

Metsä Group
Financial Statements Bulletin 1 January–31 December 2022



Metsä Group's comparable operating result in January–December 2022 was EUR 1,276 million

January–December 2022 (1–12/2021)

- Sales were EUR 6,980 million (6,017).
- Operating result was EUR 1,302 million (874). Comparable operating result was EUR 1,276 million (914).
- Result before taxes was EUR 1,270 million (832). Comparable result before taxes was EUR 1,240 million (872).
- Comparable return on capital employed was 19.5% (16.2).
- Net cash flow from operations was EUR 1,227 million (1,023).

October–December 2022 (10–12/2021)

- Sales were EUR 1,741 million (1,560).
- Operating result was EUR 316 million (221). Comparable operating result was EUR 311 million (220).
- Result before taxes was EUR 309 million (215). Comparable result before taxes was EUR 306 million (214).
- Comparable return on capital employed was 18.0% (14.7).
- Net cash flow from operations was EUR 399 million (427).

Events during the fourth quarter of 2022

- The average sales prices of Metsä Group's long-fibre pulp increased in the first three quarters of the year and took a downwards turn in the fourth quarter.
- The delivery volumes of Metsä Board's paperboards decreased compared with the corresponding period in the previous year. Average prices in euros continued to rise.
- The new recovery boiler and turbine started up at Metsä Board's Husum pulp mill.
- Metsä Fibre's Rauma sawmill was inaugurated in October.

Events after the review period

Metsä Spring invested in Fiberwood, a startup developing new kinds of thermal insulation materials from the forest industry's side streams.

Metsä Tissue decided to increase its production of fresh fibre tissue paper at the Mariestad mill in Sweden. The value of the investment, to be implemented in 2023–2025, is approximately EUR 370 million.

Result guidance for January–March 2023

Metsä Group's comparable operating result in January–March 2023 is expected to weaken from October–December 2022.

Proposal of the Board of Directors on the use of the surplus on the balance sheet

Metsäliitto Cooperative's Board of Directors has decided to propose that for 2022 interest of 7.0% (6.0% for 2021) be paid on the participation share capital invested by members, and that interest of 6.5% be paid on Metsä1 additional shares, 4.0% (5.0) on additional capital A, and 1.0% (1.0) on additional capital B. The Board of Directors also proposes that a surplus reimbursement of EUR 0.30 per m³ of industrial roundwood received from a member over the past four concluded financial periods be distributed. The surplus reimbursement will be paid primarily as Metsä1 additional shares, but in money for the part corresponding to the tax-at-source to be carried in terms of each member. If the right to the shares has been transferred to another person in accordance with the statutes of the cooperative, the interest is paid to the person who is registered as the owner on the reconciliation date 31 March 2023. The proposed payment date is 12 May 2023. If the member entitled to the surplus reimbursement resigns from the cooperative before the date of payment, this share of the surplus reimbursement will not be distributed. In total, the proposed profit distribution would be approximately EUR 101 million (80), of which the surplus reimbursement based on wood trade would be approximately 15%.

President and CEO Ilkka Hämmälä:

For Metsä Group, 2022 was very strong in exceptional conditions. Metsä Wood, Metsä Fibre and Metsä Board, as currently structured, achieved record results. The year began with the global economy recovering from the disruptions caused by the pandemic. The demand for our products was strong in all our business areas, and the impacts of cost inflation, which had begun in 2021, were noticeable. Russia's aggression against Ukraine, which turned into an unjustified full-scale war at the end of February, also required Metsä Group to quickly discontinue operations in Russia and secure the continuity of business operations in our other markets. The winding down of Russian operations had the greatest impact on wood supply. Overall, the changes signifi-

cantly affected the wood markets in the Baltic Sea region. For Metsä Group, the end to birch pulpwood imports meant changes in the product structure. The limited availability of birch log wood used in the plywood industry led to production curtailments and the development of new softwood-based products. Metsä Board had been exporting around 100,000 tonnes of folding boxboard annually to Russia. The good market situation enabled this volume to be reallocated to other markets to help boost customer relationships there. The operations of our sawmill and wood supply companies in Russia were discontinued.

In 2022, the forest industry's good economic situation boosted demand in all wood grades. The goal of reducing fossil fuel use in energy production, coupled with the high prices of emissions allowances, increased demand for energy wood. The use of roundwood for fuel surged, and increasing volumes of wood were also imported from Russia to match the need for energy wood. The end to Russian imports in the spring further aggravated the market situation. The European Union's legislative initiatives, such as the proposed nature restoration regulation, create uncertainty in long-term wood supply. Our challenge in the coming years is to find a balance between the various expectations set for forests so that we can maintain vibrant forests that grow well, bind carbon from the atmosphere and produce renewable raw material for products that people need in their daily lives. At the same time, we need to improve the ecological status of commercial forests and develop also forest protection. As most Finnish species live in the forest, forestry measures are key to halting biodiversity loss. Metsä Group continues to develop its services for forest owners to promote both forest growth and biodiversity.

The exceptional sawn timber cycle, which began in 2021, continued until late 2022, when demand began to slow down following the decline in activity in the construction industry. Sawn timber prices returned close to their long-term trends. As log wood prices had increased during the boom, the sawn timber industry's profitability was low at the end of the year.

The market for birch plywood suffered a notable disruption as imports of birch plywood produced in Russia came to an end due to the import ban. Limited supply led to a notable increase in prices, which Metsä Group was unable to fully capitalise on because the import of birch log from Russia ended at the same time. The market for softwood plywood was strong in the early part of the year, but weakened due to the slowdown in the construction industry towards the end of the year.

Kerto® LVL, Metsä Group's focus area in engineered wood products, maintained a strong market position all year. We are the European market leader in Kerto LVL products, and the construction industry has a great need for resource-efficient solutions that can replace fossil-based construction materials.

The pulp market remained strong throughout the year. The price level in US dollars was high in all market areas, and pulp prices, converted to euros during favourable exchange rates, were at a record high level. Producers in the key production areas of Canada and Russia had problems with production and supply, which especially affected the Chinese market. Weaker economic development in China led to lower demand for pulp, but due to the factors mentioned above, the market balance remained good from our perspective.

The demand for Metsä Board's folding boxboard and coated linerboards has been strong since 2020. The market remained strong, and we successfully raised product prices to match demand and the increase in cost components. This ensured a record result for Metsä Board in its current form. In the latter part of the year, the uncertainties surrounding Europe's economy led to cautious inventory policies across the conversion chain, and we reacted to these with brief production curtailments. In the paperboard industry, the outlook for future demand remained strong.

The steep increase in European energy prices significantly affected the production costs of Metsä Tissue's tissue and greaseproof papers. The business area's profitability was negative during the first three quarters, but thanks to changes in the product structure and the increase in product prices, profitability was clearly positive in the fourth quarter.

Metsä Group aims to be a forerunner in the production of products made from renewable northern wood and in their supply to the global markets. The achievement of this goal requires the continuous development of our operating models, product range, cooperation with our customers and other stakeholders, and our production technology.

We began designing and deploying common business processes in 2018, and based on this, we are now renewing our ERP system. The project's first phase in finance and materials operations was successfully deployed in late 2022 and early 2023. The project will continue until 2025.

The first stage of the Husum pulp mill's renewal was completed in December, when the new recovery boiler and turbine generator started up. An investment to increase the paperboard production line's capacity by 50% is also underway in Husum. It will be completed in the second half of 2023. In Rauma, test runs of the next-generation pine sawmill began in May. The mill switched to continuous three-shift production at the end of September. In Kemi, the implementation of investments in the new bioproduct mill and linerboard machine continued. The projects will be completed in the third quarter of 2023. Preparations were made for the renewal of Metsä Tissue's Mariestad tissue paper mill. The environmental permit was obtained in November, meaning that the project was ready for decision making.

in February 2023. A planning process was underway for a new Kerto LVL mill in Äänekoski. When the environmental permit process is completed in early 2023, the project can move to the investment decision stage.

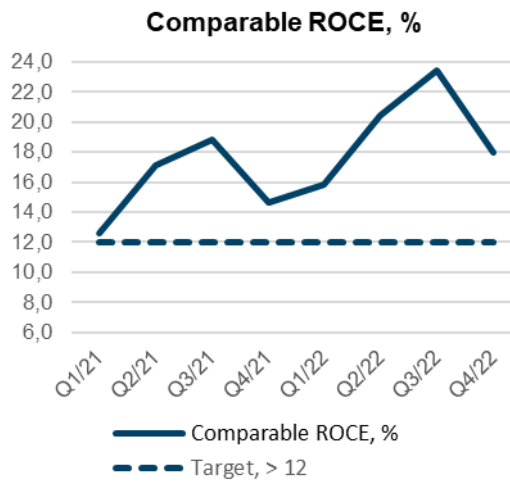
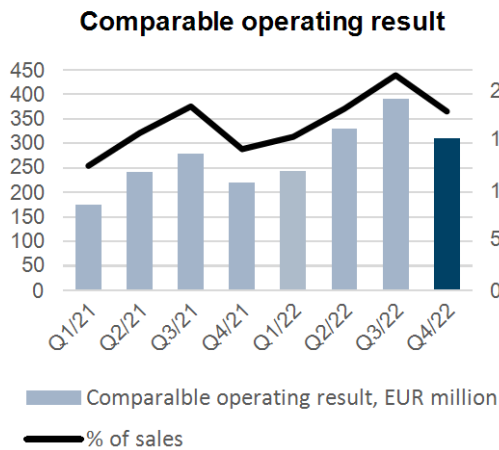
The implementation of all three sustainability pillars in Metsä Group's operations calls for broad, systematic and long-term development work. The more than

90,000 forest owners who own the Group's parent company, Metsäliitto Cooperative, are committed to contributing to the improvement of environmental, social and economic conditions in Finnish society, as well as among people around the world who need products made of renewable wood raw material.

