METSÄ TISSUE

FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT 2022

This is an unofficial translation of the original financial statements in Finnish language

Business ID 1867831-1

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Overview

Metsä Tissue is one of the leading tissue paper suppliers in Europe to households and professionals and one of the leading greaseproof paper suppliers globally. Our tissue papers are essential security of supply products that help tens of millions of people take care of their daily hygiene. We make sustainable high-quality toilet papers, as well as household and paper hand towels, and develop services to make everyday life more hygienic, easy and clean in an environmentally sustainable way.

The greaseproof paper products developed for cooking, baking and food packaging are designed for the changing needs of the global food and packaging industry and for home cooking.

The company's strong position in the consumer market is based on the reliable Lambi, Serla, Mola, Tento and SAGA brands. In the professional market, Metsä Tissue operates under the Katrin brand. In addition to its own brands, Metsä Tissue develops and manufactures private-label products for leading European retailers.

Metsä Tissue's value proposition is to make everyday life cleaner, and its vision is to be the preferred partner to customers in sustainable business operations. The cornerstones of the company's strategy are operating close to customers and providing them with local services by offering them the hygiene solutions of the future, based on the sustainable use of renewable northern wood. Operations are carried out alongside the continuous improvement of industrial and material efficiency, and the environmental performance of mills. The company's competitive edge lies in a unique and sustainable value chain, extending from responsibly produced raw material all the way to the end products. It also relies on the company's own strong brands and premium products, delivery reliability and reliable customer service. We are committed to developing a diverse, equal and inclusive culture in which everyone has the opportunity to succeed at work and be an equal member of the workplace community. Equality and non-discrimination are important principles for us and an integral part of our ethical operating culture.

Metsä Tissue's production units are located in Finland, Sweden, Germany, Poland and Slovakia. The company is part of Metsä Group, a forerunner in the circular bioeconomy, which produces sustainable and recyclable products from northern wood for the needs of the global population.

Sales and result

The sales of tissue and greaseproof papers, i.e. Metsä Tissue, in January–December totalled EUR 1,197.0 million (2021: 946.7). The comparable operating result was EUR -3.4 million (-9.7). The low operating result is mainly due to high raw material and energy costs, which increased significantly during the year.

Full-year sales volumes of tissue paper products were slightly higher than in the previous year, as volumes of products for professional use increased. Sales of greaseproof papers continued to be strong. The operating result turned positive in the last quarter, but year-on-year price increases were insufficient to cover the continued strong cost increases. As a result, the operating result for the full year was negative.

During the financial period, an item of EUR 0.5 million affecting the comparable operating result was reported in relation to the gain on the sale of shares in Encore Environmental Services Ltd (2021: -0.0).

EUR million	2022	2021	2020
Sales	1,197.0	946.7	1011.9
Operating profit	-3.0	-9.7	115.9
Operating profit, %	-0.2	-1.0	11.5
Comparable operating profit	-3.4	-9.7	113.8
Comparable operating profit, %	-0.3	-1.0	11.2
Return on capital employed, %	-0.3	-1.6	20.1
Comparable return on capital employed, %	-0.4	-1.6	19.8
Equity ratio, %	50.7	55.4	35.6
Return on equity, %	-0.1	-3.2	27.6
Comparable return on equity, %	-0.1	-3.2	27.0

Financial position

At the end of the year, Metsä Tissue's net interest-bearing liabilities amounted to EUR 41.4 million (2021: -36.1, 2020: 114.1). The equity ratio was 50.7% (55.4 and 35.6). Net financial expenses were EUR 2.1 million (10.1 and 9.5). Metsä Tissue has also financed its investments through lease liabilities. The share of interest expenses related to lease liabilities accounted for approximately EUR 0.9 million of financial expenses in 2022.

Investments and other important developments

Metsä Tissue continued to develop its business with the aim of improving the product portfolio of tissue and greaseproof papers and production efficiency in accordance with its strategy.

The implementation of the Future Mill programme also continued in 2022, with the aim of world-class environmental performance in tissue paper production. In November, the Vänersborg Land and Environment Court (Mark- och miljödomstolen vid Vänersborgs tingsrätt) in Sweden granted Metsä Tissue an environmental permit for the renewal and expansion of the Katrinefors tissue paper mill in Mariestad. The next step is to prepare Metsä Group's investment decision, , which can be made during the first half of 2023.

In 2022, the tissue paper machine at the Mänttä mill was renewed, which resulted in a substantial improvement in the energy and production efficiency of the machine and increased the mill's production capacity. The renewal will also allow product quality to be developed to meet the expectations of consumer customers in particular. The tissue paper machine will be used to produce fresh fibre-based tissue products targeted at the Finnish market.

Metsä Tissue has previously announced plans to make a significant investment in a new tissue paper mill in the UK. The new tissue paper mill would have an annual production capacity of 240,000 tonnes and is planned to be built in phases over a period of ten years. A site survey is currently underway.

The tissue paper business is energy intensive, and the very high energy prices made the operating environment challenging. During 2022, the company announced temporary production shutdowns at its Central European mills due to spikes in the energy price. During the year, the company took several measures to strengthen its competitiveness and to secure the supply of hygiene products to its markets.

Total investments in 2022, including leasing items, were EUR 50.6 million (2021: 63.3 and 2020: 53.1).

Sustainability

Sustainability and responsibility play a key role in Metsä Tissue's business. In June, Metsä Tissue achieved the highest Platinum-level recognition in EcoVadis's sustainability and corporate social responsibility assessment for the third consecutive year. Metsä Tissue is in the top 1% of all companies assessed by EcoVadis.

In the spring of 2019, Metsä Tissue announced its new strategic sustainability targets, extending to 2030. They are in line with the Group's targets, which focus on considering forest growth, biodiversity, climate and the environment, offering sustainable alternatives, and creating well-being. Following the Group's objectives, Metsä Tissue aims to achieve a safe and accident-free working environment, fossil-free mills and raw materials, and the efficient utilisation of production side streams and process water. The company also wants to ensure the responsibility of the supply chain and the traceability of raw materials. Metsä Tissue's own sustainability targets also include fossil free packaging and reducing the emissions from logistics.

In 2022, Metsä Tissue advanced its target of fossil free mills by starting the testing of wood pellets in energy production at the Kreuzau mill, for example. To contribute to the objective of 100% utilisation of side streams at the Kreuzau mill in Germany, ash from energy production is now used in the cement industry, which means that Kreuzau can utilise all its production side streams. To increase the transparency of its climate work, Metsä Tissue participated for the first time in the CDP (Carbon Disclosure Project) environmental data scoring and disclosure process for climate information.

In the development of safety at work, Metsä Tissue's goal is zero accidents. During 2022, systematic safety work continued, with positive results. All the company's mills focused on the prevention of hand-related injuries and continued the implementation of a lockout-tagout procedure (LOTO) to prevent accidental start-ups at all Metsä Tissue mills.

Metsä Tissue uses fresh and recycled fibre and a combination of these for its tissue paper products to meet customer needs in terms of the products' quality and functionality. In recent years, more than half the fibre used has been fresh fibre. For greaseproof paper products, only fresh fibre is used. The majority of fresh fibre comes from Metsä Group companies that purchase their wood from Metsä Forest. This ensures the supply of responsibly produced, pure premium raw material from local sources, making Metsä Tissue a unique player in the European tissue paper market. The wood we use is always traceable, and it comes from sustainably managed and certified or controlled forests. Recycled fibre comes from sources such as office waste paper. Metsä Tissue requires its suppliers to commit to Metsä Group's Code of Conduct. Going forward, Metsä Tissue will increasingly focus on increasing fresh fibre-based production to improve the reliability of deliveries to customers, especially when energy prices are high, and the availability of recycled fibres remains a challenge.

Metsä Tissue's strong position as a responsible operator located close to the markets will continue to be an important success factor. The company's mills are located close to its main markets. The products are manufactured as close to the customers as possible, decreasing the carbon dioxide emissions caused by transportations and their costs. The product portfolio is also being harmonised to make storage and transportation as efficient as possible.

The main raw materials used in Metsä Tissue's tissue and greaseproof paper products are renewable. The products are biodegradable, and they can be composted or sorted into waste-to-energy containers. Tissue and greaseproof paper products are safe for people and the environment. Substances suitable with respect to the end use of the products are used in the production processes under the relevant restrictions. Metsä Tissue's products meet the EU's requirements for food contact paper, which state that the paper must not release any substances that are detrimental to human health or change the sensory properties of food. This is ensured by observing process hygiene, performing regular product tests, and verifying the acceptability of the raw materials from suppliers. Metsä Tissue only buys chemicals from responsible suppliers who observe Metsä Group's Supplier Code of Conduct. The mill personnel have been trained to handle chemicals safely and appropriately.

Most of Metsä Tissue's products carry the Nordic Swan Ecolabel, the EU Ecolabel or the German Blauer Engel ecolabel, which are indications that the products meet strict environmental criteria throughout their life cycles. The production processes of ecolabelled products also account for any requirements the labels set for chemicals, for example.

All Metsä Tissue mills have quality, environmental and energy efficiency systems certified in accordance with the criteria of the ISO 9000, ISO 14001 and ISO 50001 standards. Most of the mills also have the occupational health and safety management system certificate OHSAS 18001 or ISO 45001. Management systems for the chain of custody of fibre raw material, certified according to the requirements of the PEFC and FSC forest certification standards, are used at all mills to ensure the traceability of wood-based raw material.

Metsä Tissue's sustainability key figures will be reported as part of Metsä Group's Sustainability Report 2022, which will be published in English and Finnish at the end of February on Metsä Group's website at https://www.metsagroup.com/en/Sustainability/Pages/default.aspx..

Product development and marketing

Metsä Tissue's own strong brands play an important role in its strategy. In 2021, the company launched updated marketing concepts for its consumer brands Lambi, Serla and Tento and the Katrin professional customers brand, and the implementation of the concepts continued in 2022. Long-term marketing activities are being carried out to increase the value of the brands. For consumer brands, the focus in 2022 was on reaching consumers through media and in-store visibility to communicate the new brand concepts. For the professional brand Katrin, the implementation of the popular Katrin Academy customer training concept continued, as well as the development of digital visibility and tools like the Katrin CO_2 calculator. The websites of all brands were redesigned during the year.

Sales of all brands developed positively in terms of value compared to the previous year.

Lambi continued to be the most popular tissue paper brand in the Nordic countries in 2022. The brand pursued a broad group of consumers through media advertising in the Nordic and Baltic countries through the new 'Natural softness' marketing concept. Serla continued to develop positively, using the 'Smart Choice' message in its marketing communications.

The launch of the Lambi brand in the Polish consumer market started in 2021 and continued in 2022, alongside with a more tactical parallel use of the Mola brand to respond to changes in consumer behaviour in a challenging market and inflationary environment. Similarly, in the southern countries of Eastern Europe, the Tento brand was supplemented by Family by Tento products.

The demand for greaseproof papers continued to be strong worldwide and the demand for professional branded hygiene products in particular strengthened. The development of the consumer market levelled off slightly after the strong growth of the pandemic years. The market share of SAGA products in Finland remained at the level of previous years. The strongest focus in product development was on new products of the food packaging segment. Cost inflation increased to an exceptionally high level during the year, impacting profitability.

Business risks

At Metsä Tissue, risk management means systematic and proactive measures that analyse and manage opportunities and threats related to business. Strategic, operational, financial and damage risks are assessed in accordance with Metsä Group's risk management policy. Identified risks are prepared for appropriately. Metsä Tissue bears part of the risks itself, and part is covered selectively through insurance and derivative contracts and other contractual terms, for example.

Metsä Tissue's most significant strategic risks involve the development of the competitive environment and the success of key investments. The war in Ukraine has also increased political risk, mainly related to the availability of raw materials and price increases. The most important operational risks are related to the availability and price of key production inputs such as raw materials and energy and the ability to attract and retain skilled personnel. Significant increases in raw material and energy prices, which started in 2021, accelerated in 2022 as a result of the war in Ukraine. This has been met by price increases, but these have not been sufficient to cover the increased costs.

The most notable financial risks are changes in exchange rates and interest rates, the availability of liquidity and customers' credit risks. At present, Metsä Tissue's external financing arrangements are limited, so the company's financial risks are low. Damage risks that pose a threat to Metsä Tissue's operations include natural phenomena, fires, and safety-at-work and environmental risks as well as infectious disease risks.

Organisation and personnel

The number of Metsä Tissue's employees in 2022 remained at the previous year's level. In 2022, Metsä Tissue employed an average of 2512 people (2021: 2541 and 2020: 2558). At the end of the year, the personnel numbered 2449 (2021: 2480 and 2020: 2504). The parent company had an average of 430 employees (2021: 432 and 2020: 440). At the end of the year, the parent company's personnel numbered 397 (2021: 412 and 2020: 426).

Salaries and remuneration paid to the Group's personnel totalled EUR 118.1 million (2021: 112.9 and 2020: 114.0). Salaries and remuneration paid by the parent company totalled EUR 24.4 million (2021: 21.7 and 2020: 21.1).

The coronavirus pandemic still dominated the early part of 2022. As in the previous year, the start of 2022 Metsä Tissue continued its strict preventive measures to ensure the personnel's health and safety and secure the continuity of operations. At the beginning of 2022, coronavirus infections occurred among Metsä Tissue employees, but restrictions were lifted in May 2022. Despite the restrictions being lifted, all Metsä Tissue countries of operation have continued to monitor the Covid-19 situation and maintain the readiness to respond quickly to a potentially worsening infection situation.

In 2022, the development measures based on the previous year's personnel survey were implemented, focusing on strengthening the personnel's opportunities to exert influence and the improvement of internal collaboration and the performance of the organisation. In addition, Metsä Tissue conducted an ethics barometer in the spring of 2022 to determine how the Metsä Group's ethical operating principles is perceived to work in practice. The response rate to the survey was good, at 58.9% (2020: 61.1%). Metsä Tissue's ethics index was 85.4, a significant improvement on 2020 (83.6). Metsä Tissue's results were also better on average than those of Metsä Group's other equivalent business areas. Key development areas included cooperation and respect for people, raising awareness and reporting unethical activities. Unit-specific action plans to strengthen the identified development areas were completed in November 2022.

The efforts to develop safety at work continued on the basis of previous years' work. The total recordable incident frequency (TRIF) for 2022 fell from in the previous year 4.9 to 3.4. Sickness absence 6.1% increased from 5.7% from the previous year.

Metsä Tissue's European Works Council and Working Committee both convened twice during the year. The main themes of the meetings were the coronavirus pandemic, safety at work, the ethics barometer and its results, and the business situation. In October 2022, Metsä Tissue's EWC visited the Mariestad mill.

Changes in the Management Team

There were no changes in Metsä Tissue's Management Team in 2022. The Management Team's members are: Esa Kaikkonen, CEO; Jari Tiura, Senior Vice President, Operations and Technology; Jani Sillanpää, Senior Vice President, Nordics; Tobias Lüning, Senior Vice President, Central Europe; Mika Paljakka, Senior Vice President, UK & Ireland; Johanna Kesti, Senior Vice President, Marketing, Communications and Sustainability; Mariusz Jedrzejewski, Senior Vice President, Business Development; Juha Pilli-Sihvola, CFO; and Jukka Oinonen, Senior Vice President, HR.

Board of Directors and auditors

Metsä Tissue Corporation was established on 10 December 2003. The members of the company's Board of Directors are Ilkka Hämälä (Chair) and Vesa-Pekka Takala. Authorised Public Accountants KPMG Oy Ab serve as the company's auditor, with Kirsi Jantunen as the principal auditor.

Board of Directors’ proposal for the distribution of profit

The company’s distributable funds are EUR 320,411,292.69. The Board of Directors proposes that no dividend be distributed for the 2022 financial period.

Breakdown of Metsä Tissue Corporation’s Share capital	2022	2021	2020
A shares (1 vote per share)	9,118,588	9,118,588	9,118,588
B shares (1 vote per share)	0	0	0
TOTAL	9,118,588	9,118,588	9,118,588

Outlook for 2023

The operating environment for the tissue paper business is currently unstable. Costs remain high, and there are challenges in the availability of raw materials. Metsä Tissue will continue to implement targeted price increases to compensate for the increased costs.

Events after the period

In February 2023, Metsä Tissue announced that it would increase production of fresh fibre-based tissue paper at its tissue paper mill in Mariestad, Sweden. The value of the investment, which will take place between 2023 and 2025, is approximately EUR 370 million, and it will increase the annual production of tissue paper from the current 75,000 tonnes to 145,000 tonnes. The expansion of the mill will include the construction of a new tissue paper machine, new converting lines, an automated warehouse and new office space.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1000 EUR	Note	01.01. - 31.12.2022	01.01. - 31.12.2021
Sales	2.2, 2.3	1 197 014	946 727
Change in stocks of finished goods and work in progress		32 961	4 182
Other operating income	2.2, 2.3	11 542	11 702
Materials and services	2.4	-919 828	-663 764
Employee costs	2.4, 3	-167 337	-160 069
Depreciation and impairment charges	2.4, 4.1, 4.2	-44 680	-45 645
Other operating expenses	2.4	-112 633	-102 871
Operating profit		-2 961	-9 738
Share of profit from joint ventures	7.1	87	241
Net exchange gains / losses	5.2	-289	-195
Other financial income	5.2	851	59
Other financial expenses	5.2	-2 685	-9 920
Profit/loss before tax		-4 996	-19 552
Income taxes	6	4 618	5 791
Result for the period		-379	-13 761
Other comprehensive income	5.1, 6		
Items that will not be reclassified to profit or loss			
Items relating to adjustments of defined benefit plans		15 729	3 349
Income tax relating to items that will not be reclassified		-3 729	-932
Total		12 000	2 417
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges		-4 966	16 671
Translation differences		-16 411	-3 825
Income tax relating to items that may be reclassified		1 000	-3 339
Total		-20 377	9 507
Other comprehensive income, net of tax		-8 377	11 924
Total comprehensive income for the period		-8 756	-1 837
Result attributable to			
Shareholders of parent company		-379	-13 761
		-379	-13 761
Total comprehensive income attributable to			
Shareholders of parent company		-8 756	-1 837
		-8 756	-1 837

The notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

1000 EUR	Note	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Goodwill	4.1	22 121	31 504
Other intagible assets	4.1	131 710	135 550
Tangible assets	4.2	370 662	370 830
Investments in associated companies	7.1	2 587	2 445
Other investments	4.3	5	775
Other non-current financial assets	5.3	2 590	1 098
Deferred tax receivables	6	13 583	4 847 *
		543 257	547 049
Current assets			
Inventories	4.4	175 451	126 239
Accounts receivable and other receivables	4.5	193 395	142 066
Derivative financial instruments	5.7	6 794	9 683
Current income tax receivables		6 284	9 787
Cash and cash equivalent	5.4	72 676	98 805
		454 600	386 580
Total assets		997 856	933 629
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to shareholders of parent company	5.1		
Share capital		91 186	91 186
Share premium account		88 242	88 242
Translation differences		-17 083	-672
Fair value and other reserves		2 048	6 014 *
Reserve for invested unrestricted equity		225 000	225 000
Retained earnings		116 072	104 987 *
		505 465	514 757
Shareholders' equity total		505 465	514 757
Non-current liabilities			
Deferred tax liabilities	6	39 480	40 018
Post employment benefit obligations	3.5	37 160	56 618
Provisions	4.7	3 109	2 619
Borrowings	5.5	28 865	33 152
Other liabilities	4.6		819
		108 613	133 226
Current liabilities			
Provisions	4.7	127	1 327
Current borrowings	5.5	87 809	30 672
Accounts payable and other liabilities	4.6	286 708	248 668
Current income tax liabilities		4 942	2 526
Derivative financial instruments	5.7	4 193	2 453
		383 779	285 646
Liabilities total		492 391	418 872
Shareholders' equity and liabilities total		997 856	933 629

The notes are an integral part of these financial statements.
* Items in the balance sheet have been corrected to reflect prior period adjustments made in the 2022 financial statements. Additional information on the corrections is presented in the statement of changes in shareholders' equity and in the note 1 Accounting principles in the notes to the consolidated financial statements.
The correction had an impact on the comparative period's figures in the notes 5 Capital structure and 6 Income taxes.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1000 EUR	Note	Share capital	Share premium account	Translation differencies	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Shareholders' equity total
		Equity attributable to shareholders of parent company						
Shareholders' equity 1.1.2021		91 186	88 242	3 820	-7 318		161 232	337 163
Correction of prior period error *				-667			-4 785	-5 452
Shareholders' equity 1.1.2021, after correction		91 186	88 242	3 153	-7 318		156 448	331 711
Result for the period							-13 761	-13 761
Other comprehensive income, net after tax	5.1,6			-3 825	13 332		2 417	11 924
Comprehensive income for the period				-3 825	13 332		-11 344	-1 837
Transactions with owners								
Dividends paid	5.1						-40 000	-40 000
Other changes in equity	5.1					225 000		225 000
Share-based payments	3.3						-116	-116
Shareholders' equity 31.12.2021		91 186	88 242	-672	6 014	225 000	104 987	514 757

In the 2022 financial statements, an error pertaining to previous financial periods was corrected. In accordance with retrospective accounting for errors pursuant to IAS 8, the error has been corrected in the opening equity on the balance sheet for 2021. The impact from the correction in the opening and closing balance sheet of 2021 was as follows: translation differences EUR -667 thousand, retained earnings EUR - 4.785 thousand and deferred tax receivable EUR -5.452 thousand. The correction had an impact on the comparative period's figures in the notes 5 Capital structure and 6 Income taxes.

