

METSÄ GROUP

HALF-YEAR FINANCIAL REPORT

JANUARY–JUNE 2022



METSÄ GROUP'S COMPARABLE OPERATING RESULT IN JANUARY–JUNE 2022 WAS EUR 574 MILLION

JANUARY–JUNE 2022 (1–6/2021)

- Sales were EUR 3,416 million (2,942).
- Operating result was EUR 589 million (379). Comparable operating result was EUR 574 million (416).
- Result before taxes was EUR 564 million (354). Comparable result before taxes was EUR 550 million (391).
- Comparable return on capital employed was 18.3% (15.0).
- Net cash flow from operations was EUR 456 million (374).

APRIL–JUNE 2022 (4–6/2021)

- Sales were EUR 1,822 million (1,542).
- Operating result was EUR 248 million (243). Comparable operating result was EUR 330 million (242).
- Result before taxes was EUR 235 million (232). Comparable result before taxes was EUR 317 million (231).
- Comparable return on capital employed was 20.5% (17.2).
- Net cash flow from operations was EUR 321 million (279).

EVENTS DURING THE SECOND QUARTER OF 2022

- The average sales prices of softwood market pulp increased in both China and Europe compared to the previous quarter.
- Demand for Metsä Board's paperboards remained strong. The euro-denominated average prices of paperboards increased compared to the previous quarter.
- The operations at the demo plant for 3D fibre packaging, owned by Metsä Group and Valmet, begun in Äänekoski.
- Juha Jumppanen, EVP of Metsä Forest, which is in charge of Metsä Group's Wood Supply and Forest Services, and Jaakko Anttila, EVP of Metsä Wood, which is in charge of Metsä Group's Wood Products Industry, were appointed to Metsä Group's Executive Management Team as of 1 August 2022.

RUSSIA'S ATTACK ON UKRAINE: IMPACTS ON METSÄ GROUP'S BUSINESS OPERATIONS

Russia's attack on Ukraine has affected Metsä Group's business operations. Operations at the Svir sawmill, the company's only production unit in Russia, have been discontinued, as has wood procurement from the country. Product deliveries to Russia and Belarus have also been halted. In the second quarter of 2022, Metsä Group recognised a write-down of EUR 87.5 million related to the discontinuation of business operations in Russia.

The replacement of Russian wood has progressed as planned. Russia's military aggression and the ensuing sanctions have a bearing on energy matters. The most challenging question is the availability of natural gas needed in production and the management of related costs particularly in tissue paper mills in Central Europe. Measures aimed at replacing natural gas are progressing as planned.

THE CORONAVIRUS PANDEMIC

Metsä Group follows and complies with the guidelines issued by the authorities regarding the coronavirus. In May, the company lifted its coronavirus restrictions in response to the improved pandemic situation. Metsä Group's recommendation for remote working will remain valid until the beginning of August in duties that allow for it. The company will then adopt a model combining remote and in-person work. Metsä Group's resources have remained normal during the coronavirus pandemic. Production and deliveries have run normally, barring a few exceptions.

RESULT GUIDANCE FOR JULY–SEPTEMBER 2022

Metsä Group's comparable operating result is in July–September 2022 expected to be roughly at the same level as in April–June 2022.

President and CEO Ilkka Hämmälä:

The operating environment in the first half of the year was characterised by several exceptionally severe threats and risks. The coronavirus pandemic has proved to be a protracted phenomenon worldwide, and we must now adapt to it and learn to live with it. In China, one of Metsä Group's main markets, extensive lockdowns aimed at containing the pandemic were

seen in the first half of the year, which had direct and indirect impacts on our business operations. Russia's brutal and unlawful attack on Ukraine led to extensive measures in Metsä Group. Among other things, we discontinued our operations in Russia and rearranged wood use and procurement, following the end of wood procurement from Russia. The steep increase in energy prices, affecting our tissue paper business in Central Europe, also called for adjustment measures. Amid these upheavals, demand remained strong in our main product groups and market areas. We managed to counter the impacts of cost inflation entirely or partly through our pricing. Overall, the result for the first half of the year was very strong. In terms of operating profit, the second quarter was the best in Metsä Group's history.

Metsä Group is carrying out investment projects that are affected by both the pandemic and Russia's actions through either cost inflation or the availability of materials and components. The test run of Metsä Fibre's next-generation sawmill in Rauma began as planned in May, and continuous production will begin in the third quarter. The start-up of the recovery boiler and turbine at Metsä Board's Husum mill has been postponed from the planned second quarter to the fourth quarter. This is mainly due to the delay in installation work caused by resource shortage. The pandemic has also affected this. Metsä Fibre's bioproduct mill in Kemi is progressing according to schedule towards the launch of production a year from now. Cost inflation has increased the project's original cost estimate by 15–20%. Metsä Tissue is preparing an investment to renew the Marjestad mill, while Metsä Wood is planning to expand LVL production in Äänekoski. Metsä Board increases its folding boxboard capacity at the Husum integrated mill

and in May, Metsä Board announced that it is exploring opportunities for a further folding boxboard capacity increase investment either in Finland or Sweden.

People need products made of wood in their daily lives. Products and the industry must evolve to meet the challenges caused by the climate crisis and the general resource scarcity. The products used in daily life must be produced with an ever-smaller amount of resources, including energy and fibres. This is our guiding principle when developing operations, whether related to mill investments, the efficiency of logistics chains or the contents of products. Efficient resource use is a key foundation of the circular economy.

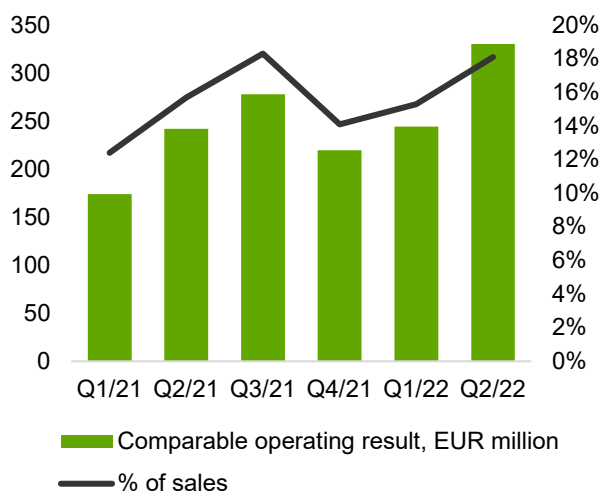
The commercial use of forests has come under pressure to change from EU legislation, national policies and the media. It is obvious that forest use needs to be reformed. Work aimed at adapting forest management to better safeguard biodiversity will not begin today; it began years, or even decades, ago with the establishment of forest certification systems. Its positive trends can be seen in the results of the national forest inventories, which have been carried out in Finland for a century. We have learned to examine forests as a larger system and have come to understand the significance of forest land for carbon storage. This has contributed to changes in operating models, especially concerning peatlands. It is necessary to identify forest environments of high protection value and bring them under the scope of protection. This is done through public and voluntary measures. A well-managed healthy forest grows and binds carbon.

Forests and their multiple meanings are important to Finland and the Finnish identity. Metsä Group works daily to support the three pillars of sustainability: ecological, social and economic sustainability must be achieved so that they work in unison.

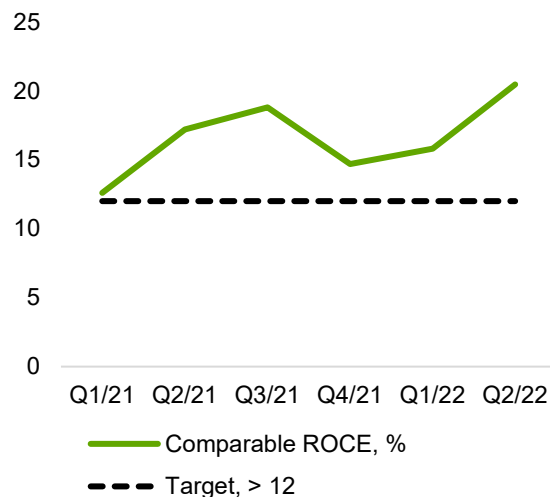
KEY FIGURES

	2022 1–6	2021 1–6	2022 4–6	2021 4–6	2021 1–12
Sales, EUR million	3,416.1	2,941.9	1,822.3	1,542.3	6,017.0
EBITDA, EUR million	776.1	572.1	356.6	318.3	1,213.7
Comparable, EUR million	717.9	570.9	395.5	317.2	1,211.2
% of sales	21.0	19.4	21.7	20.6	20.1
Operating result, EUR million	589.3	379.0	248.0	243.2	873.6
Comparable, EUR million	574.4	416.0	330.2	242.1	913.8
% of sales	16.8	14.1	18.1	15.7	15.2
Result before income tax, EUR million	564.4	353.7	234.9	232.3	831.7
Comparable, EUR million	549.5	390.7	317.1	231.2	872.0
Result for the period, EUR million	431.5	282.6	172.5	184.5	657.0
Return on capital employed, %	18.8	13.7	15.3	17.2	15.5
Comparable, %	18.3	15.0	20.5	17.2	16.2
Return on equity, %	17.4	13.5	13.6	17.1	15.1
Comparable, %	17.7	15.0	19.9	17.0	16.0
Equity ratio, %	59.7	59.5	59.7	59.5	61.1
Net gearing ratio, %	0.9	-1.3	0.9	-1.3	-3.8
Interest-bearing net liabilities, EUR million	46.6	-59.5	46.6	-59.5	-184.7
Total investments, EUR million	719.7	430.8	387.7	257.2	994.2
Net cash flow from operations, EUR million	456.4	373.6	320.9	278.7	1,023.0
Personnel at the end of the period	10,077	10,070	10,077	10,070	9,533

Comparable operating result



Comparable ROCE, %



Sales and Operating result 1–6/2022, EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paper- board Industry	Tissue and Greaseproof Papers
Sales	1,037.7	344.9	1,480.9	1,232.5	536.0
Other operating income	2.3	5.6	6.4	49.4	6.3
Operating expenses	-1,037.5	-319.6	-1,077.5	-955.9	-547.5
Depreciation and impairment losses	-35.5	-10.2	-70.0	-42.7	-22.1
Operating result	-33.0	20.7	339.8	283.3	-27.2
Items affecting comparability	41.9	0.0	48.1	-15.9	-0.5
Comparable operating result	8.9	20.7	387.9	267.4	-27.7
% of sales	0.9	6.0	26.2	21.7	-5.2

HALF-YEAR FINANCIAL REPORT 1 January–30 June 2022

SALES AND RESULT

Metsä Group's sales in January–June 2022 were EUR 3,416.1 million (1–6/2021: 2,941.9). Sales increased, mainly due to the sales prices of pulp, which were higher than in the previous year.

