

METSÄ BOARD

INTERIM REPORT

JANUARY–SEPTEMBER 2020



METSÄ BOARD'S COMPARABLE OPERATING RESULT IN JANUARY–SEPTEMBER 2020 WAS EUR 157 MILLION

JANUARY–SEPTEMBER 2020 (compared to 1–9/2019)

- Sales were EUR 1,416.4 million (1,453.4).
- Comparable operating result was EUR 156.7 million (145.3) or 11.1% (10.0%) of sales. Operating result was EUR 162.7 million (160.8).
- Comparable earnings per share were EUR 0.33 (0.32), and earnings per share were EUR 0.34 (0.36).
- Comparable return on capital employed was 11.8% (11.0%).
- Net cash flow from operations was EUR 226.7 million (110.9).

JULY–SEPTEMBER 2020 (compared to 7–9/2019)

- Sales were EUR 471.2 million (489.2).
- Comparable operating result was EUR 62.5 million (42.5), or 13.3% (8.7%) of sales. Operating result was EUR 62.5 million (42.5).
- Comparable earnings per share were EUR 0.13 (0.09), and earnings per share were EUR 0.13 (0.09).
- Comparable return on capital employed was 14.3% (9.7%).
- Net cash flow from operations was EUR 74.4 million (43.8).

IMPACT OF CORONAVIRUS PANDEMIC ON METSÄ BOARD'S BUSINESS OPERATIONS

The coronavirus pandemic has increased demand for hygienic and safe packaging materials, particularly for end uses in the food and pharmaceutical industries. On the other hand, the pandemic has weakened demand for the packaging materials of luxury items and graphic end uses.

The coronavirus has not had an impact on production at Metsä Board's mills. Some annual maintenance works were postponed from the first to the second half of the year. The planned annual maintenance shutdowns scheduled for the third quarter went well.

Metsä Board's financial position is good. The maturity structure of the loans is healthy, and the company has adequate liquidity. Metsä Board's paperboard product portfolio is defensive in a pandemic situation, and thus the cash flow, which has remained strong, supports financial headroom.

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

EVENTS IN JULY–SEPTEMBER 2020

- Demand for Metsä Board's fresh fibre paperboards remained good and delivery volumes were on the previous quarter's high level. The average prices of folding boxboard and white kraftliner remained stable.
- The profit losses due to the annual maintenance shutdowns held in the third quarter were at the lower end of the estimated range.
- In China, demand for market pulp picked up and prices increased slightly. In Europe, the pulp market remained uncertain.
- Net cash flow from operations in the third quarter was EUR 74.4 million and interest-bearing net liabilities at the end of the period were EUR 277.3 million. The financial position remained strong.
- The Excellence Centre for paperboard and packaging design opened in Äänekoski, Finland.
- All Metsä Board paperboards, except the PE-coated grades, achieved certificates in industrial compostability.

EVENTS AFTER THE REVIEW PERIOD

- On 9 October 2020, Metsä Board gave a positive profit warning concerning the comparable operating result for July–September. Previously, the company expected its comparable operating result for the third quarter to weaken from the second quarter. Paperboard sales in the third quarter were higher

than expected and total costs were lower than expected.

RESULT GUIDANCE FOR OCTOBER–DECEMBER 2020

Metsä Board's comparable operating result for the fourth quarter of 2020 is expected to remain roughly at the same level as in the third quarter of 2020.

Metsä Board's CEO Mika Joukio:

"The impacts of coronavirus pandemic on Metsä Board's business operations has so far been smaller than expected. Good demand for food and pharmaceutical packaging as well as various packaging solutions in the retail sector has increased the sales of our fresh fibre paperboards in both Europe and North America. In January–September, the total delivery volumes of our paperboards were on a higher level than in the corresponding period last year. We have a good paperboard product portfolio, which has proven to be defensive in a pandemic situation. Further, our recyclable paperboards made from renewable wood fibre are ideal for sustainable packaging, which will support their demand in the future.

Our comparable operating result in July–September was EUR 62.5 million (7–9/2019: 42.5). Profitability was supported particularly by the lower production costs of paperboard, a reduction in fixed costs and a positive FX impact. The sales prices of market pulp were lower than in the corresponding period last year. In China, the market situation of pulp has picked up slightly over the past few months, while in Europe, the rapid decline in paper production continues to reduce demand for market pulp.

A number of planned annual maintenance shutdowns at our mills took place in the third quarter, the most significant being the annual maintenance shutdowns of the

Kemi and Husum mill integrates. The maintenance works proceeded well, and the profit losses due to them remained at the lower end of the estimated range. This was a continuation of the good performance of our mills throughout the pandemic.

Our cash flow from operations remained strong, amounting to EUR 226.7 million in January–September – twice as much as in the corresponding period last year. This will further strengthen our good liquidity and support us in our large-scale investments. We are ready to make the final investment decision on the renewal of the Husum pulp mill as soon as the amendment to the environmental permit is approved by the Swedish authorities. We expect this to happen before the year end. The renewal of Husum's pulp mill is an important investment for us, given that it will enable the long-term development and growth of competitive paperboard business at the Husum mill integrate in the coming years. The investment will also take us closer to our ambitious goal of fossil-free mills by 2030.

Growing consumption and the demand for sustainable packaging solutions will accelerate the need for innovations. In September, we opened a new Excellence Centre in Äänekoski's unique bioeconomy ecosystem in Finland. The Excellence Centre aims to accelerate material and packaging innovations by utilizing state-of-the-art technology in R&D work, and to provide a collaboration platform for customers and technology partners globally. I'm very excited about the possibilities that the new Excellence Centre will provide us with now and in the future."

