

METSÄ BOARD

INTERIM REPORT

JANUARY–MARCH 2020



METSÄ BOARD'S COMPARABLE OPERATING RESULT IN JANUARY–MARCH 2020 WAS EUR 34 MILLION

JANUARY–MARCH 2020 (compared to 1–3/2019)

- Sales were EUR 472.1 million (487.1).
- Comparable operating result was EUR 33.8 million (61.8), or 7.2% (12.7%) of sales. Operating result was EUR 33.8 million (71.9).
- Comparable earnings per share were EUR 0.06 (0.14), and earnings per share were EUR 0.06 (0.17).
- Comparable return on capital employed was 7.6% (14.4%).
- Net cash flow from operations was EUR 80.0 million (36.4).

As of the first quarter of 2020, the development of the reported quarter in Metsä Board's interim report is compared to the corresponding quarter of the previous year. The reported review period will continue to be compared to the corresponding review period of the previous year.

IMPACTS FROM COVID-19 ON METSÄ BOARD'S BUSINESS

The coronavirus pandemic has temporarily increased demand for pure and safe packaging materials, and the order inflows of Metsä Board's paperboards have grown. In delivery logistics, there have been occasional capacity bottlenecks.

So far, the coronavirus has not had an impact on the production of Metsä Board's mills. To minimise physical contact, the scope of the annual maintenance of mills scheduled for the second quarter of the year have been scaled down and partly postponed.

Metsä Board's financial position is good. The maturity profile of the loans is healthy and the company's liquidity is adequate. The pre-engineering phase of the renewal of the Husum pulp mill and the investment's preparatory construction work are progressing according to plan.

The company has at its disposal substantial precautionary measures aiming to ensure the health and safety of the personnel and the continuity of the business. Despite the precautionary measures, a prolonged pandemic could lead to disruptions in production and/or the supply chain. The weakening of the world economy attributable to the pandemic is also likely to reduce demand for Metsä Board's products and thereby have a negative impact on the company's profitability.

EVENTS IN JANUARY–MARCH 2020

- The strike at Finnish mills began on 27 January and ended on 10 February 2020. The strike concerned all Metsä Board's mills in Finland and all pulp mills of Metsä Board's associated company Metsä Fibre. The strike is estimated to have a negative impact of approximately EUR 20 million on Metsä Board's operating result. Of this, approximately EUR 15 million materialized in the first quarter.
- Net cash flow from operations was strong, EUR 80 million.
- The coronavirus outbreak has temporarily increased demand for folding boxboard and white kraftliner. Metsä Board's paperboard deliveries were on a higher level than in the corresponding period last year.
- The market prices of pulp were on a clearly lower level than in the corresponding period last year, which had a negative impact on profitability.
- There were no significant maintenance shutdowns during the review period. The scope and timing of maintenance shutdowns scheduled for the first half of the year have been reviewed due to the coronavirus situation.
- The first phase of the renewal of Husum's pulp mill is progressing. Permission to begin the construction of the new recovery boiler was received in March, and the foundation work is now under way. The final investment decision will be made once the environmental permit has been secured.
- The Science Based Targets Initiative (SBTi) approved Metsä Board's emission reduction targets. The company's emission reduction targets concerning direct and indirect greenhouse gas emissions (Scope 1 and Scope 2) correspond with the reduction requirements necessary to limit global warming to 1.5 degrees.

RESULT GUIDANCE FOR APRIL–JUNE 2020

Metsä Board's comparable operating result for the second quarter of 2020 is expected to improve compared to the first quarter of 2020.

ANNUAL GENERAL MEETING OF 2020

Metsä Board Corporation announced on 19 March 2020 its decision to cancel the Annual General Meeting convened for 26 March 2020. Metsä Board plans to hold its Annual General Meeting on 11 June 2020. The Notice to the meeting, including guidelines and procedures relating to the meeting will be published later, however three weeks before the meeting at the latest. The Board of Directors have decided not to amend the proposals already made to the Annual General Meeting.

The Board of Directors proposes that a dividend of EUR 0.10 per share and a capital distribution of EUR 0.14 per share be paid for the 2019 financial period. The proposed dividend and capital distribution, totalling EUR 0.24 per share, corresponds to 59% of the earnings per share for 2019.

Metsä Board's CEO Mika Joukio:

“Our operating result in January–March was EUR 33.8 million, when it was almost double that in the corresponding quarter last year. The main reason for the weaker result was the cheaper price of market pulp. Also, the two-week strike of paper industry workers early in the year had a big impact on us, given that a majority of our production is located in Finland. The negative impact that the strike had on the result totals roughly EUR 20 million, and most of it concerned the first quarter. The first-quarter cash flow was exceptionally strong.

It is difficult to estimate the ultimate impact that the global spread of the coronavirus, which began during the review period and continues to this day, will have on our business. The pandemic has decreased demand in certain end uses of paperboard. On the other hand, it

has accelerated the demand for food and pharma packaging, for example. So far, the pandemic's net effect on the order inflow of Metsä Board's paperboards has been positive.

Despite the exceptional circumstances, our production of folding boxboard was at a record high in March. Our investment projects also continued according to plan: Foundation work got under way in Husum's recovery boiler project in Sweden and the winder project at Kyro mill in Finland has progressed according to the original schedule.

Metsä Board's financial position is strong. The financing arrangements made last year secured a favourable maturity profile for our loans, and provide us with financial flexibility. Our liquidity is likewise on a good level.

The pandemic will significantly weaken the world economy, and is also likely to have a negative impact on Metsä Board's business and profitability. Even so, as a company we have a strong foundation – skilled people, the industry's leading products and innovative packaging solutions. Furthermore, demand for pure and safe products made from a renewable raw material can be expected to continue.

For now, the most important things are our personnel's safety, ensuring the continuity of our business and preventing further spread of the pandemic. I have proudly taken note of how well our personnel have performed and coped with this challenging time. These exceptional circumstances will come to an end at some point, and I believe that, once things get back to normal, we will be in an even stronger position to respond to our customers' needs.”