1000 EUR	Note	Share capital	Share premium account	Translation differencies	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Shareholders' equity total
		Equity attributable to shareholders of parent company						
Shareholders' equity 1.1.2022		91 186	88 242	-672	6 014	225 000	104 987	514 757
Result for the period							-379	-379
Other comprehensive income, net after tax	5.1, 6			-16 411	-3 966		12 000	-8 377
Comprehensive income for the period				-16 411	-3 966		11 621	-8 756
Transactions with owners								
Dividends paid	5.1							
Other changes in equity	5.1							
Share-based payments	3.3						-536	-536
Shareholders' equity 31.12.2022		91 186	88 242	-17 083	2 048	225 000	116 072	505 465

The notes are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

1000 EUR	Note	1-12/2022	1-12/2021
Cash flow from operating activities			
Result for the period		-379	-13 761
Adjustments to the result for the period 1)		39 440	48 172
Interest received		775	63
Interest paid		-2 682	-7 864
Dividends received		82	
Other financial items, net		-578	1 596
Income taxes paid		-1 031	-13 442
Change in working capital 2)		-60 748	11 292
Net cash flow from operating activities		-25 121	26 056
Cash flow arising from investing activities			
Acquisition of shares in joint ventures		-81	
Investments in tangible and intangible assets		-43 575	-53 170
Proceeds from disposal of other shares		1 282	
Proceeds from sale of tangible and intangible assets		494	366
Change in non-current receivables		-1 719	-76
Net cash flow arising from investing activities		-43 598	-52 881
Cash flow arising from financing activities			
Payments of non-current liablities	5.5	-10 844	-235 806
Change in current liabilities	5.5	57 350	21 906
Change in current interest-bearing liabilities	5.5	-3 889	976
Other changes in equity			225 000
Dividends paid			-40 000
Net cash flow arising from financial activities		42 617	-27 924
Change in cash and cash equivalents		-26 102	-54 748
Cash and cash equivalents at beginning of period		98 805	153 548
Translation difference in cash and cash equivalents		-29	5
Changes in cash and cash equivalents		-26 102	-54 748
Cash and cash equivalents at end of period		72 676	98 805

Notes to the consolidated cash flow statement

1000 EUR		1-12/2022	1-12/2021
1) Adjustments to the result for the period			
	Taxes	-4 618	-5 791
	Depreciation and impairment charges	44 680	45 645
	Share of result in associated and joint ventures	-87	-241
	Gain and losses on sale of fixed assets	-883	56
	Finance costs, net	2 123	10 056
	Pension liabilities and provisions	-2 153	-2 312
	Other adjustments	378	759
		39 440	48 172
2) Change in working capital			
	Change in inventories	-51 698	-11 550
	Change in accounts receivable and other receivables	-54 992	-6 969
	Change in accounts payable and other liabilities	45 942	29 811
		-60 748	11 292

The notes are an integral part of these financial statements.

1 Accounting principles

General information

Metsä Tissue Oyj is a Finnish public company and have been owned by Metsäliitto Cooperative in the end of reporting period 31.12.2022. The company is domiciled in Helsinki.

Metsä Tissue is a growing consumer goods company that manufactures tissue and greaseproof papers for consumers and large-scale consumers. The company is the world's leading supplier of greaseproof paper products. The company enjoys a strong position on the consumer and away-from-home markets both as a supplier of its own brands – Lambi, Serla, Mola, Tento, Katrin and SAGA – and private label products. The company's production plants are based in Finland, Sweden, Germany, Poland and Slovakia.

Metsä Tissue Oyj is Group's parent company that is domiciled in Helsinki. The registered address of the company is Revontulenpuisto 2A, 02100 Espoo.

The copy of the annual report can be obtained in company's head office Revontulenpuisto 2A, 02100 Espoo Finland.

The Group consolidated financial statements were authorized for issue by the Board of Directors on 9 February 2023. According to Finnish Companies Act shareholders have possibility to accept or reject the financial statements in General Meeting of shareholders after date of publication. General Meeting of shareholders also has the possibility to decide to change financial statements.

Accounting principles

Metsä Tissue's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), applying the standards and interpretations that had been approved by the EU and were effective on 31 December 2022. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and Community legislation supplementing the IFRS rules.

The consolidated financial statements are presented in thousands of euros.

These financial statements have been prepared based on original acquisition costs, excluding financial assets recognized at fair value, hedged items in fair value hedging, assets and obligations related to defined benefit plans and share-based payments measured at fair value.

In the 2022 financial statements, an error pertaining to previous financial periods was corrected. The error was due to the incorrect treatment of deferred tax receivable. In accordance with retrospective accounting for errors pursuant to IAS 8, the unnecessary deferred tax receivable resulting from the error has been corrected in the opening equity on the balance sheet for 2021. The impact from correcting the error to the opening balance sheet was as follows: deferred tax receivable EUR -5.452 thousand and equity EUR -5.452 thousand. The error did not have any effect on the result for 2021 and 2022, nor did it have any cash flow effect. Correcting the error has only a minor effect on the key figures for previous periods presented in the financial statements dated December 31, 2022, and they have therefore not been adjusted. Correcting the error does not have a far-reaching impact on the total balance sheet position, thus no a third balance sheet is separately presented for the correction.

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. In 2022 and 2021, no major revenue was accumulated from the sales of products created by the use of an unfinished tangible asset.

Other amendments to the standards have no impact on the consolidated financial statements.

Adoption of new and amended standards in future financial years

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

Other amendments to the standards have no impact on the consolidated financial statements.

Transactions in foreign currency

The items included in the financial statements of Group companies are presented in the currency that is used in each company's primary operating environment. The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Business transactions denominated in foreign currencies are recognised in the operating currency using the exchange rate on the transaction date. At the end of the financial period, open receivables and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate on the balance sheet date. Since March 2022, the rate used for the Russian ruble is the closing rate for EUR/RUB published by Refinitiv, which management considers to best represent the market rate for the time. Any gains or losses resulting from transactions in foreign currencies and from the translation of monetary items are recognised in financial income and expenses.

More information about currency hedging is provided in Note 5.6 Management of financial risks.

The income statements of Group companies whose functional currency is not the euro are translated into euros using the average exchange rates of the financial period, and their balance sheets are translated using the exchange rates on the balance sheet date. Changes in translation differences arising from the translation of Group companies' income statements and balance sheets and from the translation of net investments in foreign entities are recognized in the consolidated comprehensive income statement. In conjunction with divestments of Group companies, either by selling or by dissolving, translation differences accumulated by the time of the divestment are recognized in the income statement as part of the gain or loss from the divestment.

Other accounting principles

Other accounting principles are presented as part of the relevant notes.

Key estimates and judgements

The preparation of financial statements requires the use of the management's estimates, assumptions and judgement-based decisions that affect the amount of assets and liabilities, the presentation of contingent assets and liabilities in the financial statements, and the amount of income and expenses. Even though such estimates and assumptions are based on the management's best knowledge at the time they were made, it is possible that the actual values differ from those used in the financial statements. In terms of the financial statements, the key areas that involve the management's estimates and judgement-based decisions are presented in the following notes:

Key estimates and judgements	*Notes*
Pension obligations	3.5 Pension obligations
Intangible assets and impairment testing	4.1 Intangible assets
Property, plant and equipment and leases	4.2 Property, plant and equipment
Valuation of inventories	4.4 Inventories
Valuation of sales receivables	4.5 Accounts receivable and other receivables
Provisions	4.7 Provisions
Income taxes	6 Income taxes

2. Profitability

2.1. Segment information

Metsä Group's operating segments are comparised of the Group's business areas. Metsä Tissue is Metsä Group's tissue and greaseproof papers operating segment.

Tissue and greaseproof papers
Metsä Tissue innovates tissue paper products and services that make everyday life a touch softer, easier and cleaner, in an environmentally sustainable manner. Metsä Tissue is one of the Europe's leading tissue paper producers catering to house-holds and away-from-home customers and the world's leading supplier of greaseproof papers used mainly in cooking and serving food. The company's brands are Lambi, Serla, Mola, Tento, Katrin and SAGA.

2.2. Sales

Accounting principles
Performance obligations arising from the Group's sales contracts are mainly order-driven customer deliveries related to the sale of forest industry goods. Services mostly have an ancillary role in the Group’s business operations, or they complement deliveries of goods.

The transaction price is the amount that the Group expects to receive in exchange for a fulfilled performance obligation. This amount, less sales-based value added taxes and sales taxes, is presented as the Group’s sales. The prices received by the Group are divided into a fixed part and a variable part. The variable part consists of various discounts based on, among other things, payment terms and purchased quantities, and is allocated by the Group as deductions from sales revenue in line with estimates of the extent of the discount the customer is deemed to be entitled to. The Group's sales contracts mostly include obligations solely related to deliveries of goods, to which the allocation of the transaction price is uncomplicated. The terms of payment applied in the Group’s sales invoicing vary to some degree geographically and in different business areas, but the term of payment provided is nonetheless always clearly less than a year, and the transaction price does not include a financing component.

The Group recognises revenue from the sale of goods in the period during which the control of the delivered products passes to the customer, i.e. when the risks and benefits related to the sold products transfer to the customer. Services are recognised as income over time.

Control to products transfers at the point of time when the products have been delivered in accordance with the agreed term of delivery. The Incoterms 2010 delivery terms most commonly applied by the Group and the corresponding times of sales income recognition are:

D terms:	Delivery of goods to the buyer at the agreed destination at the agreed time.
C terms:	Handing over the goods to be transported to the agreed destination by a carrier arranged for by the seller.
F terms:	Handing over the goods to a carrier arranged for by the buyer.

The Group sees geographical distribution of sales as describing best the nature, amount, timing and uncertainty of sales revenue.

Sales by geographical areas

1000 EUR	2022	2021
EMEA		
Finland	120 836	105 734
Other EU countries	845 007	651 227
Other Europe countries	184 333	154 642
Middle-East and Africa	6 295	3 653
EMEA total	1 156 470	915 256
APAC	20 183	16 928
Americas	20 361	14 542
Sales total	1 197 014	946 727

2.3. Other operating income

1000 EUR	2022	2021
Service revenue	3 655	2 652
Gains on disposals	883	297
Rental income	291	510
Government grants and compensations	5 035	5 057
Sales of scrap and waste	729	974
Others	950	2 212
Total	11 542	11 702

Gains on disposals

1000 EUR	2022	2021
Measurement of Encore Ympäristöpalvelut Oy	481	
Others	402	297
Total	883	297

The government grants and compensations relate to the compensation for training, healthcare and research costs, insurance indemnities and energy aid.

In 2021, other operating income includes EUR 1 077 thousand related to repayment of incurance premiums.

2.4. Other operating expenses

1000 EUR	2022	2021
Materials and services		
Raw materials and consumables		
Purchases during the financial period	828 087	574 613
Change in inventories	-18 740	-7 519
External services		
Logistics expenses	83 302	71 387
Other external services	27 179	25 284
Materials and services, total	919 828	663 764
Employee costs	167 337	160 069
Depreciations and impairment charges	44 680	45 645
Other operating expenses		
Purchased services	52 107	47 888
Rents and other property costs	7 766	6 607
Other operating expenses	52 760	48 376
Other operating expenses, total	112 633	102 871

Information on employee costs is presented in Note 3.1 and information on depreciations and impairment charges in Notes 4.1 and 4.2.

Among other operating expenses are energy costs, marketing and advertising costs and administrative expenses.

The Group's research and development expenses recorded as an expense in 2022 were EUR 2 019 thousand (2021, EUR 2 111 thousand).

Audit fees

The fees of the group’s auditor KPMG

1000 EUR	2022	2021
Audit fees	418	363
Auditor's opinions	2	
Tax services	4	
Other services	53	136
Total	477	499

In 2022, fees paid to other auditors than KPMG were EUR 379 thousand (2021, EUR 285 thousand).

3. Remuneration

3.1 Personnel costs

1000 EUR	2022	2021
Wages and salaries	117 734	112 095
Share-based payments	378	759
Pension costs		
Defined benefit plans	771	1 298
Defined contribution plans	8 729	5 181
Other indirect employee costs	39 724	40 735
Personnel costs, total	167 337	160 069
Number of employees at the end of financial year	2 449	2 480

3.2 The management's salaries, remuneration and pension expenses

The Group's key management includes members of the Board of Directors as well as the Executive Team, including the CEO of the parent company.

The salaries, remunerations and pension expenses paid to key management

1000 EUR	2022	2021
The CEO		
Wages and salaries	505	559
Share-based payments (long-term remuneration)	348	313
Pension costs		
Defined benefit plans	154	134
Defined contribution plans	98	100
Board members and executive group		
Wages and salaries	1 804	1 474
Share-based payments (long-term remuneration)	807	451
Pension costs		
Defined benefit plans	14	4
Defined contribution plans	82	191
Total	3 812	3 228

The CEO of Metsä Tissue's parent company Esa Kaikkonen has a separate defined benefit pension plan, according to which the age of retirement is 62 years. Based on the supplementary pension plan, the CEO's pension level is a maximum of 60 percent of the total salary under the Employment Pension Act calculated on the basis of the five-year period preceeding retirement. If the employment relationship with Metsä Group ends before retirement age, the CEO is entitled to a paid-up policy. In the event of termination and change of control of the company, the CEO is entitled to receive a compensation equal to his 12-month salary. The period of notice is 6 months.

The amount of the defined benefit pension is the paid pension and not the recognized IAS 19 figure.

Key management had no loans outstanding from the company and there were no guarantees given on behalf of key management.

3.3 Share-based payments

Accounting principles
Share-based incentive programmes in which the payments are made with equity instruments and cash have been established for the company's top executives. The Group's share-based incentive schemes are treated in full as arrangements to be taken care of in shares. The incentives granted are measured at fair value on the grant date, and recognised as expenses in the income statement and equity evenly over the vesting period.

The effect on profit of the incentive programmes is presented under personnel expenses.

The Group had one incentive scheme during the review period: Performance-based share incentive scheme 2017-2021 which Board of Directors decided to adopt 10.1.2017 as part of key personnel's incentive and commitment arrangement.
The effect of the share incentive scheme on net result 2022 was EUR 378 thousand (2021, EUR 759 thousand).

Performance-based share-based incentive scheme 2017-2021
The arrangement offers the target group an opportunity to receive Metsä Board Corporation's B shares in three performance periods of three calendar years each as a reward for achieving the targets set for the periods' performance criteria. The performance periods are the calendar years 2017-2019, 2018-2020 and 2019-2021.
The reward for an performance period is paid based on the achievement of the targets set for the performance criteria in March (estimate) following the performance period. In addition to the shares, the reward includes a cash portion, which covers the taxes and tax-like payments resulting from the reward to the key employees. The reward will not be paid if the person's employment is terminated before the end of the earning period.
In addition, the scheme includes a two-year commitment period. If the key employee's employment ends during the commitment period, the key person must, as a rule, return the delivered shares to the company free of charge.
A cap is set for total employee compensation based on each plan participant's salary and the part exceeding the cap is not paid.

Based on the fulfillment of the criteria for the earning period 2019-2021 performance period, a total of 75,900 Metsä Board Corporation's B-shares were paid, as well as a cash portion to cover the taxes and tax-like charges incurred from the reward at the time of the transfer.

Metsä Tissue's long-term remuneration system 2020-2024 is explained in Note 3.4 Other long-term remuneration.

Basic information and events of share-based incentive schemes

31.12.2022	Performance-based share incentive scheme 2017-2021
Maximum numbers of shares	400 000
Criterias	Equity ratio, ROCE, EBIT
Number of persons (31 December 2022)	10
Fair value at end of financial period, EUR thousand	829
Expense 2022, share-based payment, recognised as equity, EUR thousand	378
Unpaid portion of cash-settled share-based payments, estimate, EUR thousand	
Amounts 1 January, 2022 *	
Outstanding at the beginning of period	217 124
Changes during the period	
Shares exercised	54 555
Shares expired	86 669
Amounts 31 December, 2022	
Outstanding at the end of period	75 900

* The amounts of share rewards shown in the table are net amounts, i.e. they reflect the number of shares granted on the basis of share bonuses. In addition, the reward includes a cash portion, which covers the taxes and tax-like charges resulting from the reward to the key employees at the time of payment.

3.4 Other long-term remuneration

Accounting principles
Other long-term remuneration is treated in the Group in the same manner as the bonuses included in other long-term fringe benefits.

The long-term remuneration scheme of Metsä Group for 2020–2024 is based on three-year earning periods (2020–2022, 2021–2023 and 2022–2024), each followed by a one-year restriction period. In 2022 the Board of Directors decided to change the duration of the restriction period to one year.
The earning criteria, the targets set for them at the beginning of each earning period and the executives covered by the scheme are decided by the Board of Directors. The attainment of the targets established for an earning period determines the proportion of the remuneration to be paid to the executives.
The possible reward from Metsä Group's long-term remuneration scheme for the performance periods 2020–2022, 2021–2023 and 2022–2024 are based on the development of Metsä Group's return on capital employed (ROCE, %) as specified by the Board of Directors. Minimum levels have been set for the Group's operating result (EBIT) and equity ratio. The Board is furthermore entitled to cut, partly or in full, the remuneration based on the system, provided that certain criteria related to the development of the Group's result and equity ratio are not met, or if the amount of remuneration would exceed the maximum remuneration specified for the executive concerned. In addition to meeting the earning criteria, rewarding is based on a synthetic share, whose value is calculated on the basis of the total value of Metsä Group. The maximum level of remuneration of the CEO of Metsä Tissue is 140 % of his fixed annual salary (cutter level 180 % of fixed annual salary). The maximum level of other members of the Executive Management Team of Metsä Tissue is 100 % of fixed salary (cutter level 130 % fixed annual salary).