KEY FIGURES

	2020 Q3	2019 Q3	2020 Q2	2020 Q1–Q3	2019 Q1–Q3	2019 Q1–Q4
Sales, EUR million	471.2	489.2	473.1	1,416.4	1,453.4	1,931.8
EBITDA, EUR million	84.7	62.1	92.6	236.6	235.1	294.5
comparable, EUR million	84.7	62.1	86.6	230.6	219.6	279.0
EBITDA, % of sales	18.0	12.7	19.6	16.7	16.2	15.2
comparable, % of sales	18.0	12.7	18.3	16.3	15.1	14.4
Operating result, EUR million	62.5	42.5	66.5	162.7	160.8	180.8
comparable, EUR million	62.5	42.5	60.5	156.7	145.3	184.4
Operating result, % of sales	13.3	8.7	14.1	11.5	11.1	9.4
comparable, % of sales	13.3	8.7	12.8	11.1	10.0	9.5
Result before taxes, EUR million	58.1	38.8	63.9	150.8	148.6	165.6
comparable, EUR million	58.1	38.8	57.8	144.8	133.1	169.2
Result for the period, EUR million	47.0	32.5	51.7	120.8	128.4	144.6
comparable, EUR million	47.0	32.5	46.9	116.0	114.6	145.8
Earnings per share, EUR	0.13	0.09	0.15	0.34	0.36	0.41
comparable, EUR	0.13	0.09	0.13	0.33	0.32	0.41
Return on equity, %	14.6	10.1	16.0	12.2	13.1	10.9
comparable, %	14.6	10.1	14.5	11.7	11.7	11.0
Return on capital employed, %	14.3	9.7	15.3	12.2	12.1	10.2
comparable, %	14.3	9.7	13.9	11.8	11.0	10.4
Equity ratio ¹ , %	59	58	58	59	58	59
Net gearing ¹ , %	21	27	24	21	27	23
Interest-bearing net liabilities/comparable EBITDA	1.0	1.2	1.1	1.0	1.2	1.1
Shareholders' equity per share ¹ , EUR	3.69	3.65	3.57	3.69	3.65	3.76
Interest-bearing net liabilities ¹ , EUR million	277.3	351.8	305.5	277.3	351.8	307.8
Total investments, EUR million	44.4	17.9	43.3	117.5	42.2	98.9
Net cash flow from operations, EUR million	74.4	43.8	72.3	226.7	110.9	200.5
Personnel ¹	2,398	2,382	2,662	2,398	2,382	2,351

1) At the end of the period

DELIVERY AND PRODUCTION VOLUMES

1,000 tonnes	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2020 Q1–Q3	2019 Q1–Q3	2019 Q1–Q4
Delivery volumes								
Folding boxboard	318	310	298	300	305	926	907	1,207
White kraftliner	143	148	152	139	161	443	445	584
Metsä Board's market pulp	107	126	130	137	104	363	322	460
Metsä Fibre's market pulp ¹	168	156	165	180	207	489	565	745
Production volumes								
Folding boxboard	311	333	288	313	311	933	929	1,242
White kraftliner	137	156	130	155	132	423	419	574
Metsä Board's pulp	335	348	329	332	343	1,012	1,041	1,373
Metsä Fibre's pulp ¹	188	193	148	186	182	528	548	734

1) Equal to Metsä Board's 24.9% holding in Metsä Fibre

INTERIM REPORT 1 January–30 September 2020**SALES AND RESULT****July–September 2020 (compared to 7–9/2019)**

Metsä Board's sales amounted to EUR 471.2 million (489.2). Folding boxboard accounted for 61% of sales, while 24% of sales came from white kraftliners, 10% from market pulp and 6% from other operations.

The comparable operating result was EUR 62.5 million (42.5), and the operating result was EUR 62.5 million (42.5).

Total deliveries of paperboards were 461,000 (466,000) tonnes, of which 67% was delivered to the EMEA region, 28% to the Americas, and 5% to the APAC region. Metsä Board's market pulp deliveries were 107,000 (104,000) tonnes.

The lower production costs of pulp and particularly paperboard improved the comparable result. The coronavirus pandemic has also reduced the company's fixed costs.

Exchange rate fluctuations, including hedges, had a positive impact of around EUR 7 million on the result compared to the corresponding period in the previous year.

The lower prices of market pulp weakened profitability. The associated company Metsä Fibre's share of Metsä Board's comparable operating result in July–September was EUR 2.4 million (5.9).

Financial income and expenses totalled EUR -4.3 million (-3.7), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -1.3 million (-0.3).

The result before taxes was EUR 58.1 million (38.8). The comparable result before taxes was EUR 58.1 million (38.8). Income taxes amounted to EUR 11.1 million (6.3).

Earnings per share were EUR 0.13 (0.09). The return on equity was 14.6% (10.1%), and the comparable return on equity was 14.6% (10.1%). The return on capital employed was 14.3% (9.7%), and the comparable return on capital employed was 14.3% (9.7%).

Operating result in July–September 2020 in brief (compared to 4–6/2020)

The comparable operating result in July–September was EUR 62.5 million (60.5). A reduction in fixed costs and seasonally lower depreciations improved profitability. The paper industry strike in Finland early in the year

burdened the profitability in the comparison period by approximately EUR 5 million.

The comparable operating result of July–September weakened due to a number of scheduled annual maintenance shutdowns at mills. The negative impact that these measures had on the result compared to the previous quarter amounted to roughly EUR 10 million. In addition, Metsä Board's own market pulp deliveries were lower than in the previous quarter.

January–September 2020 (compared to 1–9/2019)

Metsä Board's sales amounted to EUR 1,416.4 million (1,453.4). Folding boxboard accounted for 60% of sales, while 25% of sales came from white kraftliners, 11% from market pulp and 4% from other operations.

Total deliveries of paperboards were 1,369,000 (1,351,000) tonnes, of which 69% was delivered to the EMEA region, 26% to the Americas, and 5% to the APAC region. Metsä Board's market pulp deliveries were 363,000 (322,000) tonnes.

The comparable operating result was EUR 156.7 million (145.3), and the operating result was EUR 162.7 million (160.8). Items affecting comparability during the review period totalled EUR 6.0 million and consisted of the sale of a land area not related to business operations.

The lower production costs of pulp and particularly paperboard improved the comparable result of the review period. In Sweden, the price of imported wood decreased, and lower market prices of oil products caused energy costs to decline. The coronavirus pandemic has also reduced the company's fixed costs.

Exchange rate fluctuations, including hedges, had a positive impact of around EUR 25 million on the operating result compared to the comparison period.

The comparable operating result of the review period was weakened by lower market pulp prices. The associated company Metsä Fibre's share of Metsä Board's comparable operating result in January–September was EUR -0.2 million (44.4). Metsä Fibre's profitability was also burdened by the lower delivery volumes of market pulp, resulting from the paper industry strike early in the year and the weakening effect that the coronavirus pandemic has had on the global demand for pulp.