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Key figures

	2022 1–12	2021 1–12	2022 10–12	2021 10–12
Sales, EUR million	6,980.2	6,017.0	1,741.4	1,560.2
EBITDA, EUR million	1,636.4	1,213.7	385.5	288.3
Comparable, EUR million	1,564.4	1,211.2	379.5	287.0
% of sales	22.4	20.1	21.8	18.4
Operating result, EUR million	1,301.9	873.6	315.9	221.2
Comparable, EUR million	1,276.4	913.8	310.9	219.8
% of sales	18.3	15.2	17.9	14.1
Result before income tax, EUR million	1,269.8	831.7	309.2	215.4
Comparable, EUR million	1,240.3	872.0	306.1	214.1
Result for the period, EUR million	998.7	657.0	253.6	164.3
Return on capital employed, %	19.9	15.5	18.2	14.7
Comparable, %	19.5	16.2	18.0	14.7
Return on equity, %	19.0	15.1	18.2	13.9
Comparable, %	18.9	16.0	18.1	14.6
Equity ratio, %	60.6	61.1	60.6	61.1
Net gearing ratio, %	3.1	-3.8	3.1	-3.8
Interest-bearing net liabilities, EUR million	177.0	-184.7	177.0	-184.7
Total investments, EUR million	1,500.4	994.2	416.7	357.3
Net cash flow from operations, EUR million	1,226.8	1,023.0	398.7	426.9
Personnel at the end of the period	9,155	9,533	9,155	9,533



Sales and Operating result

1–12/2022, EUR million	Wood Supply and Forest services	Wood Products Industry	Pulp and Sawn timber industry	Paperboard Industry	Tissue and Greaseproof papers
Sales	2,133.3	662.3	3,070.7	2,479.6	1,197.0
Other operating income	14.0	10.7	17.5	79.6	11.5
Operating expenses	-2,119.1	-596.7	-2,109.3	-1,944.7	-1,166.8
Depreciation and impairment losses	-39.1	-21.5	-133.4	-83.1	-44.7
Operating result	-10.9	54.8	845.5	531.5	-3.0
Items affecting comparability	34.6	0.0	48.6	-10.8	-0.5
Comparable operating result	23.7	54.8	894.1	520.7	-3.4
% of sales	1.1	8.3	29.1	21.0	-0.3

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Sales and result

Metsä Group's sales in January–December 2022 were EUR 6,980.2 million (1–12/2021: 6,017.0). Sales increased, mainly due to the sales prices of pulp, which were higher than in the previous year.

The comparable operating result was EUR 1,276.4 million (913.8), or 18.3% (15.2) of sales. The increase in the operating result comes from the rise in the sales prices of pulp, among other things.

Exchange rate fluctuations after hedging had a negative effect of approximately EUR 142 million on the operating result of the review period compared to the previous year.

Items affecting the comparability of the operating result in January–December totalled EUR 25.6 million (-40.2). Of these, EUR -79.6 million is 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 9.2 million to the sale of shares in Suomen Metsäsijoitus Oy, EUR 6.5 million to the sale of a land area unrelated to business operations, EUR -5.9 million to the impairment in the assets of the Kyrö sawmill, EUR -5.5 million to the reorganization of Metsä Board's customer service and supply chain management, and EUR 3.3 million to the sale of shareholdings.

Metsä Group's operating result (IFRS) was EUR 1,301.9 million (873.6). The share of the results of associated companies and joint ventures was EUR -4.8 million (-2.2), financial income was EUR 7.3 million (1.0), exchange rate differences in financing were EUR -4.6 million (-3.7), and financial expenses totalled EUR 30.1 million (36.9).

The result before taxes was EUR 1,269.8 million (831.7), and taxes including changes in deferred tax liabilities totalled EUR 271.1 million (174.7). The Group's effective tax rate was 21.4% (21.0). The result for the review period was EUR 998.7 million (657.0).

The return on capital employed was 19.9% (15.5), and the return on equity was 19.0% (15.1). The comparable return on capital employed was 19.5% (16.2), and the comparable return on equity was 18.9% (16.0).

Balance sheet and financing

Metsä Group's liquidity has remained strong. Total liquidity at the end of the year was EUR 2,555.3 million (31 December 2021: 3,126.2). This consisted of EUR 1,265.0 million (1,334.5) in liquid assets and investments, and EUR 1,290.3 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 December 2021: 161.5) and by undrawn pension premium (TyEL) funds amounting to EUR 392.5 million (31 December 2021: 371.4).

The EUR 1,000 million debt financing of Metsä Fibre's Kemi 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 309 million have been drawn, and EUR 700 million remain undrawn.

Net cash flow from operations was EUR 1,226.8 million (1,023.0). A total of EUR 17.7 million in working capital was tied up (released: 21.6). The addition of EUR 70.6 million in trade and other receivables as well as the addition of EUR 217.5 million in inventories increased working capital. The addition of EUR 270.4 million in trade payables and other liabilities decreased working capital.

The Group's equity ratio at the end of December was 60.6%, and its net gearing was 3.1% (31 December 2021: 61.1 and -3.8 respectively). Net interest-bearing liabilities were EUR 177.0 million (31 December 2021: -184.7).

At the end of December, the equity ratio of the parent company Metsäliitto Cooperative was 86.4%, and net gearing was -27.9% (31 December 2021: 86.8 and -20.9, respectively).

Based on an authorisation by the Board of Directors, Metsäliitto Cooperative acquired Metsä Board Corporation's series B shares from the market in March 2022 for a total value of EUR 19.6 million and an average price of EUR 8.00 per share, and in November–December 2022, authorised by the Board of Directors, it acquired Metsä Board Corporation's series B shares for a total value of EUR 41.7 million and an average price of EUR 8.42 per share. EUR 5.2 million of this amount was paid in January 2023. In addition, Metsä Board Corporation acquired its series B shares from the market in October–November 2022 for a total value of EUR 7.8 million and an average price of EUR 7.82 per share.

In January–December, Metsäliitto Cooperative's members' capital increased by a total of EUR 73.9 million (126.5). The value of participation shares grew by EUR 4.9 million (9.6) and that of Metsä1 additional shares by EUR 828.2 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 741.1 million, and this figure included the aforementioned conversion of A additional shares to Metsä1 additional shares. The value of additional shares B declined by EUR 18.1 million (-6.4).

Personnel

In January–December, Metsä Group had an average of 9,587 employees (9,619). Personnel expenses were EUR 720.6 million (680.4). At the end of December, the Group employed 9,155 people (31 December 2021: 9,533) of whom 5,135 (5,329) were based in Finland and 4,020 (4,204) abroad. The parent company Metsäliitto Cooperative employed 2,106 people at the end of December (31 December 2021: 2,074). The year-over-year decrease in employees was mainly due to the discontinuation of operations in Russia and at the Kyrö sawmill, as well as the sale of Hangö Stevedoring.

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, were appointed to Metsä Group's Executive Management Team as of 1 August 2022. They report to Ilkka Härmälä, President and CEO of Metsä Group.

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

Members

At the end of December, Metsäliitto Cooperative had 91,607 members (31 December 2021: 92,534). During January–December, 2,416 new members joined the Cooperative, and 3,343 members cancelled their memberships. At the end of December, the forest area owned by the members totalled 5.335 million hectares (31 December 2021: 5.229).

Investments

Metsä Group's total investments in January–December totalled EUR 1,500.4 million (994.2), of which investments in owned property, plant and equipment were EUR 1,440.0 million (964.6) and investments in leased property, plant and equipment were EUR 28.0 million (23.3). Total investments include EUR 32.5 million (6.2) of acquired business operations.

The planning of Metsä Wood's new Kerto® LVL mill in Äänekoski is progressing. The local detailed plan for the Henttalanmäki area became legally binding, and applications for an environmental permit and a building

permit for the mill were submitted in the second half of the year.

Metsä Board launched in 2019 a the first phase of the Husum pulp mill's renewal. It comprised a new recovery boiler and turbine, which began production in December 2022. At the end of the financial period, investments in the project totalled approximately EUR 370 million. The overall project investments are expected to be EUR 380 million. The deployment of the new recovery boiler and turbine will reduce energy and maintenance expenses, improve energy efficiency and reduce the duration of annual maintenance shutdowns at the Husum integrated mill. The investments are expected to improve Metsä Board's annual cash flow by approximately EUR 35 million and at least half of the amount is expected to materialize in 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.

In 2021, Metsä Board initiated a development programme for the Kemi paperboard mill to increase the annual production capacity of white top kraftliner by around 40,000 tonnes. The value of the development investment is expected to exceed the original estimate of EUR 67 million due to the increase in the level of costs. The investments will take place in 2021–2023. The programme includes a series of renewal and bottleneck investments in the paperboard production line. As part of the programme, Metsä Board will also buy a modernised production line for unbleached pulp from Metsä Fibre. The production line's annual capacity is roughly 180,000 tonnes a year. The development programme will reduce the mill's water use by 40% and energy use by 5% per tonne of paperboard produced.

Metsä Board will increase its annual folding boxboard production capacity by 200,000 tonnes at the Husum integrated mill in Sweden. Following the investment, the capacity of folding boxboard machine BM1 will be 600,000 tonnes per year. Full production capacity is expected to be reached in 2025. 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 approximately EUR 200 million and improve its comparable EBITDA by approximately EUR 50 million. The company expects to achieve the growth and improved result in full in 2026. Due to the growing logistics volumes of the Husum integrated mill, the port concept will also be renewed. The value of the investments, 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.

Metsä Board announced it was initiating pre-engineering for the construction of a new folding boxboard mill with an annual capacity of around 800,000 tonnes in the Kaskinen mill area in Finland. The pre-engineering

phase encompasses technical design, the design of infrastructure and logistics solutions, and tendering for the main equipment. As part of the pre-engineering phase, an environmental impact assessment was launched in January 2023. The possible investment decision could be made in 2024 at the earliest.

The construction of Metsä Fibre's new pine sawmill in Rauma began in May 2020, and the sawmill moved from test production runs to continuous sawn timber production at the end of the third quarter. The value of the investment was EUR 260 million. The annual production capacity is 750,000 cubic metres of pine sawn timber, which is sold primarily to Europe and Asia. The sawmill will reach full production capacity during 2023.

On 11 February 2021, Metsä Fibre made an investment decision on the construction of the Kemi bioproduct mill. The value of the investment is EUR 2.02 billion. The construction phase will last approximately two and a half years. The work remaining in the construction phase is mainly finishing work. Installation is at its busiest, and test runs and other testing are also underway. The bioproduct mill will start up in the third quarter of 2023. The mill will produce some 1.5 million tonnes of softwood and hardwood pulp a year as well as numerous other bioproducts. The new mill will replace the current pulp mill in Kemi, which is reaching the end of its life-cycle.

In February 2023, Metsä Tissue decided to increase its production of fresh fibre tissue paper at the Mariestad mill in Sweden. The value of the investment, to be implemented in 2023–2025, is approximately EUR 370 million. The investment is described in greater detail in the Events after the review period section.

Metsä Tissue renewed the tissue paper machine at the Mänttä mill, which improved the machine's energy and production efficiency considerably and increased the mill's production capacity.

Risks and uncertainties

The global economy is marked by uncertainty, and the growth outlook is weaker due to high inflation, tighter monetary policy, and the capacity issues in global production and supply chains. These are caused by several factors, but most importantly by the war that Russia is waging in Ukraine and its consequences. The impact of the coronavirus pandemic can still be seen in the global economy.

