
ANNUAL REPORT

2012



HIGH QUALITY PAPERBOARDS AND PAPERS

Metsä Board is Europe's leading producer of folding boxboard, the world's leading manufacturer of coated white-top kraftliners, and a major paper supplier. It offers premium solutions for consumer and retail packaging, graphics and office end-uses. The company's sales network serves brand owners, carton printers, corrugated packaging manufacturers, printers, merchants and office suppliers.

Metsä Board is part of Metsä Group.

KEY FIGURES

	2012	2011
SALES, EUR MILLION	2,108	2,485
OPERATING RESULT EXCL. NON-RECURRING ITEMS, EUR MILLION	74	59
- % OF SALES	3.5	2.4
OPERATING RESULT, EUR MILLION	220	-214
- % OF SALES	10.4	-8.6
RESULT BEFORE TAX, EUR MILLION	176	-281
- % OF SALES	8.3	-11.3
RESULT FOR THE PERIOD, EUR MILLION	173	-273
RETURN ON CAPITAL EMPLOYED, %	12.3	-9.9
RETURN ON EQUITY, %	21.6	-31.5
INTEREST-BEARING NET LIABILITIES, EUR MILLION	625	783
GEARING RATIO, %	128	154
NET GEARING RATIO, %	72	106
EQUITY RATIO, %	33.6	27.4
EARNINGS PER SHARE, EUR	0.53	-0.83
EQUITY PER SHARE, EUR	2.62	2.23
DIVIDEND PER SHARE, EUR ¹⁾	0.06	0.00
MARKET CAPITALIZATION 31 DEC, EUR MILLION	728	443
GROSS CAPITAL EXPENDITURE, EUR MILLION	66	95
CASH FLOW ARISING FROM OPERATING ACTIVITIES, EUR MILLION	-2	83
PERSONNEL 31 DEC	3,279	4,070

¹⁾ BOARD OF DIRECTORS' PROPOSAL FOR 2012

MOST SIGNIFICANT EVENTS IN 2012

Result improved and balance sheet strengthened compared to 2011.

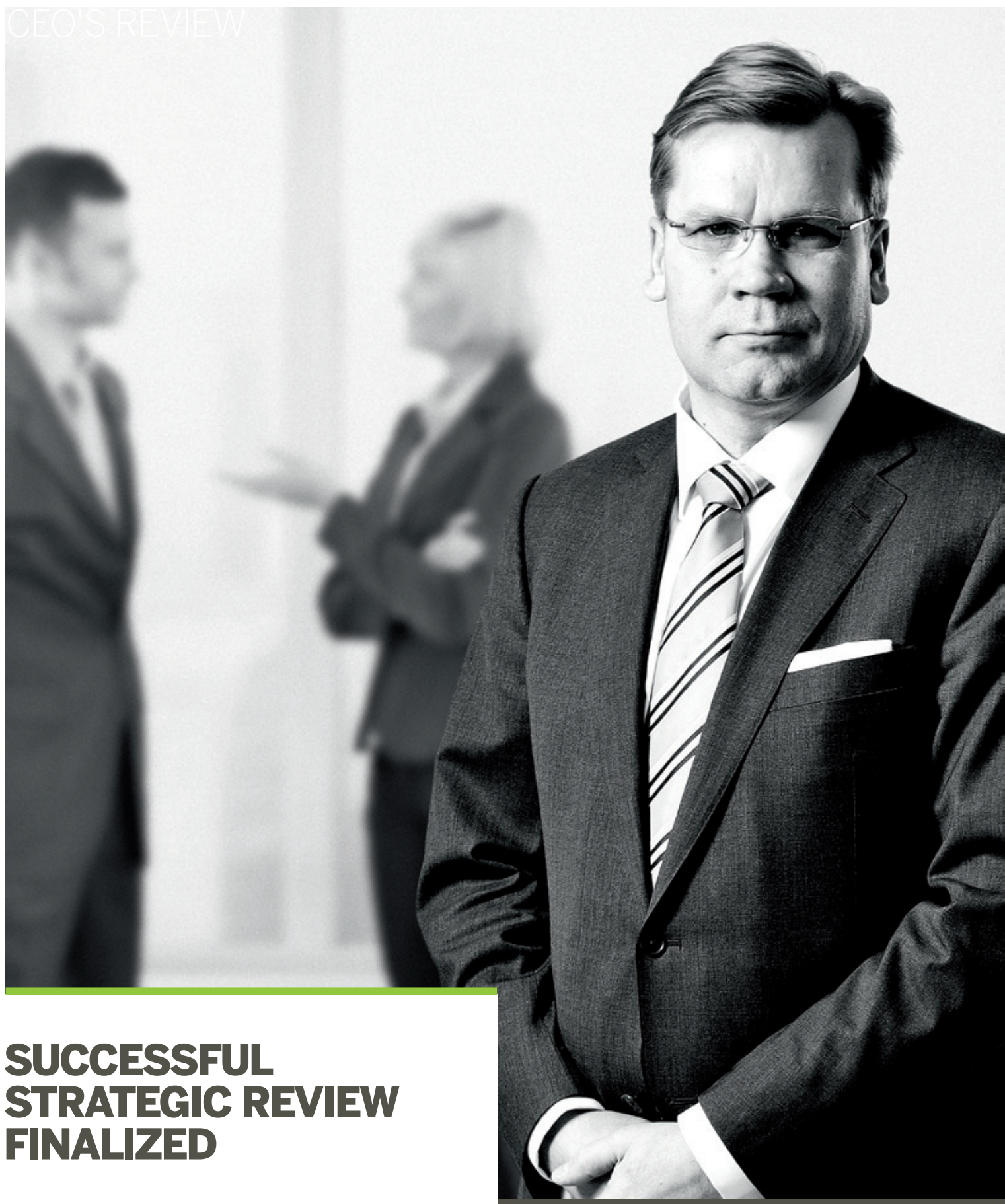
Completion of the Paperboard business area's EUR 120 million investment programme including the increase of the annual folding boxboard capacity by 150,000 tonnes, modernization of the Kemi linerboard machine's coating section and commissioning of the Kyro biopower plant.

Finalization of the strategic review of the paper business including the permanent closure of the Alizay mill and the discontinuation of the unprofitable operations at the Gohrsmühle mill.





2	CEO'S REVIEW
4	OPERATING ENVIRONMENT
6	METSÄ BOARD'S STRATEGY
8	PAPERBOARD
10	PAPER AND PULP
12	SUSTAINABILITY
24	FINANCIAL STATEMENTS
88	SHARES AND SHAREHOLDERS
93	PARENT COMPANY ACCOUNTS
104	CORPORATE GOVERNANCE STATEMENT
110	SALARY AND REMUNERATION REPORT
112	BOARD OF DIRECTORS
114	CORPORATE MANAGEMENT TEAM
116	QUARTERLY DATA
117	PRODUCTION CAPACITIES
118	TEN YEARS IN FIGURES
119	FINANCIAL REPORTING
120	CONTACT INFORMATION



SUCCESSFUL STRATEGIC REVIEW FINALIZED

CEO'S REVIEW

The year 2012 was a very important milestone for our company. The strategic review that was initiated in 2006 to transform our company from Europe's largest fine paper producer into the leading fresh forest fibre paperboard company was successfully finalized. The final measures were the closure of the Alizay mill in France and the discontinuation of the unprofitable businesses at the Gohrsmühle mill in Germany. As part of the transformation process, the company's business name was changed from M-real Corporation to Metsä Board Corporation. The new name and identity have been well received by our stakeholders.

PROFITABLE GROWTH OF THE PAPERBOARD BUSINESS CONTINUES

In late 2012, the EUR 120 million investment programme was completed when the bio-power plant at our Kyrö mill was commissioned. As part of the programme we have increased our annual folding boxboard capacity from 785,000 tonnes to 935,000 tonnes. The new capacity will be fully available from early 2013 onwards. The share of modern folding boxboard of all consumer packaging raw materials is still rather low globally, especially outside Europe. We will do our utmost to replace the traditional less ecological packaging materials with our safe and ecological folding boxboards that is an excellent way for consumer goods companies to improve the sustainability of their operations. We will focus even more on cooperation with our customers in North America and Asia to strengthen our position in these big markets.

We will secure the availability of folding boxboard in order to support successfully our customers' growth. There is still very good potential to increase the capacity of our current folding boxboard machines with moderate investments. Our pulp self-sufficiency continues at a very high level which is an essential factor in meeting the growth potential.

Another important part of the investment programme was the upgrading of the coating section at the Kemi linerboard machine in Finland. In early 2012, we launched the new

double coated white top linerboards, which has been a great success. We will gradually increase the share of coated grades in the Kemi mill's linerboard production.

GOOD PROFITABILITY TREND IN 2012 BUT THE FULL POTENTIAL NOT REALIZED YET

The year 2012 started in a rather uncertain macroeconomic situation and our results were curtailed by the paperboard inventory reduction in the delivery chain. Towards the summer the situation improved as expected and paperboard operating rates normalized. The profitability of our company improved at a similar pace. The efficiencies of the rebuilt paperboard machines developed well and month after month we had more capacity available. The demand in the main end uses of our paperboard, such as food, cigarette, pharmaceuticals and cosmetics, is stable by nature. All in all, the demand outlook for our paperboards continue to be very solid both in Europe and outside Europe.

As planned, the losses from the paper and market pulp units that were closed or restructured were reduced in 2012. It is expected that the measures in several countries and mills to eliminate losses will improve our annual operating results by approximately EUR 110 million in comparison to actual performance in 2011. This was realized mostly already in 2012 and the remaining losses are expected to be eliminated from the beginning of 2013.

STRONG FUTURE AS A PAPERBOARD FOCUSED COMPANY

Today, Metsä Board is very heavily focused on fresh forest fibre paperboard. Our current paper and market pulp operations are good cash generators for developing our paperboard business further. We have one standard paper mill left, Husum in Sweden, which is the largest unit in its field in Europe and definitely among the most competitive. We continue to be interested in participating the European-wide paper industry consolidation.

Sustainability and corporate responsibility are at the very core of all of our operations. Our business is run according to the principles

of the United Nations Global Compact in the areas of human rights, labour, the environment and anti-corruption. Work to develop our products in an even more ecological and safe continues together with our customers. We are also constantly searching for new ways to minimize the adverse environmental impacts of our operations.

HEAVILY FOCUSED ON FRESH FOREST FIBRE PAPERBOARD.

It seems that 2013 will be characterized by uncertainties in the general economy. The successful transformation from a fine paper company into a paperboard company has, however, stabilized our business materially. Our balance sheet has also been strengthened considerably. We are capable of succeeding in all macroeconomic situations. As a fresh forest fibre paperboard focused company, I am convinced that we have the prerequisites to be the most profitable company in our field in Europe. The main factors contributing to the improvement of our result making further in the future are the full utilisation of the expanded folding boxboard capacity and further productivity and cost improvements in all operations. We actively develop new products and innovations in our paperboard business.

I thank all our employees, owners, customers and other stakeholders for the year 2012. Together we can develop our business even more successfully in the future.

Mikko Helander
CEO



PAPERBOARD

The outlook for ecological and safe paperboards is very good. The share of modern folding boxboard is still rather low globally, especially outside Europe. Currently, folding boxboard accounts for about a third in Europe, a fifth in Asia and only a couple of per cents

in North America of the total consumer packaging paperboard consumption. Safe and ecological folding boxboards offers consumer goods companies an excellent way to improve their sustainability globally. As the global economic situation is changing, changes in the inventory levels in different parts of the supply chain are affecting short-term delivery volumes. In 2012, the global economy continued to be weak, and customers exercised caution in inventory management. It is forecast by several external institutions that delivery volumes will grow nicely in the coming years.

Mineral oil residues from printing ink in recycled fibre board continue to be a central issue. The concern that mineral oils would be transferred from packaging to foodstuffs themselves has increased interest in fresh forest fibre based paperboard.

