



**Metsä**

# Metsä Group's full-year result 2023

President and CEO Ilkka Hämmälä

8 February 2024

# Weak economic growth weighed on Metsä Group's result

- Sales EUR 6,110 million (2022: EUR 6,980 million)
- Operating result\* EUR 488 million (1,276)
- Operating result\* 8.0% of sales (18.3)
- Return on capital employed\* 7.2% (19.5)
- The sales and operating result in 2023 decreased especially because of the decline in delivery volumes and the increase in variable costs
- Exchange rate fluctuations had a positive impact of around EUR 153 million on the result
- The long-term outlook for Metsä Group's products is good



\*comparable



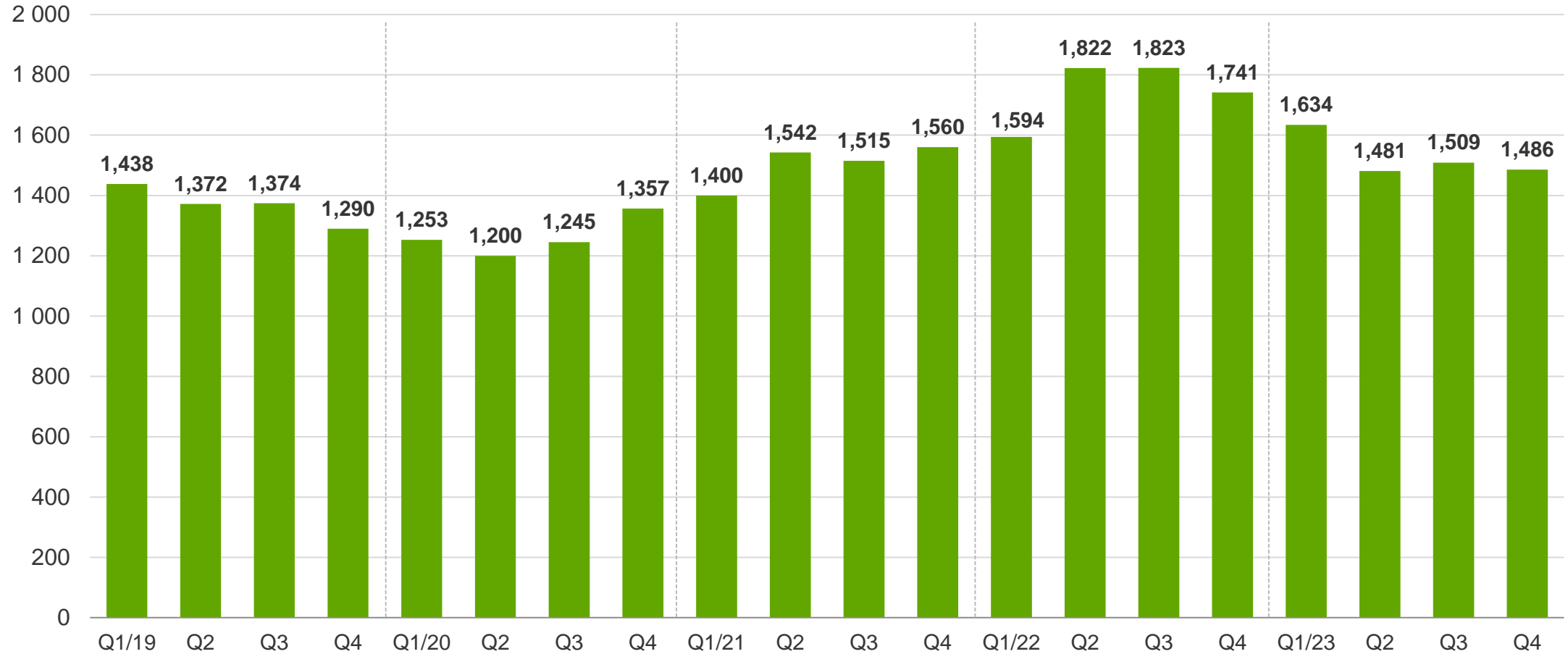
# Recent events

- Progress was made in our investments. The Kemi bioproduct mill, the Kemi paperboard mill's development programme, and the expansion of folding boxboard capacity in Husum were completed
- The prefeasibility study for the construction of the first commercial mill to produce Muoto™ packaging in Rauma was completed
- The construction of a carbon capture facility in connection with a pulp or bioproduct mill is being explored
- Production was adjusted in several business areas
- Metsä Group is planning to discontinue sawn timber production in Merikarvia



