Q4
EMEA	370.5	390.0	1,634.5
Americas	143.3	148.6	646.4
APAC	28.2	43.4	198.7
Total	**542.1**	**582.0**	**2,479.6**

Reconciliation of comparable figures

EUR million	2023 Q1	2022 Q1	2022 Q1-Q4
Operating result	**88.4**	**140.7**	**531.5**
Depreciation, amortisation and impairment losses	25.0	21.2	83.1
EBITDA	**113.4**	**161.9**	**614.6**
Items affecting comparability:			
Other operating income		-19.2	-28.6
Write down of Inventory			0.0
Employee benefits			4.6
Share of results of associated companies	0.3		11.6
Other operating expense			0.6
Total	0.3	-19.2	-11.7
EBITDA, comparable	**113.7**	**142.7**	**602.8**
Depreciation, amortisation and impairment losses	-25.0	-21.2	-83.1
Items affecting comparability:			
Impairment charges and reversals of impairments			0.9
Operating result, comparable	**88.7**	**121.5**	**520.7**
Share of results of associated companies and joint ventures	0.0	0.0	0.0
Net financial items	-0.7	-1.6	-6.6
Items affecting comparability:			
Financial items	0.1		0.5
Result before income tax, comparable	**88.2**	**119.9**	**514.6**
Income taxes	-12.3	-18.4	-63.5
Income taxes related to items affecting comparability			0.3
Result for the period, comparable	**75.9**	**101.5**	**451.4**

Additional information on the reconciliation

“+” sign items = expense affecting comparability
”-” sign items = income affecting comparability

Items affecting operating result comparability in 2023 totalled EUR -0.3 million and were related to the translation difference from Metsä Fibre’s discontinued operations in Russia.

Items affecting operating result comparability in 2022 totalled EUR 10.8 million. They comprised EUR 19.2 million from the sale of the share capital in Hangö Stevedoring Ab; a EUR 6.5 million capital gain from the sale of a land area unrelated to business operations; a EUR -5.5 million restructuring of customer service and supply chain management; a EUR 2.8 million valuation gain related to the divestment of shares; a EUR -1.0 million impairment recognised for the Russian operations; a EUR -10.5 million impairment recognised for the Russian operations of the associated company Metsä Fibre; a EUR -1.2 million impairment recognised in the assets of Metsä Fibre’s Kyrö sawmill; and other items EUR 0.3 million.

Note 3 - Income taxes

EUR million	2023 Q1	2022 Q1	2022 Q1-Q4
Taxes for the current period	-12.4	-18.1	-36.4
Taxes for the prior periods	0.0	0.0	-0.5
Change in deferred taxes	0.1	-0.2	-26.7
Total income taxes	**-12.3**	**-18.4**	**-63.5**

Taxes for the previous year include the 7.1 million euros of tax support to be applied for in the 2022 taxation of the investments of the Swedish subsidiary.

Note 4 – Changes in property, plant and equipment

EUR million	2023 Q1	2022 Q1	2022 Q1-Q4
Carrying value at beginning of period	1,107.9	935.0	935.0
Acquired businesses		29.6	29.6
Investments to owned property, plant and equipment	56.2	71.2	264.1
Investments to leased property, plant and equipment	0.1	5.0	8.1
Decreases	-0.1	-0.1	-5.0
Depreciation, amortization and impairment losses	-24.7	-21.2	-82.1
Translation difference	-9.2	-4.7	-41.8
Carrying value at end of the period	**1,130.1**	**1,014.8**	**1,107.9**

Acquired businesses in January-March 2022 include the tangible assets of Hämeenkyrön Voima Oy.

In 2022 there were an impairment loss of EUR -0.9 million recognised for the Russian operations.

Note 5 - Provisions

EUR million	Restructuing	Environmental obligations	Other provisions	Total
1 January 2023	4.9	2.0	0.0	6.9
Translation differences			0.0	0.0
Utilised during the year	-0.2			-0.2
31 Mar 2023	**4.6**	**2.0**	**0.0**	**6.7**
Non-Current		2.0	0.0	2.0
Current	4.6			4.6
Total	**4.6**	**2.0**	**0.0**	**6.7**

Half of non-current provisions are estimated to be utilised by the end of 2025 and the rest in 2030s.