In China, the paperboard capacity has grown considerably in recent years. The new capacity is needed to satisfy the growing demand in China and its neighbouring areas. It is not expected that the Chinese capacity would challenge Metsä Board's main products, high quality and ecological consumer packaging paperboards for demanding end-uses.



PAPER

Restructuring of the paper market combined with the weak global economic situation created a challenging situation for paper suppliers in 2012. New media and information technology are increasingly competing with the traditional printed media.

The uncertain economic situation in Europe has weakened companies' confidence and resulted in cost savings. Advertising cost cuts and increasing unemployment have reduced demand for paper. Demand for uncoated fine paper has decreased slightly, but the demand decline in graphic papers has continued to be strong.

The paper industry has prepared for the changing environment by shutting down capacity, which is why the utilisation rates of uncoated fine paper mills were in 2012 higher than in the previous year. Average price of uncoated fine paper decreased slightly in 2012.



PULP

Year 2012 was challenging for the pulp industry as well. At the beginning of the year, prices started to increase, then took a downward turn in the summer and started to increase again in the last quarter of the year. The price increase at the end of the year was

mainly due to low inventory levels, the seasonal increase in paper demand and a weaker US dollar. China is the leading driver of demand growth.

The market situation of short-fibre pulp was better than that of long-fibre pulp and the market price gap of the two pulp grades narrowed. Nevertheless, the outlook in the long-fibre pulp market is better than that of short fibre pulp where clearly more capacity will enter the market in the future.

Demand for fresh forest fibre was strengthened by problems in the availability of recycled fibre and its better product safety in food packaging.

Some high yield pulp capacity is about to be closed, which has improved market balance.

PAPERBOARD HAS A VERY GOOD FUTURE OUTLOOK.



- + INCREASED PACKAGING
- + ECO-FRIENDLINESS
- + COST SAVINGS GENERATED BY LIGHTWEIGHT PACKAGES
- + PRODUCT SAFETY

PRODUCTION CAPACITIES IN EUROPE: MILLION TONNES/YEAR

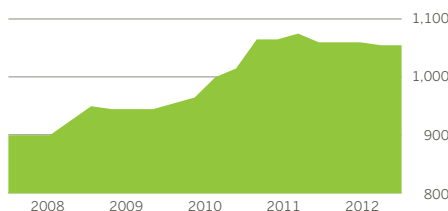
	EUROPE	METSÄ BOARD	METSÄ BOARD'S SHARE (%)
FOLDING BOXBOARD	2.8	0.9	33
WHITE TOP KRAFTLINER	1.7	0.4	22

SOURCE: PÖYRY MANAGEMENT CONSULTING, METSÄ BOARD



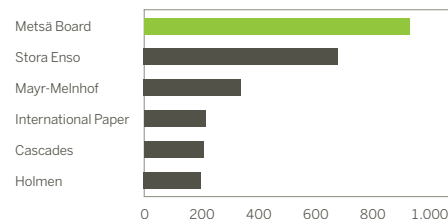
- ECONOMIC UNCERTAINTY

FOLDING BOXBOARD MARKET PRICE IN EUROPE: EUR/TONNE



SOURCE: PÖYRY MANAGEMENT CONSULTING

LARGEST FOLDING BOXBOARD PRODUCERS IN EUROPE: CAPACITY, 1,000 TONNES



SOURCE: PÖYRY MANAGEMENT CONSULTING



- + RESTRUCTURINGS AND MILL SHUTDOWNS REDUCE OVERCAPACITY
- + DEVELOPING PRINTING TECHNOLOGY

PRODUCTION CAPACITIES IN EUROPE: MILLION TONNES/YEAR

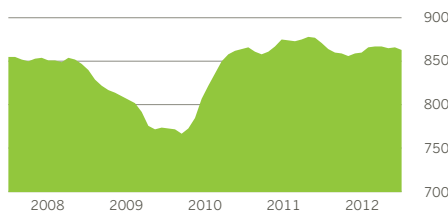
	EUROPE	METSÄ BOARD	METSÄ BOARD'S SHARE (%)
UNCOATED FINE PAPER	10.5	0.4	4

SOURCE: PÖYRY MANAGEMENT CONSULTING, METSÄ BOARD



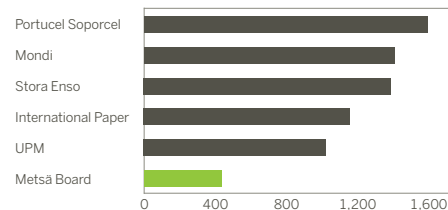
- ECONOMIC UNCERTAINTY
- INCREASING USE OF ELECTRONIC APPLICATIONS
- COST SAVINGS IN BUSINESS AND PUBLIC ADMINISTRATION FUNCTIONS
- DECREASED PAPER ADVERTISING

UNCOATED FINE PAPER MARKET PRICE IN EUROPE: EUR/TONNE



SOURCE: FOEX INDEXES LTD

LARGEST UNCOATED FINE PAPER PRODUCERS IN EUROPE: CAPACITY, 1,000 TONNES

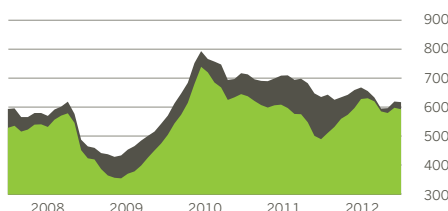


SOURCE: PÖYRY MANAGEMENT CONSULTING



- + STRONG ECONOMIC GROWTH IN CHINA
- + INCREASED CONSUMPTION OF TISSUE PAPER IN EUROPE
- + WEAK AVAILABILITY OF RECYCLED PAPER

PULP MARKET PRICE IN EUROPE: EUR/TONNE



SOURCE: FOEX INDEXES LTD



- ECONOMIC UNCERTAINTY
- DECREASE IN THE GRAPHIC PAPERS PRODUCTION IN EUROPE

METSÄ BOARD'S STRATEGY

Metsä Board is growing its paperboard business together with its customers in Europe, Asia and North America. Metsä Board's modern, safe and ecological paperboards replace traditional packaging materials globally that is an excellent way for consumer goods companies to enhance sales and sustainability. With regard to the paper business, the aim is to improve profitability and cash flow and potentially participate the European wide restructuring of the paper industry.

High self-sufficiency in pulp and energy, high productivity and its continuous improvement as well as skilfull personnel are significant competitive advantages for Metsä Board.

STRATEGIC TRANSFORMATION FROM A PAPER COMPANY TO A PAPERBOARD COMPANY HAS BEEN SUCCESSFUL.

MISSION

Metsä Board is Europe's leading fresh forest fibre paperboard producer and a major paper supplier. Metsä Board provides high performance, premium quality paperboards and papers for its customers in consumer packaging, communications and advertising end-uses among others.

VISION

Metsä Board will grow profitably, reaching an even stronger position as the world's leading supplier of high quality consumer packaging paperboards.

VALUES

Responsible profitability
Reliability
Cooperation
Renewal

FINANCIAL TARGETS

- Return on capital employed (ROCE) target set at a minimum of 10 per cent on average over the business cycle.
- Net gearing ratio not to exceed 100 per cent.

MOST SIGNIFICANT EVENTS IN 2012

January

The Premium Paper operations of the Reflex mill in Germany were sold to Hahnemühle FineArt GmbH and Hahnemühle's private shareholders. After the closing of the transaction, Metsä Board no longer has had operations in Reflex.

The company's management and reporting structure was renewed. As of the first quarter of 2012, the reporting segments have been Paperboard, and Paper and Pulp. Pasi Piiparinen was appointed Head of the Paperboard business area as of 20 March 2012.

February

Metsä Board established a new R&D Centre in Äänekoski, Finland. The centre conducts R&D into paperboard products, raw materials and printing technologies.

The unprofitable operations of the Gohrsmühle mill in Germany were discontinued. Metsä Board continues the Chromolux specialty paper and paperboard business operations as well as folding boxboard sheeting operations at the mill.

March

The Alizay mill in France was permanently shut down.

The Annual General Meeting resolved to change the company's business name from M-real Corporation to Metsä Board Corporation.

May

Metsä Board sold approximately 7.3 percentage points of its holding in Metsä Fibre Oy to the Japanese Itochu Corporation and approximately 0.5 percentage points of its holding in Pohjolan Voima Oy to Metsä Fibre.

Metsä Board signed an agreement on the refinancing of the EUR 500 million eurobond maturing on 1 April 2013.

The rebuild of the board machine at the Äänekoski mill in Finland was completed. The rebuild increased the mill's folding boxboard capacity by 30,000 tonnes per annum to 240,000.

October

Biopower plant at Metsä Board's Kyro mill in Finland was inaugurated. Built together with Metsä Board and two Finnish energy companies, the biopower plant increases the use of renewable fuels and reduces the carbon dioxide emissions of energy production.

DEMAND FOR GOOD PACKAGING IS HEAVILY INCREASING.



IN BRIEF



The Paperboard business area is the leading manufacturer of innovative and high-quality folding boxboards in Europe as well as the world's leading manufacturer of coated white top kraftliners and wallpaper base. Lightweight paperboard made of fresh forest fibre is an excellent material for packaging foodstuffs, sweets, cigarettes, pharmaceuticals and cosmetics. The product range also includes cast-coated speciality paper and paperboard Chromolux. Furthermore, the business area offers versatile packaging services in Asia.

KEY FIGURES

	2012	2011
SALES, EUR MILLION	1,123	1,294
EBITDA, EXCLUDING NON-RECURRING ITEMS, EUR MILLION	157	172
OPERATING RESULT, EXCLUDING NON-RECURRING ITEMS, EUR MILLION	106	114
RETURN ON CAPITAL EMPLOYED, EXCLUDING NON-RECURRING ITEMS, %	16.0	15.8
DELIVERIES, 1,000 TONNES	1,188	1,388
PERSONNEL, 31 DEC	1,722	2,034

DEVELOPMENTS IN 2012

Investment programme to increase the folding boxboard production capacity by 150,000 tonnes annually was completed. The new capacity is fully available from early 2013.

The sheeting capacity of folding boxboard was increased to meet increased customer needs.

The unprofitable operations at the Gohrsmühle mill were discontinued.



SUPERIOR PRINTABILITY WITH KEMIART KRAFTLINERS

**METSÄ BOARD'S KEMIART KRAFTLINERS
ENABLE LIGHTWEIGHTING AND SMOOTH
RUNNING ON CORRUGATORS AND IN PRINTING.**

Metsä Board launched successfully new double coated Kemiart Graph+ and Kemiart Lite+ grades in the beginning of 2012, following a rebuild of the coating section and installation of a second coating unit at the Kemi mill in Finland. Kemiart Ultra completes the coated product range, which includes a suitable coated liner for each printing method.

The double coating provides a smoother and glossier surface, enhancing printability with improved ink laydown, brighter colours and more accurate detail. The new grades are ideal for retail-ready packaging, point-of-sale and promotional displays and other high-end packaging applications and they have been well received in the market.

Metsä Board's kraftliners are made of fresh forest fibres which ensure an excellent consistency for smooth running on corrugators and printing. Despite of their light weight, the liners are strong and flexible enabling the use of lower weight grades. That again, lowers the converter's production costs and improves sustainability. Kraftliners also provide excellent folding endurance compared to materials that are based on recycled elements.



The EUR 120 million investment programme in the paperboard business was successfully completed in 2012. The goal of the programme was to increase the availability of products and improve service. The paperboard machine rebuildings included in the programme were completed at the Äänekoski mill in 2012 and at the Kyrö and Simpele mills in 2011. The investment programme also included the implementation of double-coating at the Kemi linerboard mill as well as the biopower plant constructed at the Kyrö mill, which was commissioned in the autumn of 2012.