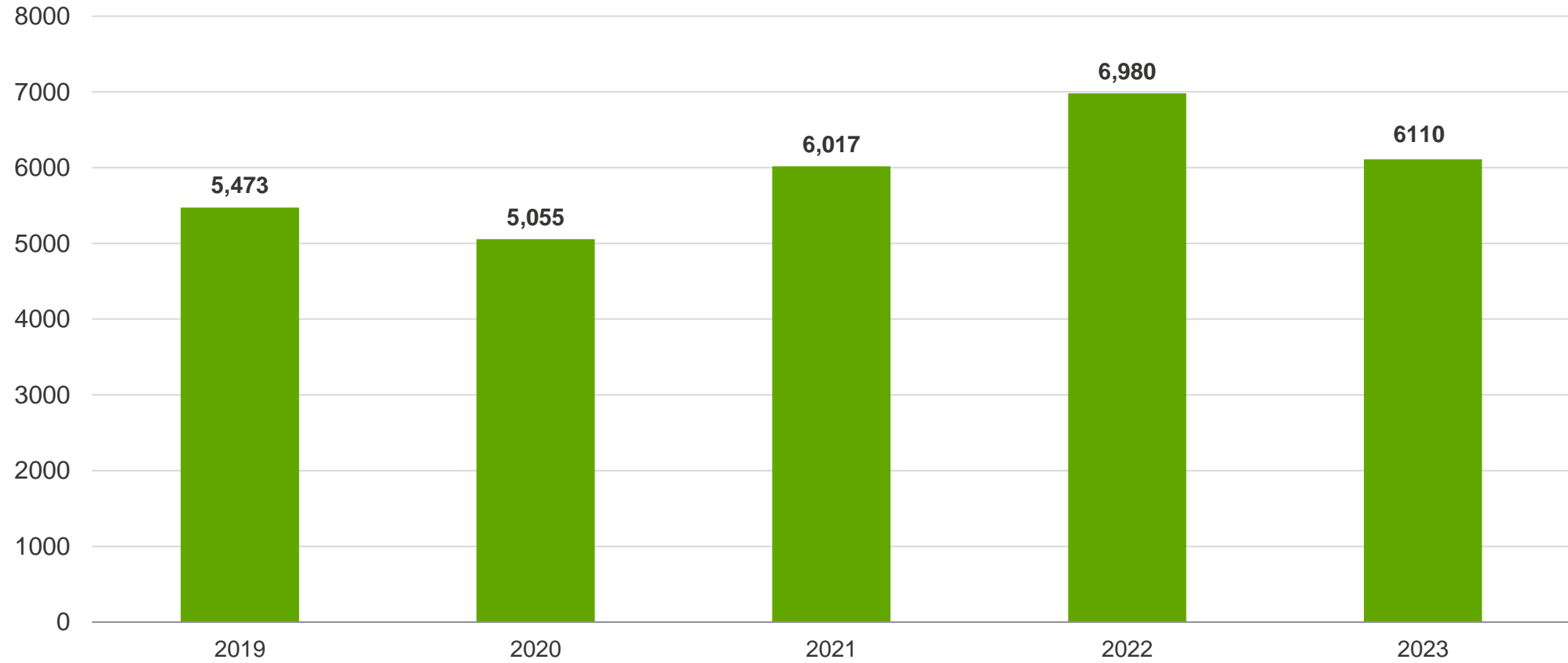
# Sales, quarterly

EUR million



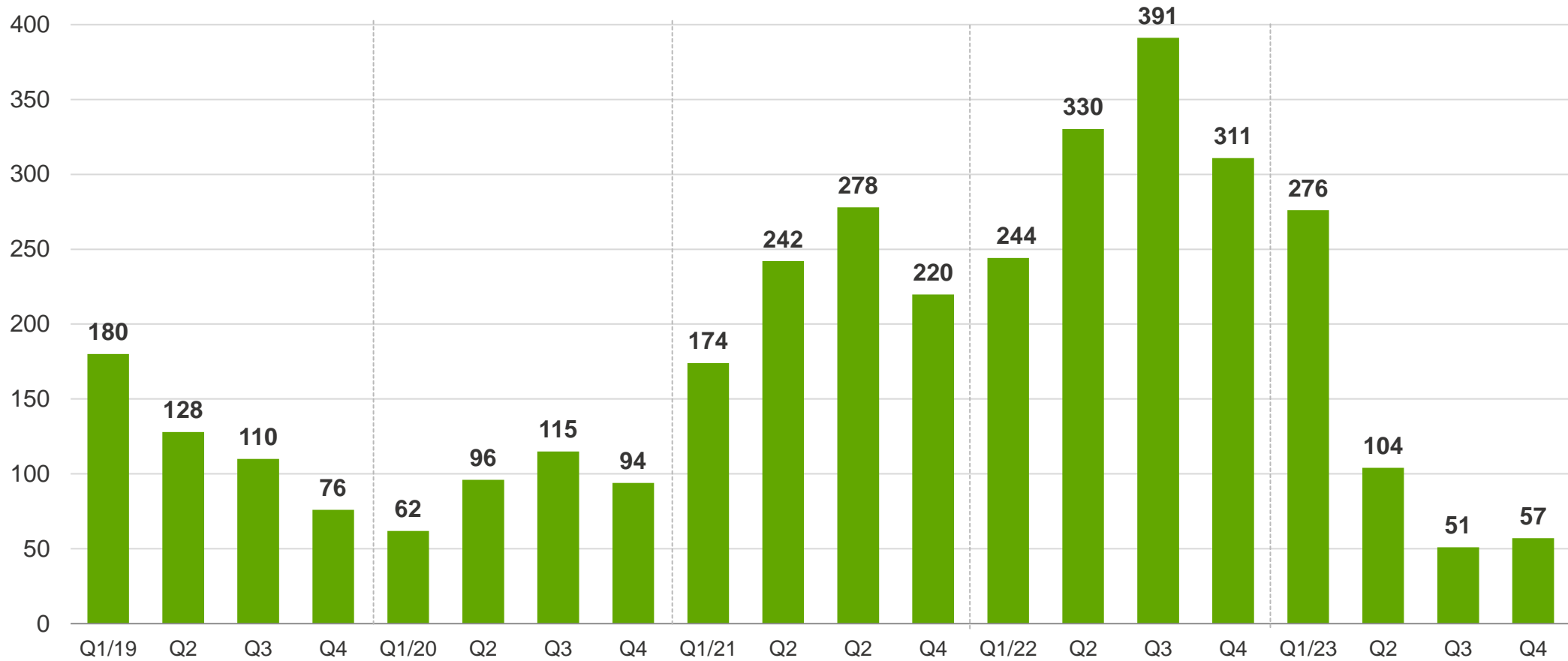
# Sales

EUR million



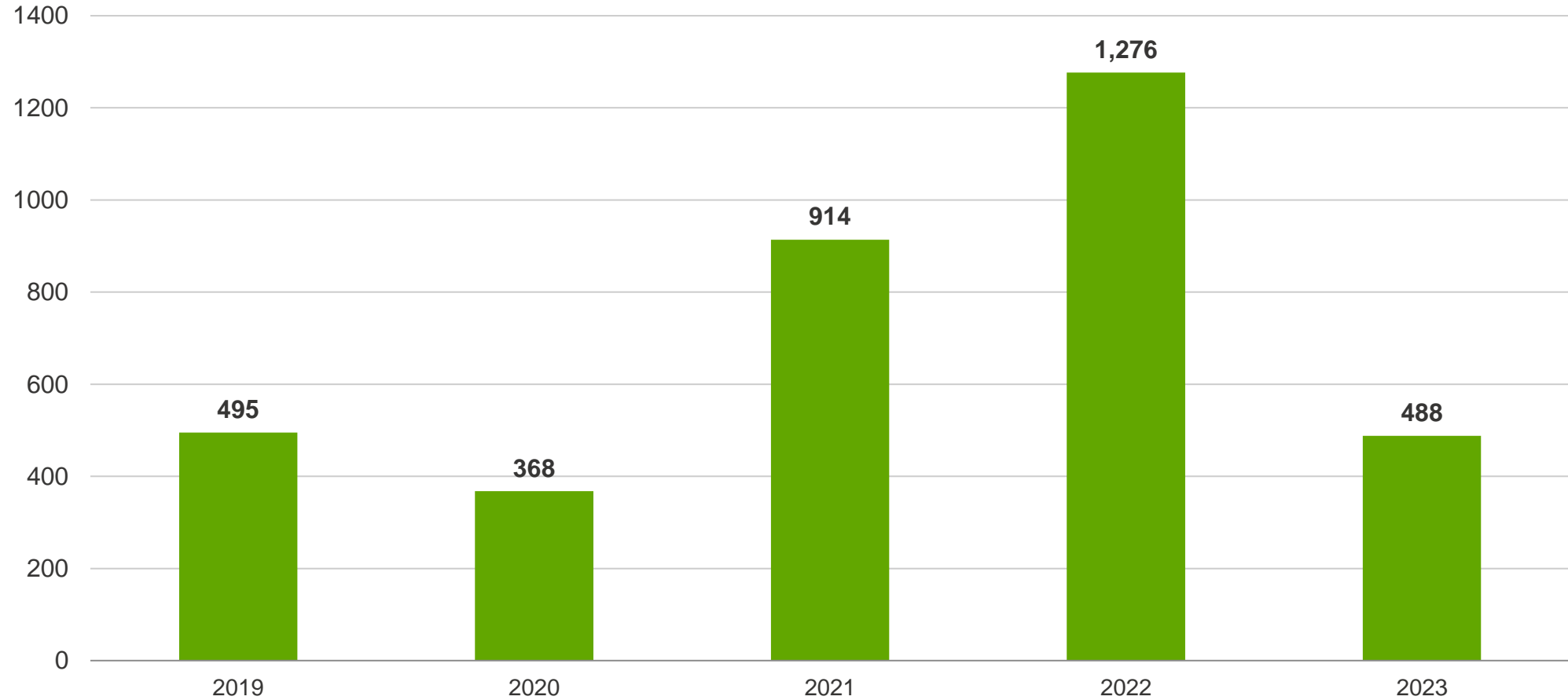
# Comparable operating result, quarterly

EUR million



# Comparable operating result

EUR million





# Change in comparable operating result

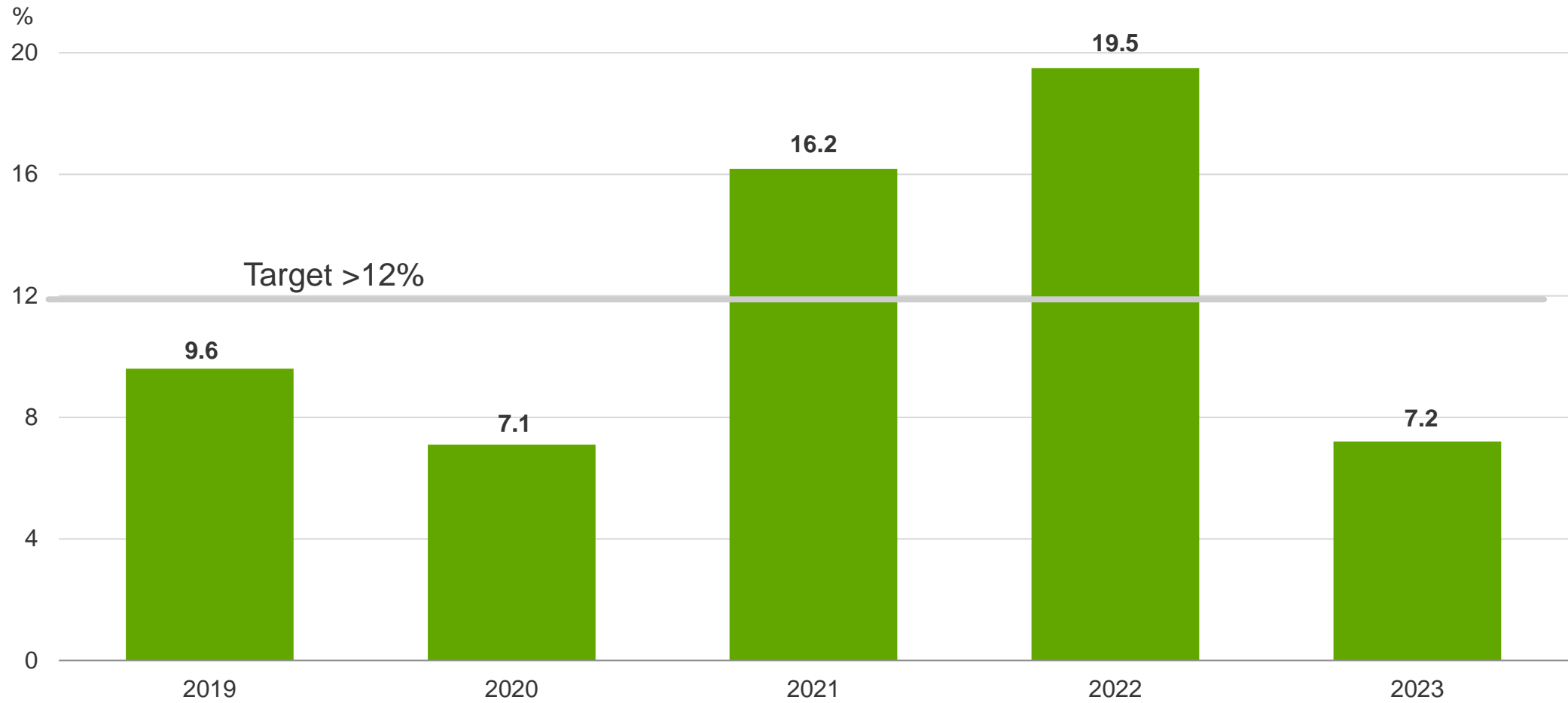
EUR million

<b>Comparable operating result Q1–Q4/2022</b>	<b>1,276</b>
Sales prices	-223
Sales volumes	-235
Exchange rates (after hedging)	153
Change in the unit costs of wood raw material	-301
Change in the unit costs of raw material, energy and other variable costs	102
Employee costs	4
Maintenance and other fixed costs	-24
Change in inventories (including volume and valuation)	-204
Depreciation and other	-59
<b>Comparable operating result Q1–Q4/2023</b>	<b>488</b>