The possible remuneration is paid in cash after the restriction period, and it includes all statutory taxes and any other tax-like levies.
If an executive's service or employment contract terminates during the earning or restriction period, the executive forfeits, as a rule, his/her right to the remuneration.

During the earning period of 2022-2024, Metsä Tissue's the long-term remuneration scheme covers 10 persons (December 2022), including all members of Metsä Tissue's Group Management Team and other executives in key positions of the group.
Based on the scheme, a total of 151,188 synthetic shares (gross) can be earned for the earning period 2020-2022, a total of 158,631 synthetic shares (gross) can be earned for the earning period 2021-2023 and a total of 155,432 synthetic shares (gross) can be earned for the earning period 2022-2024.
The value of the remuneration includes taxes and other charges at the time of payment.
The impact of other long-term remuneration schemes on the 2022 consolidated income statement was EUR 3,6 million.

3.5 Pension obligations

Accounting principles
The Group's arrangements concerning benefits following the termination of employment are either defined benefit pension plans or defined contribution pension plans. A defined contribution plan is a pension arrangement in which fixed contributions are made to a separate unit, and the Group does not have legal or constructive obligations to make additional contributions if the fund has insufficient funds to pay all benefits to all employees in accordance with its obligations in the future. All arrangements that do not meet these requirements are considered to be defined benefit plans. A defined benefit plan defines the pension benefit that the employee will receive upon retiring, the amount of which depends on factors including the employee's age, years of service and salary level, for example.

With defined benefit plans, the current value of the obligations on the end date of the reporting period, less the fair value of the assets included in the arrangement, is recognised on the balance sheet as a liability. The amount of the obligation arising from the plan is based on annual calculations by independent actuaries using the projected unit credit method. The current value of the obligation is determined using the interest rate equalling the interest rate of high-quality bonds issued by the companies as the discount rate for the estimated future cash flows. The bonds used in determining the interest rate have been issued in the same currency as the benefits to be paid, and their maturity is approximately the same as that of the corresponding pension obligation.

Actuarial gains and losses from experience verifications and changes in actuarial assumptions are recognised through items of other comprehensive income as a reimbursement or charge in equity for the period during which they have been incurred. Past service costs are recognised immediately through profit and loss.

Apart from contributions related to pension insurance, the Group does not have any other payment obligations in defined contribution plans. Obligation-based payments are allocated as expenses in accordance with accrual accounting.

Key estimates and judgements
The determination of the current value of pension obligations arising from defined benefit plans and the obligation items to be recognised as expenses during the financial period is based on the use of actuarial assumptions, which involves the management's judgement. These assumptions include the discount rate, the expected rise in salary levels, and life expectancy.

Post-employment benefits

1000 EUR	2022	2021
Liabilities in balance sheet		
Defined benefit pension plans	36 834	56 280
Defined contribution pension plans	325	338
Total	37 160	56 618

Defined pension plans

The Group has defined pension benefit plans in Germany and Sweden.

Sweden
The defined benefit pension plan in Sweden concerns officials born in 1978 or earlier. The arrangement grant old-age pension, complementary old-age pension, family pensions and disability pensions. The amount of pension depends on the salary in which the future salary increases, length of service and other important factors like changes in the labour market. are considered. The defined benefit plan in Sweden is unfunded. The obligation has a guarantee liability.

Germany
Metsä Tissue has several pension schemes in Germany that are treated as defined benefit pension plans. The arrangements grant old-age pensions, disability pensions and family pensions exceeding the statutory pension security for eligible employees, officials, senior management and former owners of the local entities. The retirement age is usually 65 years, and the amount of pension depends on the length of service. Officials and senior management are required to have a service history of minimum 10 years to receive a full pension. The employees are eligible for the pension after reaching the age of 35. The pension plans are closed. The defined benefit plans in Germany are unfunded.

The Group also has defined pension benefit plans in Norway and Slovakia.

Amounts recognised in balance sheet

1000 eur	2022	2021
Present value of funded obligations	8 463	10 118
Fair value of plan assets	-5 860	-6 159
Deficit (+)/surplus (-)	2 603	3 960
Present value of unfunded obligations	34 231	52 321
Net liabilities (+)/ net assets (-) of defined benefit plans	36 834	56 280
Defined benefit-based pension liabilities on the balance sheet, net	36 834	56 280

Changes in defined benefit obligations during 2022

	Present value of obligation	Fair value of plan assets	Total
1.1.2022	62 439	-6 159	56 280
Current service cost	832		832
Interest expense(+) and interest income	877	-82	796
Gains (-) / losses (+) on settlements	-61		-61
Items included in the income statement	1 649	-82	1 567
Remeasurements			
The return on plan assets, excl. amounts included in interest expense or - income		311	311
Gains (-) / loss from change in financial assumptions	-13 443		-13 443
Experience gains (-) /losses	-2 099		-2 099
Items included in the other comprehensive income	-15 541	311	-15 230
Translation differences	-3 087	311	-2 776
Contributions			
Employers		-416	-416
Payments from plans			
Benefit payments	-2 766	174	-2 591
31.12.2022	42 695	-5 860	36 834

Changes in defined benefit obligations during 2021

	Present value of obligation	Fair value of plan assets	Total
1.1.2021	66 463	-5 520	60 942
Current service cost	1 354		1 354
Interest cost (+) or income (-)	528	-78	451
Gains (-) / losses (+) on settlements	-56		-56
Items included in the income statement	1 826	-78	1 748
Remeasurements			
The return on plan assets, excl. amounts included in interest expense or - income		-64	-64
Gains (-) / loss from change in financial assumptions	-1 778		-1 778
Experience gains (-) /losses	-1 334		-1 334
Items included in the other comprehensive income	-3 112	-64	-3 176
Translation differences	-314	-267	-581
Contributions			
Employers		-406	-406
Payments from plans			
Benefit payments	-2 423	177	-2 247
31.12.2021	62 439	-6 159	56 280

Defined benefit pension plans and plan assets by country 2022

1000 EUR	Sweden	Germany	Other countries	Total
Present value of the obligation	20 580	13 268	8 846	42 694
Fair value of plan assets			-5 860	-5 860
Total	20 580	13 268	2 986	36 834

Defined benefit pension plans and plan assets by country 2021

1000 EUR	Sweden	Germany	Other countries	Total
Present value of the obligation	32 093	19 887	10 458	62 439
Fair value of plan assets			-6 797	-6 797
Total	32 093	19 887	3 661	55 641

Significant actuarial assumptions 2022

	Sweden	Germany	Other countries
Discount rate, %	4.00%	3.66%	3.20%
Salary growth rate, %	2.75%	3.00%	3.75%
Pension growth rate, %	2.00%	2.20%	3.50%

Significant actuarial assumptions 2021

	Sweden	Germany	Other countries
Discount rate, %	1.91%	0.66%	1.50%
Salary growth rate, %	3.00%	3.00%	2.50%
Pension growth rate, %	2.25%	1.75%	2.25%

Sensitivity of benefit obligation to changes in essential weighted assumptions 2022

		Impact on benefit obligation	
	Change of assumption	Increase	Decrease
Discount rate, %	0.5%	6.92 % decrease	7.73 % increase
Salary growth rate, %	0.5%	2.07 % increase	1.94 % decrease
Pension growth rate, %	0.5%	6.24 % increase	5.73 % decrease
		Increase in assumption in one year	Increase in assumption in one year
Life expectancy		5.20 % increase	5.26 % decrease

The afore mentioned sensitivity analyses are based on a situation where all other assumptions remain unchanged when one assumption changes. The sensitivity of a defined benefit obligation to changes in significant actuarial assumptions has been calculated using the same method as is used in calculating the pension obligation entered in the balance sheet.

Plan assets comprised as follows

1000 EUR	2022	%	2021	%
Investment funds	5 860	100 %	6 159	100 %
Total	5 860		6 159	

The most significant risks related to defined benefit plans are as follows:

Changes in the return on bonds
Liabilities arising from the arrangements have been calculated using a discount rate based on the return on high-quality bonds issued by the companies. A decline in the discount rate increases the arrangement's liabilities.

Inflation risk
The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities although, in most cases, caps on the level of inflationary increases are inplace to protect the plan against extreme inflation.

Life expectancy
The majority of the arrangement obligations is related to producing lifetime benefits for members, so the expected increase in life expectancy will increase the arrangement obligations.

The contribution made to defined benefit plans following the termination of employment is expected to be EUR 2 653 thousand in the 2023 financial period.

In 2022, the weighted average duration of the defined benefit obligation is 13.6 years (2021, 15.9 years).

4. Capital employed

4.1 Intangible assets

Accounting principles
Goodwill
Goodwill arising from the merging of business operations is recognised as the amount by which the sum of the consideration paid, the non-controlling interests' share in the object of the acquisition and the previous holding exceed the fair value of the acquired net assets.

Depreciation of goodwill is not recognised. Instead, it is tested annually for impairment and always when there is an indication of a decrease in value. Goodwill is therefore allocated to cash-generating units for impairment testing. Goodwill is recognised at original acquisition cost less accumulated impairment losses.

Other intangible assets
Intangible assets are initially recognised at their original acquisition cost on the balance sheet if the acquisition cost can be determined reliably and it is probable that the expected financial benefit from the asset will be to the benefit of the Group.

Intangible assets with limited useful lives are recognised as expenses over their known or estimated useful lives, using the straight-line depreciation method. Intangible assets for which a useful life cannot be determined, such as brands acquired in the context of corporate acquisitions or trademarks, are not subject to depreciation, but tested annually for impairment.

The residual value of an asset, the useful life and depreciation method are checked at least annually, at the end of each financial period, and adjustments are made when necessary to reflect changes in the expected financial benefit of the asset.

Research and development costs
Research costs are recognised as expenses at the time they are incurred. Development costs are capitalised and amortised over their useful lives if the research project is likely to generate financial benefits and the costs can be measured reliably. Research and development cost recognised as expenses are presented in Note 2.4 Other operating expenses.

Computer software
Costs related to developing and building significant new computer software are recognised as intangible assets on the balance sheet and depreciated on a straight-line basis over its estimated useful life, which is not to exceed seven years. Maintenance and operating costs related to computer software are recorded as expenses in the reporting period during which they have been incurred.

Configuration and customisation costs in the deployment of cloud services are recognised as expenses if they do not result in intangible assets. If the services received by the group are separable, the costs are recognised as expenses when the supplier modifies the application. If the services received by the group are not separable, the costs are recognised as expenses when the supplier provides access to the application during the term of the agreement.

Patents, licences and trademarks
The cost of patents, licences and trademarks with finite useful lives are capitalised on the balance sheet under intangible assets and depreciated on a straight-line basis over their useful lives, over 5–20 years.

Emission allowances
The Group has received emission allowances in accordance with the European Union Emissions Trading System. Allowances are treated as intangible assets and are measured at the lower of the acquisition cost or fair value at the end of the financial period. The acquisition cost of emission allowances received without consideration is zero. Emission allowances are used simultaneously with the carbon dioxide emissions generated during their validity period. Earnings from emission allowances sold are recognised in other operating income. If the emission allowances received without consideration are not sufficient to cover the amount of the actual emissions, the Group purchases additional allowances from the market. The allowances purchased are recognised in intangible rights at the fair value on the acquisition date. The provision to fulfil the obligation to return the emission allowances is recognised at fair value on the closing date of the reporting period if the emission allowances received without consideration and purchased are not sufficient to cover the amount of the actual emissions.

1000 EUR	Goodwill	Other capitalized expenditure	Construction in progress	Total
Acquisition cost 1.1.2022	31 504	213 017	0	244 521
Translation differences	-9 383	-16		-9 399
Increases		952		952
Decreases		-3 647		-3 647
Transfers between items				
Acquisition cost 31.12.2022	22 121	210 306	0	232 428
Accumulated depreciation and impairment charges 1.1.2022		-77 467		-77 467
Translation differences		12		12
Accumulated depreciations on deductions and transfers		1 405		1 405
Depreciations for the period		-2 546		-2 546
Accumulated depreciation and impairment charges 31.12.2022		-78 597		-78 597
Book value 1.1.2022	31 504	135 550	0	167 054
Book value 31.12.2022	22 121	131 710	0	153 830

1000 EUR	Goodwill	Other capitalized expenditure	Construction in progress	Total
Acquisition cost 1.1.2021	34 076	212 601	0	246 678
Translation differences	-2 572	-7		-2 579
Increases		2 437		2 437
Decreases		-2 013		-2 013
Transfers between items				
Acquisition cost 31.12.2021	31 504	213 017	0	244 521
Accumulated depreciation and impairment charges 1.1.2021		-76 562		-76 562
Translation differences		5		5
Accumulated depreciations on deductions and transfers		2 003		2 003
Depreciations for the period		-2 913		-2 913
Accumulated depreciation and impairment charges 31.12.2021		-77 467		-77 467
Book value 1.1.2021	34 076	136 038	0	170 114
Book value 31.12.2021	31 504	135 550	0	167 054

In 2022 and 2021, no impairments were recognized.

In 2022, the Group received 182 thousand tonnes of emission allowances free of charge (2021, 182 thousand tonnes). In addition, the Group has purchased 8 thousand tonnes (2021, 28 thousand tonnes) of emission allowances from the market and sold 3 thousand tonnes to the market (2021, 5 thousand tonnes) in 2022.

In 2022, capital gains from the sale of emission allowances recognised in other operating income totalled EUR 233 thousand (2021, EUR 171 thousand) and the costs recognised in materials and services arising from emission allowances were EUR 641 thousand (2021, EUR 2 246 thousand). The balance sheet at the end of the period includes EUR 0 thousand (2021, 0) in provisions related to emission allowances. At the end of the period, the market value of the emission allowances was EUR 80.76 per tonne (2021, 79.61) and the market values of emission possessed was EUR 16 581 thousand (2021, EUR 17 504 thousand).

Other capitalized expenditures include brands and trademarks of EUR 122 648 thousand (2021, EUR 122 648 thousand) which have unlimited useful life. These are tested annually for impairment. In addition these include customer relationships of EUR 2 467 thousand (2021, EUR 4 675 thousand), computer software, patents and licences.

Impairment testing

Accounting principles
Depreciation is not recognised for assets with indefinite useful lives. Instead, such assets are tested for impairment annually. Assets that are subject to depreciation are always tested for impairment when events or changes in conditions indicate that it is possible that the monetary amount corresponding to the book value of the assets might not be recoverable.

Cash-generating units are reporting segments or smaller units for which a utility value can be defined.

The recoverable amount is the higher of the fair value of an asset less the cost of sale, and its value in use. Value in use is the estimated future net cash flows, discounted to their present value, expected to be derived from said asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of the asset is higher than its recoverable amount. If the impairment loss concerns a cash-generating unit, it is first allocated to decrease the goodwill of the cash-generating unit, and thereafter to decrease the other assets of the unit symmetrically. In connection with the recognition of the impairment loss, the useful life of the depreciated asset is re-evaluated. An impairment loss recognised for an asset other than goodwill is reversed if a change has taken place in the estimates used to determine the recoverable amount of the asset. However, the maximum reversal of an impairment loss amounts to no more than the carrying amount of the asset if no impairment loss had been recognised. An impairment loss recognised on goodwill is not reversed under any circumstances.

Key estimates and judgements
Future cash flows
The recoverable amounts of cash-generating units are based on calculations of value in use. The management's key estimates in the calculations concern the development of delivery volumes and sales prices, the development of costs related to key raw material costs and other costs, as well as the discount rate and the long-term growth rate.

Metsä Tissue carries out impairment testing yearly, during the fourth quarter based on the situation on 30 September, or more frequently if signs of a possible impairment are detected.

The Group did not recognise impairments based on impairment testing in 2022. In the testing carried out in 2022, a somewhat potential change in any individual key assumption would not lead to the recognition of an impairment.

The group's key impairment testing and key assumptions in the situation on 30 September 2022.

Cash-generating unit	Goodwill (EUR million)	Brands (EUR million)	Discount rate after taxes on 30 September 2022	Discount rate after taxes on 30 September 2021	Long-term growth rate 30 September 2022	Long-term growth rate 30 September 2021
Tissue and greaseproof papers						
Tissue papers	21,1	122,7	7,21 %	5,49 %	2,00 %	2,00 %
Greaseproof papers	3,2		7,21 %	5,49 %	2,00 %	2,00 %

The recoverable amounts of the cash-generating units being tested are based on five-year forecasts and the resulting, steadily growing cash flows.
The initial value used for the key assumptions of the cash flows – prices and variable costs – after the forecast period is the average of the five-year forecast period.
The value used for delivery volumes and fixed costs is the value of the forecast period's fifth year.
The key testing assumptions are management estimates and forecasts obtained from external sources of information.

The discount rate used is the weighted average cost of capital (WACC). When calculating the WACC, the cost of debt takes into account the market-based view of the credit risk premium.

4.2 Tangible assets

Accounting principles

Property, plant and equipment are measured at acquisition cost less accumulated depreciation and impairment losses.

The acquisition cost includes costs that are directly incurred in the acquisition of an item of property, plant or equipment. External capital expenses resulting directly from the acquisition, construction or manufacture of an item of property, plant or equipment that meet the conditions are activated as part of the acquisition cost of property, plant and equipment.

If a piece of property, plant or equipment consists of several parts with differing useful lives, each part is handled as a separate item. In that case, the expenses related to replacing the part are capitalised, and any book value remaining at the time of replacement is derecognised on the balance sheet.

Spare parts, spare equipment and maintenance supplies are recognised in property, plant and equipment when they are in accordance with the definition of property, plant and equipment. Otherwise, such commodities are classified as inventories.

Significant investments in renovations and improvements are capitalised on the balance sheet and depreciated over the remaining useful life of the main commodity related to such investments. Repair and maintenance costs are recognised as expenses when they are realised.

Property, plant and equipment is depreciated on a straight-line basis over the following estimated useful lives. Owned land and water areas are not subject to depreciations.

Estimated useful lives	
Buildings and constructions	20–40 years
Machinery and equipment	
Heavy power plant machinery	20–40 years
Other heavy machinery	15–20 years
Lightweight machinery and equipment	5–15 years
Other tangible assets	3–10 years

The residual value of an asset, the financial useful life and depreciation method are checked at least annually, at the end of each financial period, and adjustments are made when necessary to reflect changes in the expected financial benefit of the asset.

Gains and losses arising from the sale and decommissioning of items of property, plant and equipment are recognised in other operating income and expenses. Sales gains or losses are calculated as the difference between the sales price and the remaining acquisition cost.

Public subsidies related to the acquisition of commodities are presented as adjustments of the acquisition cost on the balance sheet and recognised as income in the form of lower depreciation during the useful life of the asset.

Leases

The Group has leased various land areas, properties, equipment and vehicles. When the leased asset is available for the Group's use, the right-of-use asset and the corresponding liability of the lease is recognised. Paid rents are divided into liabilities and finance costs. The finance cost is included in profit or loss over the lease term in such a way that the interest rate of the remaining debt balance is the same during each period. The leased right-of-use asset is subject to straight-line depreciations over the asset's economic life or the lease term, depending on which of them is shorter.