KEY FIGURES

	2020	2019	2019	2019
	Q1	Q1	Q4	Q1–Q4
Sales, EUR million	472.1	487.1	478.4	1,931.8
EBITDA, EUR million	59.3	99.3	59.5	294.5
comparable, EUR million	59.3	89.3	59.4	279.0
EBITDA, % sales	12.6	20.4	12.4	15.2
comparable, % sales	12.6	18.3	12.4	14.4
Operating result, EUR million	33.8	71.9	20.0	180.8
comparable, EUR million	33.8	61.8	39.1	184.4
Operating result, % sales	7.2	14.8	4.2	9.4
comparable, % sales	7.2	12.7	8.2	9.5
Result before taxes, EUR million	28.9	67.9	17.0	165.6
comparable, EUR million	28.9	57.9	36.1	169.2
Result for the period, EUR million	22.1	59.6	16.2	144.6
comparable, EUR million	22.1	50.2	31.2	145.8
Earnings per share, EUR	0.06	0.17	0.05	0.41
comparable, EUR	0.06	0.14	0.09	0.41
Return on equity, %	6.7	18.4	4.9	10.9
comparable, %	6.7	15.5	9.5	11.0
Return on capital employed, %	7.6	16.7	4.6	10.2
comparable, %	7.6	14.4	8.9	10.4
Equity ratio at end of period ¹⁾ , %	59	56	59	59
Net gearing ratio at end of period ¹⁾ , %	20	23	23	23
Interest-bearing net liabilities / comparable EBITDA	1.0	0.9	1.1	1.1
Shareholders' equity per share at end of period ¹⁾ , EUR	3.71	3.57	3.76	3.76
Interest-bearing net debt ¹⁾ , EUR million	260.1	296.6	307.8	307.8
Total investments, EUR million	29.8	6.4	56.7	98.9
Net cash flow from operations, EUR million	80.0	36.4	89.6	200.5
Personnel ¹⁾	2,376	2,382	2,351	2,351

¹⁾ at end of period

DELIVERY AND PRODUCTION VOLUMES

	2020	2019	2019	2019	2019	2019
	Q1	Q4	Q3	Q2	Q1	Q1–Q4
Delivery volumes, 1,000 tonnes						
Folding boxboard	298	300	305	299	302	1,207
White kraftliner	152	139	161	146	138	584
Metsä Board's market pulp	130	137	104	109	109	460
Metsä Fibre's pulp ¹⁾	165	180	207	166	192	745
Production volumes, 1,000 tonnes						
Folding boxboard	288	313	311	308	310	1,242
White kraftliner	130	155	132	138	150	574
Metsä Board's market pulp	329	332	343	352	346	1,373
Metsä Fibre's pulp ¹⁾	148	186	182	186	181	734

¹⁾ equal to Metsä Board's 24.9 per cent holding in Metsä Fibre

INTERIM REPORT 1 JANUARY–31 MARCH 2020

As of the first quarter of 2020, the reported quarter in Metsä Board's interim report is compared to the corresponding quarter of the previous year. In line with this, the reported review period reported is compared to the corresponding review period of the previous year.

SALES AND RESULT

January–March 2020 (compared to 1–3/2019)

Metsä Board's sales decreased from the comparison period and were EUR 472.1 million (487.1). Folding boxboard accounted for 58% of sales, while 26% of sales derived from white kraftliners, 12% from market pulp and 4% from other operations.

Total deliveries of paperboard were 450,000 (440,000) tonnes. Deliveries of folding boxboard were 298,000 (302,000) tonnes, of which 71% was delivered to the EMEA region, 22% to the Americas, and 7% to the APAC region. Deliveries of white kraftliner were 152,000 (138,000) tonnes, of which 66% was delivered to the EMEA region, 33% to the Americas, and 1% to the APAC region. Metsä Board's market pulp deliveries grew from the comparison period and were 130,000 (109,000) tonnes.

The comparable operating result was EUR 33.8 million (61.8), and the operating result was EUR 33.8 million (71.9).

The comparable operating result of the review period was weakened by lower market pulp prices. The negative impact on results was moderated by lower pulp costs in the paperboard business. The overall impact that the lower-priced pulp had on Metsä Board profitability, including the associated company Metsä Fibre's share of the result, was nevertheless clearly negative.

The paper industry strike, which concerned all of Metsä Board's mills in Finland and all of Metsä Fibre's pulp mills, had an approximately EUR 15 million negative impact on the operating result in January–March.

The prices of wood and energy declined slightly from the comparison period, decreasing the production costs of paperboard and pulp.

Exchange rate fluctuations, including hedges, had a positive impact of around EUR 8 million on the operating result compared to the comparison period.

Metsä Board's share of the result of its associated company Metsä Fibre was EUR -4.2 million (22.8). In addition to the lower prices of market pulp and the strike, Metsä Fibre's profitability was burdened by the declin-

ing demand for mechanical wood products and by a decline in price levels. Demand for mechanical wood products has been weakened particularly by the decline of the construction and transport industries.

Financial income and expenses totalled EUR -4.9 million (-4.0), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -2.0 million (-0.4).

The result before taxes was EUR 28.9 million (67.9). The comparable result before taxes was EUR 28.9 million (57.9). Income taxes amounted to EUR 6.7 million (8.3).

Earnings per share were EUR 0.06 (0.17). The comparable earnings per share were EUR 0.06 (0.14). The return on equity was 6.7% (18.4%), and the comparable return on equity was 6.7% (15.5%). The return on capital employed was 7.6% (16.7%), and the comparable return on capital employed was 7.6% (14.4%).

Operating result in January–March 2020 in brief (compared to 10–12/2019)

The comparable operating result was EUR 33.8 million (39.1). There were no significant maintenance shutdowns during the first quarter, which improved profitability in January–March. Exchange rate fluctuations, including hedges, had a positive impact of approximately EUR 4 million on the result. The negative effect that the paper industry workers' strike had on the result was approximately EUR 15 million. Metsä Board's share of the result of its associated company Metsä Fibre was EUR -4.2 million (1.0). In the fourth quarter of 2019, there were sales of unused emission allowances, but none in the first quarter of 2020.

MARKET DEVELOPMENT

Sources: *Fastmarkets FOEX, Fastmarkets RISI, CEPI Cartonboard, CEPI Containerboard, AFPA*

January–March 2020 (compared to 1–3/2019)

Deliveries by European producers of folding boxboard increased by 4% and market prices declined from the year before. Correspondingly, deliveries by producers of white kraftliner declined by 1%, and also market prices declined.

Metsä Board's proportion of the total deliveries by European folding boxboard producers was 33% (36%), and 55% (60%) in terms of exports from Europe.

In the United States, the production of solid bleached boxboard for local consumption remained at the same level as year before, and the production of food service paperboard declined from the year before. The market

prices of solid bleached boxboard declined slightly, and the market prices of food service paperboard remained stable.

In Europe, the dollar-denominated market price of long-fibre pulp declined by 28%, calculated from the difference between the average quarterly prices. The dollar-denominated market price of short-fibre pulp declined by 32%. In China, the dollar-denominated market price of long-fibre pulp declined by 19% and that of short-fibre pulp by 31%.

CASH FLOW

Net cash flow from operations in the review period was EUR 80.0 million (1–3/2019: 36.4). Working capital increased by EUR 2.1 million (76.6). A strong increase in working capital typical to a first quarter did not take place due to the production losses attributable to the strike. The lower price of pulp has increased the share of Metsä Board's own paperboard mills and decreased associated company Metsä Fibre's share in cash flow generation. Net cash flow from operations for the review period includes a EUR 21.8 million (63.3) dividend from Metsä Fibre.