Russia's war has significantly increased global geopolitical tensions, eroded consumers' and companies' trust in economic development, and spurred inflation. Especially in Europe, the war and the shift away from Russian energy have aggravated the energy crisis, leading to weaker availability and extremely high prices. The impact of the sanctions on Russia and their counter-

sanctions, as well as the risks caused by the crisis, affect areas such as international production and supply chains, the costs and availability of producers, energy infrastructure and cyber security.

The Ukraine war is not expected to end in the short term. This will have significant negative impacts on the economy, including weaker growth prospects and a greater risk of recession due to high interest rates, the impact of continued high inflation on real income, a further decrease in households' purchasing power and an extended energy crisis in Europe. Demand for the Metsä Group's products may also decrease.

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 effects of Russia's attack and the pandemic 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 war and pandemic have not yet caused production curtailments that would have affected the availability of raw materials, with the exception of wood. Metsä Group's halting of its wood supply from Russia may cause production curtailments at mills due to the availability of birch in particular and thus affect the Group's sales and result. An extended energy crisis and limited availability of natural gas, volatile electricity market prices or changes in the prices of emissions allowances may have a negative impact on the Group's profitability.

In logistics, the general market situation has calmed, but significant differences still exist between market areas. Capacity and cost pressures in the Asian maritime transport market, important to Metsä Group, decreased notably towards the end of 2022 due to declining market demand and increased capacity in global container transports. Regarding North and South American exports, the situation remained challenging in maritime transports and ports. In European ports, high inventory levels and driver shortages in land transports continued to restrict the flexibility of logistics.

In 2023, global economic development will also be affected by factors such as China's growth trend, economic development in the US, trade relations among leading industrialised countries, and any changes in the use of sanctions or in geopolitics.

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 2022 Annual Report.

The impact of Russia's military aggression on Metsä Group's business operations

Russia's attack on Ukraine has affected Metsä Group's business operations. Operations at the Metsä 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 Russian business operations, the Group recognised impairments and expenses totalling EUR 79.6 million in the 2022 operating result.

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. Increasing softwood fibre-based production in the pulping industry has been one way to adapt to the new situation caused by the decrease in imported birch volumes.

Russia's military aggression 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.

Due to the increase in electricity prices caused by the war, the Finnish Government published a legislative proposal on a temporary windfall tax for the electricity sector on 29 December 2022. The proposed bill would apply to the tax year 2023, and the additional tax included in it would be 30% of Finnish companies' profit from electricity business to the extent that the profit exceeds an annual return of 10%, calculated on the equity tied in the electricity business. The proposed bill is still being processed by the Finnish Parliament, and the final approval is expected by the end of February 2023 at the earliest.

The coronavirus pandemic

Metsä Group follows and complies with the coronavirus guidelines issued by the authorities. In May, the company lifted its coronavirus restrictions in response to the improved pandemic situation. At the beginning of August, Metsä Group moved to a hybrid model that combines remote and in-person work for jobs in which remote working is possible. The resource situation has been normal during the coronavirus pandemic, and production and deliveries have run normally, with a few exceptions.

The EU Taxonomy

Set up by the EU regulation 2020/852, the Taxonomy is a classification system for sustainable economic activity that was created for the financial market and took effect at the beginning of 2022. Its goal is to increase investment that is considered sustainable and to direct capital increasingly to these investments and operations.

For the 2022 financial period, Metsä Group will disclose information on its Taxonomy-eligible and Taxonomy-aligned business operations in terms of the climate objectives, that is, climate change mitigation and climate change adaptation. Business area disclosures include the share of sales, capital expenditure and operating expenses.

Metsä Group's main products and related businesses such as the production of pulp and paperboard are not currently covered by the Taxonomy. Therefore, the share of Metsä Group's taxonomic operations is small. Metsä Group does not have the timetable and scope of which its main products and businesses could fall within the scope of taxonomy. Metsä Group's key objectives include mitigating climate change and adapting business operations to a low-carbon future. The target is completely fossil free production and products by the end of 2030. In accordance with the principles of the circular economy, Metsä Group invests in sustainable forest use and resource-efficient processes. In addition, it focuses on minimising waste and emissions and keeping materials in circulation for a long time.

Events after the review period

Metsä Group's innovation company Metsä Spring invested in Fiberwood, a start-up that develops new kinds of thermal insulation materials from the forest industry's side streams. Fiberwood's products offer a sustainable and natural alternative to mineral wool- and polystyrene-based insulation solutions. The company will begin constructing a test production line at its facilities in Järvenpää, Finland. Side streams from Metsä Group's mills can be used to produce insulation material. In addition to green construction, Fiberwood's fossil free material is used to develop cushioning for a variety of packages.

In February 2023, Metsä Tissue announced it would be increasing its production of fresh fibre tissue paper at the Mariestad mill in Sweden. The value of the investment, to be implemented in 2023–2025, is approximately EUR 370 million, making it one of the entire tissue paper industry's largest investments in Europe.

With the investment, Metsä Tissue will strengthen its position as a forerunner in tissue paper industry investments in Sweden and Scandinavia and contribute to the security of supply of key hygienic tissue paper products

by expanding local production. The volume of tissue paper production will increase from approximately 75,000 tonnes at present to around 145,000 tonnes per year.

The mill expansion includes the construction of a new tissue paper machine, new converting lines, automated storage and new office facilities. The renewed mill will feature the best available technology, significantly improving environmental efficiency in terms of emissions into air and water as well as noise. The environmental efficiency goals will also be supported by increased fresh fibre production. The investment will add around 100 new jobs at the mill, and indirectly around 2,000 person-years during construction.

Near-term outlook

The demand for wood focuses on thinning sites to be harvested when the ground is unfrozen and on roundwood from delivery sales. Purchases of winter stands are made according to need and the weather conditions. In energy wood, the demand focuses on crown wood and energy wood trunks. Demand for forest management services is expected to remain good.

At Metsä Wood, the general economic downturn and the slowdown in construction activity weaken the demand for engineered wood products and improve availability of alternative materials in Europe. In the US and Australian markets, the demand for construction remains good for now. In the absence of Russian imports in the European market, the demand for birch plywood significantly exceeds supply, although the economic downturn is already affecting the outlook for the moulding and light transport equipment segments. In the UK, the demand for Metsä Wood's timber upgrade business is expected to remain well below the pre-pandemic level in the coming months.

At Metsä Fibre, global economic development creates uncertainty about the demand for market pulp. The supply of long-fibre pulp will decrease due to the limited availability of raw material in North America. The demand for sawn timber is expected to pick up in the second quarter of 2023. Average market prices of pulp in the first quarter of 2023 are slightly lower than in the previous quarter.

In Metsä Board's business, the decline in global economic growth and consumers' purchasing power is creating uncertainty in the market. The near-term prospects for paperboard sales are uncertain. Paperboard delivery volumes in January–March are expected to remain at roughly the same level as in October–December. The average prices for folding boxboard are expected to increase. Cost pressures are expected to continue. Following the increase in wood prices and harvesting and transport costs last year, wood costs are expected to increase in the early part of the year compared to the previous quarter.

The business environment for tissue papers will continue to be unstable. Costs remain high, and there are challenges in the availability of raw materials. Metsä Tissue will continue to implement targeted price increases and develop its range to improve profitability.

Estimate of most significant planned annual maintenance and investment shutdowns

Q1/2023	-
Q2/2023	The Äänekoski bioproduct mill and Rauma pulp mill
Q3/2023	The Husum ja Kemi paperboard mills, Joutseno pulp mill
Q4/2023	-

Result guidance for January–March 2023

Metsä Group's comparable operating result in January–March 2023 is expected to weaken from October–December 2022.

Proposal of the Board of Directors on the use of the surplus on the balance sheet

Metsäliitto Cooperative's Board of Directors has decided to propose that for 2022 an interest of 7.0% (6.0 for 2021) be paid on the participation share capital invested by members and that an interest of 6.5% be paid on Metsä1 additional shares, 4.0% (5.0) on additional capital A and 1.0% (1.0) on additional capital B. The Board of Directors also proposes that a surplus reimbursement of EUR 0.30 per m³ of industrial roundwood received from a member over the past four concluded financial periods be distributed. The surplus reimbursement will be paid primarily as Metsä1 additional shares, but in money for the part corresponding to the tax-at-source to be carried in terms of each member. If the right to the shares has been transferred to another person in accordance with the statutes of the cooperative, the interest is paid to the person who is registered as the owner on the reconciliation date 31 March 2023. The proposed payment date is 12 May 2023. If the member entitled to the surplus reimbursement resigns from the cooperative before the date of payment, this share of the surplus reimbursement will not be distributed. In total, the proposed profit distribution would be approximately EUR 101 million (80), of which the surplus reimbursement based on wood trade would be approximately 15%.

Espoo, 9 February 2023

BOARD OF DIRECTORS

Further information:

Vesa-Pekka Takala, EVP, CFO Metsä Group, tel. +358 10 465 4260

Juha Laine, SVP, Communications, Metsä Group, tel. +358 10 465 4541

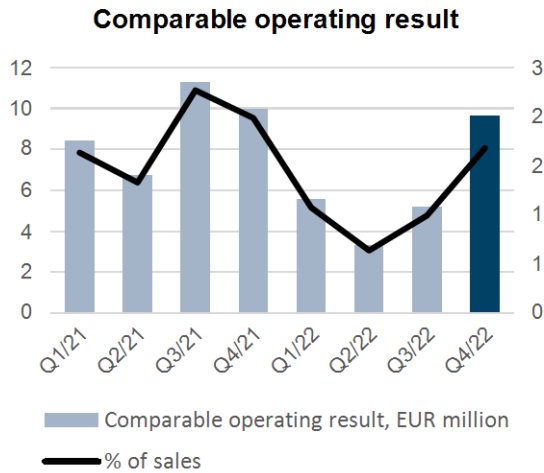
Metsä Group will publish the following financial reports in 2023:

Financial Statements Bulletin for 2022	9 February 2023
Interim Report for January–March 2023	27 April 2023
Half-Year Financial Report for January–June 2023	27 July 2023
Interim Report for January–September 2023	26 October 2023

Business areas

Wood Supply and Forest Services

	2022	2021	2022	2021
Wood Supply and Forest Services	1–12	1–12	10–12	10–12
Sales, EUR million	2,133.3	2,022.9	574.5	502.6
EBITDA, EUR million	28.2	46.9	12.4	12.6
Comparable EBITDA, EUR million	31.5	46.9	11.1	12.6
Operating result, EUR million	-10.9	36.4	11.1	10.0
Comparable operating result, EUR million	23.7	36.4	9.7	10.0
% of sales	1.1	1.8	1.7	2.0
Comparable ROCE, %	13.8	20.2	25.4	22.0
Total investments, EUR million	17.1	7.2	5.1	1.7
Personnel at end of period	745	852	745	852
Wood deliveries, 1,000 m ³	33,945	35,295	8,588	8,523



The sales of Wood Supply and Forest Services, i.e. Metsä Forest, in January–December totalled EUR 2,133.3 million (1–12/2021: 2,022.9), and the comparable operating result was EUR 23.7 million (36.4).