The paper industry strike, which concerned Metsä Board's mills in Finland and all of Metsä Fibre's pulp mills, had a negative impact of around EUR 20 million on the comparable operating result in January–September.

Financial income and expenses totalled EUR -11.8 million (-12.3), including foreign exchange rate differences from trade receivables, trade payables, financial items

and the valuation of currency hedging instruments, totalling EUR -3.1 million (-1.5).

The result before taxes was EUR 150.8 million (148.6). The comparable result before taxes was EUR 144.8 million (133.1). Income taxes amounted to EUR -30.0 million (-20.2).

Earnings per share were EUR 0.34 (0.36). The comparable earnings per share were EUR 0.33 (0.32). The return on equity was 12.2% (13.1%), and the comparable return on equity was 11.7% (11.7%). The return on capital employed was 12.2% (12.1%), and the comparable return on capital employed was 11.8% (11.0%).

MARKET DEVELOPMENT

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

July–September 2020 (compared to 7–9/2019)

Deliveries by European folding boxboard producers within Europe remained stable, and market prices decreased year-on-year. Deliveries by producers of white kraftliners remained stable, and market prices decreased. In the United States, the production of solid bleached boxboard for local consumption increased, while the production of food service paperboard declined clearly. The market prices of solid bleached boxboard decreased, while the market prices of food service paperboard remained stable.

In Europe, the dollar-denominated market price of long-fibre pulp decreased by 8%, calculated from the difference of the average prices of quarters. The dollar-denominated market price of short-fibre pulp decreased by 17%. In China, the dollar-denominated market price of long-fibre pulp remained stable, and the market price of short-fibre pulp decreased by 10%.

January–September 2020 (compared to 1–9/2019)

Deliveries by European producers of folding boxboard within Europe increased by 2%, while market prices decreased year-on-year. Correspondingly, deliveries by producers of white kraftliners increased by 4%, and market prices decreased.

Metsä Board's share of the total deliveries by European folding boxboard producers was 35% (36%), and 56% (58%) of exports from Europe.

In the United States, the production of solid bleached boxboard for local consumption increased, while the production of food service paperboard declined clearly. The market prices of solid boxboard decreased, while the market prices of food service paperboard remained stable.

In Europe, the dollar-denominated market price of long-fibre pulp decreased by 19%, calculated from the difference of the average prices of periods. The dollar-denominated market price of short-fibre pulp decreased by 26%. In China, the dollar-denominated market price of long-fibre pulp decreased by 12%, and that of short-fibre pulp by 24%.

CASH FLOW

Net cash flow from operations was strong in the review period, at EUR 226.7 million (1–9/2019: 110.9). Working capital increased by EUR 2.1 million (87.8). Working capital typically increases during the first half of the year. However, such an increase failed to materialise this year because of production losses caused by the paper industry 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 of cash flow generation during 2020.

INVESTMENTS

Total investments during the review period were EUR 117.5 million (42.2), of which investments in the own property, plant and equipment were EUR 113.0 million (41.1) and investments in leased property, plant and equipment were EUR 4.5 million (1.1).

Metsä Board estimates that its total investments in 2020 will be around EUR 180 million, of which investments in the first phase of the Husum pulp mill renewal represent around EUR 120 million. The time at which the amendment to the environmental permit will be approved affects the distribution of the investment amount between different years.

BALANCE SHEET AND FINANCING

Metsä Board's equity ratio at the end of the review period was 59% (31 December 2019: 59%) and the net gearing ratio was 21% (23%). The ratio of interest-bearing net liabilities to comparable EBITDA in the previous 12 months was 1.0 (1.1).

At the end of the review period, interest-bearing liabilities totalled EUR 460.7 million (31 December 2019: 444.9). Non-euro-denominated loans accounted for 1.8% of loans, floating-rate loans accounted for 14.3%, with the rest being fixed-rate loans. The average interest rate on liabilities was 2.3% (2.5%), and the average maturity of non-current liabilities was 5.9 years (6.4). The interest rate maturity of loans was 51.3 months (56.0).

At the end of the review period, net interest-bearing liabilities totalled EUR 277.3 million (31 December 2019: 307.8).

Metsä Board's liquidity has remained strong. At the end of the review period, the available liquidity was EUR 404.5 million (31 December 2019: 334.2), consisting of the following items: liquid assets and investments of EUR 180.6 million, a syndicated credit facility (revolving credit facility) of EUR 200.0 million, and other committed credit facilities of EUR 23.9 million. As of 2020, the company will no longer include undrawn pension premium (TyEL) funds in available liquidity. Of the liquid assets, EUR 171.0 million consisted of short-term deposits with Metsä Group Treasury, and EUR 9.5 million were cash funds and investments. Other interest-bearing receivables amounted to EUR 2.8 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 189.5 million at the end of the review period (31 December 2019: 255.1). The change in the fair value is related to the decrease in the fair value of Pohjolan Voima Oyj's shares. The greater-than-usual change in the fair value was mainly attributable to changes made to the valuation model during the second quarter. Metsä Board discontinued the use of previous benchmark transactions in Pohjolan Voima Oyj's shares as a valuation basis and increased the discount rates used in the valuation model based on projected cash flows to reflect prevailing circumstances.

At the end of the review period, an average of 8.0 months of the net foreign currency exposure was hedged, including the hedging of the balance sheet position of trade receivables and trade payables (31 December 2019: 7.8). The degree of hedging during the period varied between seven and nine 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 2,398 (30 September 2019: 2,382), of whom

1,440 (1,422) were based in Finland. In January–September, Metsä Board employed 2,481 people on average (1–9/2019: 2,453). Personnel expenses in January–September totalled EUR 144.2 million (143.6).

BUSINESS DEVELOPMENT

Development of paperboard sales in January–September 2020 (1–9/2019)

Metsä Board produces high-quality, ecological fresh fibre paperboards, and is Europe's largest producer of folding boxboard and white kraftliners. Metsä Board's folding boxboard is mainly used in consumer product packaging, such as food and pharmaceutical packaging. Correspondingly, the end uses of white kraftliners are mainly related to the various packaging needs of the retail sector. More than half of the white kraftliners produced by Metsä Board are coated.