In 2011 and 2012, Metsä Board increased its folding boxboard capacity by a total of 150,000 annual tonnes. In accordance with the original goal, the new capacity will be fully available from early 2013.

The sheeting capacity of folding boxboard has also been increased to meet the increased customer needs. The new sheeting plant at the Äänekoski mill increased the mill's sheeting capacity to 70,000 tonnes per year. A new Express Board service for fast deliveries was established at the Gohrsmühle mill, with a sheeting capacity of 60,000 tonnes per year.

Certain folding boxboard sales and production resources were reallocated during the year in accordance with the strategy.

The unprofitable operations of the Gohrsmühle mill were discontinued in 2012. The Chromolux speciality paper and paperboard operations will continue at the mill. Measures to create a business park concept in

Gohrsmühle continue in collaboration with employee representatives in order to create new jobs in the mill site.

The focus of the linerboard business on coated grades has proven successful, and the demand for the new double-coated kraftliners introduced at the beginning of the year has been good.

Prices of coated white top kraftliners were successfully increased in 2012. No significant changes occurred in the prices of folding boxboards. The prices of wallpaper base and Chromolux products were stable.

In 2012, the profitability was weakened by the lower share of Metsä Fibre results, due to lower pulp price and reduced holding in the company.

GOOD DEMAND OUTLOOK FOR PAPERBOARD

Metsä Board strongly focuses on ecological and safe fresh forest fibre paperboard with a good outlook for demand growth. Paperboard has end uses in people's everyday life, and their demand is naturally stable. Safe and ecological folding boxboards offer consumer goods companies an excellent way to improve their sustainability globally.

The most important goal in 2013 is to fully use the additional 150,000-tonne capacity, which will be used to support the global growth of existing customers among others. Metsä Board will have good opportunities to further increase the capacity of its current folding boxboard and linerboard machines.

PRODUCTS AND SERVICES

Cartonboards

Carta Integra
Carta Elegia
Carta Solida
Avanta Prima
Simcote
Tako grades

Graphic boards

Carta Integra
Carta Elegia
Carta Solida

Coated and uncoated white-top kraftliners

Kemiart grades

Cast-coated speciality papers and paperboards

Chromolux

Wallpaper base

Cresta grades

Integrated Brand Packaging services (IBP)

DID YOU KNOW?



Demand for fresh forest fibre cartonboards has been in a rise. Metsä

Board has responded by increasing its capacity by 150,000 tonnes per year. This 20 per cent growth corresponds to the size of an average European cartonboard machine.

METSÄ BOARD'S REMAINING PAPER AND PULP UNITS ARE TOP CLASS IN THEIR FIELDS.



IN BRIEF



Paper and Pulp business area produces, markets and sells high quality uncoated fine papers to office supply companies, office machine manufacturers and paper wholesalers. The business area also produces coated papers and is responsible for selling Metsä Board's market pulp.

KEY FIGURES

	2012	2011
SALES, EUR MILLION	907	1,132
EBITDA, EXCLUDING NON-RECURRING ITEMS, EUR MILLION	48	17
OPERATING RESULT, EXCLUDING NON-RECURRING ITEMS, EUR MILLION	-6	-39
RETURN ON CAPITAL EMPLOYED, EXCLUDING NON-RECURRING ITEMS, %	-0.9	-5.4
PAPER DELIVERIES, 1,000 TONNES	681	908
PERSONNEL, 31 DEC	982	1,471

DEVELOPMENTS IN 2012

Alizay paper mill was permanently closed down.

The production and cost effectiveness of the Husum and Kaskinen mills were further improved.

Metsä Board reduced its pulp surplus by selling approximately 7.3 percentage points of its shareholding in Metsä Fibre Oy to Japanese Itochu Corporation.



IMPROVED EFFICIENCY AT THE HUSUM MILL

**AN IMPORTANT STEP TOWARDS REACHING
THE FULL PRODUCTION POTENTIAL OF
THE HUSUM MILL WAS TAKEN IN 2012.**

Metsä Board's Husum mill in Sweden is the largest integrated fine paper and pulp mill in Europe which annual production capacity is currently over 800,000 tonnes of paper and 750,000 tonnes of pulp. The mill's competitiveness is mainly attributable to its large size but also to its efficient operations. In 2012, the efficiency and productivity at the paper mill was increased further by developing the existing machine and operation base.

During the annual mill shut, a new reeler on PM6 and a new unwind reeler on Winder 8 were installed, enabling use of the same reel spools for PM6, PM8 and the coater. Also a minor rebuild was done at the drying section on PM8. As a result of these minor investments and a major re-engineering of the production planning the production of different basis weights can be better focused on selected paper machines. PM6 and PM8 produce both office paper products and base papers for the coater. Thanks to these changes the grade switches reduce and a material amount of additional production volume potential is released.



The strategic review of the paper business, launched in 2006, was completed successfully in 2012.

In recent years, Metsä Board has made considerable investments in the production and cost-effectiveness of its remaining paper units. Paper manufacturing has been centralised to the Husum mill in Sweden. The mill's paper and pulp capacity has been maximised to 1.6 million tonnes per year without additional investments.

Sales volumes of the high yield pulp (BCTMP) have increased and have been targeted to long-term contract customers in Europe. The mill is a good reserve for Metsä Board for growing the paperboard business in the future.

In spring 2012, a voluntary reindustrialisation project was launched in Alizay together with Metsä Board, employee representatives and local authorities. As a result of the project, Metsä Board divested the Alizay mill site, including the equipment and buildings, to Conseil General de l'Eure, representing the French government, in January 2013.

In accordance with its strategy, Metsä Board reduced its pulp surplus by selling a 7.3 percentage point shareholding in Metsä Fibre to Japanese Itochu Corporation. After the completion of the arrangement, Metsä Board's annual pulp net surplus decreased from approximately 0.5 million tonnes to 0.3 mil-

lion tonnes. Metsä Board's shareholding in Metsä Fibre is now 24.9 per cent.

In 2012, the result was improved by considerably lower losses of the units closed and restructured as well as increased pulp deliveries. The result was weakened by the reduced prices of pulp and office papers as well as the strengthening of the Swedish krona.

SMALLER BUT HEALTHIER PAPER BUSINESS

Metsä Board's papers are primarily sold to the Western European market, where overall paper demand is estimated to decrease and the overcapacity situation to continue and, in many grades, worsen. Situation in uncoated fine paper is better than in other paper grades. The overall situation in paper manufacturing in Europe will require structural changes in the future.

Demand for pulp was reasonably strong in 2012, and the global demand and supply situation is estimated to continue to be good in long-fibre pulp, in particular. Overall, demand for pulp will decrease in Europe and increase in the emerging markets.

After considerable restructuring and successful divestments, Metsä Board now has a considerably smaller but materially healthier paper business, which is developed in parallel to the paperboard business. The smaller size provides opportunities to operate flexibly in

PRODUCTS

**Data Copy
Logic
Modo Papers
SAVE!**

**Short fibre pulp
Long fibre pulp
High yield pulp
(BCTMP)**

DID YOU KNOW?



Paper and Pulp business area sells approximately 250,000 tonnes of A4 paper annually, that's a printing area equivalent to twice the size of The Netherlands – or four times if you print on both sides!

the challenging market. The paper and pulp operations have good prerequisites for generating good cash flow.

GOOD PROGRESS IN METSÄ BOARD TO REACH THE SUSTAINABILITY TARGETS

Presented targets are for the whole Metsä Group of which Metsä Board is part of.

WOOD

We support sustainable forest management. Our wood is 100% traceable and it always comes from sustainable sources.

In 2012, 4.8 million cubic metres of wood was used by Metsä Board's mills, 64% of which was from certified forests.

80%
CERTIFIED
WOOD

CO₂
-30%

SUPPLY CHAIN

We are committed to sustainability throughout the whole supply chain. Our target is to have a Supplier Code of Conduct included in all new supplier contracts.

2012: Code of Conduct was included in total 71 contracts in 2012.

SICKNESS
ABSENTEEISM RATE
BELOW
3%

WELL-BEING

Work safety is our top priority. We strive for continuous development and our aim is to improve our lost-time accident rate by 10% each year. Our long-term target for lost-time accident rate is zero.

In 2012, Metsä Board's lost-time accident frequency rate was 13.2 and sickness absenteeism rate 3.9.

We work hard to ensure a healthy work environment. Our target is to keep sickness absenteeism rate at the best European level and below 3% at all times.

ENERGY AND CLIMATE

We focus on mitigating climate change. Our target is to reduce fossil CO₂ emissions in production by 30% per product tonne by 2020 from the 2009 level.

We ensure efficient energy consumption. Our target is to improve energy efficiency by 10% by 2020 from 2009 level.

Progress of reduction of CO₂ emissions and improving energy efficiency at Metsä Board's production units in 2009–2012:
CO₂ emissions -26%
energy consumption -5.2%



ETHICAL BUSINESS PRACTICES

Ethical business practices are the core of all our business operations. Our target is to have the whole personnel covered by the Code of Conduct training by the end of 2012.

Trainings started in Metsä Board in 2011 and were finished in 2012.

SUSTAINABILITY IS THE BASIS FOR METSÄ BOARD'S SUCCESS



METSÄ BOARD is committed to the principles of sustainability and takes the economic, social and environmental impacts of all its operations into consideration.

Metsä Board's main raw material is renewable and sustainably grown fresh forest fibre, the origin of which is always known. All products are recyclable and they are good alternatives in replacing many carbon-intensive products. Metsä Board's operations are located in areas with rich forest and water resources. Energy and material efficiency have high priority in Metsä Board – Metsä Board is a major user of biofuels and a large producer of bioenergy. The company is also a significant employer in many remote areas and always an active member of the local communities where it operates.

Metsä Board requires that its suppliers and customers operate responsibly, too and initiates a direct and transparent dialogue with all main stakeholders.

Metsä Board's sustainability approach is divided into four themes covering the whole value chain. Sustainability programmes and targets are guided by Metsä Group's Sustainability Agenda. Read more about Metsä Group's sustainability at www.metsagroup.com/sustainability.

SUSTAINABILITY GUIDES

ALL OPERATIONS

Metsä Board's sustainability management is guided by Metsä Group's Sustainability Principles which, in turn, are based on the UN Global Compact initiative and the employees' Code of Conduct. Metsä Group also has a set of policies and related instructions in place for all relevant topics, including Environmental, Human Resources, Equal Opportunities and Purchasing policies in addition to a Supplier Code of Conduct to guide supply chain operations.

The management of sustainability is part of the company's normal management with Metsä Board's CEO carrying the ultimate responsibility.

This Annual report covers Metsä Board's selected sustainability issues and indicators that are most relevant to its operations, products and stakeholders. Metsä Group's Sustainability Report 2012 provides more extensive reporting on the responsibility of both Metsä

Group and Metsä Board. The report will be published in March 2013 at www.metsagroup.com/sustainability.

METSÄ BOARD PARTICIPATES IN A NUMBER OF ASSOCIATIONS AND ACTIVELY TAKES PART IN STEERING THEM:

The World Business Council for Sustainable Development (WBCSD)

The Confederation of European Paper Industries (CEPI)

The Finnish Forest Industry Federation

The Swedish Forest Industries Federation

The Confederation of Finnish Industries

The UN Global Compact Nordic Network

Verein Deutscher Papierfabriken

UN's CEO Water Mandate

The forest certification associations:

- Programme for the Endorsement of Forest Certification (PEFC®)
 - Forest Stewardship Council (FSC®)
-

METSÄ BOARD'S APPROACH TO SUSTAINABILITY

WE OFFER SUSTAINABLE CHOICES



Wood is an endlessly renewable resource. We turn wood into safe and recyclable products that improve your quality of life. Our products are a sustainable alternative for many non-renewable products and raw materials.