Metsä Forest's sales in October–December were EUR 574.5 million (10–12/2021: 502.6), and the comparable operating result was EUR 9.7 million (10.0).

Sales increased due to the slightly higher wood prices. The operating result was weakened by the winding down of the Russian wood supply organisation.

In Finland, wood trade in private forests was slow in early 2022 but picked up towards the end of the year, nearly reaching the previous year's level. Log prices took a downwards turn after increasing early in the year. Pulpwood prices saw an exceptional increase in 2022. Weather conditions were excellent for harvesting all year. In the Baltic Sea region, demand for pulpwood increased due to the discontinuation of imports from Russia and the energy crisis in Central Europe. Metsä Forest replaced Russian wood especially with Finnish

and Swedish wood, while reducing purchases in the Baltics.

Metsä Forest bought all grades of wood across Finland through standing and delivery sales. Purchase volumes remained at nearly the same level as in 2021. Demand focused mainly on felling sites to be harvested when the ground has thawed. The purchasing of energy wood focused on crown wood. The majority of wood in Finland was purchased from members of Metsäliitto Cooperative. In the thinning trade, the share of felling sites that were priced based on stem volume increased faster than the target. The sales of forest services were excellent. Customer feedback from forest owners broke a new record. Metsä Forest paid a double bonus for wood purchased from the thinning sites of owner-members between 1.5.–3.8. An early delivery bonus was paid for wood from delivery sales purchased from owner-members between 15.9.–15.12. A double bonus was paid for wood from owner members' delivery sales purchased 1.11.2022–31.1.2023.

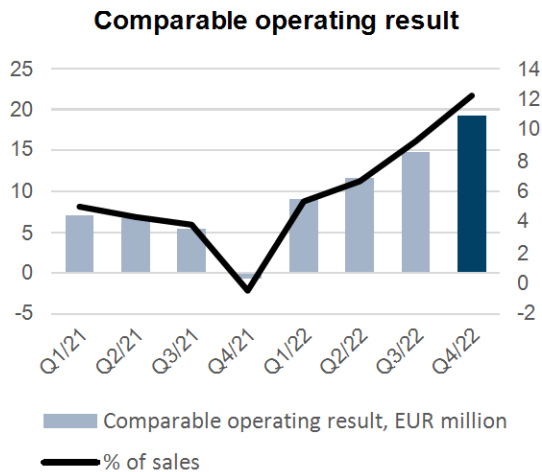
Metsä Forest's customer deliveries and preparations for the wood supply of Rauma sawmill and Kemi bioproduct mill progressed as planned. In 2022, Metsä Forest delivered a total of 33.9 million m³ (35.3) of wood to its customers. 87% was delivered to industry in Finland.

A total of 52% of the wood acquired by Metsä Forest from private forest owners was purchased digitally. In the sales of forest management services, the share was 59%. Metsä Forest established a new Kajaani procurement district, deployed a new application, based on AI and machine learning, for estimating growing stock data, and announced it was developing an AI application to help identify storm and insect damage.

In addition, the ecological sustainability programme was expanded by the decision to only purchase pine, spruce and birch, as well as aspen with a diameter less than 40 cm, in Finland.

Wood Products Industry

Wood Products Industry	2022 1–12	2021 1–12	2022 10–12	2021 10–12
Sales, EUR million	662.3	580.1	157.4	141.3
EBITDA, EUR million	76.3	38.9	25.2	4.5
Comparable EBITDA, EUR million	76.3	38.9	25.2	4.5
Operating result, EUR million	54.8	18.6	19.3	-0.7
Comparable operating result, EUR million	54.8	18.6	19.3	-0.7
% of sales	8.3	3.2	12.2	-0.5
Comparable ROCE, %	15.8	5.7	22.6	-0.7
Total investments, EUR million	19.2	28.9	7.1	11.9
Personnel at end of period	1,590	1,658	1,590	1,658
Engineered wood product deliveries, 1,000 m ³	497	535	123	136



The sales of the Wood Products Industry, i.e. Metsä Wood, in January–December were EUR 662.3 million (1–12/2021: 580.1), and the comparable operating result was EUR 54.8 million (18.6).

Metsä Wood's sales in October–December were EUR 157.4 million (10–12/2021: 141.3), and the comparable operating result was EUR 19.3 million (-0.7).

In 2022, Metsä Wood's sales improved by 14% from the comparison period. The sales of engineered wood products increased by 26%, and the sales in euros of the UK business increased by 5%. Delivery volumes decreased across all product categories and in the UK business. Sales prices rose significantly across all product categories.

The profitability of business operations improved significantly from the previous year thanks to strong demand in all product categories and across the main markets. However, increased raw material, energy and logistics prices and challenges in the availability of birch logs negatively affected profitability. The availability of birch logs was affected by the end of deliveries from Russia, leading to curtailments of birch plywood production at the Punkaharju and Suolahti mills in April. Due to the slowdown in the market situation at the end of the year, production of spruce plywood was limited in December. The coronavirus pandemic also caused disruptions in production and the supply chain in the early part of the year.

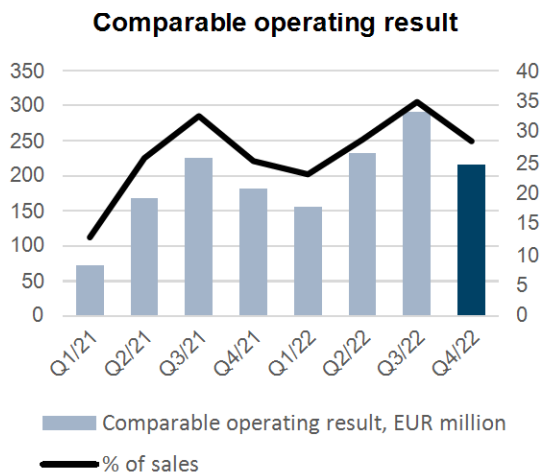
The weak market situation in the UK converting business continued in the last quarter of the year, and the full-year operating result decreased significantly from the previous year.

Metsä Wood and Quant Finland renewed their maintenance partnership contract in February. The contract covers the production units in Pärnu in Estonia, and in Lohja, Punkaharju, Suolahti and Äänekoski in Finland.

In the UK business, the number of employees was reduced in the second half of the year to match weaker demand in the market. In addition, cooperation negotiations were initiated in the UK in December with a view to closing the Grangemouth unit.

Pulp and Sawn Timber Industry

	2022	2021	2022	2021
Pulp and Sawn Timber Industry	1–12	1–12	10–12	10–12
Sales, EUR million	3,070.7	2,628.1	756.1	721.5
EBITDA, EUR million	978.9	772.5	246.2	208.8
Comparable EBITDA, EUR million	1,013.3	772.5	246.1	208.8
Operating result, EUR million	845.5	613.7	215.1	182.3
Comparable operating result, EUR million	894.1	648.2	215.4	182.3
% of sales	29.1	24.7	28.5	25.3
Comparable ROCE, %	35.0	32.6	30.7	34.2
Total investments, EUR million	1,065.0	650.7	299.2	214.9
Personnel at end of period	1,297	1,384	1,297	1,384
Pulp deliveries, 1,000 t	2,880	3,058	649	816
Sawn timber deliveries, 1,000 m ³	1,476	1,677	394	396



The sales of the Pulp and Sawn Timber Industry, i.e. Metsä Fibre, in January–December totalled EUR 3,070.7 million (1–12/2021: 2,628.1), and the comparable operating result was EUR 894.1 million (648.2).

Metsä Fibre's sales in October–December were EUR 756.1 million (10–12/2021: 721.5), and the comparable operating result was EUR 215.4 million (182.3).

The sales and operating result increased year on year, mainly due to the higher market prices of pulp, but also because of the US dollar strengthening against the euro.

The total delivery volume of Metsä Fibre's pulp was 2,880,000 t (3,058,000). The average sales prices of Metsä Group's long-fibre pulp increased in the first three quarters of the year and took a downwards turn in the last quarter. The sales prices of long-fibre pulp increased by 27% from the previous year and those of short-fibre pulp by 39%

Market pulp deliveries increased year over year.

Growth was mainly seen in hardwood pulp and unbleached pulp. Global deliveries of softwood pulp decreased due to restrictions in logistics and unplanned production losses of various pulp producers. Pulp deliveries to Europe increased, while those to China decreased. In China, domestic demand for paper and paperboard was affected by the decline in economic growth caused by coronavirus restrictions.

The total delivery volume of Metsä Fibre's sawmills was 1,476,000 m³ (1,677,000). The volume of sawn timber production was affected by the operations of the Svir sawmill in Russia being wound down in March 2022 and the Kyrö pine sawmill being closed in the third quarter. The average prices of Metsä Group's pine sawn timber increased by 5% from the previous year, and those of spruce sawn timber decreased by 8%. Sawn timber deliveries were at a good level in all the main markets in the first half of the year but became weaker in the autumn due to the slowdown in renovations and private construction.

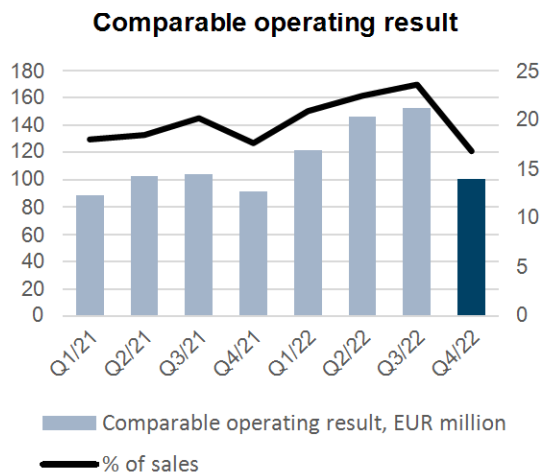
Metsä Fibre integrated the maintenance operations of its production facilities into its own organisation through a business transfer agreed with Caverion in May. The maintenance of the company's pulp mills and the Rauma sawmill was previously outsourced to Oy Botnia Mill Service Ab. In connection with the change, Metsä Fibre sold its Botnia Mill Service shares to Caverion.