The paper industry strike at Finnish mills early in the year together with the peak in demand for packaging materials resulting from the coronavirus outbreak accelerated the order flows for paperboards particularly in March–April. Demand for end uses involving large volumes, such as food and pharmaceutical packaging, has remained good throughout the coronavirus pandemic. At the same time, the pandemic has weakened demand in graphic end uses and the packaging materials for luxury items. Demand for coated white kraftliners has been supported by the brisk retail sector and the growth in e-commerce.

During the review period, Metsä Board's deliveries of folding boxboard were 926,000 (907,000) tonnes, of which 71% was delivered to the EMEA region, 22% to the Americas, and 7% to the APAC region. Deliveries of white kraftliners were 443,000 (445,000) tonnes, of which 63% was delivered to the EMEA region, 36% to the Americas, and 2% to the APAC region.

In EMEA region, Metsä Board's deliveries of folding boxboard increased, while its deliveries of white kraftliners decreased from the comparison period. The occasional oversupply of uncoated white kraftliner in Europe, its main market, has led Metsä Board to curtail its production to some degree. The average prices of uncoated white kraftliners declined slightly.

Deliveries of folding boxboard and coated white kraftliners to the Americas grew from the comparison period. In the United States, demand for particularly white kraftliners has been strong. The dollar-denominated average prices of paperboards remained stable.

In the APAC region, the delivery volumes of paperboards were lower than in the comparison period.

Development of market pulp sales in January–September 2020 (1–9/2019)

Metsä Board's market pulp position consists of the difference between its own pulp production and consumption, as well as of its 24.9% holding in Metsä Fibre. On an annual level, the total position shows a surplus of around 600,000 tonnes and consists mostly of long-fibre pulp.

Metsä Board's market pulp deliveries in the review period were 363,000 (322,000) tonnes. The paper industry strike early in the year did not concern Metsä Board's Husum pulp mill in Sweden.

The associated company Metsä Fibre's total pulp deliveries amounted to 1,962,000 (2,269,000) tonnes. Around 50% of Metsä Fibre's market pulp is sold in the EMEA region and 50% in the APAC region, where China accounts for a significant share.

During the review period, the dollar-denominated average prices of long-fibre pulp in Europe and China were on a lower level than in the corresponding period the year before. In 2020, prices have remained fairly stable.

While the global increase in the demand for tissue papers has supported demand for pulp, the production of printing papers has at the same time declined and decreased the demand for pulp. In China, the market situation picked up slightly towards the end of the period, as gradually increasing paper production increased demand for long-fibre market pulp.

Production

The production volume of Metsä Board's paperboards during the review period was 1,356,000 tonnes (1–9/2019: 1,348,000), while the production volume of pulp and BCTMP totalled 1,012,000 (1,041,000) tonnes.

Production at Metsä Board's mills and the mills' annual maintenance works have proceeded normally during the coronavirus pandemic.

A number of maintenance works at mills were carried out during the third quarter, the most significant of which were the annual maintenance shutdowns of the Kemi and Husum mill integrates. According to plan, part of the annual maintenance shutdown of the Husum mill integrate took place during the first week of October.

SIGNIFICANT INVESTMENTS**Metsä Board: Modernisation of the Husum pulp mill**

In 2019, Metsä Board started 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 of the renewal will be made once the amendment to the environmental permit has been secured.

The first phase of the investment will involve the modernisation of the pulp mill's recovery boiler and turbine. The total value of the first phase is around EUR 320 million, which will be spread over 2019–2022. It is planned that in the second phase of the investment, during the 2020s, the current fibre lines will be replaced with a new fibre line.

The erection of the new recovery boiler cannot be started until the amendment to the environmental permit has been approved. The processing of the environmental permit has progressed slower than expected, which is why the company expects the new recovery boiler to start up during the first half of 2022 at earliest (original estimate: the fourth quarter of 2021 at earliest). The company and the authorities involved in the permit process have had no substantial differences of opinion on the permit conditions at any stage.

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 Board's associated company Metsä Fibre continues, and it is expected that a decision on this roughly EUR 1.5 billion investment will be made in late 2020 at earliest. 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 began in 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 aims to be forerunner in sustainability and produce packaging solutions that respect nature. Climate change mitigation and the efficient use of resources are strong drivers of the company's operations.

In July, all of Metsä Board's paperboards, except its PE-coated grades, achieved certificates in industrial compostability. The Ecobarrier paperboard (MetsäBoard Prime FBB EB) also achieved a certificate in home compostability.

Metsä Board has highly ambitious sustainability targets, extending to 2030. Its key goal is to abandon the use of fossil energy by 2030. At that point, the company's mills will use only fossil-free fuels (Scope 1), and all purchased energy must also be fossil-free (Scope 2). The raw materials used by Metsä Board must also be fossil-free. Metsä Board will further improve its water and energy efficiency, and aims to increase the share of certified wood in all wood fibre it uses. In addition, the company continues to improve the sustainability of its supply chain.

As a recognition for its work in mitigating climate change, Metsä Board has been included on the CDP's Climate A list. The company has achieved the A- level in the CDP's water and forest programmes and in the Supplier Engagement Rating category. Metsä Board has also achieved the highest level, Platinum, in EcoVadis's sustainability and social responsibility evaluation. According to the evaluation, Metsä Board is among the top 1% of paper, paperboard and packaging manufacturers. Metsä Board has also achieved good scores in several environmental, social and governance (ESG) assessments carried out by MSCI, Sustainalytics and ISS ESG, among other parties.

The Science Based Targets Initiative (SBTi) has 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. 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.

Further information on Metsä Board's sustainability is available on the company's website at www.metsaboard.com/sustainability.

R&D AND INNOVATIONS

Metsä Board opened a new Excellence Centre in Äänekoski's unique bioeconomy ecosystem. The new Excellence Centre will combine expertise in packaging design with research and development, facilitating the development of future paperboards and packaging solutions. The Excellence Centre brings together the expertise of Metsä Board's own experts and that of its partners – such as material and technology suppliers, start-up companies as well as universities and research institutions – in an entirely new way.