WE BRING FOREST TO YOU



Our fresh forest fibres come from sustainably managed forests. Together with our partners, we ensure that when trees are harvested, new ones get planted. We secure a sustainable supply of raw materials for our units and a supply of renewable products for our customers.

THE SMALLER THE ENVIRONMENTAL IMPACT, THE BETTER



All human activity leaves a mark on the planet – so does our production. What matters is using energy, raw materials and other resources efficiently while maintaining low levels of emissions and waste. We at Metsä Board have reached great results but we always want to do more.

WE CREATE WELL-BEING



We generate well-being at work, in local communities, and in society at large. We also commit to global sustainability principles. By behaving responsibly towards our employees and society, we can improve the quality of life of our stakeholders.

RESPONSIBILITY THROUGH THE SUPPLY CHAIN

Metsä Board requires that its suppliers operate in a responsible manner. It also supports them in adhering to high business ethics and committing to sustainable operating methods and good working practices. As part of Metsä Group, Metsä Board implemented a Supplier Code of Conduct in all new or renewed contracts in June 2011. The Supplier Code of Conduct emphasises respect for human rights and a safe working environment for all individuals as well as prohibits corruption and bribery. The supplier should ensure that its subcontractors also comply with the requirements.

The Supplier Code of Conduct is an integral part of any agreement documentation and has been taken into account in all new and renewed contracts during 2012.

KNOWING THE ORIGIN OF WOOD RAW MATERIAL

All the wood used by Metsä Board comes from sustainably managed commercial forests. Regardless of whether the wood originates from certified or non-certified forests, its origin is always known. The wood's origin can be traced by a Chain of Custody management system operated by Metsä Group's wood procurement organisation. The wood origin tracing system is in relation to the requirements of the EU Timber Regulation.

In 2012, Metsä Group defined five main environmental targets for wood supply: maintaining biodiversity, decreasing the impacts to

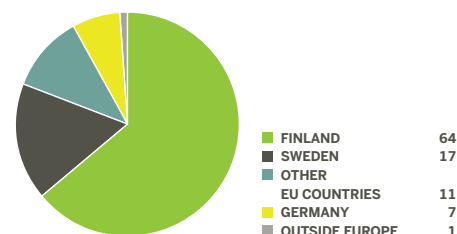
water, decreasing operations' emissions, ensuring legal wood supply and ensuring the knowledge of its personnel and contractors. These targets were brought into practice via the Environmental Programmes of each country. The action plans included training, rationalising transportation and further developing internal control and instructions.

The majority of wood used by Metsä Board in Finland comes from forests owned by Metsäliitto Cooperative's members. The company's other wood procurement countries in 2012 were Sweden, Latvia, Russia, Estonia, Lithuania and Norway. Metsä Group has been one of the pioneers in developing wood origin tracing systems in Russia.

All Metsä Board's mills have both PEFC® and FSC® certifications. During 2012, 4.8 million cubic metres of wood was used by Metsä Board's mills, of which 64 per cent was from certified forests.

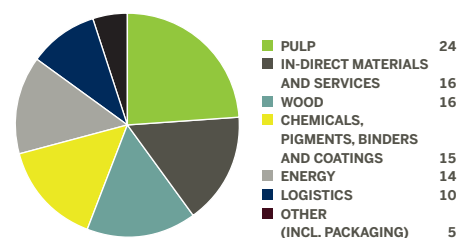
During the year, Metsä Board used approximately 1.3 million tonnes of various types of pulp, of which 1.2 million tonnes were produced by Metsä Board's own mills. Through its holding in Metsä Fibre, Metsä Board had access to 0.6 million tonnes of chemical pulp. Some 0.1 million tonnes of various types of pulp were bought from external suppliers and 0.5 million tonnes were sold outside the company. Metsä Board requires its pulp suppliers to comply with legislation as well as annually report the origin of the wood, forest certification and environmental data.

PURCHASES PER COUNTRY OF ORIGIN:
31 DEC 2012, % ¹⁾



¹⁾ THE FIGURES DO NOT INCLUDE WOOD SUPPLY.

PURCHASES PER CATEGORY:
31 DEC 2012, %



DID YOU KNOW?



The wood needed for one tonne of paperboard grows in less than one second in Finland.

WOOD SUPPLY TO METSÄ BOARD'S MILLS BY PROCUREMENT AREA 2012

	1,000 M ³	SHARE (%)	CERTIFIED WOOD (1,000 M ³)	CERTIFIED WOOD (%)
SWEDEN	2,102	44	1,456	69
FINLAND	1,193	25	1,102	92
BALTIC COUNTRIES	1,075	22	271	25
RUSSIA	433	9	245	57
NORWAY	3	0	0	0
TOTAL	4,806	100	3,074	64

SUSTAINABLE CHOICES

Consumers are increasingly interested in the sustainability throughout the supply chain of the products they purchase. Metsä Board's lightweight paperboards and papers consume less raw materials and have fewer environmental effects in production and transport, as well as generating less waste than average.

Metsä Board's business development is based on customer-oriented packaging solutions, creating added value for customers, as well as Super Productivity, i.e. superior product and production efficiency.

In 2012, a new R&D Centre focusing on the research and development of paperboards, raw materials and printing was established in Äänekoski. The objective of the centre is to support customers by means of product development and innovation, to survey applications based on new raw materials, and to ensure that Metsä Board's paperboard products continue to suit the rapidly developing printing and processing methods.

Metsä Board's R&D costs remained at the previous year's level in 2012, amounting to approximately EUR 5 million, or 0.2 per cent of sales. The company has invested heavily in improvements in the quality and efficiency of products and production machinery, which is not included in the items categorised as research and development in accounting.

SAFE AND SUSTAINABLE PACKAGING

Metsä Board's products are safe throughout their life cycles. The traceability of raw materials is especially important in paperboards that are in contact with food. Metsä Board knows the origin of all the main raw materials, wood, pulp and chemicals it uses.

The requirements and regulations for materials in contact with food are only a starting point. Metsä Board's products meet even the strictest international standards and often surpass the requirements of national legislation. Metsä Board's paperboards do not contain compounds that are harmful, such as mineral oils.

The fresh forest fibre Metsä Board uses in its paperboards is a premium raw material: it is highly functional, light and strong, while also being cleaner than recycled fibre. The

DID YOU KNOW?



Metsä Board's folding boxboards are safe in food packaging. They are made of fresh forest fibres, which are by nature of very high purity. Mineral oils or other harmful compounds are not transferred from packaging to foodstuffs.

lightweight of the board reduces emissions generated by transport, saving both the environment and costs. In addition, lightweight packages generate less waste. At the end of their life cycle, Metsä Board's paperboard can be recycled, burned or composted.

All mills in Metsä Board's Paperboard business area have received the international ISO 22000 food safety certification. Subcontractors are also required to adhere to the same strict hygiene requirements to ensure that paperboard is protected against contamination until the end of its life cycle.

Metsä Board does not use genetically modified trees or GMO starch raw materials. Metsä Board does not approve of nanotechnology-based new substances until sufficient information regarding their safety becomes available.

Metsä Board continues the active follow-up and participation in the research to gain more knowledge about the risks and benefits related to these issues.

OPEN AND TRANSPARENT DIALOG

Metsä Board knows the environmental impacts of its products and will increase understanding of them among its stakeholders.

Since 2001, Paper Profile environmental product declarations have been provided for all Metsä Board's papers and boards. The Paper Profile is a standardised tool for paper and board products to communicate the environmental performance of the products.

The climate impact for individual products is reported on a customer-specific basis



through carbon footprint calculations. Currently, as different corporations use different methods for carbon footprint calculations, they are not comparable from company to company. Metsä Board has reported carbon footprint calculations since 2007. The calculation adheres to the Carbon Footprint Framework for Paper and Board Products developed by the Confederation of European Paper Industries, CEPI.

In 2012, Metsä Board's Paperboard business area produced its first Environmental Product Declaration (EPD) on Simcote, a folding boxboard product. EPD is a standardised way of quantifying the environmental impact of a product. EPD is based on Life Cycle Assessment (LCA) calculations and, as such, aims to communicate the product's potential environmental impacts during its entire lifetime from cradle to gate. The calculation is presented in Metsä Group's Sustainability report 2012.

Eco-labels help consumers understand the environmental impacts of a product. Metsä Board's office papers have been granted the EU Ecolabel for its paper brands. To date, no such commonly agreed eco-label criteria exist for packaging products.

In 2012, Metsä Board's paper products were acknowledged in the WWF Environmental Paper Awards for listing the majority of its Uncoated Woodfree Papers in WWF's database of eco-rated papers, Check Your Paper.

Metsä Board has been participating in the Carbon Disclosure Project (CDP) since 2007. The CDP is an independent, non-profit organisation that encourages listed companies to carry out transparent reporting on greenhouse gas emissions and climate change strategies. The CDP has assisted Metsä Board in setting objectives to reduce emissions and improve its environmental performance. In 2012, Metsä Board was invited by customers to participate in the CDP Supply Chain.

In 2011, Metsä Board signed the CEO Water Mandate initiative which is a joint venture between the public and private sectors with the aim to improve the efficiency of and open reporting on water usage. The first report was completed in 2012.

DID YOU KNOW?



Good manufacturing practice (GMP) secures product safety at Metsä Board's production units. For example forklifts run on liquid gas or electricity and the paperboards are not exposed to exhaust gas.

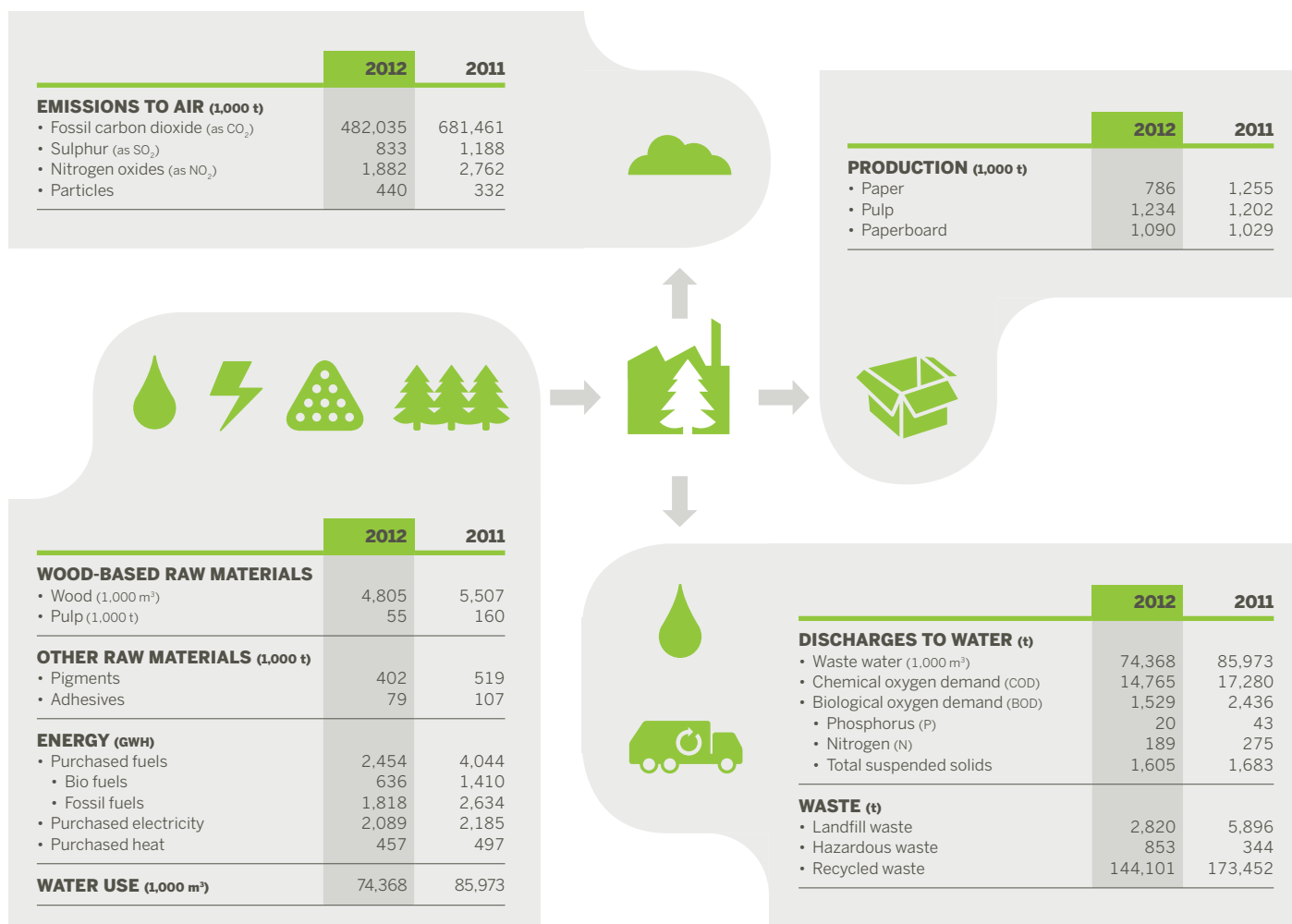
THE SMALLER THE ENVIRONMENTAL IMPACT THE BETTER

Metsä Board works actively to minimise and manage all environmental impacts related to its own and its partners' operations.