Note 6 – Related party transactions

Related parties include Metsä Board's ultimate parent company Finnish Metsäliitto Cooperative, other subsidiaries of Metsäliitto, associated companies and joint ventures. The members of The Board of Directors and Metsä Group's Executive Management Team and Metsä Board's Corporate Management Team as well as their close family members are also included in related parties.

Metsä Board enters into a significant number of transactions with related parties for the purchases of inventories, sale of goods, corporate services as well as financial transactions. Arm's length pricing has been followed in product and service transactions undertaken and interest rates set between Metsä Board and the related parties.

Transactions with parent and sister companies

EUR million	2023 Q1	2022 Q1	2022 Q1-Q4
Sales	38.8	42.3	197.7
Other operating income	1.6	1.9	6.6
Purchases	203.7	204.3	860.8
Share of result from associated company	28.3	30.8	163.1
Dividend income			0.0
Interest income	3.3		2.3
Interest expenses	0.1	0.3	0.9
Accounts receivable and other receivables	83.4	91.6	84.6
Cash and cash equivalents	427.4	548.7	338.6
Accounts payable and other liabilities	177.5	153.7	86.3

Metsä Fibre's net result is included within operating result line item "Share of result from associated company" and transactions with Metsä Fibre are included in transactions with sister companies.

Metsä Fibre paid a dividend of EUR 82.8 million to Metsä Board in the review period (58.8).

Cash and cash equivalents include interest-bearing receivables comparable to cash funds and available from Metsä Group's internal bank Metsä Group Treasury Oy.

Transactions with associated companies and joint ventures

EUR million	2023 Q1	2022 Q1	2022 Q1-Q4
Sales		0.2	0.7
Purchases	0.0	0.5	1.7
Accounts receivable and other receivables	0.1	0.1	0.1
Accounts payable and other liabilities		0.6	

Note 7 - Notes to the consolidated cash flow statement

Adjustments

Milj. e	2023 Q1	2022 Q1	2022 Q1-Q4
Taxes	12.2	18.4	63.5
Depreciation, amortization and impairment charges	25.0	21.2	83.1
Share of result from associated companies and joint ventures	-28.3	-30.8	-163.1
Gains and losses on sale of fixed assets	-20.2	-26.5	-59.5
Finance costs, net	0.7	1.6	6.6
Pension liabilities and provisions	-0.2	-0.3	3.6
Other adjustments	0.7	0.8	2.8
Total	**-10.1**	**-15.6**	**-63.0**

Income taxes paid

Income taxes paid in 2023 include Metsä Board Oyj's advance tax refund of 34.7 million euros for financial year 2022.

The figure for the comparison period and the entire year 2022 includes -11.6 million euros in tax payment regarding the year 2021.

Net financial items

Net financial items in consolidated cash flow statement include a dividend of EUR 82.8 million paid by Metsä Fibre (58.8).

Acquisitions

Acquisitions include EUR -13.6 million for the shares of Hämeenkyrön Voima Oy, acquired in January–March 2022.

Disposals and other items

Disposals and other items reported in 2023 were EUR 20.3 million in total. They consisted of proceeds amounting to EUR 20.0 million from emission right sales and other items amounting to EUR 0.3 million.

Disposals and other items reported in 2022 were EUR 82.4 million in total. They consisted of proceeds amounting to EUR 29.0 million from emission right sales, sales proceeds of EUR 24.5 million from sale of Oy Hangö Stevedoring Ab shares, EUR 12.0 million from sale of G10 shares to Pohjolan Voima Oyj, EUR 9.2 million from sale of non-business related land area; EUR 4.9 million related to divestment of shares, EUR 1.9 million on sale of property ownership and other items amounting to EUR 1.0 million.

Paid dividend

Paid dividend in 2022 included dividends paid by the parent company EUR -145.8 million and dividends paid to non-controlling owners from the Husum pulp company EUR -11.3 million.

Note 8 - Financial instruments

Classification of financial assets and liabilities and their fair values

Financial assets 31 March 2023

EUR million	Fair value through profit and loss	Fair value through other comprehen-sive income	Amortised cost	Total carrying amount
Other non-current investments	1.3	353.9		355.3
Other non-current financial assets			5.9	5.9
Accounts receivable and other receivables			336.1	336.1
Cash and cash equivalent			440.4	440.4
Derivative financial instruments	2.9	44.2		47.1
Total carrying amount	**4.2**	**398.2**	**782.4**	**1,184.8**
Total fair value	**4.2**	**398.2**	**782.3**	**1,184.7**