The change negotiations initiated at the Kyrö sawmill in March 2022 were concluded in the second quarter, and the sawmill's production of sawn timber was wound down in August.

The operations of the Svir sawmill in Russia were wound down in early March 2022 due to Russia's attack on Ukraine.

Paperboard Industry

Paperboard Industry	2022 1–12	2021 1–12	2022 10–12	2021 10–12
Sales, EUR million	2,479.6	2,084.1	599.8	518.5
EBITDA, EUR million	614.6	466.0	111.4	108.7
Comparable EBITDA, EUR million	602.8	472.2	116.8	109.1
Operating result, EUR million	531.5	375.9	94.7	90.8
Comparable operating result, EUR million	520.7	386.6	100.8	91.3
% of sales	21.0	18.6	16.8	17.6
Comparable ROCE, %	20.9	18.7	15.5	16.1
Total investments, EUR million	304.1	220.2	77.2	86.6
Personnel at end of period	2,248	2,389	2,248	2,389
Folding boxboard deliveries, 1,000 t	1,208	1,296	285	300
White kraftliner deliveries, 1,000 t	609	627	133	143
Market pulp deliveries, 1,000 t	503	496	105	120



The sales of the Paperboard Industry, i.e. Metsä Board, in January–December were EUR 2,479.6 million (1–12/2021: 2,084.1). The comparable operating result was EUR 520.7 million (386.6). Folding boxboard accounted for 57% (57) of sales, while 25% (25) of sales came from white kraftliner, 15% (13) from market pulp and 3% (5) from other operations.

Metsä Board's sales in October–December were EUR 599.8 million (10–12/2021: 518.5), and the comparable operating result was EUR 100.8 million (91.3).

Total deliveries of paperboards were 1,817,000 (1,922,000) tonnes, of which 68% was delivered to the EMEA region, 28% to the Americas, and 4% to the APAC region. The changes in delivery volumes were due to the record sales volumes in the comparison period, the planned increase in inventories in the early part of the year, and the decrease in demand for consumer products in the second half of the year. Metsä

Board's deliveries of market pulp were 503,000 (496,000) tonnes, of which 70% was delivered to the EMEA region and 30% to the APAC region.

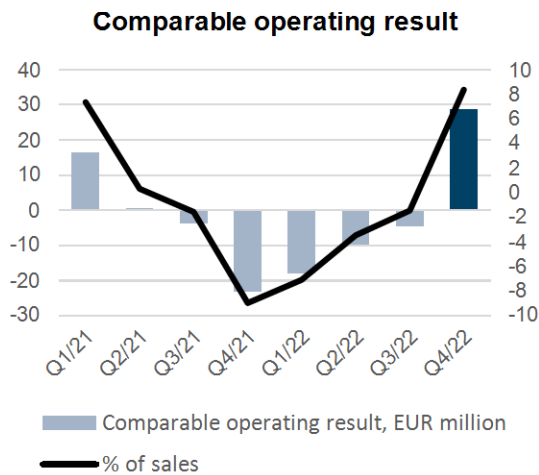
The comparable operating result improved especially due to the higher average prices of paperboard. Higher market pulp prices and the sales of by-products from pulp production also improved the operating result. On the other hand, the lower paperboard delivery volumes weakened the operating result. Exchange rate fluctuations, including hedges, had a positive impact of EUR 57 million on the operating result compared to the comparison period.

Costs increased rapidly especially in chemicals, energy and logistics. In addition, wood costs increased due to higher wood prices and harvesting and transport costs. In the paperboard business, profitability was weakened by higher pulp prices, but the overall impact of pulp on Metsä Board's result was markedly positive. Fixed costs also increased. Metsä Board's overall costs increased by approximately 20% from the previous year. Unused emissions allowances were sold for a total of approximately EUR 29 million during the year (10–12/2021: EUR 21 million). The associated company Metsä Fibre's share of Metsä Board's comparable operating result in January–December was EUR 174.7 million (123.0).

Earnings per share were EUR 1.15 (0.82), and comparable earnings per share were EUR 1.13 (0.85). The return on equity was 22.5% (19.4), and the comparable return on equity was 22.0% (20.2). The return on capital employed was 21.4% (18.2), and the comparable return on capital employed was 20.9% (18.7).

Tissue and Greaseproof Papers

	2022	2021	2022	2021
Tissue and Greaseproof Papers	1–12	1–12	10–12	10–12
Sales, EUR million	1,197.0	946.7	344.3	259.2
EBITDA, EUR million	41.7	35.9	40.3	-11.1
Comparable EBITDA, EUR million	41.2	35.9	40.3	-11.1
Operating result, EUR million	-3.0	-9.7	28.8	-23.2
Comparable operating result, EUR million	-3.4	-9.7	28.8	-23.2
% of sales	-0.3	-1.0	8.4	-9.0
Comparable ROCE, %	-0.4	-1.6	19.1	-15.5
Total investments, EUR million	50.6	63.3	19.8	30.4
Personnel at end of period	2,449	2,480	2,449	2,480
Tissue paper deliveries, 1,000 t	541	533	130	144



The sales of Tissue and Greaseproof Papers, i.e. Metsä Tissue, in January–December totalled EUR 1,197.0 million (1–12/2021: 946.7). The comparable operating result was EUR -3.4 million (-9.7).

Metsä Tissue's sales in October–December were EUR 344.3 million (10–12/2021: 259.2), and the comparable operating result was EUR 28.8 million (-23.2).

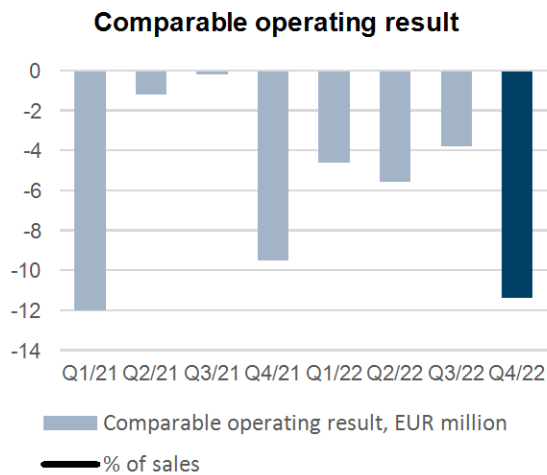
The low operating result in January–December was mainly due to high raw material and energy costs, which increased significantly over the year.

The full-year sales volumes of tissue paper products were slightly higher than in the previous year due to the increase in the volume of products for professional use. The sales of greaseproof papers continued to be strong. The operating result took a positive turn in the last quarter, but annual price increases could not adequately meet the continued rapid increase in costs.

The tissue paper business is energy intensive, and the extremely high energy prices made for a challenging business environment. In 2022, the company announced temporary production shutdowns at its mills in Central Europe due to spikes in energy prices. During the year, the company adopted several measures to strengthen its competitiveness and secure the deliveries of hygiene products on its markets.

Other operations

	2022	2021	2022	2021
Other operations	1–12	1–12	10–12	10–12
Sales, EUR million	19.8	10.0	4.8	3.2
EBITDA, EUR million	119.4	-12.6	3.4	-7.9
Comparable EBITDA, EUR million	-17.6	-16.7	-9.7	-7.9
Operating result, EUR million	111.5	-18.8	1.7	-9.5
Comparable operating result, EUR million	-25.4	-22.8	-11.4	-9.5
Total investments, EUR million	45.2	42.0	9.0	11.9
Personnel at end of period	826	769	826	769



The sales of other operations in January–December 2022 were EUR 19.8 million (1–12/2021: 10.0), and the comparable operating result was EUR -25.4 million (-22.8). The items affecting comparability in the review period are mainly related to the divestment of the holding in Finsilva Oyj.

The sales of other operations in October–December 2022 were EUR 4.8 million (10–12/2021: 3.2), and the comparable operating result was EUR -11.4 million (-9.5).

Other operations include Metsä Group head office functions, Metsäliitto Cooperative's holding operations, Metsä Group Treasury Oy, Metsä Spring Oy and Kemi Shipping Oy.

Reconciliation of items affecting comparability

Reconciliation by segment

EUR million	2022 1–12	2021 1–12	2022 10–12	2021 10–12
Operating result (IFRS)	1,301.9	873.6	315.9	221.2
Depreciation and impairment charges	334.5	340.1	69.6	67.1
EBITDA	1,636.4	1,213.7	385.5	288.3
Items affecting comparability:				
Wood Supply and Forest Services	3.3		-1.3	
Pulp and Sawn Timber Industry	34.4		-0.1	
Paperboard Industry	-11.7	6.2	5.3	0.5
Tissue and Greaseproof Papers	-0.5			
Other operations and eliminations	-97.5	-8.7	-10.0	-1.8
Total	-72.0	-2.5	-6.1	-1.3
Comparable EBITDA	1,564.4	1,211.2	379.5	287.0
Depreciation and impairment charges	-334.5	-340.1	-69.6	-67.1
Items affecting comparability:				
Depreciations and reversals	46.5	42.7	1.0	
Wood Supply and Forest Services	31.3		-0.1	
Pulp and Sawn Timber Industry	14.2	34.5	0.4	
Paperboard Industry	0.9	4.6	0.7	
Other operations and eliminations		3.7		
Comparable Operating result	1,276.4	913.8	310.9	219.8
Share of results from associated companies and joint ventures	-4.8	-2.2	-0.1	-0.8
Financial costs, net	-27.3	-39.6	-6.6	-4.9
Items affecting comparability:				
Wood Supply and Forest Services	-2.4		-1.0	
Pulp and Sawn Timber Industry	-2.0		2.5	
Paperboard Industry	0.5		0.4	
Comparable Result before income tax	1,240.3	872.0	306.1	214.1
Income tax	-271.1	-174.7	-55.7	-51.1
Items affecting comparability:				
Wood Supply and Forest Services	-1.8		0.1	
Pulp and Sawn Timber Industry	0.1	0.3	0.2	7.2
Paperboard Industry	0.3	1.9	-1.0	2.6
Tissue and Greaseproof Papers	0.1			
Other operations and eliminations	27.1	-0.7	2.6	
Comparable Result for the period	995.0	698.8	252.3	172.8

Reconciliation by expense or income

	2022	2021	2022	2021
EUR million	1–12	1–12	10–12	10–12
Operating result (IFRS)	1,301.9	873.6	315.9	221.2
Depreciation and impairment charges	334.5	340.1	69.6	67.1
EBITDA	1,636.4	1,213.7	385.5	288.3
Items affecting comparability:				
Other operating income	-124.2	-12.2	-9.6	-0.9
Change in inventories	11.9		-0.9	
Employee costs	8.1		4.6	
Other operating expenses	32.1	9.7	-0.3	-0.5
Total	-72.0	-2.5	-6.1	-1.3
Comparable EBITDA	1,564.4	1,211.2	379.5	287.0
Depreciation and impairment charges	-334.5	-340.1	-69.6	-67.1
Items affecting comparability:				
Depreciations and reversals	46.5	42.7	1.0	
Comparable Operating result	1,276.4	913.8	310.9	219.8
Share of results from associated companies and joint ventures	-4.8	-2.2	-0.1	-0.8
Financial costs, net	-27.3	-39.6	-6.6	-4.9
Items affecting comparability	-4.0		1.9	
Comparable Result before income tax	1,240.3	872.0	306.1	214.1
Income tax	-271.1	-174.7	-55.7	-51.1
Items affecting comparability	25.8	1.5	1.9	9.8
Comparable Result for the period	995.0	698.8	252.3	172.8

Items with a "+" sign = expenses affecting comparability

Items affecting the comparability of Metsä Group's net result for the period January–December 2022 totalled EUR 3.7 million. Of these, EUR -74.8 million is 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 -4.7 million to the impairment recognised in the assets of the Kyrö sawmill, EUR 3.2 million to the divestment of shares, EUR 6.6 million to the sale of shares in Suomen Metsäsijoitus Oy, and EUR -4.4 million to items related to the restructuring of Metsä Board's customer service and supply chain management.