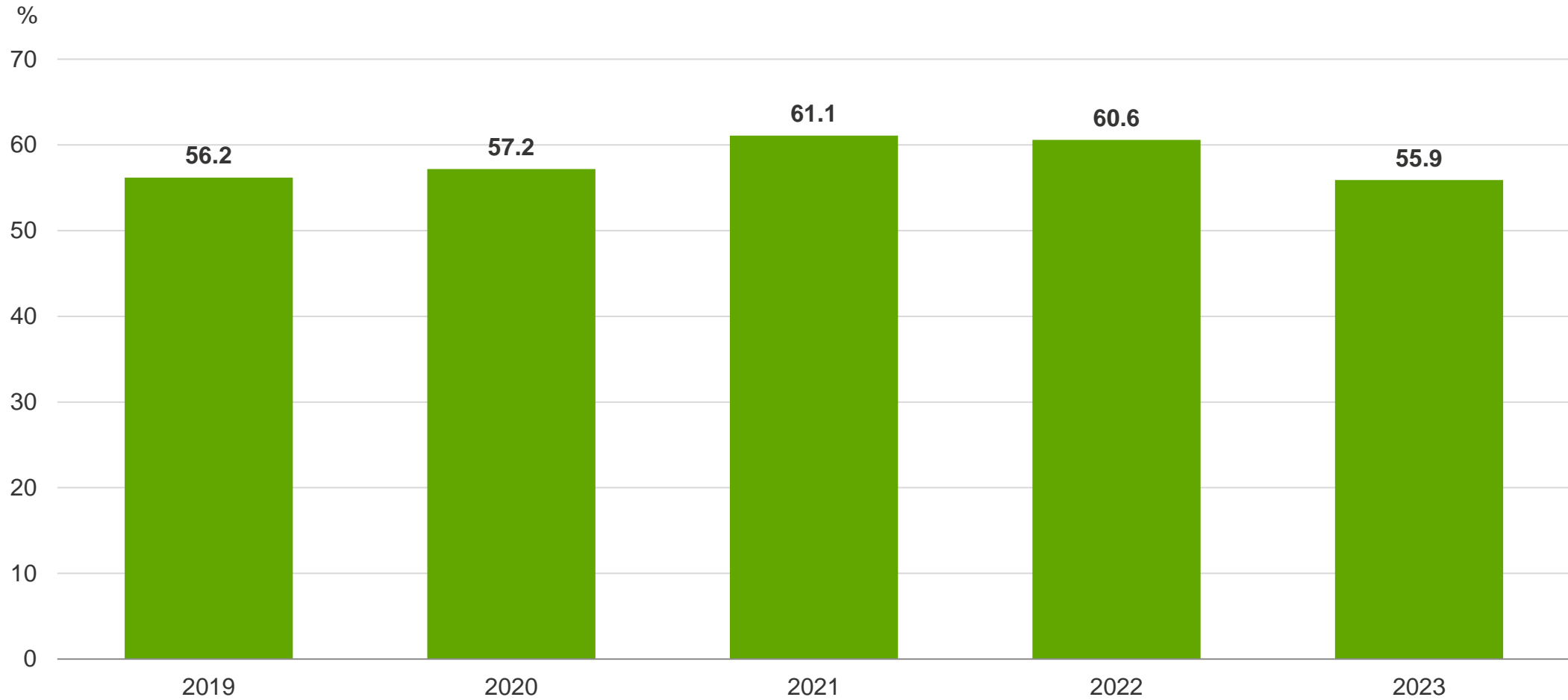
# Items affecting comparability

EUR million	1–12/2023
<b>OPERATING RESULT (IFRS)</b>	<b>498.1</b>
Items affecting comparability:	
Sale of land area in Konstancin in Poland	-12.5
Terminated leases related to the discontinuation of wood supply operations in Russia	-10.3
Write-downs and closure cost provision of Metsä Tissue's Future Mill programme	2.5
Items related to the closure of the old Kemi pulp mill	10.1
Sale of land area unrelated to Metsä Board's business	-2.7
Losses on the sale of Metsä Fibre's property, plant and equipment	6.2
Items related to the sale of a property in Grangemouth	-3.9
Other items	0.6
<b>Items affecting comparability, total</b>	<b>-10.2</b>
<b>COMPARABLE OPERATING RESULT</b>	<b>487.9</b>