The comparable operating result was EUR 574.4 million (416.0), or 16.8% (14.1) of sales. The increase in the operating result is explained by the rise in the sales prices of pulp, among other things.

Exchange rate fluctuations after hedging had a positive effect of approximately EUR 38 million on the operating result of the review period compared to the previous year.

Items affecting the comparability of the operating result in January–June totalled EUR 14.9 million (-37.0). Of the most significant items, EUR -87.5 million are related to the discontinuation of Russian business operations, EUR 79.3 million to the divestment of the holding in Finsilva Oyj, EUR 19.2 million to the sale of the share capital of Oy Hangö Stevedoring Ab to Euroports Finland Oy, EUR 6.5 million to the sale of a land area unrelated to business operations, EUR -4.7 million to the impairment recognised in the assets of the Kyrö sawmill and EUR 3.4 million to the valuation gain related to the divestment of shares.

Metsä Group's operating result (IFRS) was EUR 589.3 million (379.0). The share of the results of associated companies and joint ventures was EUR -4.0 million (-0.6), financial income was EUR 1.8 million (0.3), exchange rate differences in financing were EUR -4.4 million (-2.7), and financial expenses totalled EUR 18.2 million (22.3).

The result before taxes was EUR 564.4 million (353.7), and taxes including changes in deferred tax liabilities totalled EUR 132.9 million (71.2). The Group's effective tax rate was 23.5% (20.1). The result for the review period was EUR 431.5 million (282.6).

The return on capital employed was 18.8% (13.7), and the return on equity was 17.4% (13.5). The comparable return on capital employed was 18.3% (15.0), and the comparable return on equity was 17.7% (15.0).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity has remained strong. Total liquidity at the end of June was EUR 2,819.3 million (31/12/2021: 3,126.2). This consisted of EUR 1,344.3 million (1,334.5) in liquid assets and investments, and EUR 1,475.0 million (1,791.8) in off-balance sheet committed credit facility agreements.

The Group's liquidity reserve is complemented by uncommitted commercial paper programmes and credit facilities amounting to EUR 161.4 million (31/12/2021:

161.5) and by undrawn pension premium (TyEL) funds in the amount of EUR 365.2 million (31/12/2021: 371.4).

The EUR 1,000 million debt financing of Metsä Fibre's Kemi bioproduct mill investment is composed of a EUR 500 million 10-year loan, of which 80% is guaranteed by Finnvera; a EUR 200 million 10-year loan, of which 95% is guaranteed by the Swedish Export Credit Agency EKN; a EUR 200 million 15-year loan granted by the EIB; and a EUR 100 million five-year green loan agreed with eight banks. Of the loans, EUR 250 million have been drawn, and EUR 750 million remain undrawn.

Net cash flow from operations was EUR 456.4 million (373.6). A total of EUR 104.2 million in working capital was tied up (128.0). The addition of EUR 272.5 million in trade and other receivables as well as the addition of EUR 34.4 million in inventories increased working capital. The addition of EUR 202.7 million in trade payables and other liabilities decreased working capital.

The Group's equity ratio at the end of June was 59.7%, and its net gearing was 1% (31/12/2021: 61.1 and -4 respectively). Net interest-bearing liabilities were EUR 46.6 million (31/12/2021: -185).

At the end of June, the equity ratio of the parent company Metsäliitto Cooperative was 88.3%, and net gearing was -27% (31/12/2021: 86.8 and -21, respectively).

In March 2022, Metsäliitto Cooperative acquired Metsä Board Corporation series B shares to a value of EUR 19.6 million from the market on the basis of the Board of Directors' authorisation at an average price of EUR 8.00 per share.

In January–June, Metsäliitto Cooperative's members' capital increased by a total of EUR 102.1 million (118.5). The value of participation shares grew by EUR 3.7 million (5.6) and that of Metsä1 additional shares by EUR 788.9 million, including EUR 679.8 million of A additional shares converted to Metsä1 additional shares on 1 January 2022. A additional shares decreased by EUR 690.4 million, and this figure included the aforementioned conversion of A additional shares to Metsä1 additional shares. No changes took place in the figures for B additional shares.

PERSONNEL

In January–June, Metsä Group had an average of 9,686 employees (9,613). Personnel expenses were EUR 364.8 million (347.4). At the end of June, the Group had 10,077 employees (31/12/2021: 9,533), of whom 5,721 (5,329) were based in Finland and 4,356 (4,204) abroad. The parent company Metsäliitto Cooperative had 2,239 employees at the end of June (31/12/2021: 2,074).

CHANGES IN METSÄ GROUP'S MANAGEMENT

Juha Jumppanen, EVP of Metsä Forest, which is in charge of Metsä Group's Wood Supply and Forest Services, and Jaakko Anttila, EVP of Metsä Wood, which is in charge of Metsä Group's Wood Products Industry, were appointed to Metsä Group's Executive Management Team as of 1 August 2022. They will report to Ilkka Härmälä, President and CEO of Metsä Group.

Juha Mäntylä, a member of Metsä Group's Executive Management Team, will continue in special assignments defined by the President and CEO until the end of 2022, when he will retire.

MEMBERS

At the end of June, Metsäliitto Cooperative had 92,377 members (31/12/2021: 92,534). During January–June, 1,139 new members joined the Cooperative, and 1,296 members cancelled their membership. At the end of June, the forest area owned by the members totalled 5.281 million hectares (31/12/2021: 5.229).

INVESTMENTS

Metsä Group's total investments in January–June totalled EUR 719.7 million (430.8), of which investments in owned property, plant and equipment were EUR 670.4 million (418.8) and investments in leased property, plant and equipment were EUR 18.4 million (11.9). Overall investments also include a total of EUR 30.9 million in acquired business operations.

The planning of Metsä Wood's new Kerto® LVL mill in Äänekoski is progressing. The City Board of Äänekoski approved the partial enforcement of the local detailed plan for Henttalanmäki at its meeting on 6 June 2022, and the plan became final on 6 July 2022.

In 2019, Metsä Board initiated the first phase of the Husum pulp mill's renewal, comprising a new recovery boiler and turbine. The investment cost of the first phase is approximately EUR 360 million. By the end of the review period, the investments made in the project totalled approximately EUR 330 million. The estimated start-up of the recovery boiler and turbine has been postponed from September 2022 to November 2022. This is due to challenges in the availability of labour and delays in some installation work. The first phase of the renewal will reduce energy costs, improve production efficiency and reduce the duration of annual maintenance shutdowns at the Husum integrated mill. The mill's bioenergy production will increase, and its electricity self-sufficiency will rise from 40% to 80%. The investment is expected to improve Metsä Board's annual cash flow by some EUR 35 million as of 2023. The plan is to replace the current fibre lines with a new fibre line during the second phase of the investment, later in the 2020s. The renewal project will enable the long-term

development and growth of competitive paperboard business operations at the Husum integrated mill. The investment will develop Metsä Board's energy production and will have a major impact on the company's goal of transitioning to fossil free mills.

In 2021, Metsä Board initiated a development programme for the Kemi paperboard mill, which produces white-top kraftliner. The programme's investment cost is approximately EUR 67 million, and the mill's annual paperboard capacity will increase by around 40,000 tonnes. The investments will take place in 2021–2023. The programme includes a series of modernisation and bottleneck investments in the paperboard machine. As part of the programme, Metsä Board will buy a modernised production line for unbleached pulp from Metsä Fibre. Used for paperboard production, the line has an annual capacity of roughly 180,000 tonnes of pulp. The development programme will reduce the mill's water consumption by 40% and energy use by 5% per tonne of paperboard produced. It is a significant step towards the company's 2030 sustainability objectives.

Metsä Board will increase its annual folding boxboard capacity by 200,000 tonnes at the Husum integrated mill in Sweden. Following the investment, the capacity of paperboard machine BM1 will be 600,000 tonnes per year. The value of the investment is approximately EUR 210 million. It will take place in 2021–2024, with an emphasis on 2022 and 2023. The investment is expected to increase Metsä Board's annual sales by some EUR 200 million. In addition, the investment is expected to have a positive impact of approximately EUR 50 million on the company's annual comparable EBITDA. 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, which are still partly being planned, is EUR 20–30 million. The investments mainly involve new warehouse capacity and are expected to be completed in 2023.

In May 2022 Metsä Board announced that it explores possibilities to further increase its folding boxboard capacity in Finland or Sweden. The evaluation of options is expected to be completed by the end of 2022.

The construction of Metsä Fibre's new pine sawmill in Rauma has progressed according to the overall schedule. Production test runs began in the second quarter, and production will start in the third quarter of 2022. The value of the investment is approximately EUR 200 million, and the mill's annual production capacity is 750,000 cubic metres of pine sawn timber. Its annual use of logs sourced in Finland will amount to 1.5 million m³. The sawn timber will be sold primarily to Europe and Asia.

The construction of Metsä Fibre's new Kemi bioproduct mill has progressed according to the overall schedule. The investment's value is approximately EUR 1.85 billion, and it is the biggest investment of all time made by the Finnish forest industry in Finland. The bioproduct

mill reached roof height in the second quarter, and construction and installation are now progressing in parallel. The mill is set to be completed in the third quarter of 2023. The mill will use around 7.6 million cubic metres of pulpwood per year. The plan is for a majority of the wood raw material to be sourced from Finland. The Kemi bioproduct mill will produce 1.5 million tonnes of softwood and hardwood pulp annually, as well as numerous other bioproducts fossil free. The new mill will replace the current pulp mill in Kemi, which has reached the end of its life-cycle. In the first quarter of 2021, a EUR 38 million impairment was recognised as an item affecting comparability in the assets of the current pulp mill.

The investment in the expansion of Metsä Tissue's Mariestad mill is progressing as planned, and the company expects to obtain an environmental permit in the second half of the 2022. A possible investment decision could be made after this.

Metsä Tissue's planned investment in a new tissue paper mill in the United Kingdom is proceeding.

RISKS AND UNCERTAINTIES

Russia's attack on Ukraine causes uncertainty in the global economy in various ways. The crisis has significantly increased global geopolitical tensions, eroded consumers' and companies' trust in economic development and increased inflation. The Russian sanctions and countersanctions affect international production and supply chains, lead to an increase in the prices of raw materials and energy, and have a negative impact on their availability. Especially the steep rise in energy prices puts a strain on both households and industrial companies. The war is expected to drag on, and this will have negative impacts on the economy, including a weaker economic outlook, slower growth, a continued rapid increase in inflation and reduced household demand. Demand for the Group's products may also decrease.