Metsä Group's innovation company Metsä Spring and Valmet are building a demo plant in Äänekoski with the aim of developing a 3D fibre product which can replace packaging made from fossil-based raw materials, for example. The plant will produce 3D fibre products out of

wet wood-fibre pulp directly, without intermediary phases, and the fibres will be ready for delivery to end customers as is. The project's total value is approximately EUR 20 million, and it is part of the world-class ExpandFibre programme. The four-year ExpandFibre is Metsä Group and Fortum's joint, roughly EUR 50 million R&D programme promoting the circular bioeconomy. It focuses on pulp fibre made from renewable and sustainable sources.

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 at the start of the review period and EUR 7.05 at the end of it. The share's highest and lowest prices were EUR 7.18 and EUR 4.47, respectively. Correspondingly, the price for Metsä Board's A share was EUR 6.14 at the start of the review period and EUR 7.08 at the end of it.

In January–September, the average daily trading volumes of the B and A shares on the Nasdaq Helsinki were 664,000 shares and 5,600 shares, respectively. The total trading volumes of the B and A shares were EUR 717.0 million and EUR 6.8 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 82%.

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

At the end of the review period, the market value of all Metsä Board shares was EUR 2.5 billion, of which the market value of the B shares and the A shares accounted for EUR 2.3 billion and EUR 0.2 billion, respectively.

At the end of the review period, Metsäliitto Cooperative's holding in Metsä Board was 48% of all shares and 67% of all votes. International and nominee-registered

investors held 16% of all shares. The company does not hold any treasury shares.

NEAR-TERM RISKS AND UNCERTAINTIES

A prolongation of the coronavirus pandemic 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, customers' weaker cash position or slower payment behaviour may have an impact on Metsä Board's cash flow and 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. In addition, the acceptability and taxation of various packaging materials involve regulatory 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 62 million on Metsä Board's annual operating result. Correspondingly, the Swedish krona strengthening by 10% would have a negative impact of approximately EUR 39 million. The British pound strengthening by 10% would have a positive impact of approximately EUR 9 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 coronavirus pandemic and the scope of its negative impact on the world economy and

on Metsä Board's business operations continue to be difficult to estimate.

Metsä Board's paperboard deliveries in the fourth quarter of 2020 are expected to decline slightly from the level of the third quarter of 2020. The decline is mainly caused by the seasonally slower December.

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

Annual maintenance shutdowns will be held at three of Metsä Fibre's pulp mills during the fourth quarter, in addition to which the annual maintenance shutdown of Metsä Board's Husum mill integrate extended to the first week of October, according to plan.

The supply of long-fibre market pulp during the fourth quarter will decrease due to the annual maintenance shutdowns of producers and the production curtailments announced by some producers. Metsä Board's market pulp deliveries in the fourth quarter of 2020 are expected to increase from the level of the third quarter of 2020.

Changes in exchange rates, including the impact of hedges, will have a neutral impact on the result in the fourth quarter of 2020 compared to the third quarter of 2020 and a positive impact compared to the fourth quarter of 2019.

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

RESULT GUIDANCE FOR OCTOBER–DECEMBER 2020

Metsä Board's comparable operating result for the fourth quarter of 2020 is expected to remain roughly at the same level as in the third quarter of 2020.

METSÄ BOARD CORPORATION

Espoo, Finland, 29 October 2020

BOARD OF DIRECTORS

Further information:

Jussi Noponen, CFO
tel. +358 10 465 4913

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

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: + 1 631 913 1422

The conference call ID is 81715944#.

Metsä Board's financial reporting and Annual General Meeting in 2021:

11 February 2021: Financial Statements Bulletin for 2020

28 April 2021: Interim Report for January–March 2021

28 July 2021: Half-year Financial Report for January–June 2021

27 October 2021: Interim Report for January–September 2021

25 March 2021: Annual General Meeting

CALCULATION OF KEY RATIOS

Operating result	=	Result before income tax, financial income and expenses, exchange gains and losses and share of results from associated companies and joint ventures
EBITDA	=	Operating result before depreciation, amortisation and impairment losses
Return on equity (%)	=	(Result before income tax - income taxes) per (Shareholder's equity (average))
Return on capital employed (%)	=	(Result before income taxes + net exchange differences and other financial expenses) per (Balance total + non-interest bearing liabilities (average))
Equity ratio (%)	=	(Shareholder's equity) per (Balance total - advance payments received)
Net gearing ratio (%)	=	(Interest-bearing net liabilities) per (Shareholder's equity)
Interest-bearing net liabilities	=	Interest-bearing liabilities – cash and cash equivalents and interest-bearing receivables
Total investments	=	Investments in owned and leased fixed assets and investments in business combinations
Earnings per share	=	(Profit attributable to shareholders of parent company) per (Adjusted number of shares (average))
Shareholders' equity per share	=	(Equity attributable to shareholders of parent company) per (Adjusted number of shares at the end of the period)
Adjusted average share price	=	(Total traded volume per share (EUR)) per (Average adjusted number of shares traded during the financial year)
Market capitalisation	=	(Number of shares) x (market price at the end of 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 financial 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.

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 financial 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. Items affecting comparability include material gains and losses on disposals of assets, impairment and impairment reversals in accordance with IAS 36 "Impairment of Assets", costs arising from acquisitions and divestments, adjustment measures and other restructuring, as well as adjustments thereof 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 REPORT
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q4 2019
Sales	2, 6	471.2	489.2	1,416.4	1,453.4	1,931.8
Change in stocks of finished goods and work in progress		-1.9	-15.0	-9.4	10.1	3.8
Other operating income	2, 6	3.7	6.0	14.6	34.4	51.7
Material and services	6	-311.5	-343.3	-939.2	-1,050.2	-1,389.8
Employee costs		-47.2	-45.0	-144.2	-143.6	-194.9
Share of result of associated company	6	2.4	5.9	-0.2	42.1	43.1
Depreciation, amortisation and impairment losses		-22.2	-19.6	-73.9	-74.3	-113.7
Other operating expenses		-32.0	-35.7	-101.4	-111.1	-151.1
Operating result	2	62.5	42.5	162.7	160.8	180.8
Share of results of associated companies and joint ventures		0.0	0.0	-0.1	0.1	0.1
Net exchange gains and losses		-1.3	-0.3	-3.1	-1.5	-1.6
Other net financial items	2, 6	-3.0	-3.4	-8.7	-10.8	-13.8
Result before income tax		58.1	38.8	150.8	148.6	165.6
Income taxes	3	-11.1	-6.3	-30.0	-20.2	-21.0
Result for the period		47.0	32.5	120.8	128.4	144.6