Landfill waste levels at Metsä Board's production sites have been considerably reduced through the efficient re-use of by products and residues. Sorting mill waste on-site for use as a raw material or for energy production as a normal practice increases the material efficiency and reduces the need for landfill disposal.

Metsä Board is continuously looking for new ways to reduce the consumption of fresh water in its production by re-using water efficiently. Wastewater is purified carefully before it is released back to waterways. The main wastewater impacts are eutrophication and oxygen demand caused by phosphorus and nitrogen nutrients and organic matter. Nevertheless, each mill has its own specific environmental permit which sets such limits for pollutants that insignificant harm to the environment occur.

METSÄ BOARD'S MATERIAL BALANCE



Metsä Board's mills are mainly located in the Nordic countries where there is plenty of good quality fresh water and forests of native tree species. Forests play a crucial role in the region's natural water cycle. Forests filter and clean rainwater before it enters the ground-water system or flows into rivers and lakes thus maintaining high water quality. Sustainable forest management helps to preserve a significant part of the forested landscape and hence helps to maintain the services that forests provide to the ecosystems.

IMPROVEMENTS AT PRODUCTION UNITS

Metsä Board's production units are developed continuously in order to minimise the environmental load and risks.

In 2012, Kyro mill installed a new treatment system for the odorous gases emitted from the effluent treatment plant. The collection of odorous gases was also extended to cover the whole sludge treatment area. Several improvements were also made at the effluent treatment process, including the installation of more efficient aerators in the biological treatment and extensive maintenance of the bioreactor. Environmental noise was reduced with replacement and maintenance of three exhaust fans. Kaskinen mill installed equipment for screening bottom ash from the power plant boiler. The screened sand is re-used as bed material in the fluidised-bed boiler, reducing the amount of waste significantly.

cantly, Simpele mill was able to reduce noise by insulating various pieces of equipment.

Environmental risk surveys were updated at Kyro and Simpele mills. Environmental authorities have approved the termination notification of Äänekoski paper mill. Kyro mill has submitted a renewal for an environmental permit.

ENVIRONMENTAL LIABILITIES

Metsä Board has environmental liabilities remaining from earlier operations at industrial sites that have been closed, sold or leased, and from landfill sites that are no longer in use. Metsä Board's latest actions have related to the rehabilitation of the Niemenranta area in Tampere, Finland, for residential and recreational use. The work on the site began in 2008 and is expected to be completed by autumn 2013.

ENVIRONMENTAL INCIDENTS

A small number of environmental incidents were recorded at Metsä Board's mills in 2012.

The permit limit for COD, phosphorous and nitrogen emissions to water were exceeded at the Kyro mill between February and May due to severe operational problems in wastewater treatment. Several corrective actions were taken, including new aeration units in the activated sludge plant, maintenance of the bioreactor and adjustments in the

DID YOU KNOW?

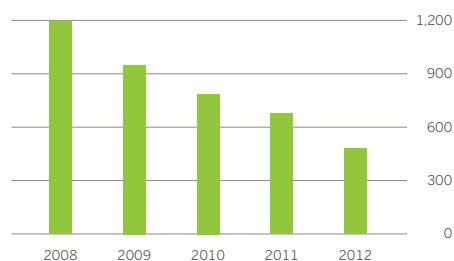


The water used at Metsä Board's mills does not reduce the amount available for drinking water or food production.

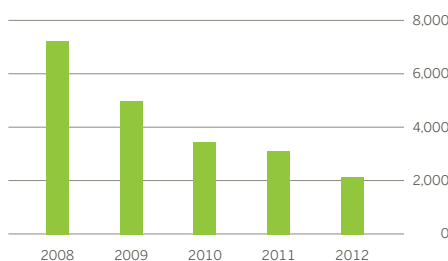
operation parameters. The emission limit for particles to air from the recovery plant Alrec were exceeded at the Kaskinen mill in May and June due to a broken bag filter in the flue gas treatment. The broken bag filter was replaced and the flue gas system checked.

Additionally, minor and short-term non-compliances with environmental permit requirements were reported at Metsä Board's Simpele and Husum mills. The authorities were informed and corrective actions taken in all cases.

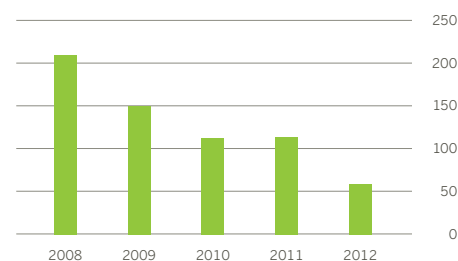
GREENHOUSE EFFECT: (AS CO₂) 1,000 TONNES



ACIDIFICATION: (SO₂-EQV) TONNES



EUTROPHICATION: (P-EQV) TONNES



DEVELOPMENTS IN ENERGY EFFICIENCY

In 2012, Metsä Board continued to improve the energy efficiency of its production processes. The improvement work is supported by the Energy Efficiency Systems that have been in place since 2009. To be compatible with the latest standards, all paperboard mills and Husum mill in Sweden have been granted the certification for the new ISO 50001 Energy Management Systems standard. ISO 50001 is based on the management system model of continuous improvement also used for other well-known standards such as ISO 9001 or ISO 14001.

The main methods to improve energy efficiency are equipment and process modifications and optimising operations. Efficiency improvements are an integral part of all major investments in production capacity.

New energy efficiency improvement potentials are continuously studied by conducting energy analyses, cooperating with equipment manufacturers and developing procedures internally. As an example, mill energy analyses were conducted for Kemi mill in 2012.

In 2012, altogether 11 actions were completed that reduced electricity consumption by some 67 GWh and heat by 76 GWh annually.

BIOENERGY COVERS 55% OF METSÄ BOARD'S TOTAL ENERGY USE.

The target of energy efficiency development is to reduce the specific energy consumption of manufactured products. In 2012, Metsä Board started a project to improve the follow-up of energy efficiency and energy costs. The new procedure will be implemented at all mills during 2013.

FOCUS IN BIOFUELS

During 2012, wood-based bioenergy covered 55 per cent (48% in 2011) of Metsä Board's total energy use, which was 12.6 TWh (14.7 TWh). The majority of this bioenergy is generated by using by-products from Metsä Board's own production such as bark and black liquor. The rest is generated from forest residues originating from wood sourcing. The majority, 91 per cent, of the total electricity purchased was CO₂ neutral. The total purchased electricity consumption was 2.1 TWh (2.2 TWh).

ENERGY SOURCES ON PRIMARY ENERGY LEVEL

	GWH	2012 (%)	2011 (%)	2010 (%)
WOOD-BASED	6,987	55	48	50
NUCLEAR POWER	2,862	23	13	21
NATURAL GAS	996	8	15	14
HYDRO POWER	621	5	8	4
COAL	549	4	12	7
OIL	442	3	2	2
PEAT	187	1	1	0



INVESTING IN BIOENERGY

A 55 MEGAWATT BIOWATT PLANT, COMMISSIONED AT THE KYRO MILL, HALVES THE CARBON FOOTPRINT OF THE PRODUCTS MANUFACTURED AT THE MILL.

To increase the already high share of bioenergy, a new biopower plant was built at Metsä Board's Kyrö mill. Inaugurated in October 2012, the plant was built together with Metsä Board and two Finnish energy companies, Pohjolan Voima and Leppäkosken Sähkö. The new plant produces electricity and heat and replaces the use of fossil natural gas at the mill. It also provides heating for the neighbouring district of Hämeenkyrö.

The biopower plant utilises wood-based raw material - mostly bark, whole tree chips, crushed stumps and other wood fragments together with other waste materials from Metsä Group's operations. Carbon dioxide emissions from the Kyrö mill will be reduced by approximately 100,000 tonnes per year. The carbon footprints of the folding boxboards and wallpaper base produced at the mill will be reduced by half.



SUSTAINABILITY DATA PER PRODUCTION UNIT

PERSONNEL			PRODUCTION	EMISSIONS TO AIR				DISCHARGES TO WATER					SOLID WASTE		
	NUMBER OF EMPLOYEES ¹⁾ 31 DEC 2012	ACCIDENT RATE ²⁾ 2012	BOARD, PAPER AND PULP 1,000 t	CO ₂ FOSSIL t	SUL- PHUR (AS SO ₂) t	NO _x (AS NO ₂) t	PAR- TICU- LATES t	COD t	BOD t	PHOS- PHORUS t	NITRO- GEN t	TOTAL SUS- PENDED SOLIDS, t	WASTE WATER 1,000 m ³	LAND- FILL t ⁴⁾	HAZAR- DOUS t ⁴⁾
JOUTSENO, FIN	54	22.6	273	19,982	-	13	12	404	18	0.24	9.5	8.5	571	13	24
KASKINEN, FIN	77	32.3	252	4,959	75	170	24	2,005	147	1.5	18	236	3,169	1,055	-
KEMI, FIN	103	0.0	343	3,904	-	2	-	482	20	0.80	34	93	6,512	865	13
KYRO, FIN	254	16.8	209	53,449	0.024	52	-	543	110	1.2	20	196	4,438	45	14
SIMPELE, FIN	314	24.3	227	66,127	122	25	1.8	290	23	1.3	12	44	4,392	91	59
TAKO, FIN	211	20.0	192	75,996	0.034	74	-	143	62	1.0	0.93	31	2,458	332	63
ÄÄNEKOSKI, FIN	203	9.8	191	2,851	7.3	79	1.2	603	222	0.61	3.7	130	3,341	198	14
GOHRSMÜHLE, GER	507	13.2	41	126,798	310	208	3.0	50	17	0.70	5.8	34	2,742	2.6	50
HUSUM, SWE	856	9.9	1,383 ⁵⁾	119,086	298	1,229	398	10,244	911	12	86	834	46,745	218	616
OTHERS	700 ³⁾	-	-	8,882	22	31	0.4	-	-	-	-	-	-	1.2	-
METSÄ BOARD TOTAL	3,279	13.2	3,109	482,035	833	1,882	440	14,765	1,529	20	189	1,605	74,368	2,821	853

¹⁾ FULL TIME EQUIVALENT (FTE).

²⁾ LOST TIME ACCIDENT FREQUENCY RATE (LTA FR): ACCIDENTS AT WORK PER MILLION WORKING HOURS.

³⁾ INCLUDES PERSONNEL FROM SALES AND LOGISTICS OPERATIONS, MANAGEMENT AND SUBSIDIARIES.