Items with a "-" sign = income affecting comparability

Items affecting the comparability of Metsä Group's net result for the period January–December 2021 totalled EUR -41.7 million.

Quarterly data

EUR million	2022 10–12	2022 7–9	2022 4–6	2022 1–3	2021 10–12	2021 7–9	2021 4–6	2021 1–3
Sales								
Wood Supply and Forest Services	574.5	521.1	520.3	517.4	502.6	497.2	506.6	516.5
Wood Products Industry	157.4	159.9	174.5	170.4	141.3	141.8	156.2	140.7
Pulp and Sawn Timber Industry	756.1	833.7	808.3	672.6	721.5	693.1	652.3	561.1
Paperboard Industry	599.8	647.3	650.5	582.0	518.5	516.1	555.8	493.7
Tissue and Greaseproof Papers	344.3	316.7	281.3	254.7	259.2	239.4	224.5	223.6
Other operations	4.8	4.9	5.1	5.0	3.2	2.4	2.1	2.2
Internal sales	-695.5	-660.9	-617.8	-608.3	-586.1	-575.2	-555.3	-538.3
Sales	1,741.4	1,822.7	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	11.1	11.1	-38.6	5.6	10.0	11.3	6.7	8.4
Wood Products Industry	19.3	14.8	11.6	9.1	-0.7	5.4	6.8	7.0
Pulp and Sawn Timber Industry	215.1	290.6	184.4	155.4	182.3	225.9	168.0	37.6
Paperboard Industry	94.7	153.4	142.6	140.7	90.8	99.4	103.7	82.0
Tissue and Greaseproof Papers	28.8	-4.6	-9.2	-18.0	-23.2	-3.7	0.7	16.4
Other operations	1.7	-3.8	-5.6	119.3	-9.5	-0.2	-1.4	-7.7
Eliminations	-54.7	-64.9	-37.3	-70.7	-28.6	-64.7	-41.3	-8.0
Operating result	315.9	396.7	248.0	341.3	221.2	273.4	243.2	135.8
% of sales	18.1 %	21.8 %	13.6 %	21.4 %	14.2 %	18.0 %	15.8 %	9.7 %
Share of results from associated companies and joint ventures	-0.1	-0.7	-2.7	-1.3	-0.8	-0.8	2.1	-2.7
Exchange gains and losses	-4.7	4.6	-1.4	-3.0	-0.9	-0.1	-2.4	-0.3
Other net financial items	-1.8	-4.5	-9.4	-7.4	-4.0	-9.8	-10.6	-11.4
Result before income tax	309.2	396.1	234.4	329.6	215.4	262.6	232.3	121.4
Income tax	-55.7	-82.6	-62.4	-70.5	-51.1	-52.4	-47.8	-23.4
Result for the period	253.6	313.6	172.1	259.1	164.3	210.2	184.5	98.0
Comparable operating result								
Wood Supply and Forest Services	9.7	5.2	3.3	5.6	10.0	11.3	6.7	8.4
Wood Products Industry	19.3	14.8	11.6	9.1	-0.7	5.4	6.8	7.0
Pulp and Sawn Timber Industry	215.4	290.9	232.5	155.4	182.3	225.9	168.0	72.1
Paperboard Industry	100.8	152.5	145.9	121.5	91.3	104.0	102.5	88.8
Tissue and Greaseproof Papers	28.8	-4.6	-9.7	-18.0	-23.2	-3.7	0.7	16.4
Other operations and eliminations	-63.0	-67.7	-53.4	-29.4	-39.9	-64.9	-42.6	-18.9
Comparable operating result	310.9	391.1	330.2	244.2	219.8	278.0	242.1	173.9
% of sales	17.9 %	21.5 %	18.1 %	15.3 %	14.1 %	18.4 %	15.7 %	12.4 %

Calculation of key figures

Return on capital employed (%) ROCE	=	(Result before taxes + other financial expenses and exchange rate differences) per (Balance sheet total - non-interest-bearing liabilities (average))
Return on equity (%) ROE	=	(Result before taxes - income taxes) per (Members' funds (average))
Equity ratio (%)	=	(Members' funds) per (Total assets - 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 charges
Operating result	=	Result before taxes, financial income and expenses, exchange gains/losses and share of results from associated companies and joint ventures presented in IFRS profit and loss account
Total investments	=	Investments in owned and leased property and acquired businesses

Comparable key figures

According to the guidelines of the European Securities and Markets Authority (ESMA), alternative performance measures are key figures concerning historical or future financial performance, financial standing or cash flows that are not determined by the financial reporting framework applied by the company. Metsä Group's financial reporting framework consists of the IFRS standards in the form in which they were adopted by the EU in line with Regulation (EC) No. 1606/2002. 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.

Extraordinary and material items not included in ordinary business operations have been eliminated in the comparable operating result. 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 the ordinary course of business.

Financial statements

Consolidated statement of comprehensive income

EUR million	Note	2022 1–12	2021 1–12	Change	2022 10–12	2021 10–12
Sales	2,3	6,980.2	6,017.0	963.2	1,741.4	1,560.2
Change in stocks of finished goods and work in progress		141.2	-8.0	149.2	62.8	-37.4
Other operating income		204.7	85.3	119.4	44.0	51.3
Material and services		-4,559.6	-3,866.4	-693.3	-1,172.9	-1,011.2
Employee costs		-720.6	-680.4	-40.2	-188.9	-176.1
Depreciation and impairment losses		-334.5	-340.1	5.7	-69.6	-67.1
Other operating expenses		-409.4	-333.8	-75.6	-101.0	-98.5
Operating result	2	1,301.9	873.6	428.3	315.9	221.2
Share of results of associated companies and joint ventures		-4.8	-2.2	-2.6	-0.1	-0.8
Exchange gains and losses		-4.6	-3.7	-0.8	-4.7	-0.9
Other net financial items	2	-22.8	-35.9	13.1	-1.8	-4.0
Result before income tax		1,269.8	831.7	438.1	309.2	215.4
Income tax	4	-271.1	-174.7	-96.4	-55.7	-51.1
Result for the period		998.7	657.0	341.6	253.6	164.3
Other comprehensive income						
Items that will not be reclassified to profit and loss						
Items relating to adjustments of defined benefit plans		-1.4	4.2	-5.6	2.2	1.2
Fair value of financial assets through other comprehensive income		193.6	-7.7	201.4	47.8	-14.5
Income tax relating to items that will not be reclassified		-36.6	-0.9	-35.7	-10.3	1.5
Total		155.7	-4.4	160.1	39.7	-11.7
Items that may be reclassified subsequently to profit and loss						
Cash flow hedges		105.7	-15.6	121.3	99.8	-3.9
Currency translation differences		-46.6	-0.8	-45.8	-28.1	-3.6
Income tax relating to items that may be reclassified		-21.1	3.1	-24.2	-19.9	0.8
Total		38.0	-13.4	51.4	51.7	-6.7
Other comprehensive income, net of tax		193.7	-17.8	211.4	91.5	-18.4
Total comprehensive income for the period		1,192.3	639.3	553.0	345.0	145.8
Result for the period attributable to:						
Members of parent company		573.2	373.8	199.3	158.9	84.3
Non-controlling interests		425.5	283.2	142.3	94.7	80.0
Total		998.7	657.0	341.6	253.6	164.3
Total comprehensive income attributable to:						
Members of parent company		684.0	371.6	312.4	207.5	75.6
Non-controlling interests		508.4	267.7	240.7	137.5	70.2
Total		1,192.3	639.3	553.0	345.0	145.8

Notes are an integral part of this report.

Consolidated balance sheet

EUR million	Note	2022 31.12.	2021 31.12.
ASSETS			
Non-current assets			
Goodwill		418.9	431.6
Other intangible assets		271.8	229.1
Tangible assets	5.	4,625.9	3,557.8
Biological assets		3.2	3.5
Investments in associated companies and joint ventures		3.6	63.6
Other investments	9.	376.8	197.9
Other non-current financial assets	9.	87.4	39.9
Deferred tax receivables		47.0	37.7
		5,834.6	4,561.0
Current assets			
Inventories		1,237.1	1,038.3
Accounts receivables and other receivables		1,029.2	931.6
Tax receivables based on the taxable income for the period		48.9	15.1
Cash and cash equivalents	9.	1,265.0	1,334.5
		3,580.2	3,319.4
Assets classified as held for sale		0.0	11.0
Total assets		9,414.7	7,891.4
Members' funds			
Members' capital		1,438.6	1,447.1
Translation differences		-54.0	-34.2
Fair value and other reserves		835.0	706.2
Retained earnings		1,915.8	1,455.3
Members' funds		4,135.4	3,574.4
Non-controlling interests		1,565.8	1,240.3
		5,701.2	4,814.6
Non-current liabilities			
Deferred tax liabilities		390.9	302.5
Post-employment benefit obligations		59.6	86.2
Provisions	6.	12.2	11.9
Borrowings	9.	1,128.7	861.1
Other liabilities		4.7	19.1
		1,596.1	1,280.8
Current liabilities			
Provisions	6.	6.6	3.4
Current borrowings	9.	328.2	301.0
Accounts payable and other liabilities		1,714.0	1,448.9
Tax liabilities based on the taxable income for the period		68.6	35.9
		2,117.4	1,789.2
Liabilities classified as held for sale		0.0	6.8
Total liabilities		3,713.6	3,076.8
Total members' funds and liabilities		9,414.7	7,891.4

Notes are an integral part of the report.