INVESTMENTS

Total investments during the review period were EUR 29.8 million (6.4), of which investments in owned property, plant and equipment were EUR 29.7 million (6.4) and investments in leased property, plant and equipment were EUR 0.1 million (0.0).

Investments in the first phase of the renewal of the Husum pulp mill in January–March totalled EUR 24 million. The total value of the investment's first phase is approximately EUR 320 million.

BALANCE SHEET AND FINANCING

Metsä Board's equity ratio at the end of the review period was 59% (31 March 2019: 56%) and the net gearing ratio was 20% (23%). The ratio of interest-bearing net liabilities to comparable EBITDA in the previous 12 months was 1.0 (0.9).

At the end of the review period, interest-bearing liabilities totalled EUR 443.0 million (31 March 2019: 394.9). Loans in foreign currency accounted for 1.6% of loans and floating-rate loans for 18.4%, with the rest being fixed-rate loans. The average interest rate on liabilities was 2.5% (3.2%), and the average maturity of non-current liabilities was 6.1 years (6.1). The interest rate maturity of loans was 54.9 months (65.0).

At the end of the review period, net interest-bearing liabilities totalled EUR 260.1 million (31 March 2019: 296.6).

Metsä Board's liquidity has remained strong. At the end of the review period, the available liquidity was EUR 380.0 million (31 March 2019: 245.4), consisting of the following items: liquid assets and investments of EUR 180.0 million and a syndicated credit facility (revolving credit facility) of EUR 200.0 million. As of 2020, the company will no longer include undrawn pension premium (TyEL) funds in available liquidity. Of the liquid assets, EUR 173.1 million consisted of short-term deposits with Metsä Group Treasury, and EUR 6.9 million were cash funds and investments. Other interest-bearing receivables amounted to EUR 2.9 million. In addition, Metsä Board's liquidity reserve is complemented by Metsä Group's internal undrawn short-term credit facility of EUR 150.0 million and undrawn pension premium (TyEL) funds of EUR 190.1 million.

The fair value of long-term investments was EUR 262.0 million at the end of the review period (31 March 2019: 279.6). The change is related to the decrease in the fair value of Pohjolan Voima Oyj's shares.

At the end of the review period, an average of 8.2 months of the net foreign currency exposure was hedged, including the hedging of the balance sheet position of trade receivables and trade payables (31 March 2019: 7.5). The degree of hedging during the period varied between 7 and 9 months, on average. In addition to the balance sheet position, half of the projected annual net foreign currency exposure at the normal level is hedged. The amount of hedging may deviate from the normal level by 40% in either direction. When hedging is at the normal level, the aim is to allocate the hedges primarily to the following two quarters.

Metsä Board has investment grade credit ratings by S&P Global and Moody's Investor Service. The company's rating by S&P Global is BBB-, with a stable outlook. The company's rating by Moody's is Baa3, with a stable outlook.

PERSONNEL

At the end of the review period, the number of personnel was 2,376 (31 March 2019: 2,382), of whom 1,435 (1,399) were based in Finland. In January–March, Metsä Board employed 2,365 people on average (1–3/2019: 2,372). Personnel expenses in January–March totalled EUR 46.0 million (47.0).

BUSINESS DEVELOPMENT

Development of paperboard sales

Metsä Board is Europe's largest producer of folding boxboard and white kraftliner. Metsä Board's folding boxboard is mainly used in consumer goods packaging, especially in food and food service packaging. Correspondingly, the end uses of Metsä Board's white kraftliner lie primarily in the various packaging needs of the retail sector.

The paper industry strike at Finnish mills and the increased demand for packaging materials attributable to the coronavirus outbreak have improved the balance of paperboard supply and demand during the first three months of the year. Demand for end uses involving large volumes, such as food and pharmaceutical packaging, has been strong. At the same time, however, demand for the packaging of luxury products and graphical end uses has slowed down.

Strong demand in the EMEA region increased the order inflow for Metsä Board's paperboards, particularly in March. Despite the strike early in the year, the delivery volumes of paperboard during the review period were on a higher level than in the corresponding period the year before. The sales of white kraftliner in Europe grew, but the average price was slightly lower than in the year before. In folding boxboard, delivery volumes and average prices remained on the level of the comparison period.

Metsä Board's deliveries to the Americas consist of folding boxboard and coated white kraftliner. During the review period, the delivery volumes of Metsä Board's folding boxboard and white kraftliners were on the level of the comparison period, but grew from the previous quarter. As in Europe, increased demand in certain end uses, attributable to the coronavirus pandemic, increased the sales of folding boxboard. The growth in e-commerce increased the demand for white kraftliner, in particular. The average price of Metsä Board's folding boxboard rose and the average price of coated white kraftliner remained stable compared to the comparison period.

In the APAC region, Metsä Board focuses on demanding end uses in cooperation with global brand owners, primarily in folding boxboard. During the review period, the delivery volumes of Metsä Board's folding boxboard in the APAC region declined from the level of the corresponding period in the previous year.

Development of market pulp sales

Metsä Board's market pulp position is composed of the company's own pulp production and consumption as well as of its 24.9% holding in Metsä Fibre. On an an-

nual level, the total position shows a surplus of approximately 600,000 tonnes and consists mostly of long-fibre pulp.

The market pulp prices declined in 2019, and were on a clearly lower level during the review period than in the comparison period. The price decline have had a significant negative impact on Metsä Board's profitability.

Deliveries of Metsä Board's market pulp during the review period grew from the comparison period. While the global increase in the demand for tissue papers increased demand for pulp early in the year, the production of printing papers decreased significantly at the same time. The strike of paper industry workers early in the year did not apply to Metsä Board's Husum pulp mill in Sweden.

The associated company Metsä Fibre's pulp delivery volumes, on the other hand, were lower than in the comparison period. Some 50% of Metsä Fibre's market pulp is sold in the EMEA region and 50% in the APAC region, where China makes up a significant share.

Production

As expected, the paper industry strike decreased the production volumes of paperboard and pulp during the review period. The production volume of Metsä Board's paperboards totalled 418,000 tonnes (460,000), while the combined production volume of chemical pulp and BCTMP amounted to 329,000 tonnes (346,000). The production of folding boxboard reached a monthly record in March. A monthly production record was also achieved in the production and sales of Husum's PE-coated paperboard. This record production corresponds with the production line's planned annual capacity of 100,000 tonnes.

MAJOR INVESTMENTS

Metsä Board: Renewal of the Husum pulp mill

In 2019, Metsä Board launched a pre-engineering project related to the renewal of the Husum pulp mill in Sweden in phases. The final investment decision on the first phase will be made once the company has secured the environmental permit, i.e. during the second quarter of 2020, at the earliest.

The first phase of the investment includes the modernisation of the pulp mill's recovery boiler and turbine. The total value of the first phase is approximately EUR 320 million, which will be spread over 2019–2022. The second phase of the investment, in the 2020s, is planned to involve the replacement of the existing fibre lines with a new fibre line.