Any new coronavirus variants and waves of infection, as well as the waning effectiveness of vaccines, may continue to cause disruptions in the Group's business operations and threaten their continuity, as well as delay development investments. In addition, customers' weaker cash position or slower payment behaviour could have an impact on Metsä Group's cash flow and lead to credit losses. The long-term effects that the pandemic and Russia's attack have on the world economy and the Group's business will only become visible over a longer period, including any risks in the valuation of assets.

The availability of raw materials has remained on a fairly good level, but the bottlenecks in production and supply chains caused by the pandemic have become more severe because of the war and have accelerated inflation and increased prices. The Group's result may suffer especially if energy prices remain at a high level or continue to rise, or if problems arise in the availability

of natural gas. Metsä Group's decision to halt wood supply from Russia for now may lead to production curtailment at the mills, which in turn would affect the Group's sales and result.

The market situation in logistics will remain challenging due to the pandemic and partly because of the trade sanctions on Russia. In maritime logistics, the reliability of schedules is of particular concern, but the sharp rise in costs experienced last year has now subsided. We have successfully secured our logistics capacity for 2022, but there is limited flexibility regarding changes in demand.

In addition to the Russia's attack on Ukraine and the direct and indirect impacts of the coronavirus pandemic, key factors affecting the world economy in 2022 include tensions between the United States and China, the development of China's economy, high inflation, the tightening monetary policies of central banks, and disruptions in global supply and delivery chains.

The estimates and statements in this bulletin are based on current plans and estimates. They involve risks and uncertainties that may cause the results to differ from those expressed in such statements. In the short term, the results of Metsä Group are affected particularly by the price of and demand for end products, the availability and costs of principal raw materials, energy prices and the exchange rate development of the euro. The risks related to Metsä Group's business are explained in more detail in Metsä Group's 2021 Annual Review.

RUSSIA'S ATTACK ON UKRAINE: IM-PACTS ON METSÄ GROUP'S BUSINESS OPERATIONS

Russia's attack on Ukraine has affected Metsä Group's business operations. Operations at the Svir sawmill, the company's only production unit in Russia, have been discontinued, as has wood procurement from the country. Product deliveries to Russia and Belarus have also been halted. In the second quarter of 2022, Metsä Group recognised a write-down of EUR 87.5 million related to the discontinuation of Russian business operations.

The replacement of Russian wood has progressed as planned. Procurement has been boosted especially in Finland but also in Sweden. The main challenges are related to the replacement of birch logs in plywood production. This has partly been solved by increasing the share of spruce plywood production.

Russia's attack and the ensuing sanctions have a bearing on energy matters. Metsä Group has long invested in the production of renewable energy, and this is softening the impact of the crisis. The most challenging question is the availability of natural gas needed in production and the management of related costs.

Measures aimed at replacing natural gas are progressing according to plans. In the short term, Metsä Group is seeking to replace Russian natural gas with natural gas from other sources and alternative forms of energy such as liquefied gas and oil. In accordance with its sustainability targets, Metsä Group aims to shift to fossil free energy in all its production by the end of 2030. By then, all fossil-based fuels and peat will have been replaced with renewable energy such as forest chips, biogas, electricity or bark generated as a by-product of production.

THE CORONAVIRUS PANDEMIC

The safety of Metsä Group's employees, partners and local communities is important. Metsä Group is closely monitoring the development of the coronavirus pandemic and is updating its policies and instructions based on the guidelines issued by the authorities. In May, the company lifted its coronavirus restrictions in response to the improved pandemic situation. Most of the Group's work occurs in production units that do not allow remote working. Metsä Group's recommendation for remote working will remain valid until the beginning of August in duties that allow for it. After that, the company will adopt a model combining remote and in-person work.

Metsä Group's products include pulp, paperboard and tissue papers, all of which are important for a functioning society, given that they promote hygiene and consumer safety, and protect consumer goods. To ensure the continuity of operations, Metsä Group's various business areas have drawn up contingency plans for any further deterioration of the pandemic. Metsä Group's resources have remained normal throughout the coronavirus pandemic. Production and deliveries have run normally, barring a few exceptions.

NEAR-TERM OUTLOOK

The demand for wood supply focuses on thinning sites harvested when the ground is unfrozen. Metsä Forest also procures regeneration sites. Both crown wood and energy wood trunks are purchased as energy wood. The demand for forest management services remains good.

Concerning Metsä Wood's Kerto LVL and plywood products, the economic impacts of Russia's attack on Ukraine, the consumers' declining trust and the increase in market interest rates resulting from rising inflation will lead to decreasing demand for construction in Europe. In the US and Australian markets, the demand for construction remains strong for now. In Metsä Wood UK, the demand for further processing is expected to be notably weaker in the next few months.

The demand for Metsä Fibre's softwood pulp is expected to continue at a good level in relation to supply in the coming months. The demand for sawn timber which decreased in the summer is expected to pick up across all the markets in the autumn. The impact that a Russia's prolonged war in Ukraine will have on the global economy creates uncertainty concerning long-term market development.

Events in the third quarter include the start-up of the new Rauma pine sawmill, the annual maintenance shutdown of the Kemi pulp mill and the shutting down of sawmill operations in Kyrö as a result of change negotiations.

The demand for Metsä Board's fresh fibre paperboards is expected to remain good in the company's main market areas in Europe and North America. Demand will be supported by long-term megatrends such as the replacement of plastic with renewable packaging materials. The slowdown in global economic growth and the weakening of consumers' purchasing power create uncertainty in the market. The July–September delivery volumes of Metsä Board's paperboards are expected to be approximately the same as in April–June. According to estimates, the average prices of folding boxboard and white kraftliners will continue to rise. Cost inflation is expected to continue, especially in chemicals and energy. Logistics costs will remain high due to challenges in the availability of transport equipment and high fuel prices. Wood costs are expected to be higher in second half than in first half of the year.

The tissue paper business environment is currently very unstable. Especially energy costs are rising rapidly, and challenges are seen in the availability of raw materials. To restore profitability, Metsä Tissue will respond to increasing costs with price increases and surcharges. Metsä Tissue temporarily shut down production for one day at the Kreuzau mill in Germany and the Zilina mill in Slovakia due to extremely high energy costs. Profitability will continue to be monitored daily, and high energy costs may cause further temporary production shutdowns in the future.

Most significant planned annual maintenance and investment shutdowns in 2022

Q1/2022	No large-scale maintenance activities
Q2/2022	The Joutseno and Rauma pulp mills
Q3/2022	The Kemi pulp and paperboard mill
Q4/2022	Äänekoski bioproduct mill

RESULT GUIDANCE FOR JULY–SEPTEMBER 2022

Metsä Group's comparable operating result is in July–September 2022 expected to be roughly at the same level as in April–June 2022.

Espoo, 28 July 2022

BOARD OF DIRECTORS

Further information:

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Metsä Group will publish the following financial reports in 2022:

Interim Report for January–September 2022 27 October 2022

BUSINESS AREAS

Wood Supply and Forest Services

	2022 1–6	2021 1–6	2022 4–6	2021 4–6	2021 1–12
Wood Supply and Forest Services					
Sales, EUR million	1,037.7	1,023.1	520.3	506.6	2,022.9
EBITDA, EUR million	2.5	20.4	-5.5	9.3	46.9
Comparable EBITDA, EUR million	13.8	20.4	5.8	9.3	46.9
Operating result, EUR million	-33.0	15.2	-38.6	6.7	36.4
Comparable operating result, EUR million	8.9	15.2	3.3	6.7	36.4
% of sales	0.9	1.5	0.6	1.3	1.8
Comparable ROCE, %	10.7	17.6	8.2	16.2	20.2
Total investments, EUR million	8.6	4.5	5.1	3.0	7.2
Personnel at end of period	906	886	906	886	852
Wood deliveries, 1,000 m ³	17,311	18,359	8,327	8,794	35,295

Comparable operating result



The sales of Wood Supply and Forest Services, i.e. Metsä Forest, in January–June totalled EUR 1,037.7 million (1–6/2021: 1,023.1), and the comparable operating result was EUR 8.9 million (15.2).

Metsä Forest's sales in April–June were EUR 520.3 million (4–6/2021: 506.6), and the comparable operating result was EUR 3.3 million (6.7).

In Finland, wood trade in private forests was weaker in the first half of the year than in the previous year. The prices of both logs and pulpwood increased significantly in the first half.

In the Baltic Sea area, a good winter in the first quarter, combined with good harvesting and transport conditions, laid a good foundation for second-quarter operations. In the Baltic countries, demand for wood has been notably stronger, leading to a rise in the price level.

During the first half of the year, Metsä Forest bought all grades of wood through both standing and delivery sales across Finland. Metsä Forest's wood purchases were notably smaller than in the corresponding period

in the previous year. Demand focused particularly on felling sites to be harvested when the ground is unfrozen. The majority of wood in Finland was purchased from members of Metsäliitto Cooperative. The sales of forest services were good. Forest owners provided record high customer feedback in the first half of the year.

Harvesting and deliveries to customers' production units were carried out according to plan. In January–June 2022, Metsä Forest delivered a total of approximately 17.3 million cubic metres (18.4) of wood to its customers. Approximately 86% of this amount went to the Finnish industrial sector. Wood flows from Russia and the Baltic countries were replaced with domestic wood in both Finland and Sweden.

In the review period, Metsä Forest announced a double bonus paid on thinned trees purchased from Metsäliitto Cooperative's owner-members between 1 May and 31 August 2022. The size of the bonus depends on the contract level and the amount of wood received.

Metsä Forest introduced an application for the assessment of growing stock that makes use of geospatial data, artificial intelligence and machine learning. The application enables the growing stock and felling sites to be reliably assessed for the purpose of wood trade, without a visit to the forest.