EUR million	Note	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q4 2019
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Actuarial gains/losses on defined pension plans		1.9	-3.7	2.4	-7.4	-3.5
Financial assets valued at fair value through other comprehensive income	8	-4.5	6.5	-65.5	-10.2	-14.7
Share of other comprehensive income of associated company		-0.1	0.2	0.3	0.2	0.2
Income tax relating to items that will not be reclassified		0.6	-0.5	12.7	3.7	2.8
Total		-2.1	2.6	-50.2	-13.7	-15.1
Items that may be reclassified to profit or loss						
Cash flow hedges		3.0	-13.7	0.1	-27.7	-10.1
Translation differences		-6.2	-0.5	-9.0	-9.5	-3.4
Share of other comprehensive income of associated company		0.1	-3.3	-0.6	-2.4	1.7
Income tax relating to components of other comprehensive income		-0.6	2.7	0.1	5.6	2.2
Total		-3.8	-14.7	-9.4	-33.9	-9.6
Other comprehensive income, net of tax		-5.9	-12.2	-59.5	-47.5	-24.8
Total comprehensive income for the period		41.1	20.3	61.3	80.9	119.8
Result for the period attributable to						
Shareholders of parent company		47.0	32.5	120.8	128.4	144.6
Non-controlling interests					0.0	0.0
Total		47.0	32.5	120.8	128.4	144.6
Total comprehensive income for the period attributable to						
Shareholders of parent company		41.1	20.3	61.3	80.9	119.8
Non-controlling interests					0.0	0.0
Total		41.1	20.3	61.3	80.9	119.8
Earnings per share for result attributable to shareholders of parent company (EUR/share)		0.13	0.09	0.34	0.36	0.41

The notes are an integral part of the condensed interim financial report.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS				
Non-current assets				
Goodwill		12.4	12.4	12.4
Other intangible assets		7.3	8.5	8.8
Tangible assets	4	780.5	718.2	742.0
Investments in associated companies and joint ventures		369.7	387.4	392.4
Other investments	8	189.5	259.6	255.1
Other non-current financial assets	6, 8	16.4	17.5	16.6
Deferred tax receivables	2	7.1	5.3	6.7
		1,382.8	1,408.9	1,434.0
Current assets				
Inventories		358.7	387.8	379.5
Accounts receivables and other receivables	6, 8	310.0	325.6	322.8
Cash and cash equivalents	6, 8	180.6	106.3	134.2
		849.2	819.8	836.4
Total assets		2,232.0	2,228.7	2,270.4
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Equity attributable to shareholders of parent company		1,312.0	1,298.2	1,338.0
Total equity		1,312.0	1,298.2	1,338.0
Non-current liabilities				
Deferred tax liabilities		92.3	102.0	105.6
Post-employment benefit obligations	2	13.3	15.0	13.8
Provisions	5	4.2	6.4	4.2
Borrowings	8	444.7	273.3	412.9
Other liabilities	8	5.7	6.6	4.9
		560.2	403.2	541.5
Current liabilities				
Provisions	5	0.5	2.3	1.6
Current borrowings	6, 8	16.1	187.7	32.0
Accounts payable and other liabilities	6, 8	343.3	337.3	357.4
		359.8	527.3	391.0
Total liabilities		920.0	930.5	932.4
Total shareholders' equity and liabilities		2,232.0	2,228.7	2,270.4

The notes are an integral part of the condensed interim financial 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 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						128.4	128.4	0.0	128.4
Other comprehensive income net of tax total			-8.6	-33.2		-5.7	-47.6		-47.6
Comprehensive income total			-8.6	-33.2		122.6	80.8	0.0	80.8
Share based payments						-2.5	-2.5		-2.5
Related party transactions									
Dividend and capital distribution					-67.5	-35.6	-103.1		-103.1
Shareholders' equity, 30 September 2019		557.9	-35.0	160.7	315.5	299.0	1,298.2		1,298.2

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 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						120.8	120.8		120.8
Other comprehensive income net of tax total			-11.0	-50.5		1.9	-59.5		-59.5
Comprehensive income total			-11.0	-50.5		122.8	61.3		61.3
Share based payments						-2.0	-2.0		-2.0
Related party transactions									
Dividend and capital distribution					-49.8	-35.6	-85.3		-85.3
Shareholders' equity, 30 September 2020		557.9	-40.1	125.0	265.8	403.4	1,312.0		1,312.0

The notes are an integral part of the condensed interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	Q1-Q3 2020	Q1-Q3 2019	Q1-Q4 2019	Q3 2020
Result for the period		120.8	128.4	144.6	47.0
Total adjustments	7	108.8	36.0	70.6	35.4
Change in working capital		-2.1	-87.8	-43.0	3.3
Net financial items	7	9.4	52.7	46.4	-8.9
Income taxes paid		-10.2	-18.4	-18.1	-2.5
Net cash flow from operations		226.7	110.9	200.5	74.4
Investments in intangible and tangible assets		-113.0	-41.2	-94.3	-43.9
Disposals and other items	6, 7	8.1	19.5	28.0	0.1
Net cash flow from investing		-105.0	-21.8	-66.3	-43.8
Changes in non-current loans and in other financial items	6	11.6	10.6	-7.5	-2.4
Paid dividend and capital distribution		-85.3	-103.1	-103.1	0.0
Net cash flow from financing		-73.7	-92.5	-110.6	-2.4
Changes in cash and cash equivalents		48.0	-3.3	23.6	28.2
Cash and cash equivalents at beginning of period	6	134.2	109.7	109.7	153.2
Translation difference in cash and cash equivalents		-1.6	0.0	0.9	-0.8
Changes in cash and cash equivalents		48.0	-3.3	23.6	28.2
Cash and cash equivalents at end of period	6	180.6	106.3	134.2	180.6

The notes are an integral part of the condensed interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL 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.

This unaudited interim financial 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 financial report.

The impact of the coronavirus on Metsä Board's business is described in more detail in the explanatory part of this interim financial report.