Permission for initiating the construction of the new recovery boiler was received in March, and the foundation work is now under way.

The pulp mill's renewal will enable the long-term development and growth of competitive paperboard business operations at the Husum integrated mill over the coming years. In addition, the investment aims to develop Metsä Board's pulp and energy production and promote a shift towards fossil-free mills.

Metsä Fibre: New bioproduct mill and pine sawmill

The pre-engineering project concerning the Kemi bioproduct mill of Metsä Fibre, associated company of Metsä Board, continues, and decision on this approximately EUR 1.5 billion mill is expected to be made in the autumn of 2020. The Kemi bioproduct mill would produce some 1.5 million tonnes of pulp and other bioproducts a year. The new mill would replace the current pulp mill in Kemi, with an annual capacity of about 620,000 tonnes.

Metsä Fibre has made an investment decision to build a pine sawmill next to the Rauma pulp mill. The construction work will begin during the spring of 2020, and production is set to begin in the third quarter of 2022. The value of the investment is approximately EUR 200 million.

Metsä Board holds 24.9% of Metsä Fibre.

SUSTAINABILITY

Metsä Board has secured the approval of the Science Based Targets initiative (SBTi) for its emission reduction targets. The company's emission reduction targets concerning direct and indirect greenhouse gas emissions (Scope 1 and Scope 2) correspond with the reduction requirements necessary to limit global warming to 1.5 degrees. Metsä Board's reduction targets for the emissions of the company's value chain (Scope 3) also meet SBTi's strictest criteria and accord with the current best practices.

CDP has included Metsä Board on its Climate A list. In the water and forest programmes and in the Supplier Engagement Rating category the company has achieved the level A-. In addition, Metsä Board has achieved good grades in several environmental, social and governance (ESG) assessments carried out by MSCI, Sustainalytics and ISS ESG, among others.

Metsä Board is one of the founding members in the recently established 4evergreen initiative and in the European Paper Packaging Alliance (EPPA). The 4evergreen initiative aims to increase fibre-based packaging in a circular and sustainable economy which minimises climate and environmental effects. The initiative brings together industry operators across the value chain of fibre-based packaging. EPPA is a collaborative organisation aiming to promote food safety and circular econ-

omy solutions as well as to reduce carbon dioxide emissions. It also challenges politicians to make decisions based on scientific studies. EPPA's other members are leading producers of raw materials as well as food and food service packaging.

Metsä Board has ambitious sustainability targets for 2030. Among other things, the company is aiming for the use of completely fossil-free energy by 2030. At that point, its mills will use only fossil-free fuels (Scope 1), and all the energy it purchases must also be fossil-free (Scope 2). The raw materials used by Metsä Board must likewise be fossil-free. Metsä Board will further improve its water and energy efficiency, and will seek to increase the proportion of certified fibre of all the fibre it uses. The company's sustainability targets and their realisations for 2019 are available in full on its website at www.metsaboard.com/sustainability.

R&D ACTIVITIES AND INNOVATIONS

Metsä Board is establishing an Excellence Centre in Äänekoski focused on paperboard and packaging innovations. The new excellence centre will combine expertise in packaging design with research and development, accelerating the development of future paperboards and packaging solutions. The construction work of the new excellence centre has completed and the aim is to start its operations during the summer.

ANNUAL GENERAL MEETING 2020

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The Board of Directors proposes that a dividend of EUR 0.10 per share and a capital distribution of EUR 0.14 per share be paid for the 2019 financial period. The proposed dividend and capital distribution, totalling EUR 0.24 per share, corresponds to 59% of the result per share for 2019.

LEGAL PROCEEDINGS

In the autumn of 2015, the Finnish Tax Administration, in its assessment of the 2014 taxation, refused the deductibility of certain losses related to the cross-border

merger of a French subsidiary in Metsä Board Corporation's 2014 taxation. Metsä Board believes the losses to be deductible and has appealed the Tax Administration's decision. The Board of Adjustment dismissed the company's appeal in March 2018. The company has appealed the decision to the Administrative Court of Helsinki.

SHARES

The price for Metsä Board's B share on the Nasdaq Helsinki was EUR 6.00 in the beginning of the review period and EUR 4.97 at the end. The share's highest and lowest prices were EUR 6.17 and EUR 4.47, respectively. Correspondingly, the price for Metsä Board's A share was EUR 6.14 in the beginning of the review period and EUR 5.80 at the end.

In January–March, the average daily trading volumes of the B and A shares on the Nasdaq Helsinki were 952,000 shares and 4,200 shares, respectively. The total trading volumes of the B and A shares were EUR 315 million and EUR 1.5 million, respectively.

In addition to the Nasdaq Helsinki, Metsä Board's shares are also traded on other marketplaces. The Nasdaq Helsinki's share of total trading during the review period was 80%.

At the end of the review period, there were 322,425,099 Metsä Board B shares and 33,087,647 Metsä Board A shares.

The market value of all Metsä Board shares was EUR 1.8 billion, of which the market value of the B shares and the A shares accounted for EUR 1.6 billion and EUR 0.2 billion, respectively.

On 9 March 2020, Metsä Board received a flagging notification, according to which Metsäliitto Cooperative's combined share of votes in Metsä Board Corporation exceeded the limit of two-thirds (2/3). At the end of the review period, Metsäliitto Cooperative held 48% (31 March 2019: 41%) of all shares, and the votes conferred by these shares was 67% (62%).

At the end of the review period, international and nominee-registered investors held 14% of all the shares (19%). The company does not hold any treasury shares.

NEAR-TERM RISKS AND UNCERTAINTIES

A prolonged pandemic caused by the coronavirus may cause disruptions in Metsä Board's production and supply chains. The slowdown of the global economy resulting from the pandemic may reduce demand for Metsä Board's products and have a negative impact on the

company's profitability in the near future. In addition, Metsä Board is exposed to risks related to the liquidity situation and payment delays of its customers, which may impact Metsä Board's cash flow or lead to credit losses.

There are also other considerable uncertainties in the global economy. If realised, they may result in weakened demand and reduced prices for paperboard and pulp products. An imbalance in supply and demand may impact the prices of end products and Metsä Board's profitability.

Various countries have imposed import duties and other trade restrictions on each other's products, but these have not had a direct impact on Metsä Board's business operations so far. Negative developments in world trade could, if continued, weaken Metsä Board's result.

There are several geopolitical risk concentrations around the world, and forecasting developments in them is difficult. Changes in these areas may be very sudden and unpredictable. There have been, and will continue to be, international sanctions related to these crises, and they may also have a direct or indirect impact on the demand for paperboards and, therefore, on Metsä Board's result.