Financial liabilities 31 March 2023

EUR million	Fair value through profit and loss	Fair value through other comprehen-sive income	Amortised cost	Total carrying amount
Non-current interest-bearing financial liabilities			433.4	433.4
Other non-current financial liabilities			0.5	0.5
Current interest-bearing financial liabilities			17.9	17.9
Accounts payable and other financial liabilities			607.5	607.5
Derivative financial instruments	0.6	34.2		34.8
Total carrying amount	**0.6**	**34.2**	**1,059.3**	**1,094.1**
Total fair value	**0.6**	**34.2**	**1,048.5**	**1,083.3**

Classification of financial assets and liabilities and their fair values

Financial assets 31 March 2022

EUR million	Fair value through profit and loss	Fair value through other comprehen-sive income	Amortised cost	Total carrying amount
Other non-current investments	3.4	174.3		177.7
Other non-current financial assets			18.0	18.0
Accounts receivable and other receivables			369.1	369.1
Cash and cash equivalent			565.0	565.0
Derivative financial instruments	1.5	56.6		58.0
Total carrying amount	**4.8**	**230.9**	**952.1**	**1,187.8**
Total fair value	**4.8**	**230.9**	**952.1**	**1,187.8**

Financial liabilities 31 March 2022

EUR million	Fair value through profit and loss	Fair value through other comprehen-sive income	Amortised cost	Total carrying amount
Non-current interest-bearing financial liabilities			455.8	455.8
Other non-current financial liabilities			0.5	0.5
Current interest-bearing financial liabilities			12.1	12.1
Accounts payable and other financial liabilities			594.0	594.0
Derivative financial instruments	0.5	19.9		20.4
Total carrying amount	**0.5**	**19.9**	**1,062.4**	**1,082.8**
Total fair value	**0.5**	**19.9**	**1,070.6**	**1,091.0**

Accounts receivable and other receivables do not include advance payments, accrued tax receivables and periodisations of employee costs.

Accounts payable and other financial liabilities do not include advance payments, accrued tax liabilities and periodisations of employee costs.

In Metsä Board, all interest-bearing liabilities are valued in the balance sheet at amortised cost based on effective interest method.

Fair values in the table are based on present value of cash flow of each liability or assets calculated by market rate. The discount rates applied are between 1.3–3.7 % (2.2–4.6). The fair values of accounts and other receivables and accounts payable and other liabilities do not materially deviate from their carrying amounts in the balance sheet.

Other non-current investments at fair value based on Level 3

EUR million	2023 Q1	2022 Q1	2022 Q1-Q4
Carrying value at beginning of period	345.4	181.0	181.0
Total gains and losses in profit or loss			2.8
Total gains and losses in other comprehensive income	9.8	8.7	178.5
Purchases			0.0
Disposals		-12.0	-16.9
Carrying value at end of the period	**355.3**	**177.7**	**345.4**

Financial assets and liabilities measured at fair value have been categorized according to IFRS 7 Financial Instruments: Disclosures.

Level 1
Fair value is based on quoted prices in active markets.

Level 2
Fair value is determined by using valuation techniques that use market information.

Level 3
Fair value are not based on observable market data, but company's own assumptions.

The fair values of natural gas and fuel oil derivatives are determined by using public price quotations in an active market (Level 1).

The fair values of currency forwards and options are determined by using the market prices of the closing date of the reporting period. The fair values of interest rate swaps are determined by using the present value of expected payments, discounted using a risk adjusted discount rate, supported by market interest rates and other market data of the closing date of the reporting period (Level 2).

For financial instruments not traded on an active market, the fair value is determined by valuation techniques. Judgment is used when choosing the different techniques and making assumptions, which are mainly based on circumstances prevailing in the markets on each closing date of the reporting period (Level 3).

The valuation techniques are described in more detail in the Annual report.

The most significant asset at fair value not traded on an active market is the investment in Pohjolan Voima Oyj shares classified as a financial asset at fair value through other comprehensive income. The value of investment is determined based on the present value of discounted cash flows.

On 1 January 2022, Metsä Board acquired the entire share capital of Hämeenkyrön Voima Oy from Pohjolan Voima Oyj (84%) and from DL Power Oy, part of Leppäkoski group (16%). In this connection, Metsä Board sold its series G10 shares, which corresponded to an 84% holding in Hämeenkyrön Voima Oy, to Pohjolan Voima Oyj for EUR 12.0 million.