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

This interim financial report was authorised for issue by the Board of Directors of Metsä Board on 29 October 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

	Q3	Q3	Q1-Q3	Q1-Q3	Q1-Q4
EUR million	2020	2019	2020	2019	2019
EMEA	320.6	346.6	967.6	1,034.6	1,369.1
Americas	114.0	107.9	332.7	308.2	403.5
APAC	36.6	34.7	116.1	110.6	159.3
Total	471.2	489.2	1,416.4	1,453.4	1,931.8

RECONCILIATION OF OPERATING RESULT AND EBITDA

	Q3	Q3	Q1-Q3	Q1-Q3	Q1-Q4
EUR million	2020	2019	2020	2019	2019
Operating result	62.5	42.5	162.7	160.8	180.8
Depreciation, amortisation and impairment losses	22.2	19.6	73.9	74.3	113.7
EBITDA	84.7	62.1	236.6	235.1	294.5
Items affecting comparability:					
Gains and losses on disposal in other operating income and expenses			-6.0	-17.7	-17.8
Share of results of associated companies				2.2	2.2
Total			-6.0	-15.5	-15.5
EBITDA, comparable	84.7	62.1	230.6	219.6	279.0
Depreciation, amortisation and impairment losses	-22.2	-19.6	73.9	-74.3	-113.7
Items affecting comparability:					
Impairment charges and reversals of impairments					19.1
Operating result, comparable	62.5	42.5	156.7	145.3	184.4

"+" sign items = expense affecting comparability

"-" sign items = income affecting comparability

Items affecting comparability in the review period totaled EUR 6.0 million and comprised disposal gains from sold non-business related land area.

Items affecting comparability in the comparison period totaled EUR 15.5 million and comprised disposal gains from non-operative share investment (EUR 3.3 million), Äänevoima Oy

shares sold to Metsä Fibre (net effect on operating result EUR 6.8 million) as well as disposal gains from sold non-business related land area (EUR 5.5 million).

Items affecting comparability in 2019 totaled EUR -3.6 million and comprised disposal gains from non-operative share investment (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–Q3 2020	Q1–Q3 2019	Q1–Q4 2019
Taxes for the current period	29.1	12.3	16.9
Taxes for the prior periods	0.0	0.0	0.1
Change in deferred taxes	0.9	7.9	4.1
Total income taxes	30.0	20.2	21.0

NOTE 4 – CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	Q1–Q3 2020	Q1–Q3 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	112.9	40.5	93.4
Investments to leased property, plant and equipment	4.5	1.1	4.1
Decreases	-2.5	-6.9	-7.1
Depreciation, amortization and impairment losses	-72.3	-72.3	-111.2
Translation difference	-4.0	-14.2	-7.3
Carrying value at end of the period	780.5	718.2	742.0

There were no impairment losses recognised in the review period.

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 to the 2019 financial statements.

NOTE 5 – PROVISIONS

EUR million	Restructuring	Environmental obligations	Other provisions	Total
1 January 2020	1.2	3.5	1.2	5.8
Translation differences	0.0		0.0	0.0
Increases				
Utilised during the year	-0.9		-0.2	-1.1
Unused amounts reversed				
30 September 2020	0.2	3.5	1.0	4.7

The non-current part of provisions was EUR 4.2 million and the current part EUR 0.5 million, total provisions

amount to EUR 4.7 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 until 31 December 2019. 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-Q3 2020	Q1-Q3 2019	Q1-Q4 2019
Sales	57.6	77.6	101.1
Other operating income	3.3	13.4	14.2
Purchases	449.5	522.4	682.5
Share of result from associated company	-0.2	42.1	43.1
Interest income	0.0	0.1	0.1
Interest expenses	0.7	1.7	1.9
Accounts receivables and other receivables	31.4	27.9	32.8
Cash and cash equivalents	171.0	99.1	127.1
Accounts payable and other liabilities	53.4	156.1	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-Q3 2020	Q1-Q3 2019	Q1-Q4 2019
Sales	0.4	0.4	0.5
Purchases	2.2	4.4	5.3
Other non-current financial assets			
Accounts receivables and other receivables	0.0	0.0	0.4
Accounts payable and other liabilities	0.6	1.2	0.6

NOTE 7 – NOTES TO CONSOLIDATED CASH FLOW STATEMENT
ADJUSTMENTS TO THE RESULT FOR THE PERIOD

EUR million	Q1-Q3 2020	Q1-Q3 2019	Q1-Q4 2019	Q3 2020
Taxes	30.0	20.2	21.0	11.1
Depreciation, amortization and impairment charges	73.9	74.3	113.7	22.2
Share of result from associated companies and joint ventures	0.3	-42.2	-43.2	-2.4
Gains and losses on sale of fixed assets	-7.3	-25.2	-33.3	-0.1
Finance costs, net	11.8	12.3	15.5	4.3
Pension liabilities and provisions	-0.8	-3.0	-3.5	-0.2
Other adjustments	0.9	-0.3	0.5	0.5
Total	108.8	36.0	70.6	35.4

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 8.1 million in total. They consisted of sales proceeds of EUR 7.1 million from sale of non-business related land area as well as other sale proceeds and other items amounting to EUR 1.0 million.

Disposals and other items reported for the comparison period were EUR 19.5 million in total. They consisted of proceeds amounting to EUR 6.0 million from emission

right sales, sales proceeds of EUR 5.6 million from sale of non-business related land area, EUR 3.3 million from sale of non-operative share investment as well as other sale proceeds and other items amounting to EUR 0.5 million.

In 2019 disposals and other were EUR 28.0 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 non-operative share investment as well as other sale proceeds and other items amounting to EUR 0.9 million.