Metsä Board is focusing on the active development and growth of its paperboard business. The growth of the paperboard business and the introduction of new products to the markets depend on the success of sales. Increasing sales on a global scale also involves cost and exchange rate risks.

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

Wood accounts for more than a quarter of Metsä Board's total costs. The availability of the wood raw material becoming more difficult or a sudden increase in prices would have a weakening effect on Metsä Board's result.

Metsä Board's climate risks concern particularly forests, as well as the use of energy and water. Regulation may steer the future use of forests. Increased regulation aiming to mitigate climate change and reduce greenhouse gas emissions may, furthermore, increase costs and result in substantial change requirements applicable to production technology. The supply and demand of products in a low-carbon economy may differ from the current situation. Climate change may cause an increasing number of extreme weather phenomena, such

as storms, floods and drought, and weaken the availability of the process water and electricity required by mills and result in breaks in production. Extreme weather conditions may also limit the availability of the wood raw material. Should they materialise, climate risks could have a negative impact on Metsä Board's profitability.

Changes in the market price of pulp have a significant impact on Metsä Board's profitability. Metsä Board's annual overall pulp position shows a surplus of roughly 600,000 tonnes. A 10% decline (increase) in the price of market pulp would have an approximately EUR 30 million negative (positive) impact on the company's annual operating result.

The US dollar strengthening by 10% against the euro would have a positive impact of approximately EUR 64 million on Metsä Board's annual operating result. Correspondingly, the Swedish krona strengthening by 10% would have a negative impact of approximately EUR 40 million. The British pound strengthening by 10% would have a positive impact of approximately EUR 8 million. The impact of weakened exchange rates would be the opposite. The sensitivities do not include the impact of hedging.

The forward-looking estimates and statements in this interim report are based on current plans and estimates. For this reason, they contain risks and other uncertainties that may cause the results to differ from the statements concerning them. In the short term, Metsä Board's result will be particularly affected by the price of and demand for finished products, raw material costs, the price of energy, and the exchange rate development of the euro compared to the company's other main currencies.

Further information on long-term risks and risk management is available on pages 44–47 of Metsä Board's 2019 Annual Report.

NEAR-TERM OUTLOOK

The duration of the pandemic caused by the coronavirus and the scope of its negative impact on the world economy and on Metsä Board's business is difficult to estimate. At the moment, however, the order book of the company's paperboards is on a strong level.

Metsä Board's paperboard deliveries in the second quarter are expected to remain roughly on the level of the first quarter of 2020.

The market prices of folding boxboard and white kraftliner in local currencies are expected to remain stable.

The supply and demand of long-fibre pulp is expected to remain balanced, and market prices are not expected to decline.

The annual maintenance shutdowns of mills scheduled for April–June have partly been postponed to the second half of the year.

Changes in exchange rates, including the impact of hedges, will have a slightly positive impact on results during the second quarter of 2020 compared to the first quarter and a positive impact on results compared to the second quarter of 2019.

The production costs of paperboard and pulp are expected to remain stable.

RESULT GUIDANCE FOR APRIL–JUNE 2020

Metsä Board's comparable operating result for the second quarter of 2020 is expected to improve compared to the first quarter of 2020.

METSÄ BOARD CORPORATION

Espoo, Finland, 29 April 2020
BOARD OF DIRECTORS

Further information:

Jussi Noponen, CFO
tel. +358 10 465 4913

Katri Sundström, VP, Investor Relations,
tel. +358 10 462 0101

Further information will be available as of 1 p.m. on 29 April 2020.

A conference call held for investors and analysts in English will begin at 3 p.m. Conference call participants are requested to dial in and register a few minutes earlier on the following numbers:

Finland: +358 981 710 310
Sweden: +46 856 642 651
The United Kingdom: +44 333 300 0804
The United States: +1 855 857 0686

The conference ID is 53842682#.

Metsä Board's financial reporting in 2020:

30 July 2020: Half-year Financial Report for January–June 2020
29 October 2020: Interim Report for January–September 2020

Other events:

1 September 2020: Capital Markets Day, Helsinki, Finland

CALCULATION OF KEY RATIOS

Return on equity (%)	=	(Result before tax - income tax) per (Members' funds (average))
Return on capital employed (%)	=	(Result before tax + interest expenses, net exchange differences and other financial expenses) per (Members' funds + interest-bearing borrowings)
Equity ratio (%)	=	(Members' funds) per (Balance total - advance payments received)
Net gearing ratio (%)	=	(Interest-bearing borrowings - liquid assets - interest-bearing receivables) per (Members' funds)
Earnings per share	=	(Result for the period belonging to parent company shareholders) per (Average number of adjusted shares)
Shareholders' equity per share	=	(Members' funds belonging to parent company shareholders) per (Average number of adjusted shares at the end of the period)

COMPARABLE KEY RATIOS

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

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

Extraordinary and material items not included in ordinary business operations have been eliminated in the comparable operating result. The Group defines the operating result as follows: The financial period's result before income taxes, financial income and expenses, exchange gains/losses and the share of results from

associated companies and joint ventures presented in the IFRS profit and loss account.

The reconciliation of the operating result and the comparable operating result as well as the EBITDA and the comparable EBITDA is presented in this interim report. The comparable return on capital employed has been calculated using the same adjustments as the comparable operating result, and has been further adjusted for financial items affecting comparability when applicable. Metsä Board considers that the key figures derived in this manner improve the comparability of reporting periods.

None of these key figures with items affecting comparability eliminated are key figures used in IFRS reporting, and they cannot be compared with other companies' key figures identified by the same names. Typical items affecting comparability include material gains and losses on disposals of assets, impairment and impairment reversals in accordance with IAS 36 "Impairment of Assets", restructuring costs and their adjustments, as well as items arising from legal proceedings.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	Q1 2020	Q1 2019	Q1–Q4 2019
Sales	2, 6	472.1	487.1	1,931.8
Change in stocks of finished goods and work in progress		-21.7	13.0	3.8
Other operating income	2, 6	2.2	19.9	51.7
Material and services	6	-306.5	-356.9	-1,389.8
Employee costs		-46.0	-47.0	-194.9
Share of result of associated company	6	-4.2	20.6	43.1
Depreciation, amortisation and impairment losses		-25.6	-27.5	-113.7
Other operating expenses		-36.5	-37.3	-151.1
Operating result	2	33.8	71.9	180.8
Share of results of associated companies and joint ventures		0.0	0.0	0.1
Net exchange gains and losses		-2.0	-0.4	-1.6
Other net financial items	2, 6	-2.9	-3.6	-13.8
Result before income tax		28.9	67.9	165.6
Income taxes	3	-6.7	-8.3	-21.0
Result for the period		22.1	59.6	144.6