⁴⁾ REPORTED AS WET WASTE.

⁵⁾ OF WHICH APPROX. 709,000 TONNES PULP.

INVESTMENTS IN PERSONNEL'S WORK CAPACITY AND COMPETENCE

At the end of 2012, the number of Metsä Board's employees was 3,279. The number of employees was 791 lower than the year before. In 2012, the reorganisation of the paper business launched in 2011 was completed. This included closing the Alizay mill, discontinuing the unprofitable operations at the Gohrsmühle and Reflex mills as well as closing Äänekoski paper machine 2.

At the Gohrsmühle mill, Metsä Board will continue Chromolux specialty paper and paperboard operations and has started folding boxboard sheeting operations. In addition, Metsä Board has been developing a so-called business park concept with various parties from the city and ministry in order to create new jobs in the mill site. A good example of the successful implementation of the business park concept is the Reflex mill, where Metsä Board was able to divest business units to different companies, saving more than 200 jobs. Metsä Board has had no operations at the Reflex mill since February 2012.

Together with the local authorities, Metsä Board helped redundant employees find new jobs. As much as possible, the employees were

offered new positions within the company or in Metsä Group's other business areas. For example, number of employees from the closed paper machine at Äänekoski were transferred to other Metsä Group units.

PROACTIVE WELL-BEING AT WORK

Metsä Board actively cares for the well-being and work capacity of its personnel, and addresses risks related to these proactively. During the year under review, the company continued to apply the early support model, implemented the year before, as part of the unified operating method. The model consists of operating models for early support and work capacity evaluation as well as a personal work capacity plan. The operating model will generate a more caring working environment and enable increasingly equal treatment of all employees.

Personnel surveys are one of Metsä Board's most important tools in identifying how the working environment supports personnel in their daily tasks. Follow-up of measures based on the personnel survey completed the year

OCCUPATIONAL SAFETY AND WELL-BEING

	2012	2011	2010
SICKNESS ABSENTEEISM (%) ¹⁾	3.9	4.6	4.7
WORK INJURY ABSENTEEISM (%)	0.2	0.2	0.3
LOST TIME ACCIDENT FREQUENCY RATE (PER MILLION WORKED HOURS)	13.2	16.1	15.8
REPORTED NEAR MISSES (PER 100 EMPLOYEES)	22.9	24.7	38.0

¹⁾ PER CENT OF POTENTIAL WORKING HOURS

PERSONNEL PER COUNTRY

	PERSONNEL 31 DEC 2012 ¹⁾	PERSONNEL 31 DEC 2011 ¹⁾	NET EMPLOYMENT CHANGE 2012	AVERAGE AGE OF EMPLOYEES 31 DEC 2012
FINLAND	1,536	1,648	-112	44.5
SWEDEN	887	888	-1	47.2
GERMANY	577	966	-389	47.0
OTHER COUNTRIES	279	568	-289	42.1
TOTAL	3,279	4,070	-791	45.4

¹⁾ FULL TIME EQUIVALENT



HEALTHY AT WORK IN KEMI

**KEMI MILL STARTED TO
SYSTEMATICALLY PUT AN EARLY
SUPPORT MODEL INTO PRACTICE.**

At the end of 2010, Healthy at Work project was launched at Metsä Board's Kemi mill, aiming to solve issues related to work and well-being at work as early as possible and so prevent severe problems in personnel work capacity.

A new operating model was created for the mill in order to identify matters threatening performance at work, and cooperation was developed with the occupational health services and insurance companies. The project covered the entire Kemi paperboard and pulp mill integrate, or approximately 300 people, most of whom work shifts in production.

The project, which ended in January 2013, produced the expected results at the mill: sickness absenteeism was reduced, proactive monitoring of work capacity was activated, and, for example, the number of job trials increased. In addition, cooperation with insurance companies became closer, and an early support model was instilled in managerial work. Promoting well-being at work actively will continue in Kemi even after the end of the project.



before continued at various mills and sales locations in 2012. Based on the previous study, the decision was made to ensure opportunities for the entire personnel to participate more actively in the development of their working environment. The next survey, which will be the third one organised in the company, is scheduled for early 2013.

Sickness absenteeism and accidents at work are prevented with proactive actions and key figures related to them are followed up on monthly. Supervisors receive support in their work from local HR organisations. Thanks to the systematic and persistent work, sickness absenteeism has decreased considerably (3.9% in 2012 and 4.6% in 2011). An example of a successful local project in developing well-being at work is the Healthy at Work project completed at the Kemi mill.

SURVEYING AND IMPROVING COMPETENCE

Metsä Board systematically surveys the competence of its personnel. Competence surveys are based on self-evaluations performed by employees. Survey results can be used for the development of unit- and function-specific as well as personal competence. The competence survey is an effective and concrete tool for

improving the quality of development discussions, among other things. In 2012, surveys were completed at the Kemi, Joutseno, Kaskinen and Simpele mills, among others.

Taking care of personnel competence is an essential factor in terms of the success of investment projects. In the extensive investment projects carried out at Metsä Board, the development of personnel competence was supported by machinery and process training as well as long-term training leading to a degree.

In 2011, Metsä Board, as part of Metsä Group, implemented common operating instructions to ensure that the entire company adheres to the shared ethical principles. In 2012, studying these operating instructions continued. Personnel used an online learning environment to study six key policies (Code of Conduct, equality policy, personnel policy, corporate safety policy, information security policy, and sustainable development principles). In addition to this, designated target groups studied policies and Codes of Conduct central to their own operations.

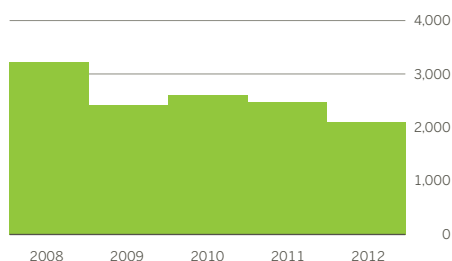
In 2012, the Simplifier programme focusing on the development of business and leadership skills of middle management was organised for the third time. Metsä Board's

personnel also participated in Metsä Group's management development programme Challenger. In addition to these programmes, Metsä Board conducts other management coaching programmes, several programmes leading to vocational degrees and designs personal development programmes for personnel.

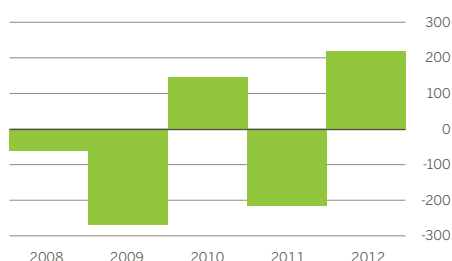
Metsä Board anticipates future resource needs by means of retirement forecasts. Based on these forecasts and personnel competence surveys, Metsä Board develops its recruitment training to meet future needs. The Production supervisor and specialist recruitment training programme organised in 2011–2012 was aimed at future managers. The programme, implemented in cooperation with Metsä Fibre, helped recruit skilled employees for managerial positions in production and maintenance. A recruitment programme was designed for production employees, which will be launched with Metsä Fibre in 2013.

FINANCIAL STATEMENTS

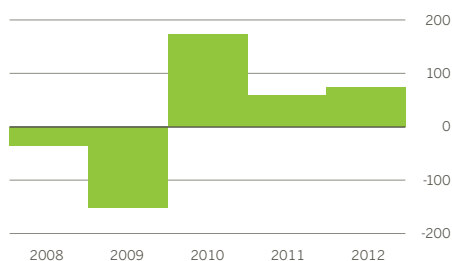
SALES: EUR MILLION



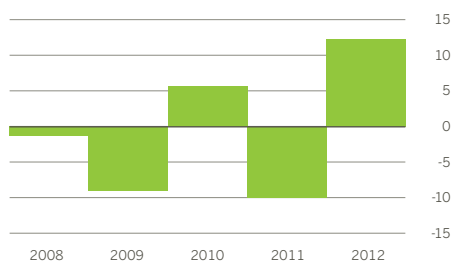
OPERATING RESULT: EUR MILLION



OPERATING RESULT, EXCLUDING NON-RECURRING ITEMS: EUR MILLION



RETURN ON CAPITAL EMPLOYED: %



2012

GOOD PROFITABILITY TREND IN 2012 BUT THE FULL POTENTIAL NOT REALIZED YET



Metsä Board's sales amounted to EUR 2,108 million. Revenue decreased as a result of closing unprofitable paper business operations and restructurings.



The operating result was EUR 220 million, and the operating result excluding non-recurring items was EUR 74 million. Compared to the previous year, the operating result excluding non-recurring items was improved by the increased delivery volumes of folding boxboard and linerboard, the reduction of losses from the units to be closed and restructured, as well as the strengthening of the US dollar and the British pound. The operating result was weakened by the lower prices of pulp and office papers as well as the stronger Swedish krona.

Metsä Board's operating result for the first quarter of 2013, excluding non-recurring items, is expected to improve slightly from the fourth quarter of 2012.

Board of Directors proposes that a dividend of 0.06 euros per share be distributed for the financial year 2012.

The background of the page features an abstract geometric design. It consists of several overlapping shapes: a large green rectangle on the left, a dark grey rectangle at the top center, and a large green diamond shape at the bottom. The dark grey rectangle contains the table of contents text. The green shapes are a vibrant lime green, while the grey is a dark charcoal. The overall design is modern and minimalist.

26	REPORT OF THE BOARD OF DIRECTORS 2012
34	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
35	CONSOLIDATED BALANCE SHEET
36	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
37	CONSOLIDATED CASH FLOW STATEMENT
38	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
88	SHARES AND SHAREHOLDERS
92	CALCULATION OF KEY RATIOS
93	PARENT COMPANY ACCOUNTS – INCOME STATEMENT
94	PARENT COMPANY ACCOUNTS – BALANCE SHEET
95	PARENT COMPANY ACCOUNTS – CASH FLOW STATEMENT
96	PARENT COMPANY ACCOUNTING POLICIES
97	NOTES TO THE PARENT COMPANY FINANCIAL STATEMENT
102	THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFITS
103	AUDITOR'S REPORT

REPORT OF THE BOARD OF DIRECTORS 2012

MARKET SITUATION IN 2012

The year 2012 began in an uncertain economic situation, which is why delivery volumes of Metsä Board's main products were lower than normal. No material weakening was observed in consumer demand for folding boxboard, but inventory levels, which were reduced in different parts of the delivery chain, decreased folding boxboard manufacturers' delivery volumes at the beginning of the year. The situation improved gradually towards the summer, and utilisation rates normalised. Overall in 2012, total deliveries by folding boxboard manufacturers in Europe remained at the same level as in the previous year. The price level of folding boxboard remained unchanged, on average, during 2012. Metsä Board, which is the market leader in the industry in Europe, increased its folding boxboard production capacity by approximately 150,000 tonnes in 2011 and 2012, supported by the strong longer-term demand outlook. The delivery volumes of linerboard were at a good level throughout 2012, and prices were higher at the end of the year.

Demand for paper continued to decline in Europe. Nevertheless, the situation with uncoated fine paper, Metsä Board's most important paper type, was better than with other paper grades. All in all, deliveries by European uncoated fine paper manufacturers decreased by three per cent in 2012, compared to 2011. The decline in demand for coated papers was faster than that of uncoated fine paper in 2012. The price of uncoated fine paper increased in the first half of 2012 but decreased in the second half. The prices of coated papers declined in the second half of the year, in particular.

Demand for chemical pulp and high yield pulp (BCTMP) was at a good level in 2012.

The price of pulp in US dollars declined slightly around mid-2012 but started going up again at the end of the year, primarily in long-fibre pulp. The price difference between short- and long-fibre pulp grew smaller in 2012. The price of chemi-thermomechanical pulp was at the previous year's level, on average, in 2012.

In all, production costs did not change materially in 2012.