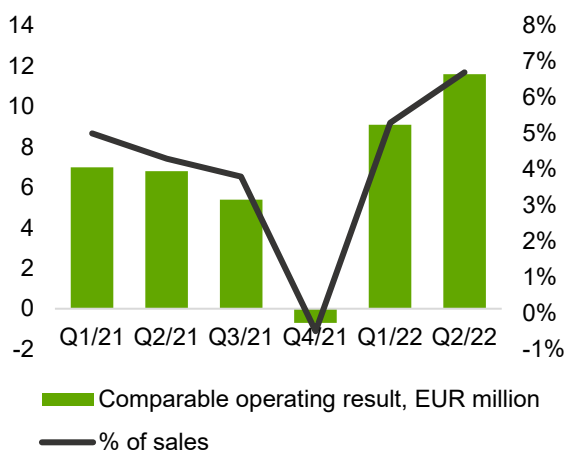
Since 1 June 2022, Metsä Forest's purchases in Finland have only included pine, spruce and birch, as well as aspen with a diameter less than 40 centimetres at a height of 1.3 metres. The policy is part of the company's ecological sustainability programme, and its goal is to increase the numbers of rare broadleaved trees, as well as forest biodiversity.

In January–June, 57% of the wood acquired by Metsä Forest from private forest owners was purchased digitally. In the sales of forest management services, the figure was 62%.

Wood Products Industry

Wood Products Industry	2022 1–6	2021 1–6	2022 4–6	2021 4–6	2021 1–12
Sales, EUR million	344.9	297.0	174.5	156.2	580.1
EBITDA, EUR million	30.9	23.9	16.8	11.8	38.9
Comparable EBITDA, EUR million	30.9	23.9	16.8	11.8	38.9
Operating result, EUR million	20.7	13.8	11.6	6.8	18.6
Comparable operating result, EUR million	20.7	13.8	11.6	6.8	18.6
% of sales	6.0	4.7	6.7	4.3	3.2
Comparable ROCE, %	11.8	8.8	13.2	8.4	5.7
Total investments, EUR million	5.6	10.1	4.4	6.0	28.9
Personnel at end of period	1,724	1,739	1,724	1,739	1,658
Engineered wood product deliveries, 1,000 m ³	265	285	137	147	535

Comparable operating result



increased by 19%, and the euro-denominated sales of the UK business increased by 15%. Delivery volumes decreased across all product categories and in the UK business. Sales prices rose significantly across all product categories.

Business profitability improved significantly from the comparison period due to the strong demand for engineered wood products. However, increased raw material, energy and logistics prices and challenges in the availability of birch logs affected profitability negatively. The availability of birch logs was weakened by the end of deliveries from Russia, among other things.

The weak market situation for the products of the UK upgrading business, which began in late 2021, continued in the first half, leading to a notable decline in the operating result. Operations had to be adjusted to match demand.

The sales of the Wood Products Industry, i.e. Metsä Wood, in January–June were EUR 344.9 million (1–6/2021: 297.0), and the comparable operating result was EUR 20.7 million (13.8).

Metsä Wood's sales in April–June were EUR 174.5 million (4–6/2021: 156.2), and the comparable operating result was EUR 11.6 million (6.8).

Metsä Wood's sales improved during the first half of 2022. The sales of engineered wood products

Pulp and Sawn Timber Industry

Pulp and Sawn Timber Industry	2022 1–6	2021 1–6	2022 4–6	2021 4–6	2021 1–12
Sales, EUR million	1,480.9	1,213.5	808.3	652.3	2,628.1
EBITDA, EUR million	409.8	306.2	218.9	199.0	772.5
Comparable EBITDA, EUR million	445.4	306.2	254.5	199.0	772.5
Operating result, EUR million	339.8	205.6	184.4	168.0	613.7
Comparable operating result, EUR million	387.9	240.1	232.5	168.0	648.2
% of sales	26.2	19.8	28.8	25.8	24.7
Comparable ROCE, %	33.4	26.0	39.7	36.4	32.6
Total investments, EUR million	479.1	295.2	276.5	167.0	650.7
Personnel at end of period	1,549	1,516	1,549	1,516	1,384
Pulp deliveries, 1,000 t	1,521	1,529	772	742	3,058
Sawn timber deliveries, 1,000 m ³	760	886	381	476	1,677

Comparable operating result



The sales of the Pulp and Sawn Timber Industry, i.e. Metsä Fibre, in January–June totalled EUR 1,480.9 million (1–6/2021: 1,213.5), and the comparable operating result was EUR 387.9 million (240.1).

Metsä Fibre's sales in April–June were EUR 808.3 million (4–6/2021: 652.3), and the comparable operating result was EUR 232.5 million (168.0).

The sales volume of pulp in January–June was 1,521,000 tonnes, largely the same as in the comparison period. In Europe, the average market prices of long-fibre and short-fibre pulp in January–June were 24% and 36% higher respectively than in the corresponding period in the previous year. In China, the average market prices of long-fibre pulp were 2%, and those of short-fibre pulp 4%, higher than in January–June in the previous year.

The sales volumes of sawn timber were 760,000 m³, which is 14% less than in the comparison period. The demand for sawn timber has been good in all the main

markets, and the average market prices of Metsä Group's sawn timber in January–June increased by 48% compared to the corresponding period in the previous year.

In addition to higher sales prices, the stronger US dollar improved the operating result. Events in the review period included the annual maintenance shutdowns at the Joutseno pulp mill in May and at the Rauma pulp mill in June.

Global bottlenecks in logistics and unplanned production losses continued to restrict the supply of softwood market pulp. Compared to supply, the demand for softwood market pulp has remained strong in Europe and North America, and at a good level in China.

In the spring, the demand for sawn timber was good in Europe, Japan and North Africa.

The change negotiations initiated at the Kyrö sawmill in March 2022 were concluded in the second quarter. Sawmill operations will be shut down at the Kyrö sawmill by the end of September 2022, as the sawmill has reached the end of its technical life-cycle. The change negotiations affected all of the sawmill's 73 employees. The sawmill's permanent employees have been offered work in other production units.

Following Russia's attack on Ukraine, operations at Metsä Fibre's Svir sawmill in Russia were discontinued, as were product deliveries to Russia and Belarus. In the second quarter of 2022, Metsä Fibre recognised a write-down of EUR 43.4 million related to the discontinuation of business operations in Russia. In addition EUR 4.7 million of impairment was recognised in the assets of the Kyrö sawmill.

In the second quarter, Metsä Fibre and Caverion agreed a business transfer by which Metsä Fibre will integrate the maintenance operations of its production facilities into its own organisation. The plan was approved by the Competition Authority in June 2022, and the transfer will be carried out in December 2022.

Paperboard Industry

Paperboard Industry	2022 1–6	2021 1–6	2022 4–6	2021 4–6	2021 1–12
Sales, EUR million	1,232.5	1,049.5	650.5	555.8	2,084.1
EBITDA, EUR million	326.1	231.9	164.2	126.3	466.0
Comparable EBITDA, EUR million	309.9	237.6	167.2	125.2	472.2
Operating result, EUR million	283.3	185.6	142.6	103.7	375.9
Comparable operating result, EUR million	267.4	191.3	145.9	102.5	386.6
% of sales	21.7	18.2	22.4	18.4	18.6
Comparable ROCE, %	23.0	19.3	25.0	19.7	18.7
Total investments, EUR million	181.8	98.3	74.7	63.4	220.2
Personnel at end of period	2,476	2,623	2,476	2,623	2,389
Folding boxboard deliveries, 1,000 t	615	678	308	348	1,296
White kraftliner deliveries, 1,000 t	329	328	164	166	627
Market pulp deliveries, 1,000 t	274	272	152	156	496

Comparable operating result



The sales of the Paperboard Industry, i.e. Metsä Board, in January–June were EUR 1,232.5 million (1–6/2021: 1,049.5). Folding boxboard accounted for 56% (57) of sales, while 26% (25) of sales were derived from white kraftliner, 15% (13) from market pulp and 3% (5) from other operations. The comparable operating result was EUR 267.4 million (191.3). Items affecting comparability in the review period totalled EUR 15.9 million.

Metsä Board's sales in April–June were EUR 650.5 million (4–6/2021: 555.8), and the comparable operating result was EUR 145.9 million (102.5).

Total deliveries of paperboards in January–June were 944,000 (1,005,000) tonnes, of which 67% was delivered to the EMEA region, 29% to the Americas, and 4% to the APAC region. The changes in delivery volumes

were due to the planned increase in inventories and record high sales volumes in the comparison period. Metsä Board's deliveries of market pulp were 274,000 (272,000) tonnes, of which 66% (64) was delivered to the EMEA region and 34% (36) to the APAC region.

The comparable operating result improved especially due to the euro-denominated average prices of paperboards, which increased by approximately 25% year-on-year. The increase in the average prices of market pulp also improved profitability.

Metsä Board's share of the comparable operating result of its associated company Metsä Fibre was EUR 76.4 million (44.9).

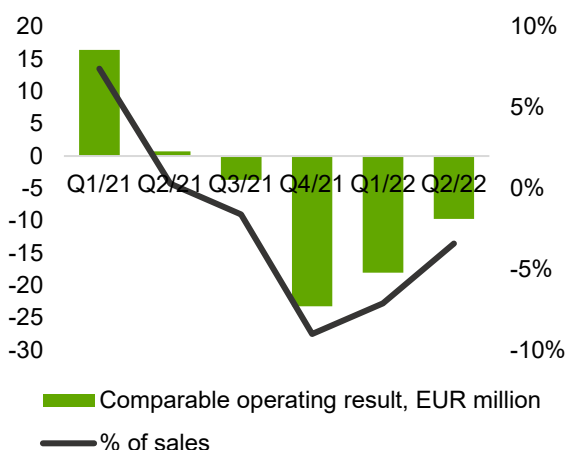
Cost inflation continued to be strong in chemicals, logistics and energy. The rapidly rising prices of chemicals weighed down the profitability of both the paperboard and pulp businesses. Higher energy costs were offset by the sale of emission allowances totalling roughly EUR 14.0 million (0.0). Logistics costs increased due to higher fuel costs, challenges related to the availability of transport capacity and the rerouting of paperboard volumes released in Russia. Wood costs also increased from the comparison period. The profitability of the paperboard business was weakened by the higher price of pulp. Overall, pulp still had a positive impact on Metsä Board's result. Cost inflation also increased fixed costs.

Earnings per share were EUR 0.61 (0.41). The comparable earnings per share were EUR 0.57 (0.42). The return on equity was 25.5% (19.6), and the comparable return on equity was 24.0% (20.4). The return on capital employed was 24.4% (18.7), and the comparable return on capital employed was 23.0% (19.3).