EUR million	Note	Q1 2020	Q1 2019	Q1–Q4 2019
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains/losses on defined pension plans		2.1	-0.8	-3.5
Financial assets valued at fair value through other comprehensive income	8	6.9	9.6	-14.7
Share of other comprehensive income of associated company		0.0	0.4	0.2
Income tax relating to items that will not be reclassified		-1.7	-1.7	2.8
Total		7.4	7.5	-15.1
Items that may be reclassified to profit or loss				
Cash flow hedges		-34.8	-15.4	-10.1
Translation differences		-17.8	-2.7	-3.4
Share of other comprehensive income of associated company		-3.2	-1.2	1.7
Income tax relating to components of other comprehensive income		7.1	3.2	2.2
Total		-48.7	-16.1	-9.6
Other comprehensive income, net of tax		-41.3	-8.6	-24.8
Total comprehensive income for the period		-19.2	51.0	119.8
Result for the period attributable to				
Shareholders of parent company		22.1	59.6	144.6
Non-controlling interests			0.0	0.0
Total comprehensive income for the period attributable to				
Shareholders of parent company		-19.2	51.0	119.8
Non-controlling interests			0.0	0.0
Total		-19.2	51.0	119.8
Earnings per share for result attributable to shareholders of parent company (EUR/share)				
		0.06	0.17	0.41

The notes are an integral part of the unaudited interim report.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	Note	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS				
Non-current assets				
Goodwill		12.4	12.4	12.4
Other intangible assets		8.2	9.6	8.8
Tangible assets	4	728.0	738.0	742.0
Investments in associated companies and joint ventures		362.9	367.7	392.4
Other investments	8	262.0	279.6	255.1
Other non-current financial assets	6, 8	14.5	25.4	16.6
Deferred tax receivables	2	7.1	4.1	6.7
		1,395.1	1,436.7	1,434.0
Current assets				
Inventories		342.5	394.1	379.5
Accounts receivables and other receivables	6, 8	312.0	348.8	322.8
Cash and cash equivalents	6, 8	180.0	95.4	134.2
		834.5	838.4	836.4
Total assets		2,229.7	2,275.1	2,270.4
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Equity attributable to shareholders of parent company		1,317.2	1,269.8	1,338.0
Non-controlling interests				
Total equity		1,317.2	1,269.8	1,338.0
Non-current liabilities				
Deferred tax liabilities		100.0	105.3	105.6
Post-employment benefit obligations	2	11.8	13.8	13.8
Provisions	5	4.2	3.6	4.2
Borrowings	8	411.3	291.9	412.9
Other liabilities	8	6.2	4.5	4.9
		533.4	419.1	541.5
Current liabilities				
Provisions	5	1.7	5.4	1.6
Current borrowings	6, 8	31.7	103.1	32.0
Accounts payable and other liabilities	6, 8	345.6	477.7	357.4
		379.0	586.2	391.0
Total liabilities		912.5	1 005.3	932.4
Total shareholders' equity and liabilities		2,229.7	2,275.1	2,270.4

The notes are an integral part of the unaudited interim report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interests	Equity Total
Shareholders' equity, 1 January 2020		557.9	-29.1	175.5	315.5	318.2	1,338.0		1,338.0
Comprehensive income for the period									
Result for the period						22.1	22.1		22.1
Other comprehensive income net of tax total			-19.2	-23.9		1.8	-41.3		-41.3
Comprehensive income total			-19.2	-23.9		23.9	-19.2		-19.2
Share based payments						-1.6	-1.6		-1.6
Related party transactions									
Dividend									
Shareholders' equity, 31 March 2020		557.9	-48.3	151.6	315.5	340.5	1,317.2		1,317.2

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interests	Equity Total
Shareholders' equity, 1 January 2019		557.9	-26.4	194.0	383.1	214.4	1,322.9	0.0	1,322.9
Comprehensive income for the period									
Result for the period						59.6	59.6	0.0	59.6
Other comprehensive income net of tax total			-2.0	-5.9		-0.6	-8.6		-8.6
Comprehensive income total			-2.0	-5.9		59.0	51.0	0.0	51.0
Share based payments						-1.0	-1.0		-1.0
Related party transactions									
Dividend and capital distribution					-67.5	-35.6	-103.1		-103.1
Shareholders' equity, 31 March 2019		557.9	-28.4	188.0	315.5	236.8	1,269.8		1,269.8

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	Q1 2020	Q1 2019	Q1-Q4 2019
Result for the period		22.1	59.6	144.6
Total adjustments	7	41.8	-0.4	70.6
Change in working capital		-2.1	-76.6	-43.0
Net financial items	7	23.5	62.2	46.4
Income taxes paid		-5.4	-8.5	-18.1
Net cash flow from operations		80.0	36.4	200.5
Investments in intangible and tangible assets		-30.5	-6.8	-94.3
Disposals and other items	6,7	0.8	11.0	28.0
Net cash flow from investing		-29.7	4.2	-66.3
Changes in non-current loans and in other financial items	6	-1.3	-55.0	-7.5
Paid dividend and capital distribution				-103.1
Net cash flow from financing		-1.3	-55.0	-110.6
Changes in cash and cash equivalents		49.0	-14.4	23.6
Cash and cash equivalents at beginning of period	6	134.2	109.7	109.7
Translation difference in cash and cash equivalents		-3.1	0.1	0.9
Changes in cash and cash equivalents		49.0	-14.4	23.6
Cash and cash equivalents at end of period	6	180.0	95.4	134.2

The notes are an integral part of the unaudited interim report.

NOTES TO THE UNAUDITED INTERIM REPORT

NOTE 1 – BACKGROUND AND BASIS OF PREPARATION

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

Metsä Board is postponing its Annual General Meeting, originally intended to be held on 26 March 2020, due to the coronavirus situation. The company plans to hold the meeting on 11 June 2020. The time of the meeting and the proposals to be made to the meeting will be confirmed when the Board of Directors decides to convene it, no later than in mid-May.

This unaudited interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the unaudited 2019 IFRS financial statements. The effects of foreign exchange changes on review period operating result vis-à-vis comparison period result have been calculated based on estimated review period net cash flows in relevant currencies and taking into account the realized effects of foreign exchange hedges.

The same accounting policies have been applied as in the unaudited 2019 IFRS financial statements with the following exception:

Depreciation of machinery and equipment during the financial year has been adjusted between the quarters when applicable in order to correspond with the distribution of the economic benefit of the asset between quarters.

The amendments to the standards that came into force at the beginning of 2020 will not have a material effect on the Group's interim report.

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

This interim report was authorised for issue by the Board of Directors of Metsä Board on 29 April 2020.

NOTE 2 – SEGMENT INFORMATION

The Corporate Management Team is the chief operational decision-maker monitoring business operations performance based on the operating segments. Metsä

Board's business operations consist solely of folding boxboard, fresh fibre linerboard and market pulp businesses. Metsä Board reports on its financial performance in one reporting segment.