# Comparable ROCE

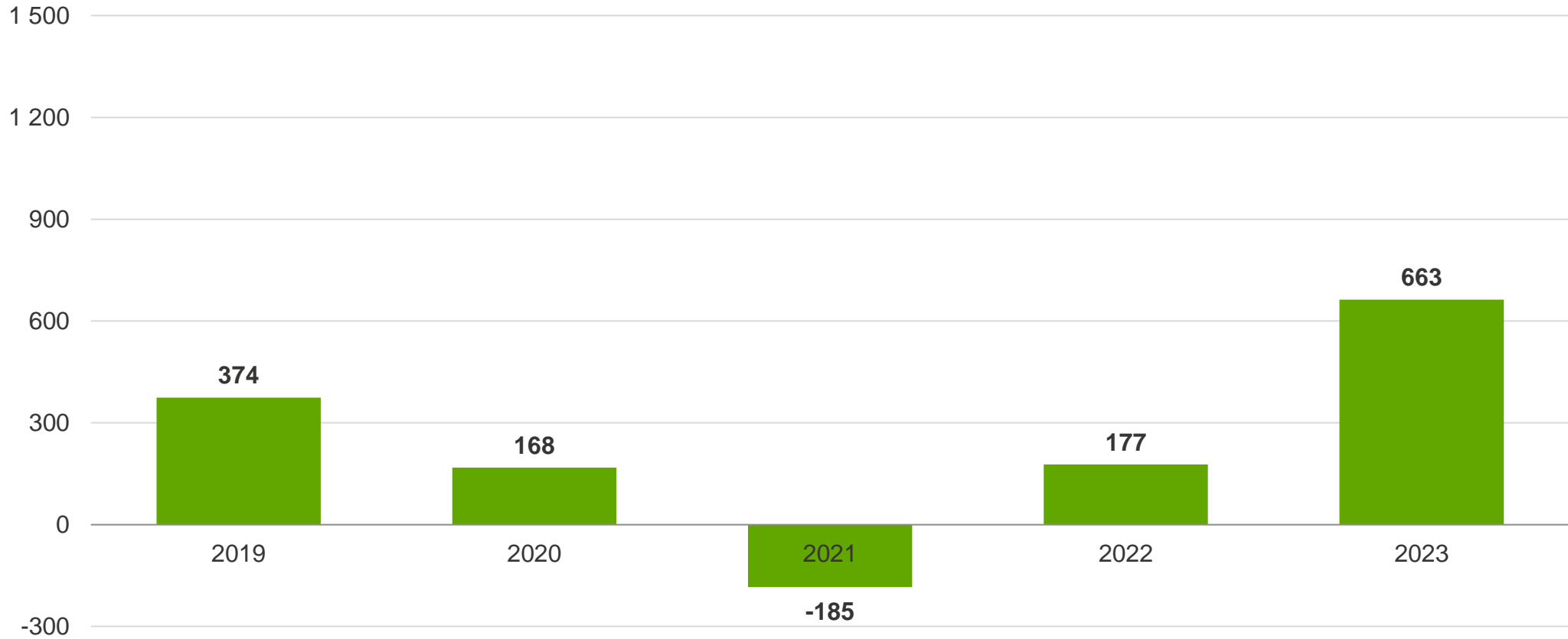


# Equity ratio



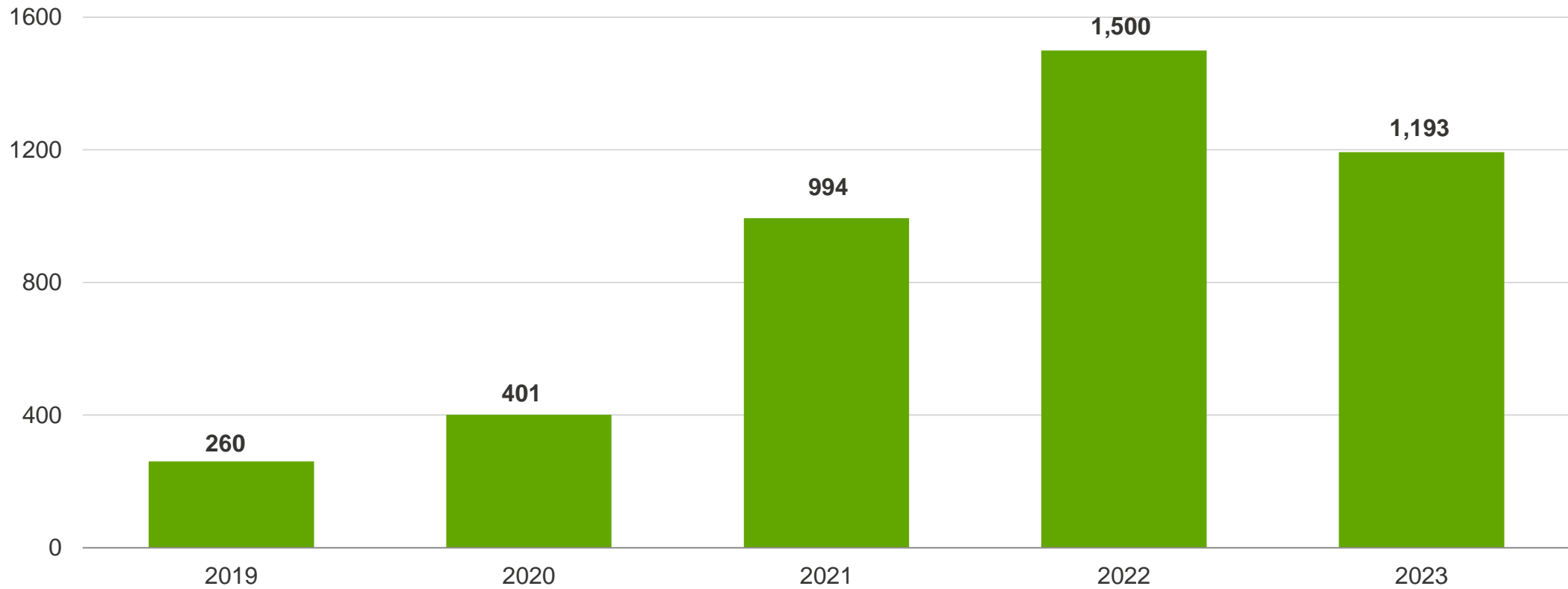
# Interest-bearing net liabilities

EUR million



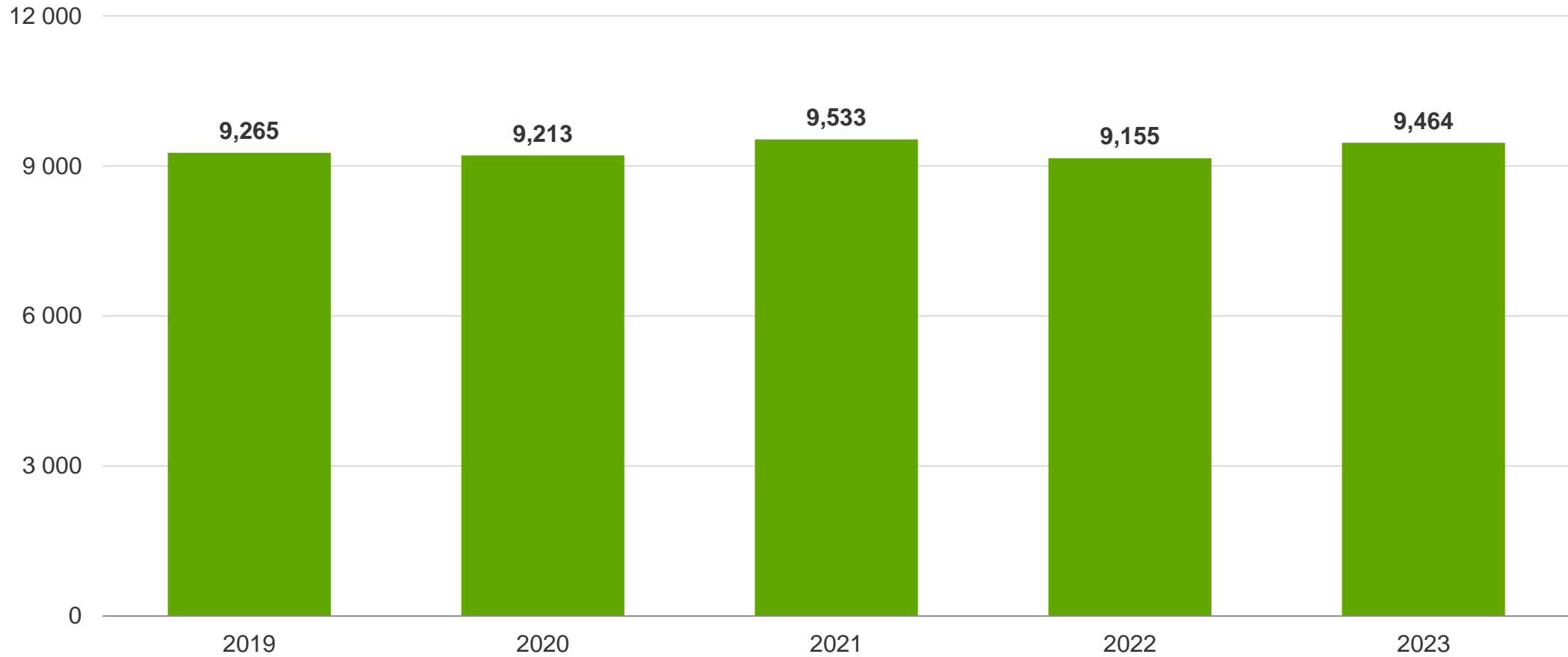
# Total investments

EUR million



Includes investments in leased property

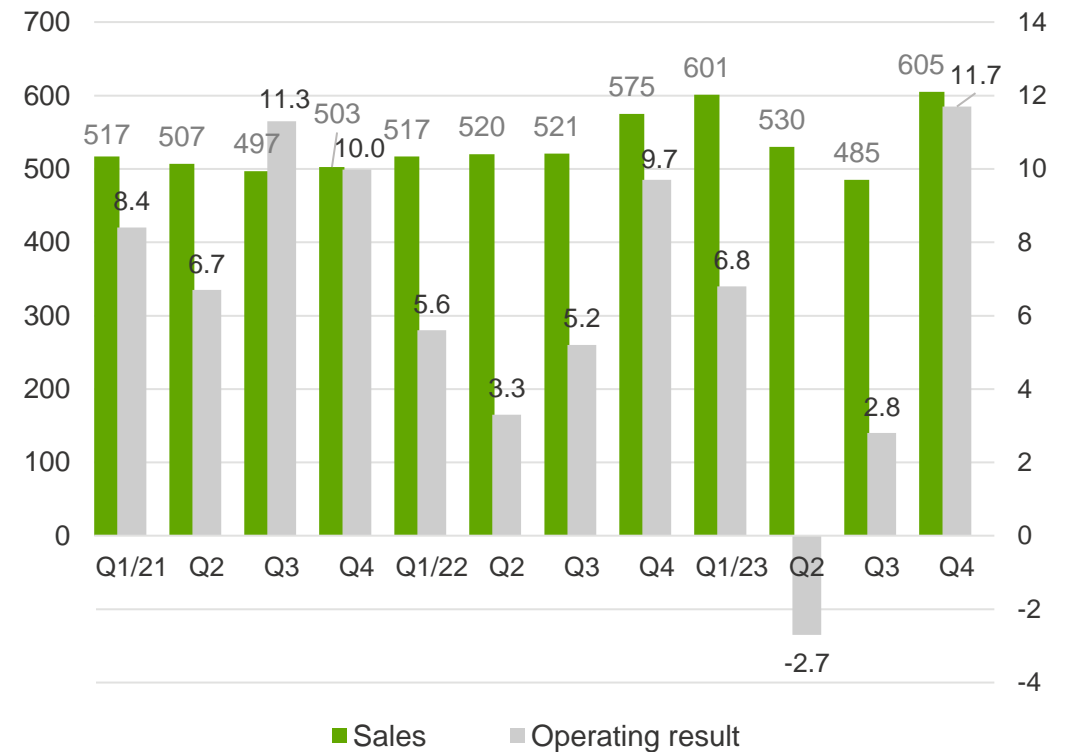
# Personnel



# Wood was purchased according to the mills' needs, with the exception of birch logs

- Wood trade from private forests was active in Finland in the early 2023. After the summer, activities fell to a lower level than in 2022
- Wood prices decreased in H2/2023. The full-year prices were higher than in the previous year
- We delivered a total of 30.4 million m<sup>3</sup> (33.9) of wood. Delivery volumes decreased due to weaker product markets
- Forest services sales increased year-over-year
- Forest owners' customer experience record high
- By 2023, we aim to reduce fossil-based CO<sub>2</sub> emissions from wood supply in Finland by 30% from the 2022 level