Consolidated statement of changes in shareholders' equity

Equity attributable to members of parent company

EUR Million	Mem- bers' Capital	Transla- tion dif- ferences	Fair value and other reserves	Retained earnings	Total	Non- controlling interests	Total
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				373.8	373.8	283.2	657.0
Other comprehensive income, net after		1.7	-5.2	1.3	-2.2	-15.5	-17.8
Total comprehensive income		1.7	-5.2	375.1	371.6	267.7	639.3
Transactions with owners:							
Dividends paid				-59.0	-59.0	-18.5	-77.5
Change in members' capital	124.7			-16.0	108.7		108.7
Change in the reserve for invested unrestricted equity			0.1		0.1	-29.6	-29.5
Share based payments				-1.0	-1.0	0.6	-0.5
Acquired shares from non-controlling interests, which did not change the controlling right				-1.7	-1.7		-1.7
Sold shares from non-controlling interests, which did not change the controlling right			0.0	64.3	64.3	197.4	261.6
Members funds 31.12.2021	1,447.1	-34.2	706.2	1,455.3	3,574.4	1,240.3	4,814.6

Equity attributable to members of parent company

EUR Million	Mem- bers' Capital	Transla- tion dif- ferences	Fair value and other reserves	Retained earnings	Total	Non-control- ling interests	Total
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				573.2	573.2	425.5	998.7
Other comprehensive income, net after		-19.8	128.4	2.2	110.8	82.8	193.7
Total comprehensive income		-19.8	128.4	575.4	684.0	508.4	1,192.3
Transactions with owners:							
Dividends paid				-60.7	-60.7	-145.0	-205.6
Reimbursement of surplus	6.8			-7.8	-1.0		-1.0
Change in members' capital	-15.3		0.2	-13.0	-28.1		-28.1
Share based payments				-3.2	-3.2	0.1	-3.2
Acquired shares from non-controlling interests, which did not change the controlling right				-28.7	-28.7	-40.5	-69.3
Sold shares from non-controlling interests, which did not change the controlling right			0.1	-1.4	-1.2	2.6	1.4
Members funds 31.12.2022	1,438.6	-54.0	835.0	1,915.8	4,135.4	1,565.8	5,701.2

Condensed consolidated cash flow statement

EUR million	Note	2022 31.12.	2021 31.12.
Result for the period	8	998.6	657.1
Total adjustments	8	492.4	529.0
Change in working capital		-17.7	21.6
Cash flow from operations		1,473.3	1,207.7
Net financial items		-21.0	-31.1
Income taxes paid		-225.6	-153.7
Net cash flow from operating activities		1,226.8	1,023.0
Acquisitions		-21.1	-1.2
Investments in tangible and intangible assets		-1,449.7	-962.2
Disposals and other items	8	235.2	59.2
Net cash flow from financing activities		-1,235.5	-904.2
Change in members' funds		54.3	110.5
Change in non-controlling interest		-65.9	261.2
Change in long-term loans and other financial items		172.4	-256.2
Capital distribution		0.0	-29.6
Dividends paid		-217.1	-84.7
Net cash flow from financing activities		-56.3	1.2
Change in cash and cash equivalents		-65.1	120.0
Cash and cash equivalents at beginning of period		1,334.5	1,212.9
Translation difference		1.5	0.9
Change in cash and cash equivalents		-65.1	120.0
Value adjustments of investment funds included in cash and cash equivalents.		-5.9	0.7
Cash and cash equivalents at end of period		1,265.0	1,334.5

Notes are an integral part of the report.

NOTES TO THE FINANCIAL STATEMENTS BULLETIN

NOTE 1 – BACKGROUND AND ACCOUNTING POLICIES

Metsäliitto Cooperative and its subsidiaries comprise a forest industry group ("Metsä Group" or "Group"), the operations of which are organised into five business segments: Wood Supply and Forest Services; Wood Products Industry; Pulp and Sawn Timber Industry; Paperboard Industry; and Tissue and Greaseproof Papers. The 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 unaudited interim 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 rates on the operating profit for the review period compared to the comparison period presented in the review have been calculated on the basis of the review period's estimated net currency flow, accounting for the realised impact of hedges.

The same accounting policies have been applied as in the 2021 IFRS financial statements with the following exceptions:

- Depreciation of machinery and equipment during the financial year has been further specified between the quarters where applicable 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 financial statements bulletin.

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 Russian business operations, the Group recognised impairments and expenses totalling EUR 79.6 million in the 2022 operating result. The ruble-denominated translation differences of EUR 4.0 million accrued since June 2022 are reported under financial income and expenses.

In the second quarter of 2022, the Group recognised an impairment of EUR 38.7 million for owned and leased property and an impairment of EUR 20.7 million for inventories and receivables related to Russian business operations. The Group also recognised EUR 28.1 million in expenses for accumulated Russian ruble-denominated translation differences.

In the third quarter of 2022, the Group recognised a total profit of EUR 6.8 million in the operating result related to the discontinuation of business operations in Russia. The amount includes EUR 6.2 million of profit from the terminated lease agreements written down in June, as well as personnel cost provisions and adjustments to previously recognised impairments. Additionally, a profit of EUR 5.9 million was recognised as financial items due to translation differences accumulated since June 2022.

In the last quarter of 2022, the Group recognised a total profit of EUR 1.1 million in the operating result related to the discontinuation of business operations in Russia. The amount consists of adjustments to previously recognised impairments. Additionally, a profit of EUR 1.9 million was recognised in financial items due to translation differences accumulated since June 2022.

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

This financial statements bulletin was authorised for issue by the Board of Directors of Metsäliitto Cooperative on 9 February 2023.

NOTE 2 – Segment information

Metsä Group's operating segments comprise 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 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

	1-12/2022	1-12/2022	1-12/2022	1-12/2021	1-12/2021	1-12/2021
EUR million	External	Internal	Total	External	Internal	Total
Wood Supply and Forest Services	546.9	1,586.4	2,133.3	522.1	1,500.7	2,022.9
Wood Products Industry	643.6	18.7	662.3	560.2	19.8	580.1
Pulp and Sawn Timber Industry	2,307.3	763.4	3,070.7	2,014.3	613.8	2,628.1
Paperboard Industry	2,281.9	197.7	2,479.6	1,973.8	110.3	2,084.1
Tissue and Greaseproof Papers	1,196.2	0.9	1,197.0	946.0	0.8	946.7
Other operations	4.4	15.3	19.8	0.5	9.5	10.0
Elimination of internal sales		-2,582.5	-2,582.5		-2,254.8	-2,254.8
Total sales	6,980.2	0.0	6,980.2	6,017.0	0.0	6,017.0

Operating result by segment

	2022	2021
EUR million	1-12	1-12
Wood Supply and Forest Services	-10.9	36.4
Wood Products Industry	54.8	18.6
Pulp and Sawn Timber Industry	845.5	613.7
Paperboard Industry	531.5	375.9
Tissue and Greaseproof Papers	-3.0	-9.7
Other operations	111.5	-18.8
Eliminations	-227.6	-142.5
Operating result total	1,301.9	873.6
Share of results from associated companies and joint ventures	-4.8	-2.2
Financial costs, net	-27.3	-39.6
Income taxes	-271.1	-174.7
Result for the period	998.7	657.0

Assets and liabilities by segment

Assets	2022	2021
EUR million	31.12.2022	31.12.2021
Wood Supply and Forest Services	330.1	335.4
Wood Products Services	397.9	441.7
Pulp and Sawn Timber Industry	3,720.4	2,610.7
Paperboard industry	2,993.3	2,384.6
Tissue and Greaseproof Paper Industry	902.7	819.1
Other operations	390.5	239.5
Assest classified as held for sale		11.0
Eliminations	-441.1	-290.4
Unallocated assets	1,120.9	1,339.8
Total	9,414.7	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
EUR million	31.12.2022	31.12.2021
Wood Supply and Forest Services	292.4	239.1
Wood Products Services	90.7	98.1
Pulp and Sawn Timber Industry	661.2	525.6
Paperboard industry	529.8	508.0
Tissue and Greaseproof Paper Industry	330.3	311.1
Other operations	307.9	155.3
Liabilities classified as held for sale		6.8
Eliminations	-441.1	-290.4
Unallocated liabilities	1,942.4	1,523.3
Total	3,713.6	3,076.8

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

Note 3 - Geographical distribution of sales

	2022	2021
EUR million	1-12	1-12
EMEA	4,727.1	4,161.0
APAC	1,482.9	1,289.5
Americas	770.2	566.5
Total	6,980.2	6,017.0

Note 4 - Income tax

EUR million	2022 1–12	2021 1–12
Taxes for the period	241.4	160.1
Taxes for previous periods	0.7	11.3
Change in deferred taxes	29.0	3.2
Total	271.1	174.7

Tax expense in the income statement comprises current tax and deferred tax.

Taxes based on the taxable income for the period include the tax subsidy of EUR -7.1 million sought in the

2022 taxation for the investments of the Swedish subsidiary in 2022.

Taxes of previous financial periods in 2021 include EUR 9.6 million in taxes recognised on the basis of the tax audit conducted at Italian subsidiaries.

Note 5 – Changes in property, plant and equipment

EUR million	2022 1–12	2021 1–12
Book value at beginning of period	3,557.8	2,920.7
Acquired businesses	31.1	5.9
Investments to owned property, plant and equipment	1,377.5	935.0
Investments to leased property, plant and equipment	28.0	23.3
Decreases	-7.4	-5.5
Depreciation, amortization and impairment losses	-313.4	-319.3
Translation difference and other changes	-47.8	6.3
Transfers to assets held for sale		-8.6
Carrying value at end of the period	4,625.9	3,557.8

Acquisitions in January–December 2022 include the property, plant and equipment of Hämeenkyrön Voima Oy and the property, plant and equipment of maintenance operations for Metsä Fibre's production facilities acquired through a business transfer.

Depreciation and impairment in January–December 2022 include a EUR 35.9 million impairment for owned and leased property, plant and equipment due to the discontinuation of operations in Russia, and a EUR 5.2 million impairment for property, plant and equipment of the Kyrö sawmill due to 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 quarter 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.

The January–September 2021 impairments also include a EUR 4.6 million impairment recognised in the current paperboard production assets of Metsä Board's Husum pulp mill, which the company plans to replace in the investment to increase the mill's folding boxboard capacity.