GEOGRAPHICAL DISTRIBUTION OF SALES

EUR million	Q1 2020	Q1 2019	Q1–Q4 2019
EMEA	321.9	349.3	1,369.1
Americas	111.5	103.8	403.5
APAC	38.6	33.9	159.3
Total	472.1	487.1	1,931.8

RECONCILIATION OF OPERATING RESULT AND EBITDA

EUR million	Q1 2020	Q1 2019	Q1–Q4 2019
Operating result	33.8	71.9	180.8
Depreciation, amortisation and impairment losses	25.6	27.5	113.7
EBITDA	59.3	99.3	294.5
Items affecting comparability:			
Gains and losses on disposal in other operating income and expenses		-12.3	-17.8
Employee costs			
Share of results of associated companies		2.2	2.2
Other operating expenses			
Total		-10.0	-15.5
EBITDA, comparable	59.3	89.3	279.0
Depreciation, amortisation and impairment losses	25.6	-27.5	-113.7
Items affecting comparability:			
Impairment charges and reversals of impairments			19.1
Operating result, comparable	33.8	61.8	184.4

“+” sign items = expense affecting comparability

“-” sign items = income affecting comparability

There were no items affecting comparability in the review period.

Items affecting comparability in the comparison period totaled EUR 10.0 million and comprised disposal gains from shares in Liaison Technologies Inc. reported under other investments (EUR 3.3 million) and Äänevoima Oy

shares sold to Metsä Fibre (net effect on operating result EUR 6.8 million).

Items affecting comparability in 2019 totaled EUR -3.6 million and comprised disposal gains from shares in Liaison Technologies Inc. reported under other investments (EUR 3.3 million), Äänevoima Oy shares sold to Metsä Fibre (net effect on operating result EUR 6.8 million), disposal gains from sold non-business related land area (EUR 5.5 million) as well as the EUR -19.1 million impairment recognised in the assets of the Husum pulp mill.

NOTE 3 – INCOME TAXES

EUR million	Q1 2020	Q1 2019	Q1–Q4 2019
Taxes for the current period	2.9	5.5	16.9
Taxes for the prior periods	0.0	0.0	0.1
Change in deferred taxes	3.8	2.8	4.1
Total income taxes	6.7	8.3	21.0

NOTE 4 – CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	Q1 2020	Q1 2019	Q1–Q4 2019
Carrying value at beginning of period	742.0	753.2	753.2
IFRS 16 implementation		16.9	16.9
Investments to owned property, plant and equipment	29.6	6.1	93.4
Investments to leased property, plant and equipment	0.1	0.0	4.1
Decreases	-0.6	-6.4	-7.1
Depreciation, amortization and impairment losses	-25.0	-26.8	-111.2
Translation difference	-18.2	-4.9	-7.3
Carrying value at end of the period	728.0	738.0	742.0

In late 2019 Metsä Board started to invest in modernisation of the Husum pulp mill where the company plans to replace the recovery boiler and turbine. When the in-

vestment is completed, some of the pulp mill's old machinery and equipment will be taken out of service. The company recognised a EUR 19.1 million impairment in the old assets of the Husum pulp mill.

NOTE 5 – PROVISIONS

EUR million		Restructuring	Environmental obligations	Other provisions	Total
	1 Jan 2020	1.2	3.5	1.2	5.8
Translation differences		-0.1		-0.0	-0.1
Increases		0.2			0.2
Utilised during the year				-0.0	-0.0
Unused amounts reversed					
	31 Mar 2020	1.3	3.5	1.1	5.9

The non-current part of provisions was EUR 4.2 million and the current part EUR 1.7 million, total provisions

amount to EUR 5.9 million. Non-current provisions are estimated to be utilised mainly by the end of 2025.

NOTE 6 – RELATED PARTY TRANSACTIONS

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

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

Transactions with parent and sister companies

EUR million	Q1 2020	Q1 2019	Q1–Q4 2019
Sales	18.1	28.4	101.1
Other operating income	1.2	11.2	14.2
Purchases	142.4	188.0	682.5
Share of result from associated company	-4.2	20.6	43.1
Interest income	0.0	0.0	0.1
Interest expenses	0.2	0.6	1.9
Accounts receivables and other receivables	22.6	38.6	32.8
Cash and cash equivalents	173.1	88.1	127.1
Accounts payable and other liabilities	89.6	128.5	54.6

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

Metsä Fibre paid a dividend of EUR 21.8 million to Metsä Board in the review period.

In the comparison period Metsä Board recognised a gain of EUR 9.0 million in other operating income on

disposal to Metsä Fibre of shares in Äänevoima Oy and a related adjustment of EUR -2.2 million to share of result from associated company

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

Transactions with associated companies and joint ventures

EUR million	Q1 2020	Q1 2019	Q1–Q4 2019
Sales	0.2	0.2	0.5
Purchases	0.7	1.4	5.3
Other non-current financial assets			
Accounts receivables and other receivables	0.1	0.2	0.4
Accounts payable and other liabilities	0.6	1.1	0.6

NOTE 7 – NOTES TO CONSOLIDATED CASH FLOW STATEMENT
Adjustments to the result for the period

EUR million	Q1 2020	Q1 2019	Q1-Q4 2020
Taxes	6.7	8.3	21.0
Depreciation, amortization and impairment charges	25.6	27.5	113.7
Share of result from associated companies and joint ventures	4.3	-20.6	-43.2
Gains and losses on sale of fixed assets	-0.3	-16.6	-33.3
Finance costs, net	4.9	4.0	15.5
Provisions	0.6	-2.2	-3.5
Other adjustments	0.1	-0.7	0.5
Total	41.8	-0.4	70.6

Net financial items

Net financial items in consolidated cash flow statement for the review period include a dividend of EUR 21.8 million paid by Metsä Fibre (1–12/2019: EUR 63.3 million).

Disposals and other items

Disposals and other items reported for the review period were EUR 0.8 million in total.

In 2019 disposals and other items reported for the review period were EUR 27.9 million in total. They consisted of proceeds amounting to EUR 14.1 million from emission right sales, sales proceeds of EUR 5.6 million from sale of non-business related land area, cash flow effect of EUR 4.2 million from divestment of Äänevoima Oy shares, EUR 3.3 million from sale of Liaison Technologies Inc. shares reported as other investments as well as other sale proceeds amounting to EUR 0.7 million.