Tissue and Greaseproof Papers

	2022 1–6	2021 1–6	2022 4–6	2021 4–6	2021 1–12
Tissue and Greaseproof Papers					
Sales, EUR million	536.0	448.1	281.3	224.5	946.7
EBITDA, EUR million	-5.1	38.9	1.9	11.8	35.9
Comparable EBITDA, EUR million	-5.6	38.9	1.4	11.8	35.9
Operating result, EUR million	-27.2	17.2	-9.2	0.7	-9.7
Comparable operating result, EUR million	-27.7	17.2	-9.7	0.7	-9.7
% of sales	-5.2	3.8	-3.4	0.3	-1.0
Comparable ROCE, %	-9.3	5.6	-6.8	0.3	-1.6
Total investments, EUR million	21.0	16.8	10.8	11.3	63.3
Personnel at end of period	2,587	2,636	2,587	2,636	2,480
Tissue paper deliveries, 1,000 t	272	252	136	128	533

Comparable operating result



The sales volumes of tissue paper products continued to increase in the second quarter. Growth focused on products for professional use. The demand for greaseproof papers continued to be strong.

The exceptional increase in raw material and energy prices continued in the second quarter. While product prices have been raised significantly, the higher prices did not adequately offset the continued rapid increase in costs, and the operating result was still negative in the second quarter.

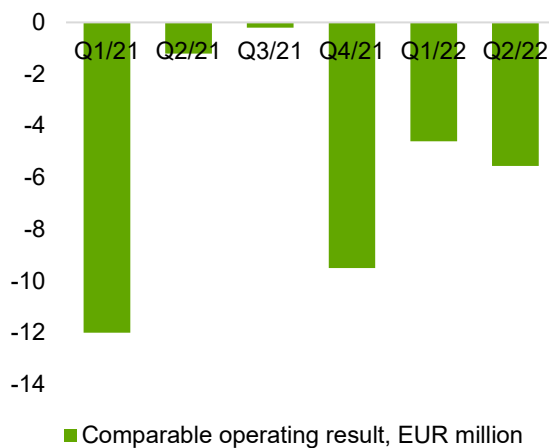
The sales of Tissue and Greaseproof Papers, i.e. Metsä Tissue, in January–June were EUR 536.0 million (1–6/2021: 448.1). Metsä Tissue's comparable operating result was EUR -27.7 million (17.2). The result for the financial period includes a EUR 0.5 million item affecting comparability related to the sale of shares.

Metsä Tissue's sales in April–June were EUR 281.3 million (4–6/2021: 224.5), and the comparable operating result was EUR -9.7 million (0.7).

Other operations

	2022 1–6	2021 1–6	2022 4–6	2021 4–6	2021 1–12
Other operations					
Sales, EUR million	10.1	4.4	5.1	2.1	10.0
EBITDA, EUR million	117.5	-6.0	-3.5	0.1	-12.6
Comparable EBITDA, EUR million	-6.4	-10.1	-3.5	0.3	-16.7
Operating result, EUR million	113.7	-9.1	-5.6	-1.4	-18.8
Comparable operating result, EUR million	-10.2	-13.2	-5.6	-1.2	-22.8
Total investments, EUR million	23.8	23.9	16.1	6.5	42.0
Personnel at end of period	835	669	835	669	769

Comparable operating result



The sales of other operations in January–June were EUR 10.1 million (1–6/2021: 4.4), and the comparable operating result was EUR -10.2 million (-13.2). Items affecting comparability are mainly related to divestment of the holding in Finsilva Oyj.

The sales of other operations in April–June were EUR 5.1 million (4–6/2021: 2.1), and the comparable operating result was EUR -5.6 million (-1.2).

Other operations include the service unit operations of Metsä Group, Metsäliitto Cooperative's holding operations, Metsä Group Treasury Oy, Metsä Spring and Kemi Shipping Oy.

RECONCILIATION OF ITEMS AFFECTING COMPARABILITY

Reconciliation by segment

EUR million	2022 1–6	2021 1–6	2022 4–6	2021 4–6	2021 1–12
Operating result (IFRS)	589.3	379.0	248.0	243.2	873.6
Depreciation and impairment charges	186.8	193.1	108.6	75.1	340.1
EBITDA	776.1	572.1	356.6	318.3	1,213.7
Items affecting comparability:					
Wood Supply and Forest Services	11.3		11.3		
Pulp and sawn timber industry	35.6		35.6		
Paperboard Industry	-16.1	5.7	3.1	-1.2	6.2
Tissue and Greaseproof Papers	-0.5		-0.5		
Other operations and eliminations	-88.5	-6.9	-10.6	0.0	-8.7
Total	-58.2	-1.2	38.9	-1.2	-2.5
Comparable EBITDA	717.9	570.9	395.5	317.2	1,211.2
Depreciation and impairment charges	-186.8	-193.1	-108.6	-75.1	-340.1
Items affecting comparability:					
Impairment charges and reversals	43.3	38.2	43.3		42.7
Wood Supply and Forest Services	30.6		30.6		
Pulp and sawn timber industry	12.5	34.5	12.5		34.5
Paperboard Industry	0.2		0.2		4.6
Other operations and eliminations		3.7			3.7
Comparable Operating result	574.4	416.0	330.2	242.1	913.8
Share of results from associated companies and joint ventures	-4.0	-0.6	-2.7	2.1	-2.2
Financial costs, net	-20.9	-24.7	-10.4	-13.1	-39.6
Items affecting comparability					
Comparable Result before income tax	549.5	390.7	317.1	231.2	872.0
Income tax	-132.9	-71.2	-62.4	-47.8	-174.7
Items affecting comparability:					
Wood Supply and Forest Services	-3.7		-3.7		
Paperboard Industry	1.3	0.2	1.3	0.2	1.9
Tissue and Greaseproof Papers	0.1		0.1		
Pulp and sawn timber industry	-0.5	-6.9	-0.5		0.3
Other operations and eliminations	24.4	-0.7	-0.3		-0.7
Comparable Result for the period	438.3	312.1	251.6	183.6	698.8

Reconciliation by expense or income

EUR million	2022 1–6	2021 1–6	2022 4–6	2021 4–6	2021 1–12
Operating result (IFRS)	589.3	379.0	248.0	243.2	873.6
Depreciation and impairment charges	186.8	193.1	108.6	75.1	340.1
EBITDA	776.1	572.1	356.6	318.3	1,213.7
Items affecting comparability:					
Other operating income	-108.4	-9.6	-9.9	-9.6	-12.2
Change in inventories	13.4		13.4		
Employee costs	1.4				
Other operating expenses	35.4	8.5	35.4	8.5	9.7
Total	-58.2	-1.2	38.9	-1.2	-2.5
Comparable EBITDA	717.9	570.9	395.5	317.2	1,211.2
Depreciation and impairment charges	-186.8	-193.1	-108.6	-75.1	-340.1
Items affecting comparability:					
Impairment charges and reversals	43.3	38.2	43.3		42.7
Comparable Operating result	574.4	416.0	330.2	242.1	913.8
Share of results from associated companies and joint ventures	-4.0	-0.6	-2.7	2.1	-2.2
Financial costs, net	-20.9	-24.7	-10.4	-13.1	-39.6
Items affecting comparability					
Comparable Result before income tax	549.5	390.7	317.1	231.2	872.0
Income tax	-132.9	-71.2	-62.4	-47.8	-174.7
Items affecting comparability	21.7	-7.4	-3.1	0.2	1.5
Comparable Result for the period	438.3	312.1	251.6	183.6	698.8

Items with "+" sign in table = expenses affecting comparability

Items with “-” sign in table = income affecting comparability

Metsä Group's net result's items affecting comparability in January–June 2022 totalled EUR -6.8 million. Of these, EUR -83.9 million are related to the discontinuation of Russian business operations, EUR 54.2 million to the divestment of the holding in Finsilva Oyj, EUR 19.2 million to the sale of the share capital of Oy Hangö Stevedoring Ab to Euroports Finland Oy, EUR -1.1 million to the adjustment measures concerning Kemi Shipping Oy, EUR 5.2 million to the sale of a land area unrelated to business operations, EUR -3.8 million to the impairment recognised in the assets of the Kyrö sawmill and EUR 3.3 million to the valuation gain related to the divestment of shares.

Metsä Group's net result's items affecting comparability in January–June 2021 totalled EUR -29.6 million. Of these items, EUR -30.6 million relate to the impairments of Metsä Fibre's current pulp mill, EUR 5.6 million to the disposal of a land area not related to Metsä Board's business operations and EUR -4.6 million to the costs arising from the fire on the chip conveyor at Metsä Board's Husum pulp mill.

QUARTERLY DATA

EUR million	2022 4–6	2022 1–3	2021 10–12	2021 7–9	2021 4–6	2021 1–3
Sales						
Wood Supply and Forest Services	520.3	517.4	502.6	497.2	506.6	516.5
Wood Products Industry	174.5	170.4	141.3	141.8	156.2	140.7
Pulp and Sawn Timber Industry	808.3	672.6	721.5	693.1	652.3	561.1
Paperboard Industry	650.5	582.0	518.5	516.1	555.8	493.7
Tissue and Greaseproof Papers	281.3	254.7	259.2	239.4	224.5	223.6
Other operations	5.1	5.0	3.2	2.4	2.1	2.2
Internal sales	-617.8	-608.3	-586.1	-575.2	-555.3	-538.3
Sales	1,822.3	1,593.8	1,560.2	1,514.8	1,542.3	1,399.6
Operating result						
Wood Supply and Forest Services	-38.6	5.6	10.0	11.3	6.7	8.4
Wood Products Industry	11.6	9.1	-0.7	5.4	6.8	7.0
Pulp and Sawn Timber Industry	184.4	155.4	182.3	225.9	168.0	37.6
Paperboard Industry	142.6	140.7	90.8	99.4	103.7	82.0
Tissue and Greaseproof Papers	-9.2	-18.0	-23.2	-3.7	0.7	16.4
Other operations	-5.6	119.3	-9.5	-0.2	-1.4	-7.7
Eliminations	-37.3	-70.7	-28.6	-64.7	-41.3	-8.0
Operating result	248.0	341.3	221.2	273.4	243.2	135.8
% of sales	13.6	21.4	14.2	18.0	15.8	9.7
Share of results from associated companies and joint ventures	-2.7	-1.3	-0.8	-0.8	2.1	-2.7
Exchange gains and losses	-1.4	-3.0	-0.9	-0.1	-2.4	-0.3
Other net financial items	-9.4	-7.4	-4.0	-9.8	-10.6	-11.4
Result before income tax	234.4	329.6	215.4	262.6	232.3	121.4
Income tax	-62.4	-70.5	-51.1	-52.4	-47.8	-23.4
Result for the period	172.1	259.1	164.3	210.2	184.5	98.0
Comparable operating result						
Wood Supply and Forest Services	3.3	5.6	10.0	11.3	6.7	8.4
Wood Products Industry	11.6	9.1	-0.7	5.4	6.8	7.0
Pulp and Sawn Timber Industry	232.5	155.4	182.3	225.9	168.0	72.1
Paperboard Industry	145.9	121.5	91.3	104.0	102.5	88.8
Tissue and Greaseproof Papers	-9.7	-18.0	-23.2	-3.7	0.7	16.4
Other operations and eliminations	-53.4	-29.4	-39.9	-64.9	-42.6	-18.9
Comparable operating result	330.2	244.2	219.8	278.0	242.1	173.9
% of sales	18.1	15.3	14.1	18.3	15.7	12.4