Assets and liabilities arising from leases are initially measured at the present value. Lease liabilities include fixed payments, less any lease incentives receivable; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate. Leased right-of-use assets are measured at cost, which includes the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred; and any costs incurred by restoring the site on which it is located.

Some of the leases include options to extend or terminate, which are largely available only for the Group, not the lessor.

Payments related to short-term leases or leases where the value of the underlying asset is low are recognised as costs on a straight-line basis. A lease with a lease term of 12 months or less is considered a short-term lease. Assets of a low value include mainly ICT and office equipment.

Key estimates and judgements

Estimates concerning the residual value and useful life of property, plant and equipment, as well as the selection of the depreciation method, require significant management judgement.

Leases

When determining the lease term, the management accounts for all relevant facts and circumstances that create an economic incentive to exercise the option to extend the lease, or not to exercise the option to terminate the lease. Options to extend the lease (or the time subsequent to an option to terminate) are accounted for in the lease term only if the extension of the lease (or the decision not to terminate the lease) is reasonably certain. The possible future cash flows of EUR 32,9 million have not been included in the lease liability because the extension of the lease (or the decision not to terminate it) is not reasonably certain.

The Group will conduct a reassessment upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee and affects the assessment.

1000 EUR	Land and water Owned	Land and water Leased	Buildings and constructions Owned	Buildings and constructions Leased	Machinery and equipment Owned	Machinery and equipment Leased
Acquisition cost 1.1.2022	17 942	132	185 737	32 800	752 981	14 598
Translation differences	-333	-1	-3 003	-496	-16 867	-435
Increases	367	123	1 523	3 597	8 714	4 079
Decreases	-106	-117	-305	-3 259	-41 392	-2 676
Transfers between items	5		5 102		12 413	
Acquisition cost 31.12.2022	17 875	137	189 055	32 643	715 850	15 566
Accumulated depreciation and impairment charges 1.1.2022	-10	-115	-139 308	-12 367	-512 625	-6 839
Translation differences	0	0	2 200	185	12 684	248
Accumulated depreciations on deduction and transfers		117	209	2 672	41 484	2 346
Depreciations for the period		-50	-5 858	-4 951	-26 656	-4 191
Accumulated depreciation and impairment charges 31.12.2022	-10	-49	-142 758	-14 461	-485 112	-8 436
Book value 1.1.2022	17 932	16	46 429	20 433	240 356	7 759
Book value 31.12.2022	17 865	88	46 297	18 182	230 737	7 130

1000 EUR	Other tangible asset owned	Contructions in progress, owned	Total owned	Total leased	Total
Acquisition cost 1.1.2022	11 597	34 716	1 002 973	47 530	1 050 502
Translation differences	-222	-1 516	-21 941	-932	-22 873
Increases	23	31 996	42 623	7 799	50 422
Decreases	-156		-41 959	-6 051	-48 010
Transfers between items	7	-17 528			
Acquisition cost 31.12.2022	11 249	47 668	981 697	48 346	1 030 043
Accumulated depreciation and impairment charges 1.1.2022	-8 407		-660 349	-19 322	-679 672
Translation differences	124		15 008	434	15 442
Accumulated depreciations on deduction and transfers	156		41 849	5 135	46 984
Depreciations for the period	-427		-32 941	-9 193	-42 134
Accumulated depreciation and impairment charges 31.12.2022	-8 554		-636 433	-22 946	-659 381
Book value 1.1.2022	3 190	34 716	342 623	28 208	370 830
Book value 31.12.2022	2 695	47 668	345 262	25 400	370 662

1000 EUR	Land and water Owned	Land and water Leased	Buildings and constructions Owned	Buildings and constructions Leased	Machinery and equipment Owned	Machinery and equipment Leased
Acquisition cost 1.1.2021	17 963	124	185 916	29 595	733 887	12 856
Translation differences	-91	0	-871	-38	-5 062	-88
Increases	70	8	1 517	4 487	23 553	5 693
Decreases			-2 333	-1 244	-20 332	-3 863
Transfers between items			1 509		20 936	
Acquisition cost 31.12.2021	17 942	132	185 737	32 800	752 981	14 598
Accumulated depreciation and impairment charges 1.1.2021	-10	-77	-135 848	-8 236	-510 525	-6 454
Translation differences	0	0	612	17	3 800	43
Accumulated depreciations on deduction and transfers			1 980	1 229	20 332	3 574
Depreciations for the period		-39	-6 054	-5 377	-26 233	-4 002
Accumulated depreciation and impairment charges 31.12.2021	-10	-115	-139 308	-12 367	-512 625	-6 839
Book value 1.1.2021	17 953	47	50 069	21 359	223 362	6 402
Book value 31.12.2021	17 932	16	46 429	20 433	240 356	7 759

1000 EUR	Other tangible asset owned	Contructions in progress, owned	Total owned	Total leased	Total
Acquisition cost 1.1.2021	11 160	32 413	981 339	42 576	1 023 915
Translation differences	-69	-246	-6 340	-126	-6 466
Increases	207	25 680	51 027	10 188	61 214
Decreases	-27	-360	-23 053	-5 107	-28 160
Transfers between items	326	-22 771	0		0
Acquisition cost 31.12.2021	11 597	34 716	1 002 973	47 530	1 050 502
Accumulated depreciation and impairment charges 1.1.2021	-7 441		-653 823	-14 767	-668 591
Translation differences	35		4 447	59	4 507
Accumulated depreciations on deduction and transfers	27		22 340	4 803	27 143
Depreciations for the period	-1 028		-33 315	-9 418	-42 732
Accumulated depreciation and impairment charges 31.12.2021	-8 407		-660 349	-19 322	-679 672
Book value 1.1.2021	3 719	32 413	327 517	27 808	355 324
Book value 31.12.2021	3 190	34 716	342 623	28 208	370 830

In 2022 and 2021, no impairments were recognized.

In 2021, Metsä Tissue received grant of EUR 62 thousand from Business Finland related to energy efficiency improvement.
The subsidy was recognized as a decrease in acquisition cost.

In 2022 and 2021, Metsä Tissue did not capitalize interest costs.

Lease agreements

1000 EUR	2022	2021
Costs related to short-term leases	1 235	1 028
Costs of leases in which the underlying asset is of low value	2 980	2 990
Interest expenses	937	1 077
Cash outflow for leases	10 068	10 375

Disclosures on lease liabilities are presented in Note 5.5 (Financial liabilities) and 5.6 (Management of financial risks).
Details of lease obligations are presented in Note 8.1 (Commitments and contingencies).

4.3 Other investments

Accounting principles
Other investment consist of listed and unlisted equity investments. They are measured at fair value. Metsä Tissue classifies its equity financial assets as financial assets at fair value through profit and loss.

The fair values of publicly quoted shares are based on the share price on the balance sheet date. The fair values of shares other than publicly quoted shares are determined using various valuation models, such as the price levels or recent transactions and valuation methods based on the current value of discounted cash flows. As far as possible, the valuation methods are founded on market-based valuation factors.

Key estimates and judgements
Fair value measurement
The application of valuation models to measuring fair value requires judgement concerning the selection of the method to be applied, as well as valuation factors required by the chosen method that are based on the price and interest levels prevailing in the market on the end of date of each reporting period.

1000 EUR	2022	2021
Non-quoted equity investments	5	775
Total	5	775

Shares in other companies are among others insurance and energy companies.

4.4 Inventory

Accounting principles
Inventories are measured at the lower of acquisition cost or net realisable value. In measuring inventories, the FIFO principle (first in, first out) is observed or, alternatively, the weighted average price method, depending on the nature of the inventories. The acquisition cost of finished products acquired comprises all purchase costs, including direct transport, handling and other expenses. The acquisition cost of finished and semi-finished products of own manufacture includes raw materials, direct production costs, and the systematically allocated portion of variable manufacturing overheads and fixed overheads at the normal level of operation. The cost of debt is not included in the acquisition cost.

Net realisable value is the estimated sales price in ordinary business operations less the estimated cost of production and the necessary sales costs.

Key estimates and judgements
The Group regularly reviews its inventories for situations where the inventories contain downgraded items or their net realisable value falls below the acquisition cost. When necessary, the Group reduces the book value of the inventories accordingly. This review requires the management's estimates of the sales prices of products, the cost of completion and the costs necessary to make the sale. Any changes in these estimates might lead to an adjustment in the book value of the inventories in future periods.

1000 EUR	2022	2021
Raw materials and consumables	91 055	73 815
Work in progress	27 437	17 199
Finished goods and goods for sale	56 960	35 225
Total	175 451	126 239

In 2022, EUR 4 418 thousand was recorded as a cost (2021, EUR 1 131 thousand) when the book value of inventories was reduced to match their net realisation value.

4.5 Accounts receivable and other receivables

Accounting principles
Accounts receivables are initially measured at fair value and later at amortised cost, taking into account impairment. The Group applies a model based on expected credit losses to the determination of the impairment of trade receivables. Provisions are furthermore set up on a case by case basis when there is a justifiable reason to assume that the Group will not receive payment for the invoiced amount according to the original terms.

Key estimates and judgements
The evaluation of the recognition criteria and the amount of impairment losses requires the management's judgement. If a customer's financial position weakens so that it affects their solvency, further impairment losses may need to be recognised for future periods.

1000 EUR	2022	2021
Accounts receivable from affiliated companies	516	263
Accounts receivable from associated companies and joint ventures	72	115
Accounts receivable from others		
Accounts receivables	184 788	134 120
Impairment	-105	-288
Total	184 682	133 832
Other receivables	5 905	7 242
Prepayments and accured income	8 503	10 401
Accounts receivable and other receivables, total	199 679	151 853

Receivables from affiliated companies are receivables from parent company and other companies in Metsä Group.

Case-specific impairments and impairments determined by applying the model based on expected credit losses deducted from accounts receivables.

1000 EUR	2022	2021
1.1.	-288	-467
Increase	-146	-32
Decrease	329	213
31.12.	-105	-288

Age distribution of accounts receivable less impairments

1000 EUR	2022	2021
Not overdue	178 138	129 815
Overdue		
less than 90 days	6 397	4 341
between 90-180 days	166	-38
between 181-365 days	-31	-89
over 365 days	12	-198
Total	184 682	133 832

Expected credit losses of account receivable are allocated to not overdue items.

4.6 Accounts payable and other liabilities

1000 EUR	2022	2021
Other non-current liabilities		
Accruals and deferred income		819
Total		819

1000 EUR	2022	2021
Advance payments	1 468	687
Accounts payables	137 861	124 366
Accounts payable, Supply Chain Finance schemes	33 335	25 854
Other liabilities	17 083	16 414
Accruals and deferred income		
Customer discounts	33 551	25 210
Purchase related items	31 413	31 086
Employee costs	23 047	17 711
Other accruals and deferred income	13 892	9 866
Total	291 650	251 194

With financing banks, Metsä Tissue has established Supply Chain Finance (SCF) schemes aimed at a few key suppliers. In the schemes, the suppliers are offered the option of selling their Metsä Tissue receivables to a bank providing the SCF scheme. The SCF schemes partly replace the earlier advance payment arrangements, and their aim is not to cause a significant deviation from Metsä Tissue's normal payment terms.

4.7 Provisions

Accounting principles

A provision is recognised when, as a result of an earlier event, the Group has a legal or actual obligation, the realisation of a payment obligation is likely, and the amount of the obligation can be reliably estimated. Any reimbursement from a third party is presented as an asset separate from the provision if it is practically certain that reimbursement will be received.

Restructuring

A restructuring provision is recorded when the Group has incurred a legal or constructive obligation to make a payment. Termination payments are recorded when a detailed plan has been made for the restructuring and the Group has raised valid expectations in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. If the Group makes an offer to employees concerning voluntary resignation against benefits determined in the offer, the liability arising from this is recorded when the Group can no longer withdraw its offer. The obligations arising from such an offer is based on the number of employees that the Group expects to accept the offer. Benefits falling due in twelve months' time or later are measured at their current value.

Environmental obligations

Costs arising from environmental remediation that do not increase present or future revenue are recorded as expenses. An environmental obligation is recognised if, based on the current interpretation of environmental legislation, an obligation has likely arisen and its amount can be reliably estimated. The obligation is recorded at the current value of estimated future expenses. A sum corresponding to the obligation is also recognised in property, plant and equipment.

Other provisions

Other provisions include mainly liabilities resulting employment affairs as well as other contractual obligations.

Key estimates and judgements

The determination of the criteria for the recognition of provisions involves the management's judgement. The amounts recognised as provisions are based on the management's best assessment of the expenses required to handle the obligation. As the timing and amount of these expenses are not fully certain, the actual expenses may differ significantly from the original estimate. The book value of provisions is regularly reviewed and adjusted as required, taking into account changes in cost assessments, regulation, technology and conditions.

1000 EUR	Closure and restructuring obligations	Environmental obligations	Other statutory obligations	Total
1.1.2022	144	1 392	2 409	3 946
Translation differences		-6		-6
Increases	43	9	255	306
Decreases	-37	-429	-532	-998
Unused provisions	-11			-11
31.12.2022	139	966	2 132	3 236
Non-current	128	925	2 057	3 109
Current	11	41	75	127
Total	139	966	2 132	3 236
1.1.2021	116	2 392	2 412	4 919
Translation differences				
Increases	32	9	1 050	1 091
Decreases		-255	-1 053	-1 308
Unused provisions	-4	-753		-757
31.12.2021	144	1 392	2 409	3 946
Non-current	122	922	1 585	2 629
Current	22	470	824	1 317
Total	144	1 392	2 409	3 946

The Group companies have environmental responsibilities related to former industrial activities at sites that have since been closed, sold or leased, and from decommissioned landfill sites. Provisions for the costs of land rehabilitation work have been made in cases where it has been possible to measure the Group's liability for land contamination and any post-treatment obligations.

The non-current part of provisions is estimated to be released mainly by the end of 2030.

5. Capital structure

5.1 Shareholders' equity

Accounting principles
Dividends payable by the company are recognised as a decrease in equity in the financial period during which shareholders have approved the dividend for payment.

Changes in shareholders' equity

1000 EUR	2022	2021
Share capital 1.1.	91 186	91 186
Share capital 31.12.	91 186	91 186
Share premium account 1.1.	88 242	88 242
Share premium account 31.12	88 242	88 242
Shareholders' equity 31.12.	179 428	179 428

1000 EUR	Share capital	Share premium	Total
	A-shares		
31.12.2022	91 186	88 242	179 428
Number of shares			
31.12.2022	9 118 588		9 118 588

According to the Articles of Association, Metsä Tissue Corporation's minimum share capital is EUR 50 million and its maximum share capital EUR 300 million. All shares have a nominal value of EUR 10. All issued shares have been paid in full. Metsä Tissue Corporation did not own its own shares on 31 December 2022 nor on 31 December 2021.

Translation differences
Translation differences include translation differences arising on translation of subsidiaries in other currencies than euro and gains and losses arising on hedging of net investments in these subsidiaries, when requirements of hedge accounting have been fulfilled. Hedge of net investments in foreign operations has ended.

Translation differences on the balance sheet	2022	2021
SEK	-20 560	-5 310
GBP	-61	357
NOK	357	241
DKK	-235	-236
PLN	-7 768	-6 909
CZK	115	65
HUF	-74	-27
UAH	-19	-16
SKK	11 164	11 164
Total	-17 083	-672

There were EUR 0 thousand posted to income stament from accumulated translation differences in 2022 (2021, EUR 0 thousand).

Fair value reserve

The changes of the fair values of derivative instruments used as cash flow hedged less deferred tax are recognized in the fair value reserve.

Fair value reserve

1000 EUR	2022	2021
1.1.	5 974	-7 357
Increase	24 290	22 422
Decrease	-28 256	-9 090
31.12.	2 008	5 974

Other comprehensive income after taxes

1000 EUR	2022	2021
Items that will not be reclassified to profit and loss		
Remeasurements of post employment benefit obligation	12 000	2 417
Items that may be reclassified to profit and loss		
Cash flow hedges		
Currency flow hedges		
recorded in equity	9 250	4 119
transferred to adjust sales	1 060	1 462
transferred to adjust purchases	-10 970	1 948
Interest flow hedges		
recorded in equity		1 148
transferred to adjust financial items		1 694
Commodity hedges		
recorded in equity	5 196	6 764
transferred to adjust purchases	-8 502	-3 804
Total	-3 966	13 332
Translation differences	-16 411	-3 825
Total	-8 377	11 924

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity includes other investments in equity and the share issue price to a sum especially decided not to be recognised in the share capital.

Reserve for invested unrestricted equity

1000 EUR	2022	2021
1.1.	225 000	
Increase		225 000
31.12.	225 000	225 000

5.2 Financial income and expenses

Accounting principles
Interest income and costs are recognised in amortised cost with the effective interest rate method.

Dividend yield is recognised when the right to a dividend has arisen.

Borrowing costs are generally recognised as an expense in the period in which they are incurred. When an item of property, plant or equipment is involved in a major and long-term investment project, the borrowing costs directly due to the acquisition, construction or production of the asset are included in the asset's acquisition cost.

The Group presents net interest income and expenses related to defined benefit plans as financial income and expenses.

1000 EUR	2022	2021
Exchange differences		
Commercial items	-475	671
Hedging, hedge accounting not applied	247	-803
Other items	-61	-63
Exchange differences total	-289	-195
Other financial income		
Interest income on loans, other receivables and cash and cash equivalents	769	59
Dividend income		
Other financial income total	851	59
Other financial expenses		
Valuation of financial assets and liabilities		
Gains and losses on hedging instrument in cash flow hedges		-2 118
Valuation total		-2 118
Interest expenses on financial liabilities	-2 679	-7 798
Other financial expenses	-6	-4
Other financial expenses total	-2 685	-7 802
Financial income and expenses total	-2 123	-10 056

In 2021, the change in the value of financial items included a one-off EUR -2.118 thousand change in value from the termination of Metsä Tissue's EUR 75.000 thousand interest rate swaps, related to the early repayment of a long-term loan.

5.3. Non-current financial assets

1000 EUR	2022	2021
Other non-current financial assets		
Loan receivables	2 515	1 022
Other receivables	74	
Total	2 590	1 098

5.4 Cash and cash equivalents

Accounting principles
Cash and cash equivalents consist of cash and other short-term, highly liquid investments that can be easily converted into an amount of cash known in advance and that carry a minimal risk of value changes. Metsä Tissue has classified short-term money market investments and bank assets that are in line with its financial policy as cash and cash equivalents. Metsä Tissue applies a model based on expected credit losses to the determination of the impairment of cash and cash equivalents. Expected credit losses are reviewed for the following 12 months.

1000 EUR	2022	2021
Cash at bank and in hand	72 676	98 805

Cash and cash equivalents include also interest bearing receivables that are in Metsä Group internal bank Metsä Group Treasury. These are immediately withdrawable. As of 31 December 2022 these receivables were EUR 71 609 thousand (2021, EUR 97 748 thousand).

5.5 Financial liabilities and net liabilities

Accounting principles

Financial liabilities are initially recognised at fair value. The Group has classified all financial liabilities under “Amortised cost”. Transaction costs are included in the original book value of financial liabilities measured at amortised cost. Subsequently, all financial liabilities are measured at amortised cost using the effective interest method.