NOTE 8 – FINANCIAL INSTRUMENTS

Financial assets and liabilities and their fair values classified according to IFRS 9 at 31 March 2020:

Financial assets 31 March 2020

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Other non-current investments	3.6	258.4		262.0
Other non-current financial assets			14.5	14.5
Accounts receivables and other receivables			303.9	303.9
Cash and cash equivalent	0.0		180.0	180.0
Derivative financial instruments	1.0	7.0		8.1
Total carrying amount	4.7	265.4	498.5	768.5
Total fair value	4.7	265.4	498.4	768.5

Financial liabilities 31 March 2020

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Non-current interest-bearing financial liabilities			411.3	411.3
Other non-current financial liabilities			0.3	0.3
Current interest-bearing financial liabilities			31.7	31.7
Accounts payable and other financial liabilities			284.3	284.3
Derivative financial instruments	1.0	34.4		35.4
Total carrying amount	1.0	34.4	727.6	763.0
Total fair value	1.0	34.4	702.1	737.5

Financial assets and liabilities and their fair values classified according to IFRS 9 at 31 March 2019:

Financial assets 31 March 2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Other non-current investments	3.9	275.7		279.6
Other non-current financial assets			19.4	19.4
Accounts receivables and other receivables			339.6	339.6
Cash and cash equivalent	0.0		95.4	95.4
Derivative financial instruments	0.0	13.5		13.5
Total carrying amount	3.9	289.2	454.4	747.5
Total fair value	3.9	289.2	454.4	747.5

Financial liabilities 31 March 2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Non-current interest-bearing financial liabilities			291.9	291.9
Other non-current financial liabilities			0.2	0.2
Current interest-bearing financial liabilities			103.1	103.1
Accounts payable and other financial liabilities			440.0	440.0
Derivative financial instruments	2.1	10.1		12.1
Total carrying amount	2.1	10.1	835.1	847.2
Total fair value	2.1	10.1	846.8	859.0

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

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

Fair values in the table are based on present value of cash flow of each liability or assets calculated by market rate. The discount rates applied are between 0.3 – 2.1 per cent (0.1 – 2.3). The fair values of accounts and other receivables and accounts payable and other liabilities do not materially deviate from their carrying amounts in the balance sheet.

Fair value hierarchy of financial assets and liabilities as of 31 March 2020

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		262.0	262.0
Derivative financial assets	0.9	7.2		8.1
Financial liabilities measured at fair value				
Derivative financial liabilities	10.6	24.8		35.4
Financial assets not measured at fair value				
Cash and cash equivalent		180.0		180.0
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		385.6		385.6
Current interest-bearing financial liabilities		31.9		31.9

Fair value hierarchy of financial assets and liabilities as of 31 March 2019

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		279.6	279.6
Derivative financial assets	13.5	0.0		13.5
Financial liabilities measured at fair value				
Derivative financial liabilities	0.0	12.1		12.1
Financial assets not measured at fair value				
Cash and cash equivalent		95.4		95.4
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		291.9		291.9
Current interest-bearing financial liabilities		103.1		103.1

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

EUR million	31 Mar 2020	31 Mar 2019
Opening balance 1.1.	255.1	270.1
Total gains and losses in profit or loss		3.3
Total gains and losses in other comprehensive income	6.9	9.6
Purchases		
Disposals		-3.3
Closing balance 31.3.	262.0	279.6

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

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

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

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

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

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

For financial instruments not traded on an active market, the fair value is determined by valuation techniques. Judgment is used when choosing the different

techniques and making assumptions, which are mainly based on circumstances prevailing in the markets on each closing date of the reporting period (Level 3).

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

The most significant asset at fair value not traded on an active market is the investment in Pohjolan Voima Oyj shares classified as a financial asset at fair value through other comprehensive income. The valuation technique applied to Pohjolan Voima shares is described in more detail in the 2019 Annual report. The WACC used in Pohjolan Voima share valuation on 31 March 2020 was 1.06 per cent (31 March 2019: 1.67) and 2.06 percent (2.67) for the Olkiluoto 3 under construction. The acquisition cost of shares in Pohjolan Voima Oyj on 31 March 2020 is EUR 38.0 million (38.0) and fair value EUR 258.4 million (275.7).

The carrying value of other investments as of 31 March 2020 is estimated to change by EUR 1.4 million should the rate used for discounting the cash flows change by 10 percent from the rate estimated by management. The carrying value of other investments is estimated to change by EUR 38.9 million should the energy prices used in calculating the fair value differ by 10 percent from the prices estimated by management.

Derivatives 31 March 2020

EUR million	Nominal value	Fair value			Fair value	
		Derivative Assets	Liab.	Fair value Net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	100.0		3.3	-3.3		-3.3
Interest rate derivatives	100.0		3.3	-3.3		-3.3
Currency forward contracts	897.8	5.6	18.0	-12.3	0.0	-12.4
Currency option contracts	547.6	1.5	1.5			
Currency derivatives	1,445.4	7.2	19.5	-12.3	0.0	-12.4
Electricity derivatives	16.6	0.7	5.9	-5.2		-5.2
Oil derivatives	17.5	0.2	3.6	-3.4		-3.4
Other commodity derivatives	9.6	0.0	3.1	-3.1		-3.1
Commodity derivatives	43.8	0.9	12.6	-11.7		-11.7
Derivatives total	1,589.2	8.1	35.4	-27.3	0.0	-27.4

Derivatives 31 March 2019

EUR million	Nominal value	Fair value			Fair value	
		Derivative Assets	Liab.	Fair value Net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	100.0		2.7	-2.7	-1.0	-1.7
Interest rate derivatives	100.0		2.7	-2.7	-1.0	-1.7
Currency forward contracts	1,082.8		9.2	-9.2	-1.1	-8.1
Currency option contracts	480.6		0.3	-0.3		-0.3
Currency derivatives	1,563.4		9.5	-9.5	-1.1	-8.4
Electricity derivatives	27.4	12.2		12.2		12.2
Oil derivatives	9.8	1.2		1.2		1.2
Other commodity derivatives	2.9	0.1		0.1		0.1
Commodity derivatives	40.0	13.5		13.5		13.5
Derivatives total	1,703.4	13.5	12.1	1.3	-2.1	3.4

NOTE 9 – COMMITMENTS AND GUARANTEES

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Liabilities secured by collateral	24.1	56.6	24.1
Pledges granted	128.3	129.9	138.7
Real estate mortgages	232.8	232.8	232.8
Total pledges and mortgages	361.1	362.7	371.5
Guarantees and counter-indemnities	9.2	14.0	9.1
Off-balance sheet rent and leasing commitments	1.6	1.8	1.6
Commitments on behalf of associated companies and joint ventures	0.1	0.1	0.1
Commitments on behalf of others			
Total	372.0	378.7	382.1

Securities and guarantees include pledges, real estate mortgages and guarantee liabilities.

OPEN DERIVATIVE CONTRACTS

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Interest rate derivatives	100.0	100.0	100.0
Currency derivatives	1,445.4	1,563.4	1,440.2
Other derivatives	43.8	40.0	33.2
Total	1,589.2	1,703.4	1,573.4

COMMITMENTS RELATED TO PROPERTY, PLANT AND EQUIPMENT

EUR million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Payments due in following 12 months	32.4	0.0	60.2
Payments due later			
Total	32.4	0.0	60.2

Investment commitments relate to the first phase of the modernisation of the Husum pulp mill.