NOTE 8 – FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities and their fair values

Financial assets 30 September 2020

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Other non-current investments	3.5	186.0		189.5
Other non-current financial assets			16.1	16.1
Accounts receivables and other receivables			291.9	291.9
Cash and cash equivalent			180.6	180.6
Derivative financial instruments	1.1	17.1		18.2
Total carrying amount	4.6	203.1	488.5	696.2
Total fair value	4.6	203.1	488.5	696.2

Financial liabilities 30 September 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			444.7	444.7
Other non-current financial liabilities			0.3	0.3
Current interest-bearing financial liabilities			16.1	16.1
Accounts payable and other financial liabilities			287.2	287.2
Derivative financial instruments	0.7	9.4		10.0
Total carrying amount	0.7	9.4	748.2	758.2
Total fair value	0.7	9.4	772.7	782.8

Classification of financial assets and liabilities and their fair values

Financial assets 30 September 2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Other non-current investments	3.7	256.0		259.6
Other non-current financial assets			14.3	14.3
Accounts receivables and other receivables			314.6	314.6
Cash and cash equivalent			106.3	106.3
Derivative financial instruments		10.5		10.5
Total carrying amount	3.7	266.4	435.2	705.3
Total fair value	3.7	266.4	435.2	705.3

Financial liabilities 30 September 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			273.3	273.3
Other non-current financial liabilities			0.4	0.4
Current interest-bearing financial liabilities			187.7	187.7
Accounts payable and other financial liabilities			293.2	293.2
Derivative financial instruments	2.2	19.3		21.5
Total carrying amount	2.2	19.3	754.7	776.2
Total fair value	2.2	19.3	784.5	806.0

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 (30 September 2019: 0.1–2.1). 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 30 September 2020

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		189.5	189.5
Derivative financial assets	1.5	16.8		18.2
Financial liabilities measured at fair value				
Derivative financial liabilities	1.8	8.2		10.0
Financial assets not measured at fair value				
Cash and cash equivalent		180.5		180.5
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		469.2		469.2
Current interest-bearing financial liabilities		16.1		16.1

Fair value hierarchy of financial assets and liabilities as of 30 September 2019

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		259.6	259.6
Derivative financial assets	10.5			10.5
Financial liabilities measured at fair value				
Derivative financial liabilities	1.8	19.7		21.5
Financial assets not measured at fair value				
Cash and cash equivalent		106.3		106.3
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		302.6		302.6
Current interest-bearing financial liabilities		188.3		188.3

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

EUR million	Q1-Q3 2020	Q1-Q3 2019	Q1-Q4 2019
Carrying value at beginning of period	255.1	270.1	270.1
Total gains and losses in profit or loss	-0.1	3.2	3.2
Total gains and losses in other comprehensive income	-65.5	-10.2	-14.7
Purchases		0.0	0.0
Disposals	-0.1	-3.5	-3.5
Carrying value at end of the period	189.5	259.6	255.1

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 value of investment is determined based on the present value of discounted cash flows. Key factors affecting cash flows include the price of electricity, inflation expectations and the discount rate. The 12-month moving average of electricity futures prices has been used as the energy price for the first six years. Subsequent prices are based on a long-term market price forecast. The change in the fair value of Pohjolan Voima Oyj's shares in the second quarter was larger than usual. This was mainly due to changes in the valuation model. Metsä Board discontinued the use of previous benchmark transactions in Pohjolan Voima Oyj's shares as a valuation basis and increased the discount rates used in the valuation model based on projected cash flows to reflect prevailing circumstances.

The WACC used in Pohjolan Voima share valuation on 30 September 2020 was 2.92 per cent (31 December 2019: 1.37) and 3.92 per cent (2.37) for the Olkiluoto 3 power plant under construction. The acquisition cost of shares in Pohjolan Voima Oyj on 30 September 2020 is EUR 38.0 million (38.0) and fair value EUR 186.0 million (251.4).

The carrying value of other investments as of 30 September 2020 is estimated to change by EUR -8.6 million and EUR 9.3 million should the rate used for discounting the cash flows change by 0.5 percentage points from the rate estimated by the management. The carrying value of other investments is estimated to change by EUR 73.5 million should the energy prices used in calculating the fair value differ by 10 per cent from the prices estimated by the management.

Derivatives 30 September 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		3.5	-3.5		-3.5
Interest rate derivatives	100.0		3.5	-3.5		-3.5
Currency forward contracts	890.0	16.4	4.3	12.1	0.4	11.7
Currency derivatives	890.0	16.4	4.3	12.1	0.4	11.7
Electricity derivatives	12.4	1.0	0.4	0.5		0.5
Oil derivatives	14.4	0.4	1.2	-0.8		-0.8
Other commodity derivatives	9.3	0.4	0.5	-0.1		-0.1
Commodity derivatives	36.1	1.8	2.2	-0.4		-0.4
Derivatives total	1,026.1	18.2	10.0	8.2	0.4	7.8

Derivatives 30 September 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 Assets
Interest rate swaps	100.0		4.4	-4.4	-1.5	-2.9
Interest rate derivatives	100.0		4.4	-4.4	-1.5	-2.9
Currency forward contracts	996.4		14.5	-14.5	-0.7	-13.9
Currency option contracts	476.1		0.7	-0.7		-0.7
Currency derivatives	1,472.5		15.3	-15.3	-0.7	-14.6
Electricity derivatives	20.4	10.1		10.1		10.1
Oil derivatives	11.1	0.4	1.4	-1.0		-1.0
Other commodity derivatives	3.1		0.4	-0.4		-0.4
Commodity derivatives	34.5	10.5	1.8	8.6		8.6
Derivatives total	1,607.1	10.5	21.5	-11.1	-2.2	-8.8

NOTE 9 – COMMITMENTS AND GUARANTEES

EUR million	30 Sep 2020	30 Sep 2019	31 Dec 2019
Liabilities secured by collateral	7.8	40.4	24.1
Pledges granted	130.7	136.9	138.7
Real estate mortgages	232.8	232.8	232.8
Total pledges and mortgages	363.5	369.7	371.5
Guarantees and counter-indemnities	2.8	13.8	9.1
Commitments on behalf of associated companies and joint ventures	0.1		0.1
Total	366.4	383.4	380.5

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

OPEN DERIVATIVE CONTRACTS

EUR million	30 Sep 2020	30 Sep 2019	31 Dec 2019
Interest rate derivatives	100.0	100.0	100.0
Currency derivatives	890.0	1,472.5	1,440.2
Other derivatives	36.1	34.5	33.2
Total	1,026.1	1,607.1	1,573.4

COMMITMENTS RELATED TO PROPERTY, PLANT AND EQUIPMENT

EUR million	30 Sep 2020	30 Sep 2019	31 Dec 2019
Payments due in following 12 months	29.4		60.2
Payments due later			
Total	29.4		60.2

Commitments related to property, plant and equipment concern the first phase of the modernisation of the Husum pulp mill.