Interest-bearing financial liabilities

1000 EUR	2022	2021
Non-current interest-bearing financial liabilities		
Loans from financial institutions	8 426	10 069
Lease liabilities	20 439	23 083
Total	28 865	33 152
Current interest-bearing financial liabilities		
Current portion of long-term liabilities	8 444	8 659
Loans from financial institutions		37
Other liabilities to group companies	79 365	21 975
Total	87 809	30 672
Interest-bearing financial liabilities, total	116 673	63 824

Interest-bearing financial assets

1000 EUR	2022	2021
Non-current interest-bearing financial assets		
Loan receivables	2 515	1 022
Other receivables	74	76
Current interest-bearing financial assets		
Other receivables		2
Cash at bank and in hand	72 676	98 805
Interest-bearing financial asset, total	75 265	99 905
Interest-bearing net liabilities, total	41 408	-36 081

Changes in cash and non-cash effects of financial liabilities 2022

			Non-cash effect				
1000 EUR	1.1.2022	Cash flows	Acquisitions/ divestments	Foreign exchange	Changes in leases	Other changes	31.12.2022
Non-current interest bearing liabilities including current financial liabilities							
Loans from financial institutions	10 996	-894		-822			9 280
Lease liabilities	30 816	-9 131		-521	6 865		28 029
Other liabilities, internal							
Total	41 812	-10 025		-1 343	6 865		37 309
Non-current non interest bearing liabilities	819	-819					
Current interest bearing liabilities							
Short term liabilities	37	-36		-1			0
Other liabilities, internal	21 975	57 386		4			79 365
Total	22 012	57 350		2			79 365
Current interest bearing receivables	2	-2					0
Total	64 646	46 504		-1 340	6 865		116 674

Changes in cash and non-cash effects of financial liabilities 2021

			Non-cash effect				
1000 EUR	1.1.2021	Cash flows	Acquisitions/ divestments	Foreign exchange	Changes in leases	Other changes	31.12.2021
Non-current interest bearing liabilities including current financial liabilities							
Loans from financial institutions	163 293	-152 328		-247		278	10 996
Lease liabilities	30 283	-9 297		-71	9 886	16	30 816
Other liabilities, internal	75 000	-75 000					
Total	268 576	-236 625		-318	9 886	293	41 812
Non-current non interest bearing liabilities		819					819
Current interest bearing liabilities							
Short term liabilities	104	-65		-2			37
Other liabilities, internal	0	21 971		4			21 975
Total	104	21 906		2			22 012
Current interest bearing receivables		-1 730		1 733			2
Total	268 680	-215 630		1 417	9 886	293	64 646

5.6 Management of financial risks

The financial risks associated with business operations of Metsä Tissue Group are managed in accordance with the financial policy endorsed by the Board of Directors and the senior management of the Group. The policy defines focal instructions on the management of foreign currency, interest rate, liquidity and counterparty risks, and for the use of derivative financial instruments. Correspondingly, commodity risks are managed according to the Group's commodity risk policy. The purpose is to protect the company against major financial and commodity risks, to balance the cash flow and to allow the business units time to adjust their operations to changing conditions.

Metsä Group Treasury Oy is specialized in finance and functions as Metsä Group's internal bank. Metsä Tissue's financial operations have been centralised to Metsä Group Treasury, which is in charge of managing Metsä Tissue's financial positions according to the strategy and financial policy, providing necessary financial services in Metsä Tissue Group and acting as an advisor in financial matters.

Foreign currency risk

The Group's foreign currency exposure consists of the risks associated with foreign currency flows, translation risk of net investments in foreign entities and economic currency exposure. Large portion of the Group's costs are incurred in the euro zone and in Sweden, but a significant part of the sales is in other currencies. Sales revenue may therefore vary because of changes in exchange rates, while production costs remain unchanged. Product and raw material prices are also often quoted in currencies other than the home currency. The exposure is including foreign currency denominated balance sheet exposure consisting of accounts receivable and accounts payable and 50 per cent share of the annual contracted or estimated net currency cash flow.
The main currencies of the Group's foreign currency transaction exposure are the US dollar, the British pound and the Norwegian, Danish and Swedish krona. A strengthening of the pound and NOK and DKK has a positive impact on the financial result and a weakening a negative impact. A weakening of the dollar and the Swedish krona has a positive impact on the result. The hedging policy is to keep an amount corresponding to the balance sheet exposure and 50 per cent of the annual cash flows of contracted or estimated currency flows consistently hedged. The amount of hedging may deviate from the normal level by 40 per cent in either direction. The Board of Directors of Metsä Tissue is deciding on hedging levels significantly deviating from the norm set out in the financial policy. The amount of currency-specific hedging depends on current exchange rates and market expectations, on the interest rate differences between the currencies and the significance of the exchange rate risk for the financial result The transaction exposure is mainly hedged by forward transactions but also by the use of foreign currency loans and currency options.

At the end of the reporting period, the foreign exchange transaction exposure had been hedged 4.6 months on average (5.4) being 72 per cent of the hedging norm (85). During the reporting period, the hedging level has varied between 4 and 5 months (5-7). At the end of reporting period the dollar´s hedging level was 4.2 months (5.1) being 71 per cent of the norm (86). Norwegian krona's hedging level was 5,4 months (6.9) being 83 per cent of the norm (101). Hedge accounting in accordance with IFRS 9 has been applied to hedging of transaction exposure and forwards allocated to hedge accounting have been used to hedge the portion of highly probable forecast sales of the currency transaction exposure. Metsä Tissue does not apply hedging the translation risk of a net investment in a foreign entity.

The Group has applied the Value-at-Risk method to assess the risk of its open foreign currency positions. Value at Risk calculation model was abandoned as a risk calculation method starting the beginning of year 2022 and VaR was recouped with the average deviation vs. hedging norm key figure. The Metsä Fibre Group average deviation vs. hedging norm was 21,9 percentage (1.6 months) at the end of reporting period and has been on average 28,0 percentage (3.6 months) during year 2022.

Interest rate risk

The interest rate risk is related to interest bearing receivables and loans and currency hedging. The most significant currencies in risk management are the euro, the US dollar and the Swedish krona. The objective of the interest rate risk policy is to minimise the negative impact of interest rate changes on the result and the financial position, and to optimise financing costs within the framework of risk limits. The effect of interest rate changes on financial costs depends on the average interest fixing time of interest bearing assets and liabilities, which is measured in the Group by duration. As duration diminishes the rise of interest rates affects more quickly the interest expenses of financial liabilities. The maturity of the loan portfolio can be influenced by adjusting between floating-rate and fixed-rate loans and by using interest rate swaps.

The average interest duration norm based on the Group's financial policy is 24 months. The duration can, however, deviate between 6 to 36 months from the hedging policy norm so that the decision of a larger deviation has to be made by the Board of Directors. The average duration of loans was 5.8 months (12.5) at the end of the year. During the reporting period duration has varied between 6 and 12 months (12–25). Of interest-bearing liabilities 82 per cent (64) is subjected to variable rates and the rest to fixed rates and the average interest rate at the end of 2022 was 3.7 per cent (3.0). At the end of 2022, an increase of one per cent in interest rates would increase interest rate costs of the next 12 months by EUR 0.40 million (decrease 0.43).

Commodity risk

In the hedging of commodity risks the Group applies separately defined risk management policy. According to the policy, the management of commodity risks with regard to financial hedges is accomplished centralized by Metsä Group Treasury based on the strategy approved by Board of Directors of Metsä Tissue. According to the commodity hedging policy an 80 per cent hedge level of the estimated net position during the first 12 month period has been set as a hedging norm and the hedge ratio can vary by 20 per cent in either direction. Metsä Tissue has decided in 2021 to abandon the price risk hedging of natural gas, LNG and propane and earlier electricity hedging as financial hedging. Hedges based on previous policy are gradually matured during year 2022. Hedging of natural gas in Central Europe is continued through physical hedging.

Liquidity risk

Liquidity risk is defined as the risk that funds and available funding become insufficient to meet business needs, or that extra costs are incurred in arranging the necessary financing. Liquidity risk is monitored by estimating the need for liquidity needs 12 - 24 months ahead and ensuring that the total liquidity available will cover a main part of this need. According to the financial policy, the liquidity reserve must at all times cover 100% of the Group´s liquidity requirement for the first 12 months and 50–100% of the following 12–24 months liquidity requirement. The objective is that at the most 20 per cent of the Group's loans, including committed credit facilities, is allowed to mature within the next 12 months and at least 25 per cent of the total debt must have a maturity in excess of four years. Another target is to avoid keeping extra liquidity as liquid funds and instead maintain a liquidity reserve as committed credit facilities outside the balance sheet.

The cornerstone of liquidity risk management is to manage the Group's operative decisions in such a way that targets concerning indebtedness and sufficient liquidity reserve can be secured in all economic conditions. Liquidity risk is also managed by diversifying the use of capital and money markets to decrease dependency on any single financing source and the optimization of the maturity structure of loans is also emphasized in financial decisions.

The available liquidity at the end of the reporting period consists of liquid funds EUR 72,7 million (98.8). Metsä Tissue's liquidity reserve is supplemented by Metsä Group internal EUR 75 million short-term funding limit (50) of which unused part was EUR 68.3 million at the end of reporting period (50.0) and undrawn pension premium (TyEL) funds of EUR 48.7 million (43.7)

Counterparty risk

Financial instruments carry the risk that the Group may incur losses should the counterparty be unable to meet its commitments. The Group is managing this risk by entering into financial transactions only with most creditworthy counterparties and within pre-determined limits. During the reporting period, credit risks of financial instruments did not result in any losses. The Group has applied expected credit loss model in accordance with IFRS 9 to calculate the impairment of financial assets.

The Group's sales receivables carry a counterparty risk that the Group may incur losses should the counterparty be unable to meet its commitments. Credit risk attached to sales receivables is managed on the basis of the credit risk management policies approved by operative management. Credit quality of customers is assessed at regular intervals based on the customers' financial statements, payment behavior, credit agencies and credit ratings agencies. Individual credit limits are reviewed at least annually. From time to time, as deemed necessary by management, Letters of Credits, bank and parent company guarantees and Credit insurance are used to mitigate credit risk. Credit limits are approved according to credit risk management policy with approval limits of varying values across the Group. Credit Control reviews and sets all major credit limits which are not supported by credit insurance and/or other security. Expected credit losses on accounts receivables are calculated by using a provision matrix. Expected credit loss expense is recognized by applying expected credit loss percentages based on five-year historic losses on accounts receivables from external debtors outstanding at period end. The expected credit loss percentages are business area specific.

Managing the capital
Terms capital and capital structure are used to describe investments made in the company by its owners and retained earnings (together equity) and debt capital (liabilities) as well as the relation between them. In managing its capital structure, the Group aims at maintaining an efficient capital structure that ensures the Group's operational conditions in financial and capital markets in all circumstances despite the fluctuations typical to the sector. Certain central target values, which correspond to standard requirements set by financing and capital markets, have been defined for the capital structure. The Group’s capital structure is regularly assessed by the Group’s Board of Directors. The Group monitors the development of its capital structure through a key ratio that describes net gearing and equity ratio.

Metsä Tissue has no financial agreements including covenants existing at the end of year 2022.

Market risk scenarios 31.12.2022

1000 EUR	2022	2021
	Impact on financial assets and liabilities	Impact on financial assets and liabilities
Commodity risk (electricity price + 20 %)		
Effect on profit		
Effect on other change in equity		378
FX risk (USD - 10 %)		
Effect on profit	-245	-158
Effect on other change in equity	-12 018	-9 490
FX risk (GBP - 10 %)		
Effect on profit	-61	163
Effect on other change in equity	2 068	1 564
FX risk (SEK - 10 %)		
Effect on profit	418	323
Effect on other change in equity	0	-358

Items with + sign = positive effect = increase of asset / decrease of liabilities
Items with - sign = negative effect = decrease of assets / increase of liabilities

Maturity of repayment and interest payment of financial liabilities 2022

1000 EUR	2023	2024	2025	2026	2027	2028-	Totals
Loans from financial institutions	854	854	854	854	5 863		9 280
Lease liabilities *)	8 375	7 028	5 491	3 422	3 138	2 883	30 336
Non-current interest-bearing borrowings, total	9 229	7 882	6 346	4 276	9 001	2 883	39 616
Short-term interest-bearing liabilities							
Financial liabilities, total	9 229	7 882	6 346	4 276	9 001	2 883	39 616
Finance costs, total	427	397	354	311	101		1 590
Finance liabilities and expenses total	9 656	8 279	6 699	4 587	9 102	2 883	41 206
Guarantee agreements, total		273	49			39	362
Derivatives							
Currency derivatives, liability	347 201						347 201
Currency derivatives, receivable	-349 803						-349 803
Commodity derivatives, receivable							
Derivative receivable and -liability, net	-2 601						-2 601

Maturity of repayment and interest payment of financial liabilities 2021

1000 EUR	2022	2023	2024	2025	2026	2027-	Totals
Loans from financial institutions	927	927	927	927	927	6 362	10 996
Finance leasing *)	8 623	6 621	5 158	4 133	3 265	6 030	33 830
Non-current interest-bearing borrowings, total	9 550	7 548	6 085	5 060	4 192	12 391	44 826
Short-term interest-bearing liabilities	37						37
Financial liabilities, total	9 587	7 548	6 085	5 060	4 192	12 391	44 863
Finance costs, total	237	216	196	174	153	48	1 024
Finance liabilities and expenses total	9 825	7 764	6 281	5 234	4 344	12 439	45 887
Guarantee agreements, total	10		278	79		39	406
Derivatives							
Currency derivatives, liability	329 412						329 412
Currency derivatives, receivable	-332 500						-332 500
Commodity derivatives, receivable	-4 141						-4 141
Derivative receivable and -liability, net	-7 230						-7 230

*) The cash flows of lease liabilities include both payments and the finance costs.

On 31 December 2022, the balance of lease liabilities were EUR 28 029 thousand (2021, EUR 30 816 thousand). On 31 December 2022, the balance of currency derivative liabilities were EUR 4 193 thousand (2021, 2 453) and currency derivative receivables EUR 6 794 thousand (2021, 5 542).

5.7 Financial assets and liabilities classification and fair values

Financial assets and liabilities classification and fair values 2022

1000 EUR	Note	Fair value through profit & loss	Fair value through other comprehensive income	Amortised cost	Book value total
Financial assets					
Non-current investments	4.3	5			5
Other non-current financial assets	5.3			2 590	2 590
Accounts receivables and other receivables	4.5			191 229	191 229
Cash and cash equivalent	5.4			72 676	72 676
Derivative financial instruments	5.7	161	6 633		6 794
Book value total		166	6 633	266 494	273 293
Fair value total		166	6 633	266 494	273 293
Financial liabilities					
Non-current interest-bearing financial liabilities	5.5			28 865	28 865
Current interest-bearing financial liabilities	5.5			87 809	87 809
Accounts payable and other financial liabilities	4.6			262 193	262 193
Derivative financial instruments	5.7	70	4 123		4 193
Book value total		70	4 123	378 866	383 059
Fair value total		70	4 123	378 884	383 077

Financial assets and liabilities classification and fair values 2021

1000 EUR	Note	Fair value through profit & loss	Fair value through other comprehensive income	Amortised cost	Book value total
Financial assets					
Non-current investments	4.3	775			775
Other non-current financial assets	5.3			1 098	1 098
Accounts receivables and other receivables	4.5			141 441	141 441
Cash and cash equivalent	5.4			98 805	98 805
Derivative financial instruments	5.7		9 683		9 683
Book value total		775	9 683	241 345	251 803
Fair value total		775	9 683	241 349	251 807
Financial liabilities					
Non-current interest-bearing financial liabilities	5.5			33 152	33 152
Other non-current financial liabilities	4.6			819	819
Current interest-bearing financial liabilities	5.5			30 672	30 672
Accounts payable and other financial liabilities	4.6			230 270	230 270
Derivative financial instruments	5.7	247	2 207		2 453
Book value total		247	2 207	294 913	297 366
Fair value total		247	2 207	294 926	297 379

Accounts receivables and other receivables do not include advance payments, current income tax receivables and periodisation of employee costs (Note 4.5). Accounts payable and other financial liabilities do not include advance payments, current income tax liabilities and periodisation of employee costs (Note 4.6).

Fair value hierarchy of financial assets and liabilities

Accounting principles
Financial assets and financial liabilities measured at fair value are classified as follows:

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 electricity-, natural gas- and propane derivatives are measured based on publicly quoted market prices (Level 1). The fair values of currency forwards and currency options are determined based on market prices on 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 on the closing date of the reporting period (Level 3).

Fair value hierarchy of financial assets and liabilities 2022

1000 EUR	Note	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Other investments	4.3			5	5
Derivative financial receivables	5.7		6 794		6 794
Financial liabilities measured at fair value					
Derivative financial liabilities	5.5		4 193		4 193
Financial assets not measured at fair value					
Cash and cash equivalent	5.4		72 676		72 676
Financial liabilities not measured at fair value					
Non-current interest-bearing financial liabilities			28 880		28 880
Current interest-bearing financial liabilities			87 811		87 811

Fair value hierarchy of financial assets and liabilities 2021

1000 EUR	Note	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Other investments	4.3			775	775
Derivative financial receivables	5.7	4 141	5 542		9 683
Financial liabilities measured at fair value					
Derivative financial liabilities	5.5		2 453		2 453
Financial assets not measured at fair value					
Cash and cash equivalent	5.4		98 800		98 800
Financial liabilities not measured at fair value					
Non-current interest-bearing financial liabilities			33 164		33 164
Current interest-bearing financial liabilities			30 673		30 673

Financial assets and liabilities measured at fair value based on Level 3

1000 EUR	Level 3	Level 3
Value 1.1.	775	775
Total gains and losses in profit or loss	498	
Settlements	-1 268	
Value 31.12.	5	775

Financial derivatives and hedge accounting

Accounting principles
Derivative contracts are initially recognised on the balance sheet at fair value at cost, and thereafter during their term-to-maturity revalued at their fair value at each reporting date. The fair value of derivatives is presented in non-interest-bearing receivable or liabilities. Gains and losses resulting from recognition at fair value are treated in accounting as required with regard to the intended use of the derivative contract in question. Derivatives are initially classified as either 1) Hedges of the exposure to changes in fair value of receivables, liabilities or firm commitments; 2) Hedges of the cash flow from a highly probable forecast transaction; 3) Hedges of a net investment in a foreign entity; or 4) Derivatives to which has been decided not to apply hedge accounting.

Metsä Tissue currently applies hedge accounting only to cash flows. When applying hedge accounting at the inception of a hedging relationship, the Group has documented the relationship between the hedged item and the hedging instruments, as well as the hedging strategy observed. To meet the requirements of hedge accounting, the Group has also continuously carried out effectiveness testing to verify that changes in the fair value of the hedging instrument for each hedging relationship cover any changes in the fair value of the hedged item effectively enough, with respect to the hedged risk. Changes in the fair value of the effective portion of derivative instruments that meet the criteria for cash flow hedging are recognised in other items of comprehensive income. The gains and losses recognised in equity are transferred to the income statement when the forecast sale or purchase is realised, and are recognised as an adjustment to the hedged item. If the forecast transaction is no longer expected to occur, the gain or loss accrued in equity is recognised immediately in the income statement. Derivatives not subject to hedge accounting, as well as the ineffective portion of derivatives subject to hedge accounting, are measured at fair value, and changes in the value of interest rate and currency derivatives are recognised in financial items and changes in the value of commodity derivatives are recognised in other income and expenses.

Hedge accounting is applied as cash flow hedging to highly probable cash flows from sales denominated in foreign currencies and contractual cash flows from floating interest rates of loans. In the management of price risks related to commodities, hedge accounting is applied to cash flows from highly probable purchases of electricity, natural gas and propane. The fair values of forward foreign exchange contracts are based on the forward prices prevailing on the balance sheet date, and currency options are measured at fair value in accordance with the Black–Scholes model. Interest rate swaps are measured at the current value of cash flows, with the calculation being based on the market interest rate yield curve. The fair values of commodity derivatives are measured on the basis of publicly quoted market prices.