CALCULATION OF KEY RATIOS

Return on capital employed (%) ROCE	=	(Result before tax + exchange gains/losses and other net financial expenses) per (Balance total – non-interest-bearing liabilities) (average))
Return on equity (%) ROE	=	(Result before tax – income tax) per (Members' funds (average))
Equity ratio (%)	=	(Members' funds) per (Balance total – advance payments received)
Net gearing ratio (%)	=	(Interest-bearing net liabilities) per (Members' funds)
Interest-bearing net liabilities	=	Interest-bearing liabilities – cash and cash equivalents and interest-bearing receivables
EBITDA	=	Operating result before depreciation, amortisation and impairment losses
Operating result	=	Result before income tax, financial income and -expenses, exchange gains and losses and share of results from associated companies and joint ventures
Total investments	=	Investments in owned and leased fixed assets and investments in business combinations

COMPARABLE KEY RATIOS

European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures define alternative performance measures as a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined in the applicable financial reporting framework, in Metsä Group's case International Financial Reporting Standards as adopted in the EU pursuant to Regulation (EC) No 1606/2002. Performance measures presented in this report qualify as alternative performance measures under the ESMA guidelines.

Metsä Group sees the presentation of alternative performance measures as providing users of financial statements with an improved view of the company's financial performance and position, including among other things the efficiency of its capital utilization, operational profitability and debt servicing capabilities.

Reconciliation of operating result under IFRS and comparable operating result as well as EBITDA and comparative EBITDA is presented in this report. Comparable return on capital employed has been calculated using the same adjustments as the comparable operating result, and it has been further adjusted with financial items affecting comparability when applicable. Metsä Group considers the key figures derived in this manner to improve the comparability between 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 with 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. In Metsä Group's view, comparable performance measures better reflect the underlying operational performance of the company by eliminating the result effect arising from items and transactions outside ordinary course of business.

FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	2022 1–6	2021 1–6	Change	2022 4–6	2021 4–6	2021 1–12
Sales	2, 3	3,416.1	2,941.9	474.1	1,822.3	1,542.3	6,017.
Change in stocks of finished goods and work in progress		23.8	-0.9	24.8	-6.9	-20.5	-8.0
Other operating income		140.4	23.3	117.2	26.3	17.6	85.3
Material and services		-2,213.6	-1,883.8	-329.8	-1,162.4	-957.0	-
Employee costs		-364.8	-347.4	-17.4	-186.4	-179.5	-680.4
Depreciation and impairment losses		-186.8	-193.1	6.2	-108.6	-75.1	-340.1
Other operating expenses		-225.8	-161.0	-64.8	-136.4	-84.5	-333.8
Operating result	2	589.3	379.0	210.3	248.0	243.2	873.6
Share of results from associated companies and joint ventures		-4.0	-0.6	-3.4	-2.7	2.1	-2.2
Exchange gains and losses		-4.4	-2.7	-1.7	-1.4	-2.4	-3.7
Other net financial items	2	-16.4	-22.0	5.6	-9.0	-10.6	-35.9
Result before income tax		564.4	353.7	210.7	234.9	232.3	831.7
Income tax	4	-132.9	-71.2	-61.7	-62.4	-47.8	-174.7
Result for the period		431.5	282.6	149.0	172.5	184.5	657.0
Other comprehensive income							
Items that will not be reclassified to profit and loss							
Items relating to adjustments of defined benefit		22.0	9.4	12.6	11.0	-4.0	4.2
Fair value of financial assets through other comprehensive income		-0.6	-8.5	7.9	-7.0	-0.8	-7.7
Income tax relating to items that will not be reclassified		-7.1	-0.6	-6.5	-2.7	0.6	-0.9
Total		14.2	0.3	14.0	1.3	-4.2	-4.4
Items that may be reclassified subsequently to profit and loss							
Cash flow hedges		15.5	-24.7	40.2	-36.4	25.5	-15.6
Currency translation differences		-2.9	5.0	-7.9	6.0	11.6	-0.8
Other items							
Income tax relating to items that may be reclassified		-3.1	4.9	-8.0	7.3	-5.4	3.1
Total		9.5	-14.8	24.3	-23.1	31.6	-13.4
Other comprehensive income, net of tax		23.7	-14.6	38.3	-21.8	27.4	-17.8
Total comprehensive income for the period		455.3	268.0	187.3	150.6	212.0	639.3
Result for the period attributable to:							
Members of parent company		233.8	166.8	67.0	73.6	107.3	373.8
Non-controlling interests		197.7	115.8	81.9	98.9	77.3	283.2
Total		431.5	282.6	149.0	172.5	184.5	657.0
Total comprehensive income attributable to:							
Members of parent company		266.4	165.4	101.0	79.3	123.5	371.6
Non-controlling interests		188.8	102.6	86.2	71.3	88.4	267.7
Total		455.3	268.0	187.3	150.6	212.0	639.3

The notes are an integral part of this half-year financial report.

UNAUDITED CONSOLIDATED BALANCE SHEET

EUR million	Note	2022 30.6.	2021 30.6.	2021 31.12.
ASSETS				
Non-current assets				
Goodwill		423.6	433.2	431.6
Other intangible assets		246.4	220.4	229.1
Tangible assets	5	4,038.8	3,166.7	3,557.8
Biological assets		3.3	3.4	3.5
Investments in associated companies and joint ven-		9.9	66.9	63.6
Other investments	9	188.7	196.9	197.9
Other non-current financial assets	9	89.1	28.6	39.9
Deferred tax receivables		49.2	34.6	37.7
		5,049.0	4,150.7	4,561.0
Current assets				
Inventories		1,059.1	993.9	1,038.3
Accounts receivables and other receivables		1,101.5	898.7	931.6
Tax receivables based on the taxable income for the period		31.0	16.3	15.1
Cash and cash equivalents	9	1,344.3	1,407.8	1,334.5
		3,535.8	3,316.6	3,319.4
Assets classified as held for sale		0.0	0.0	11.0
Total assets		8,584.9	7,467.3	7,891.4
MEMBERS' FUNDS AND LIABILITIES				
Members' funds				
Members' funds		3,842.6	3,362.7	3,574.4
Non-controlling interests		1,275.4	1,074.2	1,240.3
		5,118.1	4,437.0	4,814.6
Non-current liabilities				
Deferred tax liabilities		305.8	302.9	302.5
Post-employment benefit obligations		67.1	77.8	86.2
Provisions	6	12.0	14.5	11.9
Borrowings	9	1,095.9	1,080.6	861.1
Other liabilities		3.4	22.8	19.1
		1,484.1	1,498.5	1,280.8
Current liabilities				
Provisions	6	3.8	3.2	3.4
Current borrowings	9	307.6	276.4	301.0
Accounts payable and other liabilities		1,570.1	1,237.2	1,448.9
Tax liabilities based on the taxable income for the pe-		101.1	15.0	35.9
		1,982.7	1,531.9	1,789.2
Liabilities classified as held for sale				6.8
Total liabilities		3,466.8	3,030.4	3,076.8
Total members' funds and liabilities		8,584.9	7,467.3	7,891.4

The notes are an integral part of this half-year financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS

EUR million	Equity attributable to members of parent company						Total
	Members' capital	Translation differences	Fair value and other reserves	Re-tained earnings	Total	Non-controlling interest	
Members' funds 1.1.2021	1,322.4	-35.9	711.3	1,093.7	3,091.5	822.7	3,914.2
Result for the period				166.8	166.8	115.8	282.6
Other comprehensive income, net after tax		4.4	-11.6	5.8	-1.4	-13.2	-14.6
Total comprehensive income		4.4	-11.6	172.6	165.4	102.6	268.0
Transactions with owners:							
Dividends paid				-62.4	-62.4	-18.5	-80.9
Change in members' capital	118.5		0.0	-10.4	108.1		108.1
Change in the reserve for invested unrestricted equity	0.0		0.0		0.0	-29.6	-29.6
Share based payments			0.0	-4.1	-4.1	-0.4	-4.5
Sold shares from non-controlling interests, which did not change the controlling right			0.0	64.3	64.2	197.4	261.6
Members' funds 30.6.2021	1,440.9	-31.6	699.7	1,253.7	3,362.7	1,074.2	4,437.0

EUR million	Equity attributable to members of parent company						Total
	Members' capital	Translation differences	Fair value and other reserves	Re-tained earnings	Total	Non-controlling interest	
Members' funds 1.1.2022	1,447.1	-34.2	706.2	1,455.3	3,574.4	1,240.3	4,814.6
Result for the period				233.8	233.8	197.7	431.5
Other comprehensive income, net after tax		3.5	11.9	17.2	32.6	-8.9	23.7
Total comprehensive income		3.5	11.9	251.1	266.4	188.8	455.3
Transactions with owners:							
Dividends paid				-67.7	-67.7	-145.4	-213.1
Refund of surplus	6.8			-7.8	-1.0		-1.0
Change in members' capital	95.3		0.0	-9.0	86.3		86.3
Change in the reserve for invested unrestricted equity			0.0		0.0		0.0
Share based payments			0.0	-5.2	-5.2	-0.7	-5.9
Acquired shares from non-controlling interests, which did not change the controlling right			0.0	-9.2	-9.2	-10.1	-19.3
Sold shares from non-controlling interests, which did not change the controlling right			0.0	-1.3	-1.3	2.6	1.3
Members' funds 30.6.2022	1,549.2	-30.7	718.1	1,606.1	3,842.6	1,275.4	5,118.1

The notes are an integral part of this half-year financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2022 1–6	2021 1–6	2021 1–12
Result for the period	8	431.5	282.6	657.1
Total adjustments	8	231.3	286.3	529.0
Change in working capital		-104.2	-128.0	21.6
Cash flow from operations		558.7	440.9	1,207.7
Net financial items		-0.1	-7.6	-31.1
Income taxes paid		-102.1	-59.6	-153.7
Net cash flow from operating activities		456.4	373.6	1,023.0
Acquisitions		-15.9	-1.3	-1.2
Investments in tangible and intangible assets		-673.4	-418.6	-962.2
Disposals and other items	8	195.6	32.9	59.2
Net cash flow from investing activities		-493.7	-386.9	-904.2
Change in members' funds		86.3	108.1	110.5
Change in non-controlling interest		-19.6	261.2	261.2
Change in long-term loans and other financial items		203.3	-48.3	-256.2
Capital distribution		0.0	-29.6	-29.6
Dividends paid		-217.3	-84.7	-84.7
Net cash flow from financing activities		52.7	206.6	1.2
Change in cash and cash equivalents		15.4	193.3	120.0
Cash and cash equivalents at beginning of period		1,334.5	1,212.9	1,212.9
Translation difference		2.7	0.4	0.9
Change in cash and cash equivalents		15.4	193.3	120.0
Value adjustments of investment funds included in cash and cash equivalents.		-8.2	1.1	0.7
Cash and cash equivalents at end of period		1,344.3	1,407.8	1,334.5

The notes are an integral part of this half-year financial report.