The WACC used in Pohjolan Voima Oyj share valuation on 31 March 2023 was 5.36% (31 December 2022: 5.42). The acquisition cost of shares in Pohjolan Voima Oyj on 31 March 2023 is EUR 28.3 million (28.3) and fair value EUR 353.9 million (344.1).

The carrying value of other investments as of 31 March 2023 is estimated to change by EUR -12.5 million and EUR 13.3 million should the rate used for discounting the cash flows change by 0.5 percentage points from the rate estimated by the management. The carrying value of other investments is estimated to change by EUR 73.1 million should the energy prices used in calculating the fair value differ by 10% from the prices estimated by the management.

Fair value hierarchy of financial assets and liabilities as of 31 March 2023

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments			355.3	**355.3**
Derivative financial assets	2.8	44.3		**47.1**
Financial liabilities measured at fair value				
Derivative financial liabilities	11.1	23.7		**34.8**
Financial assets not measured at fair value				
Cash and cash equivalent		440.3		**440.3**
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		422.2		**422.2**
Current interest-bearing financial liabilities		17.8		**17.8**

Fair value hierarchy of financial assets and liabilities as of 31 March 2022

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments			177.7	**177.7**
Derivative financial assets	16.8	41.2		**58.0**
Financial liabilities measured at fair value				
Derivative financial liabilities		20.4		**20.4**
Financial assets not measured at fair value				
Cash and cash equivalent		564.9		**564.9**
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		463.9		**463.9**
Current interest-bearing financial liabilities		12.2		**12.2**

Derivatives 31 March 2023

EUR million	Nominal value	Fair value			Fair value	
		Derivative assets	Derivative labilities	Fair value net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	100.0	2.6		2.6		2.6
Interest rate derivatives	100.0	2.6		2.6		2.6
Currency forward contracts	2,001.2	38.3	23.2	15.1	0.7	14.4
Currency option contracts	496.6	3.4	0.5	2.8		2.8
Currency derivatives	2,497.7	41.7	23.7	17.9	0.7	17.2
Oil derivatives	26.0	0.2	3.5	-3.4		-3.4
Natural gas derivatives	30.6	2.7	7.6	-4.9	1.6	-6.5
Commodity derivatives	56.6	2.8	11.1	-8.2	1.6	-9.8
Derivatives total	**2,654.4**	**47.1**	**34.8**	**12.3**	**2.3**	**10.0**

Derivatives 31 March 2022

EUR million	Nominal value	Fair value			Fair value	
		Derivative assets	Derivative labilities	Fair value net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	100.0	0.2	0.2	0.0		0.0
Interest rate derivatives	100.0	0.2	0.2	0.0		0.0
Currency forward contracts	1,324.2	6.3	19.4	-13.1	1.0	-14.1
Currency option contracts	109.4	0.4	0.1	0.3		0.3
Currency derivatives	1,433.6	6.7	19.6	-12.9	1.0	-13.8
Electricity derivatives	3.0	6.2		6.2		6.2
Oil derivatives	21.8	9.3		9.3		9.3
Natural gas and propane derivatives	24.5	35.6	0.6	34.9		34.9
Commodity derivatives	49.3	51.1	0.6	50.4		50.4
Derivatives total	**1,582.9**	**58.0**	**20.4**	**37.6**	**1.0**	**36.6**

Note 9 - Commitments and guarantees

EUR million	31 Mar 2023	31 Mar 2022	31 Dec 2022
Guarantees and counter-indemnities	1.6	1.5	1.5
Other Commitments	3.8		3.8
Total	**5.4**	**1.5**	**5.3**

Commitments related to property, plant and equipment

Milj. e	31 Mar 2023	31 Mar 2022	31 Dec 2022
Payments due in following 12 months	100.4	58.2	132.0
Payments due later	1.4	2.4	1.6
Total	**101.8**	**60.7**	**133.5**

Commitments related to property, plant and equipment concern mainly the first phase completion of the modernisation of the Husum pulp mill, an investment to increase Husum's folding boxboard capacity and a development program of the Kemi mill.

Note 10 – Events after the review period

Metsä Board issued a profit warning on 12 April 2023 regarding the result guidance for January–March 2023. The company previously estimated that its comparable operating result for January–March 2023 would be roughly at the same level as in October–December 2022. The comparable operating result for October–December 2022 was EUR 100.8 million, compared to EUR 88.7 million in January–March 2023.