Management of financial risks and effectiveness of hedging
The management of the Group's currency, interest rate and commodity risks is described in more detail in Note 5.6, Management of financial risks. Note 5.7, Fair values of financial assets and liabilities, includes the fair values and grouping of derivatives. Note 5.1, Equity, includes itemisations of hedge accounting entries in the fair value reserve.

The hedging of the currency flow position is effective, given that there is a direct financial relationship between the hedged sale and the hedging derivative. The spot rate component of a forward contract or the reference value component of a currency option has been determined as the hedged item, and the forward points or the option's time value are treated as hedging costs subject to amortisation based on the period. Currency flow forecasts are fairly stable, invoicing steady within quarters and months, and forward deals are allocated to each month, due to which the ineffectiveness of hedging usually remains very low. Changes in production or the structure of sales may sometimes lead to ineffectiveness during the validity of a hedging relationship, in which case the hedging is adjusted accordingly.

The hedge accounting of the cash flow from interest rates is primarily effective, given that there is a direct financial relationship between the long-term loans subject to hedging and the hedging interest rate swaps. Ineffectiveness in the hedge relationship derives from any possible differences between the loans and the swaps' interest rate periods as well as from differences in the reference rates of contract terms. The ineffective portion of interest rate hedging is recognised through profit and loss. The premature repayment of loans may result in a state of ineffectiveness, in which case the hedging interest rate swaps are reversed or derecognised from hedge accounting, and the change in fair value is recognised in financial items under income.

The hedging of commodity purchases is effective, given that, in lieu of the total purchase price, the hedged item is the same, identical risk component of pricing applied in the hedging derivative. In the hedging of the price risk of electricity, the hedged item is what is referred to as the portion of the system price and the hedging takes place with a system-priced electricity swap. Correspondingly, the price components of the purchases and the hedging derivative in the hedging of natural gas and propane are identical. Commodity purchases are fairly steady and hedges are allocated to each month, due to which the ineffectiveness of the hedging usually remains low. Changes in the use of various commodities may sometimes lead to ineffectiveness during the validity of a hedging relationship, in which case the hedging is adjusted accordingly.

The hedging of electricity, propane and liquefied natural gas (LNG) expired at the end of 2022.

Derivatives 31.12.2022

1000 EUR	Nominal value	Fair value			Fair value	
		Derivative assets	Derivative liabilities	Fair value total	Fair value through profit and loss	Fair value throught other comprehensive income
Currency forward agreements	343 009	6 794	4 193	2 601	91	2 510
Currency option agreements						
Currency derivatives total	343 009	6 794	4 193	2 601	91	2 510
Electricity derivatives						
Other commodity derivatives						
Commodity derivatives total						
Derivatives total	343 009	6 794	4 193	2 601	91	2 510

Derivatives 31.12.2021

1000 EUR	Nominal value	Fair value			Fair value	
		Derivative assets	Derivative liabilities	Fair value total	Fair value through profit and loss	Fair value throught other comprehensive income
Currency forward agreements	326 958	5 542	2 453	3 089	-247	3 335
Currency option agreements						
Currency derivatives total	326 958	5 542	2 453	3 089	-247	3 335
Electricity derivatives	963	925		925		925
Other commodity derivatives	3 299	3 216		3 216		3 216
Commodity derivatives total	4 262	4 141		4 141		4 141
Derivatives total	331 220	9 683	2 453	7 230	-247	7 477

The changes in the value of hedge accounting and profit and loss are presented in Note 5.1 Equity

Financial impact of the offsetting of instruments linked to executory master netting arrangements in 2022

	Derivative instruments on the balance sheet	Related to master netting agreements	Net risk
Derivative assets	6 794		6 794
Derivative liabilities	-4 193		-4 193

Financial impact of the offsetting of instruments linked to executory master netting arrangements in 2021

	Derivative instruments on the balance sheet	Related to master netting agreements	Net risk
Derivative assets	9 683		9 683
Derivative liabilities	-2 453		-2 453

The derivative arrangements made by the Group with each counterparty are subject to master netting arrangements. In the event of an unlikely credit event all transactions based on the arrangement are cancelled and only one net sum will fall due in terms of all transactions for each counterparty. The items have not been offset on the balance sheet.

Maturity of derivatives 2022

1000 EUR	1-6 months	6-12 months	1-5 years	Over 5 years	Hedged cash flow total
Currency derivatives, hedge accounting	110 241	108 544			218 785
Currency derivatives, non hedge accounting	16 960				16 960
Commodity derivatives, hedge accounting					

Maturity of derivatives 2021

1000 EUR	1-6 months	6-12 months	1-5 years	Over 5 years	Hedged cash flow total
Currency derivatives, hedge accounting	94 771	86 992			181 764
Currency derivatives, non hedge accounting	19 126				19 126
Commodity derivatives, hedge accounting	2 131	2 131			4 262

6. Income taxes

Accounting principles

Tax expense in the income statement consist of taxes based on the taxable income for the period, taxes for previous periods, and deferred tax assets and liabilities. The tax effect related to the items recorded in the comprehensive income statement is recognised in the comprehensive income statement. Taxes based on the taxable income for the period are calculated based on taxable income in accordance with the tax rate as it stands in each country at that time. Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount and the tax base in accordance with the tax rates issued as at the balance sheet date.

No deferred taxes are recognised for non-deductible goodwill, and no deferred taxes are recognised for subsidiaries' undistributed profits to the extent that the difference will not likely realise in the predictable future. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes are related to the same taxation authority.

The most significant temporary differences arise from depreciation of property, plant and equipment; the measurement of other investments and derivatives contracts at fair value; defined benefit plans; unused tax losses; and measurement at fair value in conjunction with acquisitions of business operations.

Key estimates and judgements

The management's judgement is required for determining the taxes based on the result for the period, deferred tax assets and liabilities, and the extent to which deferred tax assets are recorded. The Group is subject to income taxation in several countries, and the final amount of tax is uncertain for several business operations and calculations. The Group forecasts future tax audits and recognises liabilities based on estimates of whether further taxes will need to be paid. If the associated final tax differs from the originally recorded amounts, the difference has an effect on both the taxes based on the taxable income for the period, and on deferred tax receivables and liabilities.

1000 EUR	2022	2021
Income tax for the financial period	-6 598	-1 498
Income taxes for previous periods	-29	-106
Change in deferred taxes	11 279	7 429
Other taxes	-35	-34
Total	4 618	5 791

Income tax reconciliation

1000 EUR	2022	2021
Result before taxes	-4 996	-19 552
Computed tax at Finnish statutory rate	999	3 910
Difference between Finnish and foreign rates	4 401	3 365
Tax exempt income	627	1 257
Non-deductible expenses	-1 217	-2 118
Restatement of deferred taxes recognised for temporary differences and tax losses in previous years	416	-430
Use of unrecognised tax losses		
Unrecognised deferred tax receivables from tax losses and temporary differences	-637	-121
Share of profit from associated companies	17	48
Income taxes for previous periods	-29	-106
Other	41	-14
Taxes in the Group's income statement	4 618	5 791
Effective tax rate, %	92,4	29,6

Taxes included in other comprehensive income 2022

1000 EUR	Before taxes	Tax effect	After taxes
Items that will not be reclassified to profit and loss			
Items relating to adjustments of defined benefit plans	15 729	-3 729	12 000
Total	15 729	-3 729	12 000
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges	-4 966	1 000	-3 966
Translation differences	-16 411		-16 411
Total	-5 649	-2 729	-8 377

Taxes included in other comprehensive income 2021

1000 EUR	Before taxes	Tax effect	After taxes
Items that will not be reclassified to profit and loss			
Items relating to adjustments of defined benefit plans	3 349	-932	2 417
Total	3 349	-932	2 417
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges	16 671	-3 339	13 332
Translation differences	-3 825		-3 825
Total	16 196	-4 272	11 924

Deferred taxes

Deferred tax assets and liabilities 2022

1000 EUR	1.1.2022	Charged in income statement	Charged in other items of comprehensive income	Translation differences and others	31.12.2022
Deferred tax assets in balance sheet					
Pension obligations and other provisions	7 179	-482	-3 729	-249	2 719
Intercompany margins	603	-21		-3	579
Unused tax losses and tax credits	11 662	13 352		-58	24 956
Financial instruments	904		383	-464	824
Other temporary differences	3 315	-158		-59	3 098
Total	23 663	12 691	-3 346	-833	32 176
Offset from deferred tax liabilities	-18 818	224			-18 593
Deferred tax assets on the balance sheet	4 847	12 915	-3 346	-833	13 583
Deferred tax liabilities in balance sheet					
Appropriations and untaxed provisions	49 953	1 103		-744	50 312
Acquired net assets recognised at fair value	6 455	-442			6 013
Financial instruments	1 944		-617		1 328
Hedge of net investments in foreign operations		795		-795	
Other temporary differences	484	-44		-19	421
Total	58 836	1 412	-617	-1 558	58 073
Offset from deferred tax assets	-18 818	224			-18 593
Deferred tax liabilities on the balance sheet	40 018	1 637	-617	-1 558	39 480

Deferred tax assets and liabilities 2021

1000 EUR	1.1.2021	Charged in income statement	Charged in other items of comprehensive income	Translation differences and others	31.12.2021
Deferred tax assets in balance sheet					
Pension obligations and other provisions	7 982	176	-932	-46	7 179
Intercompany margins	422	183		-2	603
Unused tax losses and tax credits	3 342	8 325		-5	11 662
Financial instruments	3 385		-2 352	-128	904
Other temporary differences	2 471	847		-3	3 315
Total	17 601	9 531	-3 284	-184	23 663
Offset from deferred tax liabilities	-13 991	-4 827			-18 818
Deferred tax assets on the balance sheet	3 611	4 704	-3 284	-184	4 847
Deferred tax liabilities in balance sheet					
Appropriations and untaxed provisions	47 876	2 289		-213	49 953
Acquired net assets recognised at fair value	6 897	-442			6 455
Financial instruments	956		987		1 944
Hedge of net investments in foreign operations		354		-354	
Other temporary differences	587	-99		-3	484
Total	56 316	2 102	987	-570	58 836
Offset from deferred tax assets	-13 991	-4 827			-18 818
Deferred tax liabilities on the balance sheet	42 325	-2 725	987	-570	40 018

On 31 December 2022 the tax loss carry-forwards amounted EUR 81 713 thousand (2021, EUR 38 205 thousand), for which EUR 24 956 thousand (2021, EUR 11 662 thousand) deferred tax assets have been recognised. These tax loss carry-forwards have mainly incurred in Germany and Poland. Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable, considering expiry dates, if any. Where there is a recent history of loss, the Group assesses if that loss arises from factors which are likely to recur in the future. The recognition of deferred tax assets is supported by offsetting deferred tax liabilites and where applicable an assessment of earnings history and profit projections in the relevant jurisdictions.

The operating loss carry-forwards for which deferred tax assets have not been recognised due to uncertainty of the utilization of these loss carry-forwards amounted EUR 3 158 thousand (2021, EUR 3 496 thousand). The unrecognised deferred tax assets for these losses amounted EUR 557 thousand (2021, EUR 610 thousand).

7. Group structure

7.1 Group companies

Subsidiaries and joint operations

Accounting principles

Subsidiaries

In addition to the parent company, Metsä Tissue Oyj, the financial statements include all of the companies controlled by the Group. Intra-Group shareholding is eliminated using the acquisition method. Intra-Group business transactions, receivables, liabilities and unrealized gains, as well as internal distribution of profits, are eliminated on consolidation. Unrealized gains arising from impairment are not eliminated. When necessary, the accounting principles applied by subsidiaries have been adjusted to comply with the Group's principles.

The parent company's owners' and non-controlling interests' shares of the result for the period and comprehensive income are presented in the comprehensive income statement.

Joint operations

A joint operation is a joint arrangement in which parties who have joint control in the arrangement have rights concerning the assets related to the arrangement and obligations concerning liabilities. The Group consolidates its proportion of the assets, liabilities, income and expenses of the joint operation in its financial statements.

Name	Country	Ownership-%
Subsidiaries		
Owned by Metsä Tissue Corp.		
Dambi AB	Sweden	100.00
Metsä Tissue GmbH	Germany	100.00
Metsa Tissue Poland Sp z.o.o.	Poland	100.00
Metsa Tissue Slovakia s.r.o.	Slovakia	100.00
Metsa Tissue Ukraine LCC	Ukraine	100.00
Metsä Tissue Ltd	Great Britain	100.00
Metsä Tissue Hungary Kft	Hungary	100.00
Metsa Tissue Krapkowice Sp. Z.o.o.	Poland	100.00
Metsa Tissue Czech s.r.o.	Czech Republic	100.00
Metsä Greaseproof Papers Oy	Finland	100.00
Owned by Metsä Tissue GmbH		
Metsä Greaseproof Papers GmbH	Germany	100.00
Owned by Dambi AB		
Metsä Tissue AB	Sweden	100.00
Metsä Tissue Immobilienverwaltungs GmbH	Germany	100.00
Owned by Metsä Tissue AB		
Metsä Tissue A/S	Denmark	100.00
Metsä Tissue AS	Norway	100.00
Joint operations		
Owned by Metsä Tissue AB		
Katrinefors Kraftvärme AB *)	Sweden	50.00

*) The primary goal for the arrangement is to produce energy to the parties and the liabilities of the arrangement are actually paid from the cash flow arising from the produced energy bought.

Joint ventures and associates

Accounting priciples
Associated companies include all companies over which the Group has considerable influence but no control. Significant influence is usually based on a shareholding conferring 20–50% of the voting rights. A joint venture is a joint arrangement in which the parties that have joint control of the arrangement have rights to its net assets.

Investments in associated companies and joint ventures are processed using the equity method, and they are initially recognised at cost. The Group’s shares in associated companies and joint ventures also include the goodwill measured at the time of acquisition, less any impairment. The Group’s share of the profits or losses of associated companies and joint ventures is recognised in the income statement after the operating profit, which reflects the operative nature of these companies. Correspondingly, the Group’s share of changes in equity in associated companies and joint ventures is recognised in its items of other comprehensive income. A proportion corresponding to the Group’s shareholding is eliminated from unrealised profits between the Group and its associated companies and joint ventures. Unrealised gains arising from impairment are not eliminated. When necessary, the accounting principles applied by associated companies and joint ventures have been adjusted to comply with the Group’s principles.

Joint ventures		
Owned by Metsä Tissue Corp.		
Mäntän Energia Oy	Finland	70.00
Mäntän Puhdistamo Oy	Finland	54.00
Owned by Metsa Tissue Poland Sp. z o.o.		
Biokrap Sp. z.o.o	Poland	50.00

Shares in joint ventures

1000 EUR	2022	2021
At the beginning of the financial period	2 445	2 216
Share of result for the period	87	241
Increase	81	
Translation differences	-26	-12
At the end of the financial period	2 587	2 445

Joint venture companies' book value in 2022 includes goodwill of EUR 29 thousand (2021, EUR 32 thousand).

Material joint ventures

1000 EUR	Industry	Country	Ownership 2022	2021
Mäntän Energia Oy	Electricity and heat distribution	Finland	70 %	70 %

Financial information for material joint ventures

1000 EUR	2022	2021
Sales	16 769	14 503
Result for the period	46	192
Non-current assets	1 818	2 020
Current assets	1 795	1 030
Current liabilites	2 400	1 787
Net assets	1 212	1 263

Reconciliation of financial information against book value in group balance sheet:

Group's share of net assets	978	952
Book value of joint venture in balance sheet	978	952

Mäntän Energia Oy has been consolidated to Group's financial statements by using equity method.
The summarised financial information is based on financial statements prepared in accordance with IFRS.
The Group's share of Mantän Energia Oy is based on the shareholders' agreement.

The other Group's joint ventures are not material in terms of the notes.

Summary of financial information for the Group's immaterial joint ventures

1000 EUR	2022	2021
Group's share of result	62	85
Book value in group balance sheet	1 609	1 492

Transactions between the Group and joint ventures

1000 EUR	2022	2021
Sales	543	528
Purchases	15 339	13 288
Interest income	43	17
Receivables		
Current	90	115
Non-current	2 515	1 022
Liabilities	2 437	2 441

Associates

The Group does not have material associates.

7.2 Acquired business activities and divestments

Accounting principles
Acquired business operations are consolidated from the time when control is transferred to the Group, and divested operations are consolidated until the time when control is transferred away from the Group.

The consideration paid, including the contingent sales price and the identifiable assets and liabilities of the acquired business operations, are measured at fair value at the time of acquisition. Expenses related to acquisition are recognised at costs. Depending on the acquistion, the non-controlling interest's share in the object of the acquisition is recognised at fair value or the amount that corresponds to the non-controlling interest's proportion of the net assets of the object of the acquisition.

The amount of which the sum of the consideration paid, the fair value of the non-controlling interest's share and the fair value of the assets previously owned in the object of the acquistion exceed the fair value of the identifiable net assets is recognised as goodwill.

Assets held for sale are recognised at the lower of the book value or fair value less expenses arising from the divestment. Depreciation is not recognised on assets held for sale after classification.

There were no material business acquisitions in 2022 or 2021.

7.3 Related party transactions

The related parties of Metsä Tissue include Metsäliitto Cooperative which owns 100% of shares and voting rights. The related parties also include Metsäliitto Cooperative's subsidiaries and associated companies, Metsä Tissue's Board of Directors and management team and their family members.

Metsä Tissue's finance agreements are handled by Metsä Group Treasury Oy, which is the Group's internal bank. Metsä Group Group Treasury Oy’s interest rates are market based.

Metsä Tissue buys pulp from Metsä Fibre and Metsä Board at market prices, from which the defined transportation costs and other costs are deducted.

1000 EUR	2022	2021
Sales	859	767
Other operating income	2 659	2 303
Materials and services	339 161	218 556
Interest income	683	35
Interest expenses	386	4 283
Receivables		
Current	7 356	9 946
Cash and cash equivalents	71 609	97 748
Liabilities		
Current	131 032	57 572

There are no doubtful receivables in the receivables from group companies. No bad debt was recognized during the period. The parent company has no commitments on behalf of the management nor receivables from the management.

Transactions with associates and joint ventures are presented in the Note 7.1.

8. Other notes

8.1 Contingent liabilities

During the year 2019 business belonging to Metsä Tissue has acted as seller in asset sale transaction giving normal seller's securities. It is not impossible that demands against the company are made regarding the given securities and that these securities could result in extra costs for the company.

Contingent liabilities

1000 EUR	2022	2021
Own liabilities for which collateral has been provided	8 426	9 974
Real estate mortgages	450	488
Total collateral provided for own liabilities	450	488
Other commitments given on own behalf	703	703
Commitments given on the behalf of associated companies and joint ventures	49	87
Total	1 201	1 277

Metsä Tissue AB's Mariestad mill in Sweden has a commitment until the year 2029 to purchase process steam from the local energy-generating plant Katrinefors Kraftvärme AB, of which Metsä Tissue AB owns 50 %.