In 2012, the average exchange rate of the euro weakened compared to the US dollar, British pound and Swedish krona.

RESULT FOR THE REVIEW PERIOD

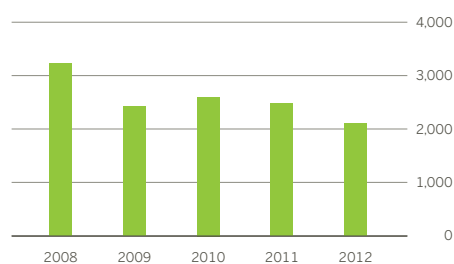
Metsä Board's sales amounted to EUR 2,108 million in 2012 (2011: 2,485 and 2010: 2,605). Comparable sales were down 10.7 per cent. Sales excluding the impact of units and product groups closed or divested increased more than 3 per cent. The operating result was EUR 220 million (2011: -214 and 2010: 146), and the operating result excluding non-recurring items was EUR 74 million (2011: 59 and 2010: 173). The result before taxes excluding non-recurring items was EUR 30 million (2011: 0 and 2010: 92). The result before taxes including non-recurring items was EUR 176 million (2011: -281 and 2010: 48).

Revenue decreased as a result of closing unprofitable paper business operations and restructurings.

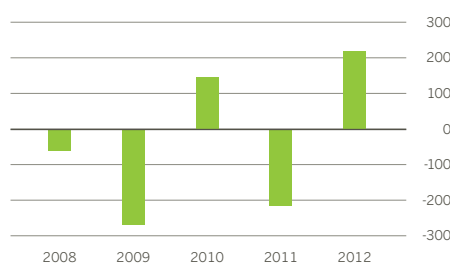
The non-recurring items of the operating result stood at EUR 146 million (2011: -274 and 2010: -27), the most significant of them being:

- A sales gain of EUR 85 million under "Other operations" related to the sale of Metsä Fibre's 7.3 percentage point holding to Itochu Corporation.
- A sales gain of EUR 59 million before taxes (after taxes, EUR 44 million) under "Other operations" related to the sale of the 0.5 percentage point holding in Pohjolan Voima to Metsä Fibre.
- A EUR 11 million reverse of impairment charges in the Paper and Pulp business area related to classification of Alizay mill as non-current assets held for sale.
- A EUR 6 million reversal of a restructuring provision and other provisions in the Paperboard business area related to restructuring of production at the Gohrsmühle mill.
- A EUR 8 million cost provision under "Other operations" related to the cleaning expenses of a land area in Tampere.
- A EUR 4 million restructuring provision in Paper and Pulp related to the streamline programme at the Husum mill.
- A EUR 4 million cost provision under "Other operations" related to the cleaning expenses of the land area of an industrial property in Nurmes.

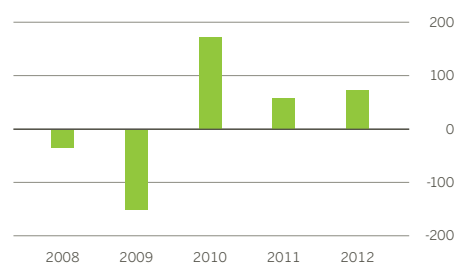
SALES: EUR MILLION



OPERATING RESULT: EUR MILLION



OPERATING RESULT, EXCLUDING NON-RECURRING ITEMS: EUR MILLION



In 2011, net non-recurring items recognised in the operating result stood at EUR -274 million, the most significant of them being:

- EUR 113 million in cost provisions, impairment losses and write-downs in the Paper and Pulp business area connected to the plan to close the Alizay pulp mill.
- EUR 58 million in cost provisions, impairment losses and write-downs in the Paperboard business area connected to the plans to discontinue the unprofitable operations of the Gohrsmühle mill.
- A EUR 54 million loss in the Paper and Pulp business area connected to the divestment of the Hallein pulp mill.
- EUR 31 million in cost provisions and writedowns in the Paper and Pulp business area connected to the plans to discontinue the unprofitable operations of the Reflex mill.
- EUR 26 million of impairment losses, write-downs and cost provisions in the Paperboard business area connected to the restructuring measures at the Äänekoski mill, including the shutdown of paper machine 2.
- A EUR 10 million income item in "Other operations" related to the sale of properties in Finland.

Compared to the previous year, the operating result excluding non-recurring items was improved by the increased delivery volumes of folding boxboard and linerboard, the reduction of losses from the units to be closed and restructured, as well as the strengthening of the US dollar and the British pound. The operating result was weakened by the lower prices of pulp and office papers as well as the stronger Swedish krona.

In 2012, the total delivery volume of the Paperboard business area was 1,188,000 tonnes (2011: 1,388,000 and 2010: 1,586,000). The total delivery volume of the paper business amounted to 681,000 tonnes (2011: 908,000 and 2010: 994,000). The delivery volumes are not comparable due to the restructuring measures.

Financial income and expenses totalled EUR -44 million (-60). Foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging were EUR +5 million (3). Net interest and other financial income and expenses

amounted to EUR -49 million (-63). Pohjolan Voima Oy paid a dividend of EUR 6 million in the period under review. Other financial income and expenses included EUR 12 million of valuation gains on interest rate hedges (valuation gain of 2). EUR 8 million of the gain resulted from the termination of the IFRS hedge accounting related to fair value hedging after a US dollar-based loan and associated currency and interest rate swaps matured in June.

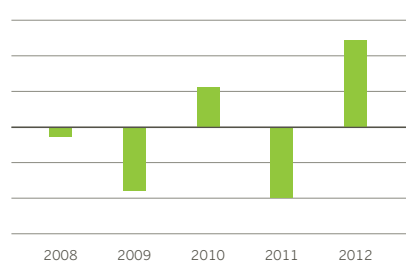
The result before taxes for the period under review was EUR 176 million (2011: -281 and 2010: 48). The result before taxes and excluding non-recurring items was EUR 30 million (2011: 0 and 2010: 92). The impact of income taxes was EUR -3 million (2011: +8 and 2010: -21). The reduction in the corporate tax rate in Sweden from 26.3 per cent to 22 per cent in 2012 decreased the taxes by approximately EUR 10 million.

Earnings per share were EUR +0.53 (2011: -0.83 and 2010: 0.09). Earnings per share excluding non-recurring items were EUR 0.13 (2011: 0.02 and 2010: 0.23). Return on equity was 21.6 per cent (2011: -31.5 and 2010: 2.8), and 5.5 per cent (2011: 0.9 and 2010: 7.6) excluding non-recurring items. The return on capital employed was 12.3 per cent (2011: -9.9 and 2010: 5.7); 4.7 per cent (2011: 3.4 and 2010: 7.6) excluding non-recurring items.

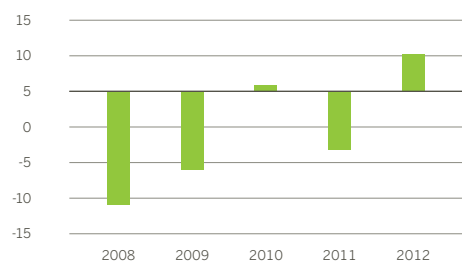
PERSONNEL

The number of personnel was 3,279 at the end of December (31 December 2011: 4,070 and 31 December 2010: 4,538), of whom 1,536 (2011: 1,648 and 2010: 1,783) people worked in Finland. In 2012, Metsä Board employed an average of 3,552 people (2011: 4,428 and 2010: 4,772). In 2012, salaries and wages totalled EUR 156 million (2011: EUR 292 million and 2010: 209). The increase in employee costs and in other operating expenses relates to the plans to discontinue the unprofitable operations of the Gohrsmühle and Reflex mills, to the plans to shut down the Alizay paper mill and to the restructuring measures at the Äänekoski mill, including the shutdown of paper machine 2.

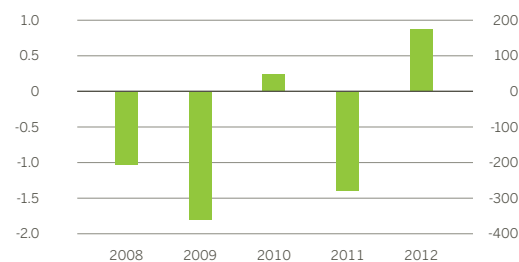
RETURN ON CAPITAL EMPLOYED: %



EARNINGS PER SHARE: EUR



RESULT FROM CONTINUING OPERATIONS BEFORE TAX: EUR MILLION



INVESTMENTS

In 2012, gross investments totalled EUR 66 million (2011: 95 and 2010: 66). Metsä Board's most significant investments in 2012 were related to increasing the capacity of the folding boxboard machine in Äänekoski, increasing the paperboard sheeting capacity in Äänekoski and Gohrsmühle, the Kyro mill bio power plant and improving the efficiencies of the paper machines at the Husum mill.

STRUCTURAL CHANGES

Metsä Board's restructuring process from a paper company into the leading paperboard company in its field has been completed. The strong paperboard business together with the Husum paper and pulp mill is a solid foundation for further profitability improvement. The focus of the operations has increasingly shifted from restructuring to development, as demonstrated by the investments in the Simpele, Äänekoski, Kyro, and Kemi paperboard mills in 2011–2012. As a result of the completed investments, Metsä Board's annual folding boxboard capacity has grown from 785,000 tonnes to 935,000 tonnes. Metsä Board's total annual paperboard production capacity is approximately 1,310,000 tonnes including the annual 375,000 tonnes production capacity of white-top kraftliner. Production reorganisation completed in Husum made it possible to increase annual pulp production to 750,000 tonnes and paper production to more than 800,000 tonnes. The Husum mill was granted a new environmental permit matching its increased production potential at the end of 2012.

In 2011, Metsä Board announced it would divest the Hallein mill and restructure its coated paper business. Announcements made in the first quarter of 2012 included the divestment of the Premium Paper operations of the Reflex mill as well as the completion of negotiations with employees on shutting down the Alizay mill and on the discontinuation of the unprofitable operations at the Gohrsmühle mill. Overall, the positive impact of these measures on the company's annual operating result excluding non-recurring items is estimated to be approximately EUR 110 million positive compared to the actual figures for 2011. The positive effect on earnings was realised mostly in 2012 and is estimated to be realised in full starting from 2013. Material non-recurring items related to the measures were recognised in 2011.

At the Gohrsmühle mill, Metsä Board will continue Chromolux speciality paper and paperboard operations and has started folding box-

board sheeting operations. Measures to create a business park concept in Gohrsmühle continue in collaboration with employee representatives in order to create new jobs in the mill area.

In the second quarter of 2012, Metsä Board sold approximately 7.3 percentage points of its holding in Metsä Fibre Oy to the Japanese Itochu Corporation for EUR 138 million, and approximately 0.5 percentage points of its holding in Pohjolan Voima Oy to Metsä Fibre for EUR 64 million. Metsä Board sold its 7.3 percentage point holding in Metsä Fibre in order to reduce its pulp surplus as well as to further strengthen Metsä Fibre's operations in the growing Asian market, in particular. After the divestments, Metsä Board owns 24.9 per cent of Metsä Fibre and approximately 2 per cent of Pohjolan Voima. The sales of shares have a negative impact of approximately EUR 15 million on the company's annual operating result compared to the actual figures in 2011.

The new biopower plant owned by Pohjolan Voima and Leppäkosken Sähkö was commissioned at Metsä Board Kyro mill. The new biopower plant and replacing natural gas, which was being used previously as fuel at the mill, with wood based renewable fuels will reduce Metsä Board's annual energy costs by approximately EUR 6 million compared to the 2011 level. In addition, the carbon footprint of products from the Kyro mill approximately halved.