Sales and comparable operating result  
EUR million

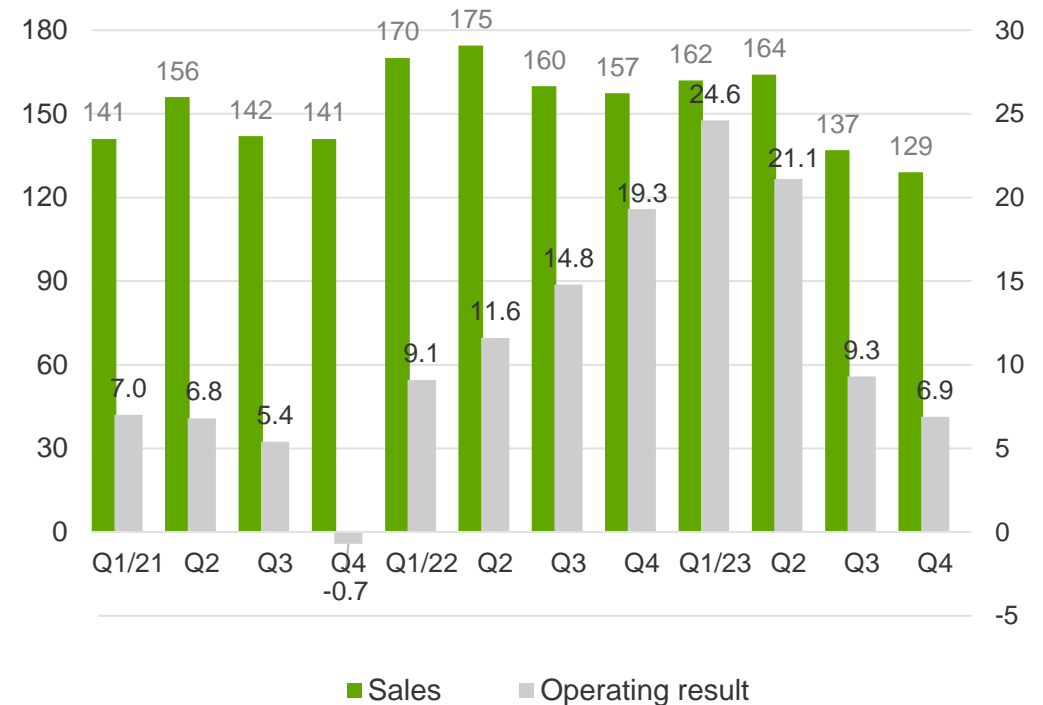




# The profitability of wood products decreased towards the end of the year

- The sales and delivery volumes of the wood products business declined in 2023
- Profitability improved year-over-year thanks to price increases, the UK business, and lower energy costs
- However, profitability weakened towards the end of the year
- The production of Kerto<sup>®</sup> LVL and plywood was curtailed due to the slowdown in construction and the limited availability of birch logs
- A decision was made to discontinue production in Widnes in the UK during the spring of 2024
- Construction work and earthworks are underway at the Äänekoski Kerto LVL mill site

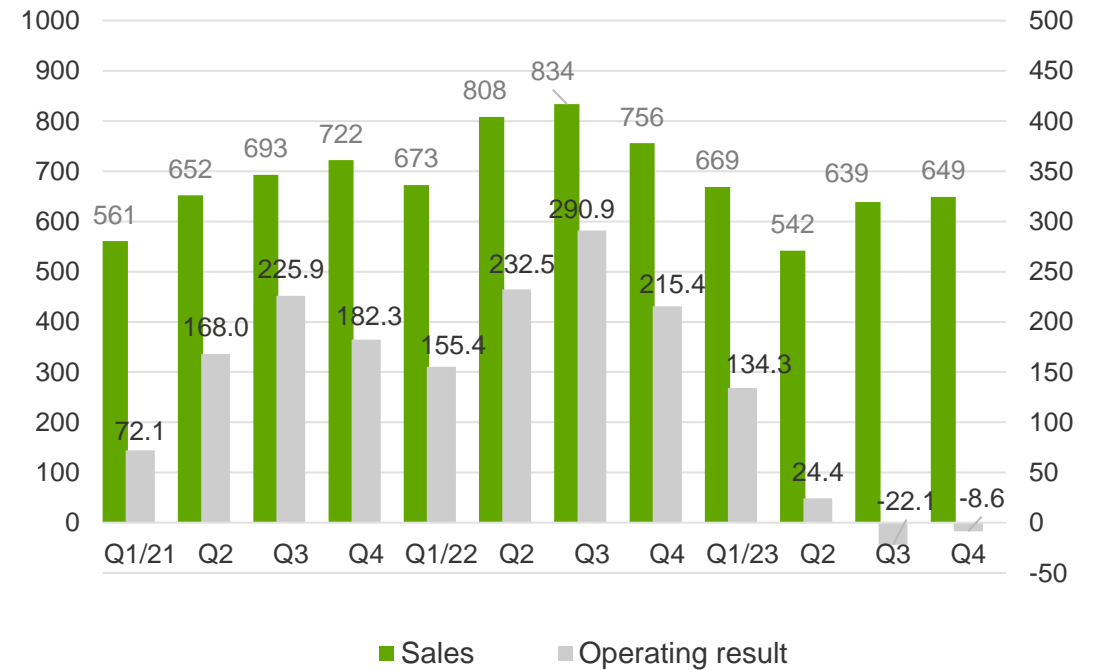
Sales and comparable operating result  
EUR million



# Low demand and price level for pulp and sawn timber

- Sales and operating result decreased due to lower sales prices and volumes and higher wood prices
- Softwood pulp prices decreased by 10% in Europe and 19% in China compared to 2022
- The price level took an upwards turn at the end of the third quarter
- Pulp delivery volumes to Asia increased, while those to Europe and North America decreased
- The demand and price level for sawn timber have decreased as a result of the slowdown in the construction industry
- The new Kemi bioproduct mill started up in September