Investment commitments

1000 EUR	2022	2021
Under 12 months	4 271	5 822
Later	1 603	1 865
Total	5 874	7 687

8.2 Events occurring after the closing of the accounts

In February 2023, Metsä Tissue announced that it would increase production of fresh fibre-based tissue paper at its tissue paper mill in Mariestad, Sweden. The value of the investment, which will take place between 2023 and 2025, is approximately EUR 370 million, and it will increase the annual production of tissue paper from the current 75,000 tonnes to 145,000 tonnes. The expansion of the mill will include the construction of a new tissue paper machine, new converting lines, an automated warehouse and new office space.

METSÄ TISSUE OYJ

PARENT COMPANY INCOME STATEMENT	note	01.01.-31.12.2022 EUR	01.01.-31.12.2021 EUR
SALES	2	192 416 981,14	177 745 646,48
Change in stocks of finished and unfinished products		1 722 216,12	1 420 623,81
Other operating income	4	47 733 132,33	36 592 954,33
Materials and services			
Materials, consumables and goods			
Purchases during the financial period		-110 974 744,27	-105 257 015,06
Changes in stocks		2 903 541,85	749 456,70
External services	5	-15 326 539,21	-15 321 396,88
Employee costs	5	-38 224 779,73	-35 133 446,89
Depreciations and impairment charges	6	-5 684 970,17	-6 105 042,51
Other operating expenses	5	-53 669 924,44	-45 257 930,28
		-220 977 415,97	-206 325 374,92
OPERATING PROFIT/LOSS		20 894 913,62	9 433 849,70
Financial income and expenses	7		
Income from investments in other non-current assets		4 244 170,03	2 309 197,04
Other interest and financial income		3 414 568,74	2 429 632,26
Exchange rate differences		-3 713 448,78	-2 559 163,54
Write-downs on non-current investments		-85 000 000,00	-2 117 975,00
Interest expenses and other financial expenses		-227 645,72	-5 665 834,71
		-81 282 355,73	-5 604 143,95
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		-60 387 442,11	3 829 705,75
Appropriations			
Change in depreciation differences	6	-5 269 849,35	-2 678 233,49
Group contribution		8 015 000,00	0,00
		2 745 150,65	-2 678 233,49
Income taxes	8	-5 460 809,16	-264 868,22
PROFIT/LOSS FOR THE FINANCIAL PERIOD		-63 103 100,62	886 604,04

METSÄ TISSUE OYJ

PARENT COMPANY BALANCE SHEET

ASSETS	note	31.12.2022 EUR	31.12.2021 EUR
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible assets		1 492,50	18 504,91
Goodwill		832 519,02	1 665 038,05
Other intangible assets		329 267,06	430 922,28
		1 163 278,58	2 114 465,24
Tangible assets	9		
Land and water areas		2 718 863,41	2 428 994,42
Buildings and constructions		7 651 320,62	5 187 917,88
Machinery and equipment		35 567 756,83	31 250 935,37
Other tangible assets		714 408,40	821 425,07
Advance payment and construction in progress		11 498 595,48	13 843 699,72
		58 150 944,74	53 532 972,46
Investments	10		
Shares in Group companies		322 008 944,71	285 676 455,25
Receivables from Group companies		45 874 711,47	107 495 017,21
Shares in joint ventures		989 256,89	908 256,89
Other shares and holdings		3 726,92	774 342,09
		368 876 639,99	394 854 071,44
Total non-current assets		**428 190 863,31**	**450 501 509,14**
CURRENT ASSETS			
Inventories			
Materials and consumables		14 542 994,95	11 639 453,10
Unfinished products		2 471 610,33	2 033 366,81
Finished products		6 333 402,43	5 049 429,83
		23 348 007,71	18 722 249,74
Non-current receivables	11		
Receivables from Group companies		37 000 000,00	96 705 000,00
		37 000 000,00	96 705 000,00
Current receivables	11		
Accounts receivables		20 007 574,02	15 034 792,04
Receivables from Group companies		134 409 614,56	63 428 113,81
Receivables from joint ventures		61 859,43	108 442,44
Other receivables		1 409 226,51	2 290 881,09
Prepayments and accrued income		794 831,20	5 480 683,48
		156 683 105,72	86 342 912,86
Total receivables		**193 683 105,72**	**183 047 912,86**
Total current assets		**217 031 113,43**	**201 770 162,60**
TOTAL ASSETS		**645 221 976,74**	**652 271 671,74**

METSÄ TISSUE OYJ

PARENT COMPANY BALANCE SHEET

EQUITY AND LIABILITIES	note	31.12.2022 EUR	31.12.2021 EUR
SHAREHOLDERS' EQUITY	12		
Share capital		91 185 880,00	91 185 880,00
Share premium account		88 241 531,97	88 241 531,97
Other reserves			
Reserve for invested unrestricted equity		225 000 000,00	225 000 000,00
Value adjustment reserve		2 008 339,32	5 033 715,19
Profit/loss for previous financial year		158 514 393,31	157 627 789,27
Profit/loss for the period		-63 103 100,62	886 604,04
		501 847 043,98	**567 975 520,47**
APPROPRIATIONS			
Accumulated depreciation difference	6	**20 211 489,98**	**14 941 640,63**
PROVISIONS	13	**763 615,98**	**1 177 857,07**
LIABILITIES			
Non-current liabilities	15		
Deferred tax liability	8,14	404 695,40	1 163 915,74
		404 695,40	1 163 915,74
Current liabilities	16		
Loans from financial institutions		0,00	0,01
Advance payments		879,19	98 134,92
Accounts payable		34 069 726,89	34 036 391,32
Liabilities to Group companies, interest bearing		51 485 353,60	5 896 921,87
Liabilities to Group companies		16 292 665,84	14 730 961,54
Liabilities to joint ventures		2 135 383,50	2 058 600,73
Other liabilities		790 822,27	893 144,99
Accruals and deferred income	16	17 220 300,11	9 298 582,45
		121 995 131,40	67 012 737,83
Total liabilities		**122 399 826,80**	**68 176 653,57**
TOTAL SHAREHOLDES' EQUITY AND LIABILITIES		**645 221 976,74**	**652 271 671,74**

METSÄ TISSUE OYJ

PARENT COMPANY CASH FLOW STATEMENT	31.12.2022 EUR	31.12.2021 EUR
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/loss before appropriations and taxes	-60 387 442,11	3 829 705,75
Adjustments to profit/loss a)	84 897 922,88	9 620 436,14
Interest received	7 576 746,97	4 738 829,30
Interest paid	-221 895,52	-6 010 078,04
Dividends received	81 991,80	0,00
Other financial items, net	-81 393,55	-2 563 253,54
Income taxes paid	3 929 078,32	-4 256 943,43
Change in net working capital b)	-8 774 158,88	-5 496 599,20
	27 020 849,91	-137 903,02
INVESTMENTS		
Acquisition of shares in subsidiaries	-60 000 000,00	0,00
Acquisition of shares in joint ventures	-81 000,00	0,00
Investments in tangible and intangible assets	-13 271 612,80	-20 186 011,01
Proceeds from disposal of other shares	1 282 492,20	0,00
Prodeeds from sale of tangible and intangible assets	5 093 976,84	6 396 524,96
Increase and decrease of non-current receivables, net	56 017 273,16	43 135 344,79
	-10 958 870,60	29 345 858,74
CASH FLOW BEFORE FINANCIAL ACTIVITIES	**16 061 979,31**	**29 207 955,72**
CASH FLOW FROM FINANCIAL ACTIVITIES		
Dividends paid	0,00	-40 000 000,00
Decrease in non-current liabilities	0,00	-225 000 000,00
Increase or decrease in interest bearing current liabilities, net	45 588 431,72	5 896 921,88
Increase or decrease in interest bearing current receivables, net	-61 650 411,03	4 895 122,40
Changes in equity	0,00	225 000 000,00
	-16 061 979,31	-29 207 955,72
CHANGES IN CASH AND CASH EQUIVALENTS	**0,00**	**0,00**
Cash and cash equivalents opening balance	0,00	0,00
Change in cash and cash equivalents	0,00	0,00
Cash and cash equivalents closing balance	**0,00**	**0,00**

a)	Adjustments to profit/loss		
	Depreciations and impairment charges	5 684 970,17	6 105 042,51
	Financial income and expenses	81 282 355,73	5 604 143,95
	Gains or losses on sale of fixed assets	-1 655 161,93	-1 124 461,44
	Change in provisions	-414 241,09	-964 288,88
	Total	84 897 922,88	9 620 436,14
b)	Change in net working capital		
	Inventories	-4 625 757,97	-2 170 080,51
	Change in current receivables, non-interest bearing	-6 899 044,48	-11 612 823,49
	Change in current liabilities, non-interest bearing	2 750 643,57	8 286 304,80
	Total	-8 774 158,88	-5 496 599,20

METSÄ TISSUE OYJ

PARENT COMPANY FINANCIAL STATEMENT NOTES

1. Accounting policies, parent company

Metsä Tissue Oyj belongs to Metsä Group, whose parent company is Metsäliitto Cooperative. Metsäliitto Cooperative's registered office is in Helsinki. Metsä Group prepares consolidated financial statements which are available at the Group's main office at Revontulenpuisto 2 A, FIN-02100 Espoo, Finland.

Metsä Tissue Oyj's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS).

Metsä Tissue Oyj has business transactions with other companies within the same Group. More information about these transactions can be found in the Group's Note 7.3. Business transactions with other companies in the same Group are based on the market price.

Foreign currency transactions

Foreign currency transactions have been recognised at the exchange rate on the day of the transaction. At the balance sheet date, receivables and liabilities denominated in foreign currency have been translated into euros at the exchange rate quoted by the European Central Bank at the balance sheet date. Net exchange gains/losses have been recognised to financial income and expenses in the income statement.

Derivative financial instruments

The company uses derivatives only for hedging against currency, interest rate and commodity risks. As of 2018, derivatives have been measured at fair value pursuant to the alternative method permitted by Chapter 2, section 2a of the Accounting Act. The management of financial risks and the principles applied to derivatives are explained in Notes 5.6 and 5.7 of the consolidated financial statements.

Sales

Sales are calculated after deduction of indirect sales taxes, trade discounts and other items adjusting sales.

Long-term premiums

Share-based payments have been posted to fiscal year, where the employee has acquired an irreversible right to the granted shares. Starting from year 2022, other long-term premiums have been posted to the period where the right to those has been acquired.

Pensions and pension funding

Statutory pension security is handled by pension insurance companies outside the Group.
Pension insurance premiums have been accrued to correspond to the accrual-based wages and salaries given in the financial statements.

Leasing

Lease payments are treated as rental expenses.

Income taxes

Tax expenses in the income statement consists of taxes based on the taxable income for the period, taxes for the previous periods and deferred tax assets and liabilities. Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount and the tax base in accordance with the tax rate issued as at the balance sheet date. Deferred taxes are calculated on the basis of the established tax rate.

Property, plant and equipment and depreciation
The carrying values of property, plant and equipment are based on original acquisition costs less depreciation according to plan and impairment losses.

Depreciation according to plan is based on the estimated useful life of the asset as follows:

Goodwill	20	years
Buildings and constructions	20-40	years
Machinery and equipment	3-20	years
Other tangible assets	3-10	years

Depreciation is not recorded on the purchase cost of land and water areas.

Inventories
Inventories are measured at the lower of cost or net realizable value. FIFO principle is observed in measuring inventories or, alternatively, the weighted average cost method. Value of finished and semi-finished goods comprises raw materials, direct wages and salaries, depreciation and amortisation and other direct cost as well as a reasonable share of variable and fixed production overhead cost calculated at normal level of production. Net realizable value is the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

Provisions
Contingent costs and losses that are no longer generate similar income and for which the parent company is obliged or committed and whose monetary value can be reasonably estimated are recognized in the income statement in the nature of the expense item and in the mandatory provisions of the balance sheet.

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2. Sales

	2022 EUR	2021 EUR
Sales by geographical areas		
Finland	111 382 464,73	100 168 225,22
Other EU-countries	75 907 894,56	57 199 845,94
Other European countries	5 129 272,66	6 515 658,02
Other countries	-2 650,81	13 861 917,30
	192 416 981,14	177 745 646,48

3. Extraordinary items

	2022 EUR	2021 EUR
Other operating expenses		
Gains on sale of Encore Ympäristöpalvelut Oy shares	481 042,10	0,00
	481 042,10	0,00
Value adjustments of financial investments		
Metsä Tissue GmbH shares value adjustment	60 000 000,00	0,00
Metsä Tissue Krapkowice Sp z.o.o shares value adjustment	10 000 000,00	0,00
Metsä Tissue Slovakia s.r.o. shares value adjustment	15 000 000,00	0,00
	85 000 000,00	0,00
Other value adjustments		
Value adjustment of interest rate derivatives related to syndicate loan	0,00	2 117 975,00
	0,00	2 117 975,00
Extraordinary items in Income Statement	85 481 042,10	2 117 975,00

4. Other operating income

	2022 EUR	2021 EUR
Rental income	285 339,17	252 354,63
Service revenue	44 945 151,67	34 499 247,34
Other operating income	2 502 641,49	1 841 352,36
	47 733 132,33	36 592 954,33

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5. Operating expenses

	2022 EUR	2021 EUR
External services		
Distribution costs	11 418 273,22	10 979 521,07
Other external services	3 908 265,99	4 341 875,81
	15 326 539,21	15 321 396,88
Employee costs		
Wages and salaries for working hours	22 128 588,72	20 328 741,77
Share-based payments	-110 386,06	818 883,76
Other long-term premiums	2 425 433,00	600 490,46
Social security expenses		
Pension expenses	5 640 380,99	5 122 435,86
Other social security expenses	8 140 763,08	8 262 895,04
	38 224 779,73	35 133 446,89
Salaries and fees paid to management		
Managing director	853 262,68	872 236,35
	853 262,68	872 236,35

Management's salaries, wages and pension commitments are presented in Group's Note 3.2.

Additional information about share-based payments is presented in Group's Note 3.3 and about other long-term premiums in Group's Note 3.4.

The President and CEO, the members of the Board of Directors and their deputies and other similar institutions key persons have not been granted loans and no guarantees or other guarantees have been issued for them.

	2022	2021
The average amount of personnel	430	432
Other operating expenses		
Rental and other property costs	1 685 103,59	1 588 851,76
Purchases of services	43 698 769,55	37 670 398,15
Other expenses		
Voluntary social costs	1 478 847,37	1 368 043,57
Traveling expenses	849 552,86	548 220,12
Advertisement and marketing costs	4 032 039,55	2 293 565,34
Others	1 925 611,52	1 788 851,34
	53 669 924,44	45 257 930,28
Fees of principal auditor		
Audit fees	139 970,25	98 705,80
Auditors' statements	1 850,00	0,00
	141 820,25	98 705,80

The principal auditor is KPMG Oy Ab.

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	2022 EUR	2021 EUR

6. Depreciation and impairment charges

	2022 EUR	2021 EUR
Depreciation according to plan		
Intangible rights	17 012,41	310 624,56
Goodwill	832 519,03	874 009,34
Other intangible assets	101 655,22	126 177,61
Buildings and constructions	668 509,26	475 972,73
Machinery and equipment	3 958 257,58	3 967 389,48
Other tangible assets	107 016,67	350 868,79
	5 684 970,17	6 105 042,51
Depreciations and impairment charges total	5 684 970,17	6 105 042,51
Change in depreciation differences	5 269 849,35	2 678 233,49
Total depreciation	10 954 819,52	8 783 276,00
Depreciation difference at the beginning of the financial year	14 941 640,63	14 411 027,45
Change in depreciation differences	5 269 849,35	2 678 233,49
Transferred accumulated depreciation difference in greaseproof separation	0,00	-2 147 620,31
Depreciation difference at the end of the financial year	20 211 489,98	14 941 640,63

7. Financial income and expenses

	2022 EUR	2021 EUR
Income from non-current assets		
Dividend income		
From others	81 991,80	0,00
	81 991,80	0,00
Interest income from non-current investments		
From Group companies	4 162 178,23	2 309 197,04
	4 162 178,23	2 309 197,04
Total income from non-current assets	4 244 170,03	2 309 197,04
Other interest and financial income		
Interest income from Group companies	3 395 022,63	2 426 961,84
Other interest income	19 546,11	2 670,42
	3 414 568,74	2 429 632,26
Exchange rate differences recognized in financial income and expenses		
Exchange rate differences on sales	-620,16	28 341,36
Exchange rate differences on purchases	15 483,69	-14 024,57
Exchange rate differences on financing	-3 728 312,31	-2 573 480,33
	-3 713 448,78	-2 559 163,54
Write-downs of non-current investments	-85 000 000,00	0,00
Write-downs of interest rate derivatives	0,00	-2 117 975,00
	-85 000 000,00	-2 117 975,00
Interest and other financial expenses		
Interest expenses for the same Group companies	-121 435,80	-4 278 047,10
Other interest expenses	-100 459,72	-1 383 697,61
Other financial expenses	-5 750,20	-4 090,00
Total interest expenses and other financial expenses	-227 645,72	-5 665 834,71
Financial income and expenses total	-81 282 355,73	-5 604 143,95

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8. Income taxes

	2022 EUR	2021 EUR
Taxes for the financial year	5 425 970,43	241 103,00
Taxes for previous financial years	37 715,12	32 001,39
Deferred taxes	-2 876,39	-8 236,17
	5 460 809,16	264 868,22

9. Intangible and tangible assets

Intangible rights

	2022 EUR	2021 EUR
Acquisition costs 1.1.	29 210 194,22	29 345 895,13
Increases	3 843 000,00	5 274 720,00
Decreases	-4 861 951,16	-5 274 720,00
Transfers in business separation	0,00	-135 700,91
Acquisition costs 31.12.	28 191 243,06	29 210 194,22
Accumulated depreciation and impairment charges 1.1.	-29 191 689,31	-29 001 290,19
Accumulated depreciation of deductions and transfers	1 018 951,16	0,00
Accumulated depreciation transferred in business separation	0,00	120 225,44
Depreciation and write-downs for the financial year	-17 012,41	-310 624,56
Accumulated depreciation and impairment on 31.12.	-28 189 750,56	-29 191 689,31
Book value 31.12.	1 492,50	18 504,91

Goodwill

	2022 EUR	2021 EUR
Acquisition costs 1.1.	79 012 948,07	82 256 192,15
Transfers in business separation	0,00	-3 243 244,08
Acquisition costs 31.12.	79 012 948,07	79 012 948,07
Accumulated depreciation and impairment charges 1.1.	-77 347 910,02	-79 380 035,99
Accumulated depreciation transferred in business separation	0,00	2 906 135,31
Depreciation and write-downs for the financial year	-832 519,03	-874 009,34
Accumulated depreciation and impairment on 31.12.	-78 180 429,05	-77 347 910,02
Book value 31.12.	832 519,02	1 665 038,05

Other intangible assets

	2022 EUR	2021 EUR
Acquisition costs 1.1.	3 487 581,05	3 487 581,05
Acquisition costs 31.12.	3 487 581,05	3 487 581,05
Accumulated depreciation and impairment charges 1.1.	-3 056 658,77	-2 930 481,16
Depreciation and write-downs for the financial year	-101 655,22	-126 177,61
Accumulated depreciation and impairment on 31.12.	-3 158 313,99	-3 056 658,77
Book value 31.12.	329 267,06	430 922,28