NOTES TO UNAUDITED HALF-YEAR FINANCIAL REPORT

NOTE 1 – BACKGROUND AND ACCOUNTING POLICIES

Metsäliitto Cooperative and its subsidiaries comprise a forest industry group ("Metsä Group" or "Group"), which operations are organized into five business segments: Wood Supply and Forest Services, Wood Products Industry, Pulp and Sawn Timber Industry, Paperboard Industry and Tissue and Greaseproof Papers. Metsä Group's parent company is Metsäliitto Cooperative. The parent company is domiciled in Helsinki and the registered address is Revontulenpuisto 2, 02100 Espoo, Finland.

This half-year financial report has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2021 IFRS financial statements. The effects of foreign exchange changes on review period operating result vs. comparison period 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 2021 IFRS financial statements with the following exception:

- Depreciation of machinery and equipment during the financial year has been specified further between the quarters where applicable in order to correspond with the allocation of the use of the economic benefit of the asset.
- The rate used for the Russian ruble is the closing rate for EUR/RUB published by Refinitiv, which represents the market rate for the time.

Amendments to standards applied during the 2022 financial period:

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before intended use. According to the amendments, the revenue accumulated from the sales of products created by the use of an unfinished tangible asset must be recognised through profit and loss. The amendments have an impact on the determination of the acquisition cost of the Group's tangible assets.

Other amendments to standards do not have a material impact on the group's half-year financial report.

The impact of Russia's attack on the financial statements

Russia's attack on Ukraine has affected Metsä Group's business operations. Operations at the Svir sawmill, the company's only production unit in Russia, have been discontinued, as has wood procurement from the country. Product deliveries to Russia and Belarus have also been halted. Due to the discontinuation of the business operations in Russia, the Group recognised an impairment of EUR 38.7 million for owned and leased property and a EUR 20.7 million impairment for inventories and receivables in the second quarter of 2022. The Group also recognised EUR 28.1 million in expenses for accumulated Russian rouble-denominated translation differences.

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

This half-year financial report was authorized for issue by the Board of Directors of Metsäliitto Cooperative on 28th of July 2022.

NOTE 2 – SEGMENT INFORMATION

The Group's operating segments are comprised of the Group's business areas. The business areas produce different products and services, and they are managed as separate units. The operating segments are reported uniformly with internal reporting submitted to the chief operational decision-maker.

The President and CEO has been appointed as the chief operational decision-maker in charge of allocating resources to the operating segments and evaluating their performance.

The same accounting policies are applied in segment reporting as for the Group as a whole. Transactions between segments are based on market prices.

SALES BY SEGMENT

	1–6/2022	1–6/2022	1–6/2022	1–6/2021	1–6/2021	1–6/2021
EUR million	External	Internal	Total	External	Internal	Total
Wood Supply and Forest Service	272.4	765.3	1,037.7	251.6	771.5	1,023.1
Wood Products Industry	335.6	9.3	344.9	286.8	10.2	297.0
Pulp and Sawn Timber Industry	1,122.2	358.7	1,480.9	950.9	262.6	1,213.5
Paperboard Industry	1,148.0	84.5	1,232.5	1,005.1	44.5	1,049.5
Tissue and Greaseproof Papers	535.5	0.5	536.0	447.6	0.5	448.1
Other operations	2.4	7.8	10.1	0.0	4.3	4.4
Elimination of internal sales		-1,226.1	-1,226.1		-1,093.6	-1,093.6
Total sales	3,416.1	0.0	3,416.1	2,941.9	0.0	2,941.9

	1–12/2021	1–12/2021	1–12/2021
EUR million	External	Internal	Total
Wood Supply and Forest Service	522.1	1,500.7	2,022.9
Wood Products Industry	560.2	19.8	580.1
Pulp and Sawn Timber Industry	2,014.3	613.8	2,628.1
Paperboard Industry	1,973.8	110.3	2,084.1
Tissue and Greaseproof Papers	946.0	0.8	946.7
Other operations	0.5	9.5	10.0
Elimination of internal sales		-2,254.8	-2,254.8
Total sales	6,017.0	0.0	6,017.0

OPERATING RESULT BY SEGMENT

	2022	2021	2021
EUR million	1–6	1–6	1–12
Wood Supply and Forest Services	-33.0	15.2	36.4
Wood Products Industry	20.7	13.8	18.6
Pulp and Sawn Timber Industry	339.8	205.6	613.7
Paperboard Industry	283.3	185.6	375.9
Tissue and Greaseproof Papers	-27.2	17.2	-9.7
Other operations	113.7	-9.1	-18.8
Eliminations	-108.0	-49.3	-142.5
Operating result total	589.3	379.0	873.6
Share of results from associated companies and joint ventures	-4.0	-0.6	-2.2
Financial costs, net	-20.9	-24.7	-39.6
Income taxes	-132.9	-71.2	-174.7
Result for the period	431.5	282.6	657.0

ASSETS AND LIABILITIES BY SEGMENTS

Assets	2022	2021	2021
EUR million	30.6.	30.6.	31.12.
Wood Supply and Forest Services	309.2	341.2	335.4
Wood Products Industry	453.9	394.5	441.7
Pulp and Sawn Timber Industry	3,064.1	2,280.9	2,610.7
Paperboard Industry	2,134.5	2,219.9	2,384.6
Tissue and Greaseproof Papers	865.0	801.0	819.1
Other operations	401.2	196.6	239.5
Assets classified as held for sale	0.0	0.0	11.0
Eliminations	-465.0	-280.6	-290.4
Unallocated assets	1,822.0	1,513.9	1,339.8
Total	8,584.9	7,467.3	7,891.4

Assets = intangible and tangible assets, investments in associated companies and joint ventures, inventories, accounts receivables and other non-interest-bearing receivables (excl. interest and tax items).

Liabilities	2022	2021	2021
EUR million	30.6.	30.6.	31.12.
Wood Supply and Forest Services	216.4	214.1	239.1
Wood Products Industry	95.1	94.9	98.1
Pulp and Sawn Timber Industry	635.5	480.3	525.6
Paperboard Industry	515.2	429.1	508.0
Tissue and Greaseproof Papers	318.9	268.3	311.1
Other operations	309.8	111.0	155.3
Liabilities classified as held for sale	0.0	0.0	6.8
Eliminations	-465.0	-280.6	-290.4
Unallocated liabilities	1,840.9	1,713.3	1,523.3
Total	3,466.8	3,030.4	3,076.8

Liabilities = accounts payable, advance payments and other non-interest-bearing liabilities (excl. interest and tax items).

NOTE 3 – SALES BY MARKET AREA

EUR million	2022	2021	2021
	1–6	1–6	1–12
EMEA	2,322.0	2,015.2	4,161.0
APAC	711.7	637.4	1,289.5
Americas	382.3	289.3	566.5
Total	3,416.1	2,941.9	6,017.0

NOTE 4 – INCOME TAX

Tax expense in the income statement is comprised of the current tax and deferred taxes.

EUR million	2022	2021	2021
	1–6	1–6	1–12
Taxes for the period	148.3	61.6	160.1
Taxes for previous periods	0.0	0.8	11.3
Change in deferred taxes	-15.4	8.7	3.2
Total income taxes	132.9	71.2	174.7

NOTE 5 – CHANGE IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2022 1–6	2021 1–6	2021 1–12
Book value at beginning of period	3,557.8	2,920.7	2,920.7
Acquired businesses	29.6	0.0	5.9
Investments in owned property, plant and equipment	639.5	407.9	935.0
Investments in leased property, plant and equipment	18.4	11.9	23.3
Decreases	-4.0	-4.3	-5.5
Assets classified as held for sale	0.0		-8.6
Depreciation and impairment losses	-173.4	-182.5	-319.3
Translation differences and other changes	-29.0	13.0	6.3
Book value at end of period	4,038.8	3,166.7	3,557.8

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

In January–June 2022, depreciation and impairment charges include a EUR 34.3 million impairment for owned and leased property, plant and equipment related to Russian business operations as a result of the discontinuation of operations in Russia, as well as a EUR 4.6 million impairment for property, plant and equipment related to the Kyrö sawmill as a result of sawmill operations being wound down at the end of September 2022.

A decision to build a new bioproduct mill in Kemi was made in February 2021. Metsä Group recognised a EUR 38.2 million impairment in the first half in relation to the assets of Kemi's existing pulp mill.

The Nordic real estate investment company NREP bought Metsä Group's head office in Tapiola, Espoo, in January 2021. In connection with the transaction, Metsäliitto Cooperative concluded a long-term lease agreement for the site. The head office property was classified as an asset held for sale on 31 December 2020.

NOTE 6 – PROVISIONS

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2022	0.4	10.7	4.2	15.2
Translation differences	0.0	0.0	0.5	0.5
Increases		0.1	0.3	0.4
Utilised during the year	0.0	0.0	-0.3	-0.3
Reversals			0.0	0.0
At 30 June 2022	0.3	10.7	4.8	15.8
Long term provisions	0.1	9.5	2.4	12.0
Short term provisions	0.2	1.2	2.4	3.8
Total	0.3	10.7	4.8	15.8

The environmental provisions and other provisions are primarily expected to be released by 2030.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Group's related parties include its associated companies and joint ventures. Related parties also include the members of the Board of Directors and Executive Management Team as well as their close family members. Related party transactions with related parties are based on market prices.