In January–December 2021, acquired businesses include Kemi Shipping Oy and assets classified as held for sale of the tangible assets of Oy Hangö Stevedoring Ab.

Note 6 - Provisions

EUR million	Restructuring	Environmental obligations	Other Provisions	Total
1.1.	0.4	10.7	4.2	15.2
Translation differences	0.0		0.1	0.1
Additions	4.9	0.1	0.9	6.0
Utilised during the year	0.0	-1.1	-1.0	-2.2
Unused amounts reversed	-0.2	-0.1	0.0	-0.3
31.12.2022	5.0	9.6	4.2	18.8
Long term provisions	0.1	9.6	2.5	12.2
Short term provisions	4.9	0.0	1.7	6.6
Total	5.0	9.6	4.2	18.8

The EUR 4.9 million increase in restructuring provisions is related to the restructuring of Metsä Board's customer service and supply chain management.

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

Note 7 - Related party transactions

Transactions with associated companies and joint ventures

EUR million	2022 1–12	2021 1–12
Sales	12.9	17.8
Purchases	91.1	114.4
Non-current receivables	2.0	0.8
Accounts receivables and other receivables	2.4	4.5
Accounts payables and other liabilities	4.9	7.2

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.

Note 8 – Notes to the consolidated cash flow statement

EUR million	2022 1–12	2021 1–12
Taxes	271.1	174.6
Depreciation and impairment charges	334.5	340.1
Biological assets	0.1	-0.2
Share of results from associated companies	4.8	2.2
Gains and losses on sale of non-current financial assets	-148.5	-32.1
Financial costs, net	27.3	39.6
Pension liabilities and provisions	-2.6	-5.3
Other adjustments	5.7	10.1
Total	492.4	529.0

Acquisitions

Acquisitions in January–December 2022 include the acquisition of the share capital of Hämeenkyrön Voima Oy (EUR -13.6 million), the acquisition of maintenance operations for Metsä Fibre's production units (EUR -5.1

million), and the recapitalisation of MI Demo Oy, a joint venture (EUR -2.3 million).

Disposals and other items

In January–December 2022, disposals and other items include the sale of shares in Oy Hangö Stevedoring Ab (EUR 24.5 million), the sale of shares in Finsilva Oyj

(EUR 131.0 million), the sale of shares in Suomen Metsäsijoitus Oy (EUR 14.1 million), the sale of the series G10 shares to Pohjolan Voima Oyj (EUR 12.0 million), and the sale of shares in Encore Ympäristöpalvelut Oy (EUR 6.2 million). Disposals and other items also include sales of intangible and tangible assets of EUR 51.0 million and other items of EUR -3.6 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 36.5 million).

Disposals and other items in January–December 2021 include the transaction price related to the divestment of Metsä Group's head office property in Tapiola, Espoo (EUR 24.5 million), sales of tangible and intangible assets (EUR 35.9 million), and other items (EUR -1.2 million). The most significant sales of fixed assets consisted of the sale of a land area unrelated to Metsä Board's business operations (EUR 8.7 million), the sale of Metsä Board's emissions allowances (EUR 21.3 million), and the sale of Metsä Wood's emissions allowances (EUR 4.4 million).

Change in non-controlling interest

Based on an authorisation by the Board of Directors, Metsäliitto Cooperative acquired Metsä Board Corporation's series B shares from the market in March 2022 for a total value of EUR 19.6 million and an average price of EUR 8.00 per share, and in November–December 2022, authorised by the Board of Directors, it acquired Metsä Board Corporation's series B shares for a total value of EUR 41.7 million and an average price of EUR 8.42 per share. EUR 5.2 million of this amount was paid in January 2023. In addition, Metsä Board Corporation acquired its series B shares from the market in October–November 2022 for a total value of EUR 7.8 million and an average price of EUR 7.82 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 completed on 4 January 2021.

Note 9 – Financial instruments

Classification of financial assets and liabilities and fair values

Financial assets 31 December 2022

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Other non-current investments	3.4	373.3		376.8
Other non-current financial assets	0.0		15.9	15.9
Accounts receivable and other receivables	4.3		936.9	941.3
Cash and cash equivalent	433.5		831.5	1265.0
Derivative financial instruments	10.6	148.8		159.4
Total carrying amount	451.9	522.2	1,784.4	2,758.4
Total fair value	451.9	522.2	1,784.4	2,758.4

Financial liabilities 31 December 2022

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Non-current interest-bearing financial liabilities			1128.7	1128.7
Other non-current financial liabilities			3.7	3.7
Current interest-bearing financial liabilities			328.2	328.2
Accounts payable and other financial liabilities			1501.5	1501.5
Derivative financial instruments	7.7	43.8		51.6
Total carrying amount	7.7	43.8	2,962.0	3,013.6
Total fair value	7.7	43.8	2,927.5	2,979.0

Financial assets 31 December 2021

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Other non-current investments	6.3	191.6		197.9
Other non-current financial assets			34.4	34.4
Accounts receivable and other receivables	4.0		878.6	882.5
Cash and cash equivalent	459.1		875.4	1,334.5
Derivative financial instruments	2.0	52.5		54.5
Financial assets related to assets held for sale			2.1	2.1
Total carrying amount	471.4	244.1	1,790.5	2,506.0
Total fair value	471.4	244.1	1,790.5	2,506.0

Financial liabilities 31 December 2021

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Non-current interest-bearing financial liabilities			861.1	861.1
Other non-current financial liabilities			8.0	8.0
Current interest-bearing financial liabilities			301.0	301.0
Accounts payable and other financial liabilities			1284.3	1284.3
Derivative financial instruments	1.9	52.2		54.1
Financial liabilities related to assets held for sale			5.5	5.5
Total carrying amount	1.9	52.2	2,459.8	2,513.9
Total fair value	1.9	52.2	2,490.3	2,544.4

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 an effective interest method. Fair values in the table are based on the present value of the cash flow of each liability or assets, calculated by market rate. The discount rates applied are between 1.0 and 6.0% (0.0–6.0). The fair values of accounts and other receivables and accounts payable and other liabilities do not materially deviate from their carrying amounts in the balance sheet.

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

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments			376.8	376.8
Financial assets at fair value, current	437.8			437.8
Derivative financial assets	6.7	152.7		159.4
Financial liabilities measured at fair value				
Derivative financial liabilities	5.0	46.5		51.6
Financial assets not measured at fair value				
Cash and cash equivalent		831.5		831.5
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		1094.2		1,094.2
Current interest-bearing financial liabilities		328.2		328.2

Fair value hierarchy of financial assets and liabilities as of 31 December 2021

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments			197.9	197.9
Financial assets at fair value, current	463.0			463.0
Derivative financial assets	36.1	18.4		54.5
Financial liabilities measured at fair value				
Derivative financial liabilities	0.1	54.0		54.1
Financial assets not measured at fair value				
Cash and cash equivalent		875.4		875.4
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		891.3		891.3
Current interest-bearing financial liabilities		301.3		301.3

Financial assets measured at fair value based on level 3

	2022	2021
EUR million	1–12	1–12
Opening balance	197.9	205.5
Gains and losses in income statement	3.3	-0.1
Gains and losses in other comprehensive income	193.6	-7.7
Acquisitions		0.4
Settlements	-18.2	-0.1
Transfers to assets classified as held for sale		0.0
Closing balance	376.6	197.9

Financial assets and liabilities measured at fair value are classified 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 and fuel oil derivatives are measured on the basis of publicly quoted market prices (Level 1). The fair values of currency forwards and options are determined based on 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 current value of future cash flows, supported by market interest rates on 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 Oy

shares classified as a financial asset at fair value through other comprehensive income. The value of these shares 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 Oy (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. Hämeenkyrön Voima Oy merged with Metsä Board Corporation on 31 July 2022.

The average weighed capital cost applied in the calculation was 5.42% on 31 December 2022 (31 December 2021: 3.14). The acquisition cost of the Pohjolan Voima Oy shares on 31 December 2022 is EUR 33.1 million (45.0) and their fair value is EUR 340.2 million (191.6). The change in fair value was due to an update in the long-term electricity price forecast used in the share valuation model and to the increase in electricity market prices over the year.

The carrying amount of other long-term investments on 31 December 2022 is estimated to change by EUR -14.2 million, and by EUR 15.2 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 82.3 million should the energy prices applied in the fair value calculation differ by 10 percentage points from the rate estimated by the management.

Derivatives 31 December 2022

EUR million	Nominal value	Derivative assets	Derivative liabilities	Fair value net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	722.3	71.7		71.7		71.7
Interest rate derivatives	722.3	71.7		71.7		71.7
Currency forward contracts	3,912.6	76.3	46.2	30.0	0.8	29.3
Currency forward contracts	618.8	4.7	0.3	4.4		4.4
Currency derivatives	4,531.3	81.0	46.5	34.5	0.8	33.7
Oil derivatives	27.5	0.5	3.9	-3.3		-3.3
Natural gas and propane derivatives	32.7	6.2	1.2	5.0	2.1	2.9
Commodity derivatives	60.2	6.7	5.0	1.7	2.1	-0.4
Derivatives total	5,313.8	159.4	51.6	107.9	2.9	105.0

Derivatives 31 December 2021

EUR million	Nominal value	Derivative assets	Derivative liabilities	Fair value net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	766.4	5.5	10.0	-4.5		-4.5
Interest rate derivatives	766.4	5.5	10.0	-4.5		-4.5
Currency forward contracts	2,933.5	12.9	44.0	-31.1	0.2	-31.2
Currency derivatives	2,933.5	12.9	44.0	-31.1	0.2	-31.2
Electricity derivatives	5.4	5.8		5.8		5.8
Oil derivatives	17.1	3.7	0.0	3.7		3.7
Natural gas and propane derivatives	17.9	26.7	0.1	26.6		26.6
Commodity derivatives	40.4	36.1	0.1	36.0		36.0
Derivatives total	3,740.3	54.5	54.1	0.4	0.2	0.3

Note 10 - Commitments and guarantees

	2022	2021
EUR million	31.12.2022	31.12.2021
Liabilities secured by collateral	9.0	11.3
Floating charges	0.5	0.5
Chattels mortgages	0.6	0.8
Total pledges and mortgages	1.0	1.3
Leases not yet commenced to which the Group is committed		18.0
Other commitments on own behalf	8.5	22.7
Commitments on behalf of associated companies and joint ventures	0.1	0.1
Total	9.6	42.0

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

Commitments related to property, plant and equipment

	2022	2021
EUR million	31.12.2022	31.12.2021
Payments due in following 12 months	576.6	738.8
Payments due later	7.9	414.7
Total	584.5	1,153.5