Intangible assets total

	2022 EUR	2021 EUR
Acquisition costs 1.1.	111 710 723,34	115 089 668,33
Increases	3 843 000,00	5 274 720,00
Decreases	-4 861 951,16	-5 274 720,00
Transfers in business separation	0,00	-3 378 944,99
Acquisition costs 31.12.	110 691 772,18	111 710 723,34
Accumulated depreciation and impairment charges 1.1.	-109 596 258,10	-111 311 807,34
Accumulated depreciation of deductions and transfers	1 018 951,16	0,00
Accumulated depreciation transferred in business separation	0,00	3 026 360,75
Depreciation and write-downs for the financial year	-951 186,66	-1 310 811,51
Accumulated depreciation and impairment on 31.12.	-109 528 493,60	-109 596 258,10
Book value 31.12.	1 163 278,58	2 114 465,24

Land and water areas		
Acquisition costs 1.1.	2 428 994,42	2 427 391,42
Increases	366 726,00	1 603,00
Decreases	-76 857,01	0,00
Acquisition costs 31.12.	2 718 863,41	2 428 994,42
Book value 31.12.	2 718 863,41	2 428 994,42
Buildings and constructions		
Acquisition costs 1.1.	21 388 393,03	21 054 241,14
Increases	420 415,76	258 818,39
Decreases	-217 567,65	0,00
Transfers between items	2 808 003,01	75 333,50
Acquisition costs 31.12.	24 399 244,15	21 388 393,03
Accumulated depreciation and impairment charges 1.1.	-16 200 475,15	-15 724 502,42
Accumulated depreciation of deductions and transfers	121 060,88	0,00
Depreciation and write-downs for the financial year	-668 509,26	-475 972,73
Accumulated depreciation and impairment on 31.12.	-16 747 923,53	-16 200 475,15
Book value 31.12.	7 651 320,62	5 187 917,88
Machinery and equipment		
Acquisition costs 1.1.	111 895 695,47	116 733 524,96
Increases	2 224 594,18	4 320 291,04
Decreases	-7 510 459,71	-1 427 088,53
Transfers between items	5 953 978,09	3 694 615,77
Transfers in business separation	0,00	-11 425 647,77
Acquisition costs 31.12.	112 563 808,03	111 895 695,47
Accumulated depreciation and impairment charges 1.1.	-80 644 760,10	-86 074 733,70
Accumulated depreciation of deductions and transfers	7 606 966,48	1 427 088,53
Accumulated depreciation transferred in business separation	0,00	7 970 274,55
Depreciation and write-downs for the financial year	-3 958 257,58	-3 967 389,48
Accumulated depreciation and impairment on 31.12.	-76 996 051,20	-80 644 760,10
Book value 31.12.	35 567 756,83	31 250 935,37
Other tangible assets		
Acquisition costs 1.1.	3 066 804,62	3 066 804,62
Decreases	-6 295,61	0,00
Acquisition costs 31.12.	3 060 509,01	3 066 804,62
Accumulated depreciation and impairment charges 1.1.	-2 245 379,55	-1 894 510,76
Accumulated depreciation of deductions and transfers	6 295,61	0,00
Depreciation and write-downs for the financial year	-107 016,67	-350 868,79
Accumulated depreciation and impairment on 31.12.	-2 346 100,61	-2 245 379,55
Book value 31.12.	714 408,40	821 425,07
Advance payments and work in progress		
Acquisition costs 1.1.	13 843 699,72	8 487 602,55
Increases	6 416 876,86	10 330 574,93
Transfers between items	-8 761 981,10	-3 767 289,14
Transfers in business separation	0,00	-1 207 188,62
Acquisition costs 31.12.	11 498 595,48	13 843 699,72

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	2022 EUR	2021 EUR
Total tangible assets		
Acquisition costs 1.1.	152 623 587,26	151 769 564,69
Increases	9 428 612,80	14 911 287,36
Decreases	-7 811 179,98	-1 427 088,53
Transfers between items	0,00	2 660,13
Transfers in business separation	0,00	-12 632 836,39
Acquisition costs 31.12.	154 241 020,08	152 623 587,26
Accumulated depreciation and impairment charges 1.1.	-99 090 614,80	-103 693 746,88
Accumulated depreciation of deductions and transfers	7 734 322,97	1 427 088,53
Accumulated depreciation transferred in business separation	0,00	7 970 274,55
Depreciation and write-downs for the financial year	-4 733 783,51	-4 794 231,00
Accumulated depreciation and impairment on 31.12.	-96 090 075,34	-99 090 614,80
Book value 31.12.	58 150 944,74	53 532 972,46

10. Investments

	2022 EUR	2021 EUR
Shares in Group companies		
Acquisitions/investments 1.1.	285 676 455,25	281 052 163,78
Increases	121 332 489,46	4 624 291,47
Value adjustments	-85 000 000,00	0,00
Acquisitions/investments 31.12.	322 008 944,71	285 676 455,25
Shares in joint ventures		
Acquisitions/investments 1.1.	908 256,89	908 256,89
Increases	81 000,00	0,00
Acquisitions/investments 31.12.	989 256,89	908 256,89
Other shares and holdings		
Acquisitions/investments 1.1.	774 342,09	774 342,09
Increases	511 877,03	0,00
Decreases	-1 282 492,20	0,00
Acquisitions/investments 31.12.	3 726,92	774 342,09
Total invesments and holdings		
Acquisitions/investments 1.1.	287 359 054,23	282 734 762,76
Increases	121 925 366,49	4 624 291,47
Decreases	-1 282 492,20	0,00
Value adjustments	-85 000 000,00	0,00
Acquisitions/investments 31.12.	323 001 928,52	287 359 054,23
Receivables from Group companies		
Acquisitions/investments 1.1.	107 495 017,21	109 630 362,00
Decreases	-61 620 305,74	-2 135 344,79
Acquisitions/investments 31.12.	45 874 711,47	107 495 017,21
Receivables total		
Acquisitions/investments 1.1.	107 495 017,21	109 630 362,00
Decreases	-61 620 305,74	-2 135 344,79
Acquisitions/investments 31.12.	45 874 711,47	107 495 017,21
Investments total		
Acquisitions/investments 1.1.	394 854 071,44	392 365 124,76
Increases	121 925 366,49	4 624 291,47
Decreases	-62 902 797,94	-2 135 344,79
Value adjustments	-85 000 000,00	0,00
Acquisitions/investments 31.12.	368 876 639,99	394 854 071,44

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11. Receivables

	2022 EUR	2021 EUR
Non-current receivables		
Receivables from Group companies		
Loans	37 000 000,00	96 705 000,00
	37 000 000,00	96 705 000,00
Total non-current receivables	37 000 000,00	96 705 000,00
Current receivables		
Receivables from Group companies		
Accounts receivable	13 281 696,46	10 749 727,68
Other receivables	103 930 379,97	42 416 211,35
Accrued income	17 197 538,13	10 262 174,78
	134 409 614,56	63 428 113,81
Receivables from joint ventures		
Accounts receivable	61 859,43	108 442,44
	61 859,43	108 442,44
Receivables from others		
Accounts receivable	20 007 574,02	15 034 792,04
Other receivables	1 409 226,51	2 290 881,09
Prepayments and accrued income	794 831,20	5 480 683,48
	22 211 631,73	22 806 356,61
Total current receivables	156 683 105,72	86 342 912,86
Accrued income from Group companies, current, specification		
Derivatives	6 794 174,92	8 498 644,13
Others	10 403 363,21	1 763 530,65
	17 197 538,13	10 262 174,78
Accrued income from others, current, specification		
Others	794 831,20	5 480 683,48
	794 831,20	5 480 683,48
Total receivables	193 683 105,72	183 047 912,86

Metsä Tissue OYJ

12. Shareholders' equity

	2022 EUR	2021 EUR
Restricted equity		
Share capital 1.1.	91 185 880,00	91 185 880,00
Share capital 31.12.	91 185 880,00	91 185 880,00
Share premium 1.1.	88 241 531,97	88 241 531,97
Share premium 31.12.	88 241 531,97	88 241 531,97
Fair value reserve 1.1.	5 033 715,19	-7 607 231,56
Change	-3 025 375,87	12 640 946,75
Fair value reserve 31.12.	2 008 339,32	5 033 715,19
Restricted equity total	181 435 751,29	184 461 127,16
Unrestricted equity		
Reserve for invested unrestricted equity 1.1.	225 000 000,00	0,00
Change	0,00	225 000 000,00
Reserve for invested unrestricted equity 31.12.	225 000 000,00	225 000 000,00
Retained earnings 1.1.	158 514 393,31	197 627 789,27
Dividends	0,00	-40 000 000,00
Retained earnings 31.12.	158 514 393,31	157 627 789,27
Profit for the financial period	-63 103 100,62	886 604,04
Unrestricted equity total	320 411 292,69	383 514 393,31
Equity total 31.12.	501 847 043,98	567 975 520,47
Distributable earnings		
Reserve for invested unrestricted equity	225 000 000,00	225 000 000,00
Profit from previous financial periods	158 514 393,31	157 627 789,27
Profit for the financial period	-63 103 100,62	886 604,04
Distributable earnings	320 411 292,69	383 514 393,31

METSÄ TISSUE OYJ

	2022 EUR	2021 EUR

13. Provisions

	2022 EUR	2021 EUR
Provisions for closure and restructuring obligations		
1.1.	121 796,22	89 339,00
Increase	5 853,52	32 457,22
31.12.	127 649,74	121 796,22
Provisions for environment		
1.1.	1 056 060,85	2 052 806,95
Increase	8 855,40	8 723,64
Decrease	-428 950,01	-1 005 469,74
31.12.	635 966,24	1 056 060,85
Total provisions		
1.1.	1 177 857,07	2 142 145,95
Increase	14 708,92	41 180,86
Decrease	-428 950,01	-1 005 469,74
31.12.	763 615,98	1 177 857,07

14. Deferred tax receivables and liabilities

	2022 EUR	2021 EUR
Deferred tax receivables		
Provisions	97 389,44	94 513,05
Financial instruments	824 514,89	441 300,03
	921 904,33	535 813,08
Deferred tax liabilities		
Financial instruments	-1 326 599,73	-1 699 728,82
	-1 326 599,73	-1 699 728,82
Deferred tax receivables and liabilities net	-404 695,40	-1 163 915,74

The deferred tax liability for accrued depreciation difference in year 2022 was 4,0 million euros (3,0).

15. Non-current liabilities

	2022 EUR	2021 EUR
Other liabilities		
Deferred tax liabilities	404 695,40	1 163 915,74
	404 695,40	1 163 915,74
Non-current liabilities total	**404 695,40**	**1 163 915,74**

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16. Current liabilities

	2022 EUR	2021 EUR
Liabilities to Group companies		
Accounts payable	9 803 410,33	9 545 507,52
Other liabilities, interest bearing	51 485 353,60	5 896 921,87
Other liabilities	0,00	155 680,37
Accruals and deferred income	6 489 255,51	5 029 773,65
	67 778 019,44	20 627 883,41
Liabilities to joint ventures		
Accounts payable	2 135 383,50	2 058 600,73
	2 135 383,50	2 058 600,73
Liabilities to others		
Loans from financial institutions	0,00	0,01
Advance payment	879,19	98 134,92
Accounts payable	34 069 726,89	34 036 391,32
Other liabilities	790 822,27	893 144,99
Accruals and deferred income	17 220 300,11	9 298 582,45
	52 081 728,46	44 326 253,69
Total current liabilities	121 995 131,40	67 012 737,83
Accruals and deferred income to Group companies, current specification		
Derivatives	4 192 680,09	2 453 167,17
Others	2 296 575,42	2 576 606,48
	6 489 255,51	5 029 773,65
Accruals and deferred income, current external		
Personnel expenses	11 205 019,67	8 325 670,09
Taxes	4 872 970,43	0,00
Others	1 142 310,01	972 912,36
	17 220 300,11	9 298 582,45

17. Financial instruments

Financial derivatives 2022

	Nominal value	Fair value			Fair value	
	(EUR)	Derivative assets	Derivative liabilities	Fair value net	Fair value through profit and loss	Fair value through other comprehensive income items
Currency forward contracts	343 008 635,27	6 794 174,92	4 192 680,09	2 601 494,83	91 070,67	2 510 424,16
Currency derivatives	343 008 635,27	6 794 174,92	4 192 680,09	2 601 494,83	91 070,67	2 510 424,16
Derivatives total	343 008 635,27	6 794 174,92	4 192 680,09	2 601 494,83	91 070,67	2 510 424,16

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Financial derivatives 2021

	Nominal value (EUR)	Fair value			Fair value	
		Derivative assets	Derivative liabilities	Fair value net	Fair value through profit and loss	Fair value through other comprehensive income items
Currency forward contracts	326 958 369,33	5 541 741,81	2 453 167,17	3 088 574,64	-246 667,02	3 335 241,66
Currency derivatives	326 958 369,33	5 541 741,81	2 453 167,17	3 088 574,64	-246 667,02	3 335 241,66
Electricity derivatives	486 618,00	456 842,60		456 842,60		456 842,60
Other commodity derivatives	1 438 041,60	2 500 059,72		2 500 059,72		2 500 059,72
Commodity derivatives	1 924 659,60	2 956 902,32	0,00	2 956 902,32	0,00	2 956 902,32
Derivatives total	328 883 028,93	8 498 644,13	2 453 167,17	6 045 476,96	-246 667,02	6 292 143,98

All derivative agreements of Metsä Tissue Oyj have been made in hedging purpose and cash flow hedge accounting according to IFRS 9 has been applied in major part of the agreements. Only the part of currency derivatives that is related to hedging of accounts receivables and accounts payable is not directed to hedge accounting. Currency derivatives have been made to hedge Metsä Tissue´s currency cash flow and they mature fully during 2023. All commodity derivatives matured during 2022. Metsä Tissue Oyj has posted EUR 7.0 million commodity hedging gain to operating income to adjust purchases during year 2022. More detailed description of management of financial risks and principles applied to derivatives is included in Management of financial risks in IFRS financial statements Notes 5.6 and 5.7.

Fair value EUR

Fair value hierarchy of financial assets and liabilities 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments				
Derivative financial assets		6 794 174,92		6 794 174,92
Financial liabilities measured at fair value				
Derivative financial liabilities		4 192 680,09		4 192 680,09

Fair value hierarchy of financial assets and liabilities 2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments			774 342,09	774 342,09
Derivative financial assets	2 956 902,32	5 541 741,81		8 498 644,13
Financial liabilities measured at fair value				
Derivative financial liabilities		2 453 167,17		2 453 167,17

Financial assets and liabilities and their fair values are classified according to IFRS 9.
The principles used for the classification of financial assets and liabilities at fair value are described in note 5.7 of the consolidated Group accounts.

18. Legal disbutes and commitments

Commitments and contingencies	2022 EUR	2021 EUR
For own and for Group companies		
Guarantees	49 807 711,00	39 799 165,00
For joint ventures		
Guarantees	48 976,00	86 604,00
Leasing commitments		
Payments due in following 12 months	1 519 590,75	1 358 565,96
Payments due later than 1 year	2 127 852,30	3 086 943,80
Total		
Guarantees	49 856 687,00	39 885 769,00
Leasing commitments	3 647 443,05	4 445 509,76
	53 504 130,05	44 331 278,76
Investment commitments		
Payments due in following 12 months	4 271 303,70	5 821 858,20
Payments due later than 1 year	1 603 076,28	1 865 177,76
Investment commitments total	5 874 379,98	7 687 035,96

19. Shares **31.12.2022**

Name of the company	Country	Parent company ownership %	Group company ownership %	Number of shares	Book value EUR
Subsidiaries					
Dambi Ab	SE	100 %		4 501 000	153 028 560,66
Metsä Tissue Ltd	GB	100 %		1	380 181,47
Metsä Tissue Poland Sp z.o.o.	PL	100 %		98 172	5 000 000,00
Metsä Tissue Slovakia s.r.o.	SK	100 %			57 311 615,95
Metsä Tissue Hungary Kft	HU	100 %			1 622 719,25
Metsä Tissue Ukraina LLC	UA	100 %			33 200,00
Metsä Tissue GmbH	DE	100 %		1	80 000 000,00
Metsa Tissue Krapkowice sp z o.o.	PL	100 %		2 300 000	20 000 000,00
Metsa Tissue Czech s.r.o.	CZ	100 %			8 375,91
Metsä Greaseproof Papers Oy	FI	100 %		10 100	4 624 291,47
					322 008 944,71
Joint ventures					
Mäntän Energia Oy	FI	70 %		2 800	853 680,89
Mäntän Puhdistamo Oy	FI	54 %		54	135 576,00
					989 256,89
Other shares					
MW-Kehitys Oy	FI				2 000,00
Yrke Kiinteistöt Oy	FI				1 726,92
					3 726,92

METSÄ TISSUE OYJ

The Board's proposal for the distribution of profit and possible distribution of other unrestricted equity
and signatures for the financial statements

The distributable funds of the parent company are EUR 320.411.292,69 of which retained earnings constitute EUR 158.514.393,31 and loss for the period EUR -63.103.100,62. Reserve for invested unrestricted equity is EUR 225.000.000,00.

The Board of Directors proposes to the Annual General Meeting that the result for the period will be transferred to the retained earnings and no dividend will be paid for the financial year 2022.

No material changes have been taken place in respect of the company's financial position after the balance sheet date.

Espoo 9th February 2023

Ilkka Hämälä

Vesa-Pekka Takala

Esa Kaikkonen
CEO

METSÄ TISSUE OYJ

THE AUDITOR'S NOTE

The auditor's report has been issued today

Helsinki 9th February 2023

KPMG Oy Ab
Authorised Public Accountants

Kirsi Jantunen
Authorised Public Accountant

METSÄ TISSUE OYJ

LIST OF ACCOUNTING BOOKS AND DOCUMENT TYPES

Accounting books

Document Journal	digital record
General Ledger	digital record
Accounts receivable	digital record
Accounts payable	digital record
List of tangible and intangible assets	digital record
Financial statement and Board of Director's report	bound book
Balance sheet specification	digital record
Note documents	digital record

The accounting records are kept in accordance with the provision of Chapter 2 Section 10 of the Finnish Accounting Act. The documents are stored electronically (digital recording).

Document types

Cash documents

SK	Cash Document
ZJ	Twin
ZP	Payment posting

General Ledger documents

AA	Asset posting
AB	Accounting document
AF	Depreciation posting
AP	Periodic Asset posting
ML	Investment settlement
S2	GL document
S4	CO document, local ERP
S6	Memo posting, local ERP
S7	External payroll system
S9	GL document
SA	G/L account document
SC	Cost control distribution
SE	G/L posting multiple profit center
SG	Cost transfer to investment
SL	G/L multiple profit center w/VAT
SU	Adjustment document
SV	Recurring entry
SX	G/L posting in FSP
V9	Forest owners cumulative posting
ZT	Valuation

Accounts receivable

D1	Customer invoice
D2	Customer credit invoice
D3	Down payment request
DA	Customer document
DG	Customer credit memo
DQ	Customer interest invoice
DR	Customer invoice
DZ	Customer payment
RB	Reserve for bad debt
RC	Rec. Transfer posting
RV	Billing document transfer
RW	Billing document transfer
RX	Billing document transfer IC credit
V6	TUPU sales invoice
ZV	Payment clearing
ZZ	VAT proforma

Accounts payable

K1	Vendor invoice
K2	Vendor credit memo
K3	Vendor DP request
K4	Internal transit invoice
K5	JIP vendor invoice
K6	JIP vendor credit memo
K7	Travel invoice
K8	Voyager document
K9	Supplier financing
KA	Vendor document
KC	Intercompany credit
KD	Intercompany debit
KG	Vendor credit memo
KR	Vendor invoice
V1	TUPU advanced payement
V2	TUPU purchase invoice
V3	Harvestin purchase invoice
V5	OTSO invoice