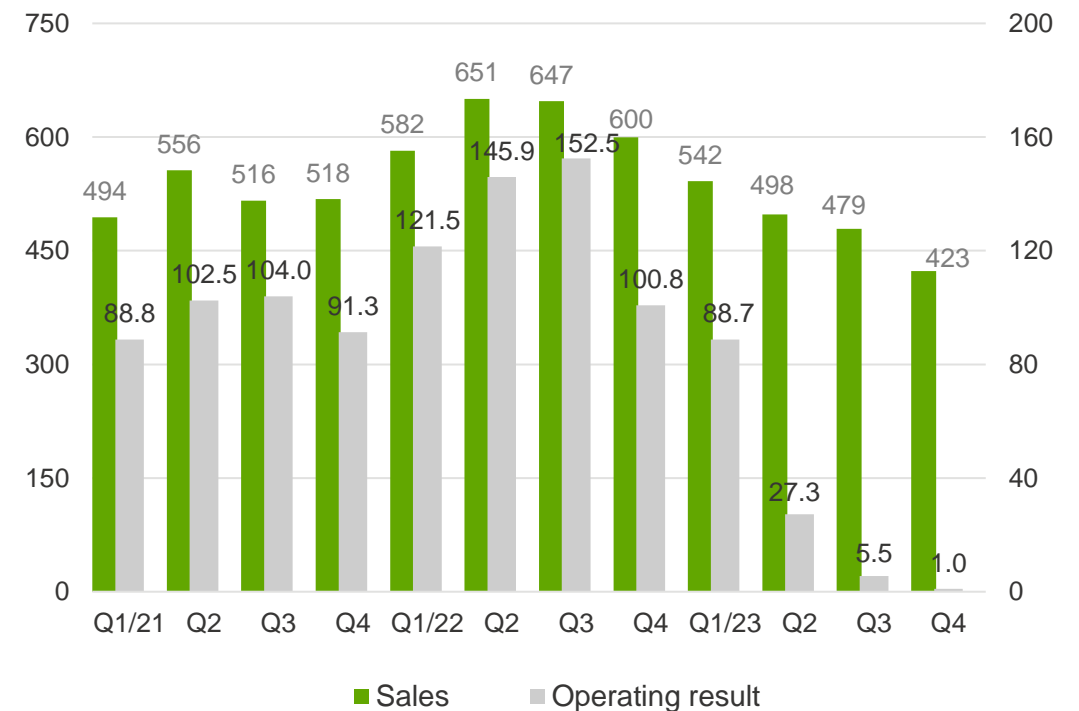
Sales and comparable operating result  
EUR million



# The paperboard market remained muted

- The operating result was negatively affected by the low delivery volumes and price level of pulp. Paperboard delivery volumes also decreased notably
- Paperboard, pulp and high-yield pulp production was adjusted to match the low demand. Production volumes were clearly below capacity levels
- The cost level was higher than in 2022. Wood costs increased most over the year
- Profitability was supported by the better average prices of paperboards, especially folding boxboard
- The investments in the Kemi kraftliner mill and the Husum folding boxboard mill were completed in the latter half of the year

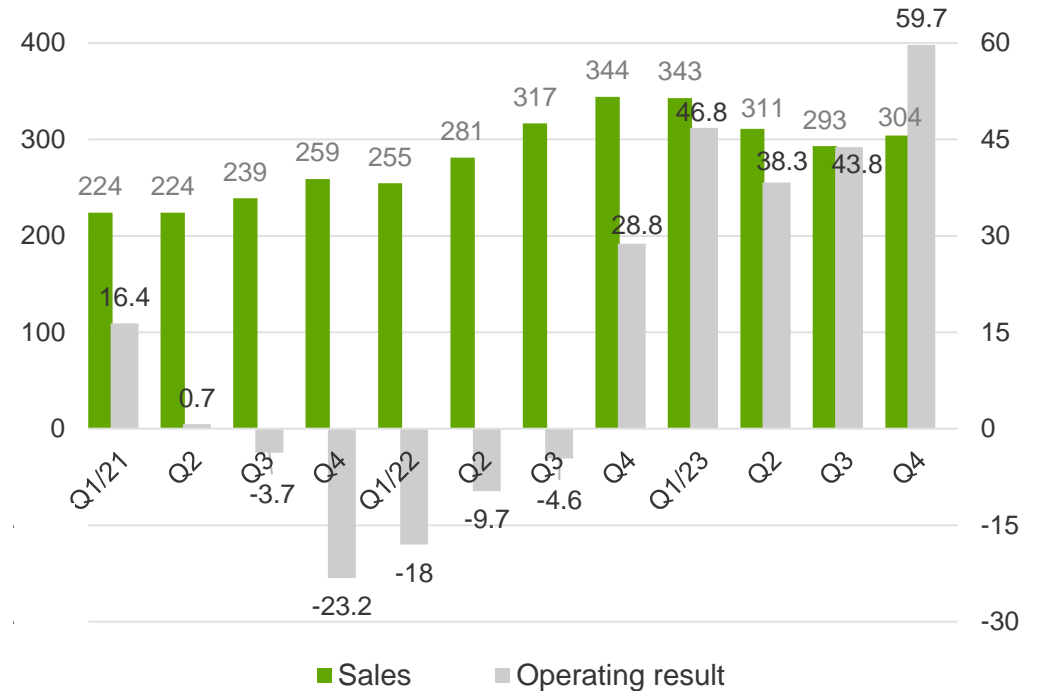
Sales and comparable operating result  
EUR million



# The operating result of tissue and greaseproof papers remained strong

- The operating result of tissue and greaseproof papers remained excellent as margins recovered
- Internal efficiency development and the success in curbing costs improved the result
- Sales prices decreased slightly from the comparison period
- Sales volumes were lower than in the previous year
- Production costs remained at a high level compared to previous years
- The company continued its temporary production curtailments to secure the continuity of operations
- In September, the company announced its plan to invest in a tissue paper mill in Goole in the UK

Sales and comparable operating result  
EUR million



# Market outlook

- The global economic development is creating uncertainty concerning product demand
- In Europe, no turn for the better is expected in the demand for wood products in the near future. Construction activity in the US and new customer are supporting demand for Kerto LVL
- Sawn timber demand and prices are expected to increase in Q1/2024
- In China, pulp deliveries will be affected by several paper and paperboard mill shutdowns due to the Chinese New Year. Pulp prices are expected to increase in Q1/2024
- Paperboard delivery volumes are expected to increase in Q1/2024 compared to Q4/2023. The prices of folding boxboard are expected to slightly decrease, and those of white kraftliners to remain stable
- The business environment for tissue papers will continue to be unstable, as underlying inflation remains high



# Near-term result outlook

In January–March 2024, Metsä Group's comparable operating result is expected to improve from October–December 2023.





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**Your partner in sustainable growth**