Transactions with associated companies and joint ventures

EUR million	2022 1–6	2021 1–6	2021 1–12
Sales	6.0	8.1	17.8
Purchases	44.1	54.4	114.4
Non-current receivables	1.6	0.8	0.8
Accounts receivables and other receivables	0.9	3.0	4.5
Long term liabilities	0.0		
Accounts payables and other liabilities	8.1	8.2	7.2

NOTE 8 – NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Adjustments to the result for the financial period

EUR million	2022 1–6	2021 1–6	2021 1–12
Taxes	132.9	71.2	174.6
Depreciation and impairment charges	186.8	193.1	340.1
Biological assets	0.0	-0.1	-0.2
Share of results from associated companies	4.0	0.6	2.2
Gains and losses on sale of non-current financial assets	-114.2	-5.4	-32.1
Financial costs, net	20.9	24.7	39.6
Pension liabilities and provisions	-2.1	-3.3	-5.3
Other adjustments	3.0	5.6	10.1
Total	231.3	286.3	529.0

Acquisitions

Acquisitions in January–June 2022 include the acquisition of the share capital of Hämeenkyrön Voima Oy, amounting to EUR -13.6 million, and the recapitalisation of MI Demo Oy, a joint venture, amounting to EUR -2.3 million.

Disposals and other items

In January–June 2022, disposals and other items include the sale of the shares in Oy Hangö Stevedoring Ab (EUR 24.5 million), the sale of the shares in Finsilva Oy (EUR 131.0 million) and the sale of the series G10 shares to Pohjolan Voima Oy (EUR 12.0 million). Disposals and other items also include sales of intangible and tangible assets of EUR 29.4 million and other items of EUR -1.3 million. The most significant sales of fixed assets consisted of the sale of a land area unrelated to Metsä Board's business operations (EUR 9.2 million) and the sale of emission allowances (EUR 18.6 million).

Disposals and other items in January–June 2021 include the transaction price related to the divestment of Metsä Group's

head office property located in Tapiola, Espoo, EUR 24.5 million; sales of tangible and intangible assets, EUR 9.3 million; and other items, EUR -0.8 million. The most significant divestment of fixed assets was the sale of Metsä Board's land area not related to business operations, EUR 8.7 million.

Change in non-controlling interest

In March 2022, Metsäliitto Cooperative acquired Metsä Board Corporation series B shares to a value of EUR 19.6 million from the market on the basis of the Board of Directors' authorisation at an average price of EUR 8.00 per share.

The changes in non-controlling interest in January–March 2021 include the sale of a 30% share in Metsä Board's Husum pulp mill to Norra Skog, EUR 261.2 million. The transaction was executed on 4 January 2021.

NOTE 9 – FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities and fair values.

Financial assets at 30 June 2022

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Other non-current investments	6.2	182.5		188.7
Other non-current financial assets	0.0		41.4	41.4
Accounts receivables and others	4.2		1,013.1	1,017.3
Cash and cash equivalents	461.1		883.2	1,344.3
Derivative financial instruments	12.8	119.0		131.8
Assets classified as held for sale			0.0	0.0
Total	484.3	301.5	1,937.8	2,723.6
Fair value total	484.3	301.5	1,937.8	2,723.6

Financial liabilities at 30 June 2022

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Non-current interest-bearing liabilities			1,095.9	1,095.9
Other non-current liabilities			1.4	1.4
Current interest-bearing liabilities			307.6	307.6
Accounts payable and others			1,328.4	1,328.4
Derivative financial instruments	17.5	103.7		121.2
Liabilities classified as held for sale			0.0	0.0
Total	17.5	103.7	2,733.2	2,854.5
Fair value total	17.5	103.7	2,714.1	2,835.4

Financial assets at 30 June 2021

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Other non-current investments	0.0	196.9		196.9
Other non-current financial assets	0.0		24.4	24.4
Accounts receivables and others	3.8		866.8	870.7
Cash and cash equivalents	394.4		1,013.4	1,407.8
Derivative financial instruments	1.1	31.1		32.2
Assets classified as held for sale			0.0	0.0
Total	399.3	228.0	1,904.6	2,531.9
Fair value total	399.3	228.0	1,904.6	2,531.9

Financial liabilities at 30 June 2021

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Non-current interest-bearing liabilities			1,080.6	1,080.6
Other non-current liabilities			4.4	4.4
Current interest-bearing liabilities			276.4	276.4
Accounts payable and others			1,101.3	1,101.3
Derivative financial instruments	3.3	40.2		43.5
Liabilities classified as held for sale			0.0	0.0
Total	3.3	40.2	2,462.7	2,506.2
Fair value total	3.3	40.2	2,497.0	2,540.5

Accounts receivables 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 Group, 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 0.0–6.0% (0.0–6.0). The fair values of accounts and other non-interest bearing receivables and accounts payable and other liabilities do not materially deviate from their carrying amounts in the balance sheet.

Fair value hierarchy of financial assets and liabilities 30 June, 2022

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other non-current investments	0.0		188.7	188.7
Current financial assets through profit and loss at fair value	465.3	0.0		465.3
Derivative financial assets	16.9	114.9		131.8
Financial liabilities measured at fair value				
Derivative financial liabilities	0.2	121.0		121.2
Financial assets not measured at fair value				
Financial assets		883.2		883.2
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1,077.5		1,077.5
Current interest-bearing liabilities		306.9		306.9

Fair value hierarchy of financial assets and liabilities 30 June, 2021

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other non-current investments	0.0		196.9	196.9
Current financial assets through profit and loss at fair value	398.3	0.0		398.3
Derivative financial assets	12.4	19.7		32.2
Financial liabilities measured at fair value				
Derivative financial liabilities	0.4	43.1		43.5
Financial assets not measured at fair value				
Financial assets		1,013.4		1,013.4
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1,114.5		1,114.5
Current interest-bearing liabilities		276.7		276.7

Financial assets measured at fair value based on level 3

EUR million	2022 1–6	2021 1–6	2021 1–12
Opening balance	197.9	205.5	205.5
Gains and losses in income statement	3.4	-0.1	-0.1
Gains and losses in other comprehensive income	-0.6	-8.5	-7.7
Acquisitions	0.0		0.4
Settlements	-12.0	0.0	-0.1
Closing balance	188.7	196.9	197.9

Fair value of financial assets and liabilities have been categorised according to IFRS 7 Financial Instruments: Disclosures.

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

Level 2: Fair value is based on inputs observable for the asset either directly or indirectly.

Level 3: Fair value is based on company estimates and not on market data.

The fair values of electric power, natural gas, propane, gas and oil derivatives are measured on the basis of publicly quoted market prices (Level 1). The fair values of currency forwards and options are determined on the basis of market prices at the closing date of the reporting period. The fair values of interest rate swaps are measured applying a method based on the present value of future cash flows, supported by market interest rates at the closing date of the reporting period and other market inputs (Level 2). The fair value of financial instruments not traded in an active market is determined using various measurement methods. Discretion is used in choosing the methods and making assumptions based primarily on the market conditions prevailing at the closing date of the reporting period (Level 3).

The accounting policies applied in preparing the financial statements include a more detailed description of the recognition and measurement principles applied. 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 the investment is measured as the current 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 for EUR 12.0 million.

The average weighed capital cost applied in the calculation was 4.8% on 30 June 2022 (31 December 2021: 3.14%). The acquisition cost of the Pohjolan Voima Oy shares on 30 June 2022 is EUR 33.1 million (45.0) and their fair value is EUR 179.0 million (191.6).

The carrying amount of other long-term investments on 30 June 2022 is estimated to change by EUR -8.5 million, and by EUR 9.4 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 amount of other long-term investments is estimated to change by EUR 65.0 million should the energy prices applied in the fair value calculation differ by 10% from the rate estimated by the management.

Derivatives 30 June, 2022

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	744.4	45.0	0.0	45.0	0.0	45.0
Total	744.4	45.0	0.0	45.0	0.0	45.0
Currency forwards	3,358.8	35.0	115.7	-80.7	-4.7	-76.0
Currency options	519.9	1.0	3.9	-2.9	0.0	-2.9
Total	3,878.7	36.0	119.6	-83.6	-4.7	-78.8
Electricity derivatives	0.9	4.9	0.0	4.9		4.9
Oil derivatives	31.6	10.6	0.2	10.4		10.4
Natural gas and propane derivatives	34.0	35.4	1.4	33.9		33.9
Total	66.6	50.8	1.6	49.2	0.0	49.2
Derivatives total	4,689.6	131.8	121.2	10.6	-4.7	15.3

Derivatives 30 June, 2021

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	865.5	1.6	17.2	-15.6	0.0	-15.6
Total	865.5	1.6	17.2	-15.6	0.0	-15.6
Currency forwards	2,471.5	10.8	26.0	-15.2	-2.2	-13.0
Currency options	0.0	0.0	0.0	0.0	0.0	0.0
Total	2,471.5	10.8	26.0	-15.2	-2.2	-13.0
Electricity derivatives	8.9	4.5	0.0	4.4		4.4
Oil derivatives	19.6	5.0	0.3	4.7		4.7
Natural gas and propane derivatives	14.4	10.3	0.0	10.3		10.3
Total	42.9	19.8	0.4	19.4	0.0	19.4
Derivatives total	3,379.8	32.2	43.5	-11.3	-2.2	-9.1

NOTE 10 – COMMITMENTS AND CONTINGENCIES

EUR million	30.6.2022	30.6.2021	31.12.2021
Own liabilities for which commitments granted	9.8	15.0	11.3
Floating charges	0.5	3.0	0.5
Real estate mortgages	0.0	8.7	0.0
Chattels mortgages	0.7	0.0	0.8
Commitments for own liabilities, total	1.1	11.7	1.3
Leases not yet commenced to which Group is committed	0.0	0.0	18.0
Other commitments on own behalf	3.5	6.7	22.7
On behalf of associated companies and joint ventures	0.1	0.4	0.1
Total	4.7	18.8	42.0

Securities and guarantees include pledges, floating charges, real estate mortgages, chattels mortgage and guarantee liabilities.

COMMITMENTS RELATED TO PROPERTY, PLANT AND EQUIPMENT

EUR million	30.6.2022	30.6.2021	31.12.2021
Payments due under 1 year	699.9	487.7	738.8
Payments due in subsequent years	341.9	515.7	414.7
Total	1,041.8	1,003.4	1,153.5