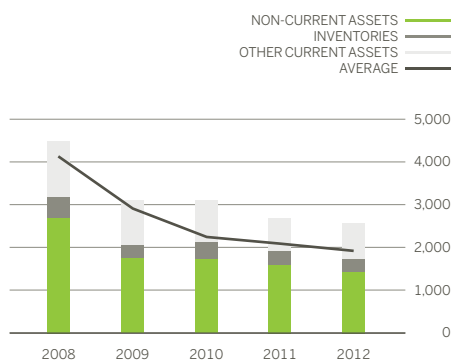
M-real Corporation's Annual General Meeting held in the spring of 2012 changed the company's business name to Metsä Board Corporation and amended the company's line of business to correspond to its current business operations more accurately.

PENDING DISPUTES

UPM-Kymmene Corporation initiated arbitration proceedings against Metsä Board. The proceeding is a result of the transaction completed in May 2012, in which Metsä Board sold 7.3 percentage points of its holding in Metsä Fibre Oy to the Japanese Itochu Corporation for EUR 138 million.

In the arbitration proceedings, UPM is primarily claiming EUR 58.5 million in damages and secondarily the reimbursement of an alleged unjustified benefit of EUR 58.5 million jointly from Metsäliitto Cooperative and Metsä Board. The claim is based on an alleged breach of the co-sale clause under the Metsä Fibre shareholder agreement signed in 2009.

ASSETS AND CAPITAL EMPLOYED: EUR MILLION



Metsä Board denies UPM's claim as unfounded in its entirety and is not making any provisions because of it. The claim has no impact on the transaction with Itochu or cooperation between the parties, and is not associated with commercial agreements entered into with Itochu.

The end result of the dispute initiated by UPM will be communicated later, after the Arbitration Court has issued its resolution on the matter.

RESEARCH AND DEVELOPMENT

In 2012, Metsä Board's research and development activities focused increasingly on customer-oriented product development of paperboards. In February, a new R&D Centre opened in Äänekoski, where the company already had skilled personnel as well as a modern laboratory and product development equipment.

A business development organisation was established in the Paperboard business area with the aim of safeguarding the competitiveness of the paperboard business in the rapidly developing packaging market.

The development work follows signals from the market and customer feedback. Metsä Board continues to develop and manufacture lightweight yet durable paperboard for packaging.

All Metsä Board mills accomplished sizeable savings in variable costs by means of a special development programme. The programme focused on optimising the use of raw materials and energy, in particular, where considerable savings can also be accomplished in the future.

Metsä Board's R&D costs remained at the previous year's level in 2012, amounting to approximately EUR 5 million, or 0.2 per cent of sales (2011: 5 and 0.2 per cent, and 2010: 5 and 0.2 per cent, respectively).

ENVIRONMENTAL FACTORS

Key principles in managing environmental impacts at Metsä Board include being proactive, continuous improvement and open communication. Metsä Board's production units are developed continuously in order to minimize the environmental load and environmental risks.

Certified ISO 9001 and ISO 14001 quality and environmental systems are in place at all Metsä Board's production units. The production units also have an occupational health and safety system (OHSAS 18001) and ISO 50001 energy management system.

Since 2001, Paper Profile environmental product declarations have been provided for all Metsä Board papers and paperboards. The climate impact for individual products is reported on a customer-specific basis through carbon footprint calculations. Metsä Board has reduced its emissions into the atmosphere by introducing low-sulphur fuels and replacing fossil fuels with wood-based fuels. In 2012, a new biopower plant started its operation at Metsä Board's Kyro mill. The plant produces electricity and heat and replaces the use of fossil natural gas at the mill. It also provides heating for the neighbouring district of Hämeenkyrö. Carbon dioxide emissions from the Kyro mill will be reduced by approximately 100,000 tonnes per year. The carbon footprints of the folding boxboards and wallpaper base produced at the mill will be reduced by half.

In the year under review, Metsä Board started to carry out product life-cycle assessments (LCA). The lifecycle assessment also includes an assessment of the water footprint.

Metsä Board has environmental liabilities remaining from earlier operations at industrial sites that have been closed, sold or leased, and from landfill sites that are no longer in use. These liabilities mostly concern soil contamination or the closing and inspection of landfill sites. Metsä Board has aimed to decrease its environmental liabilities relating to contaminated land areas with implementing rehabilitation projects.

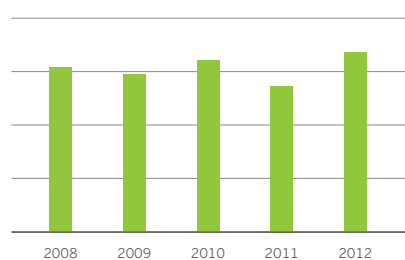
At the end of the year, provisions for environmental management were approximately EUR 18 million, mostly related to the Niemenranta area in Tampere, Finland, Alizay mill in France and a land area of an industrial property in Nurmes, Finland. Metsä Board's environmental costs totalled EUR 20 million (2011: 26) in 2012. The environmental costs are mainly comprised of operating and maintenance expenses from environmental protection equipment, expenses relating to waste management and environmental insurance policies and depreciation of capitalised environmental costs.

WOOD SUPPLY

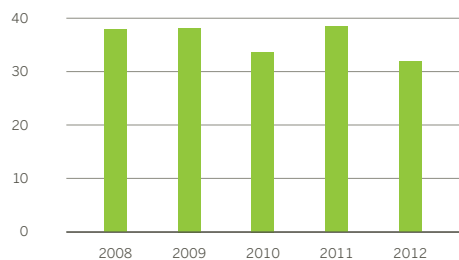
Metsä Board is committed to using sustainable raw materials in its production. The most important raw material for its products is renewable, recyclable and energy-efficient wood that originates from sustainably managed forests and is procured sustainably.

Metsä Board's parent company Metsäliitto Cooperative is responsible for Metsä Board's wood supply. The majority of wood used by Metsä Board in Finland comes from forests owned by Metsäliitto

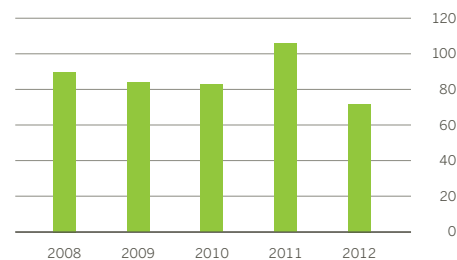
EQUITY RATIO: %



GEARING RATIO: %



NET GEARING RATIO: %



Cooperative members in Finland. The company's other wood procurement countries in 2012 were Sweden, Latvia, Russia, Estonia, Lithuania and Norway.

Wood procurement and forest management are governed by an environmental policy, as well as the Group's principles of corporate responsibility. These are implemented using certified quality and environmental systems and an annually updated environmental programme. Wood procurement complies with local legislation and regulations issued by the authorities and in certified forests criteria concerning forest certification.

All of Metsä Board's mills are both PEFC and FSC certified. The wood Chain of Custody allows for the verification of the share of certified wood in the products. During the year under review, approximately 4.8 million cubic metres of wood were delivered to Metsä Board's mills, 64 per cent of which was obtained from certified forests.

FINANCING

Metsä Board's equity ratio at the end of the year was 33.6 per cent (31 December 2011: 27.4 and 31 December 2010: 32.1) and gearing ratio was 128 per cent (2011: 154 and 2010: 135). The net gearing ratio was 72 per cent (2011: 106 and 2010: 83).

The change in the fair value of investments available for sale was approximately EUR -72 million in the period under review, mainly in relation to the fact that a portion of Pohjolan Voima Oy's shares were sold to Metsä Fibre Oy in April. In addition, the fair value of Pohjolan Voima Oy's shares decreased due to the change in the market price of electricity.

At the end of the year, net interest-bearing liabilities totalled EUR 625 million (783). Foreign-currency-denominated loans accounted for 5 per cent; 72 per cent were floating-rate, and the rest were fixed-rate. At the end of the year, the average interest rate on loans was 4.6 per cent and the average maturity of long-term loans 1.1 years. The interest rate maturity of loans was 9.9 months at the end of the year. During the period, the interest rate maturity varied between 9 and 15 months.

Cash flow from operations amounted to EUR 39 million (Q1-Q4/2011: 108). Working capital decreased by EUR 18 million (decreased by 81). In the cash flow statement, the net financial expenses

for the period include a dividend of EUR 33 million (45) paid by Metsä Fibre and a dividend of EUR 6 million (0) paid by Pohjolan Voima Oy.

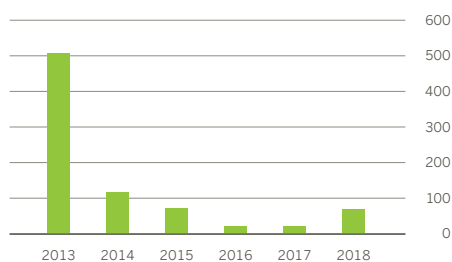
At the end of the period under review, an average of 4.8 months of the net foreign currency exposure was hedged. The degree of hedging varied between four and five months during the period. Approximately 3 per cent of the non-euro-denominated equity was hedged at the end of the period under review.

In May, Metsä Board signed a syndicated credit agreement for a total of EUR 600 million. The credit agreement is used to refinance the EUR 500 million eurobond, which will mature on 1 April 2013, and to further strengthen Metsä Board's liquidity. The credit consists of an immediately available EUR 100 million revolving credit facility and loans totalling EUR 500 million that may be drawn at the end of March 2013. The immediately available credit facility will expire after three years. Of the loans, EUR 150 million (bridge financing) will mature on 30 June 2014 and EUR 350 million on 31 March 2016. The credit is unsecured until the loans are drawn. The annual financing expense of the credit, calculated for the entire loan period and all fees included, is approximately 6.5 per cent. Metsä Board has considerable headrooms in relation to covenants set in the credit agreements.

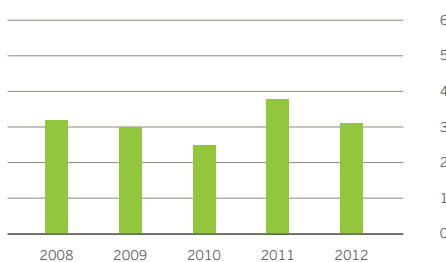
Metsä Board's liquidity has clearly strengthened due to the credit agreement signed in the period under review and the reduced holding in Metsä Fibre Oy and Pohjolan Voima Oy. At the end of the period under review, available liquidity was EUR 576 million, of which EUR 100 million consisted of the revolving credit facility signed in May 2012, EUR 48 million consisted of undrawn pension premium (TyEL) funds and EUR 428 million of liquid assets and investments. At the end of December, EUR 299 million of the liquid assets and investments are assets deposited by other Metsä Group businesses in Metsä Finance. In addition, Metsä Board had other interest-bearing receivables totalling EUR 56 million. To meet its short-term financing needs, the Group had at its disposal uncommitted domestic and foreign commercial paper programmes and credit facilities amounting to EUR 525 million.

In 2012, Metsä Finance has purchased from the market Metsä Board Corporation's bond of EUR 500 million for a nominal value of EUR 50 million. The purchases were market-priced. The loan will mature on 1 April 2013.

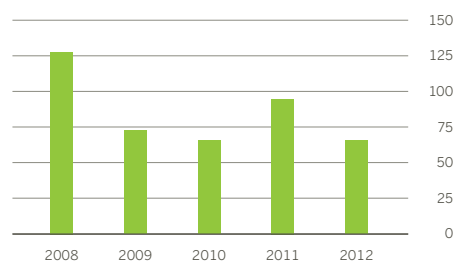
**REPAYMENT OF NON-CURRENT LOANS
(2013-2018): EUR MILLION**



**INVESTMENTS, CONTINUING
OPERATIONS: % OF SALES**



GROSS INVESTMENTS: EUR MILLION



SIGNIFICANT RISKS AND UNCERTAINTIES

Metsä Board assesses its strategic, operative, financial and liability risks as part of its continuing operations. The risks are reported to the Board of Directors at least twice per year and, if needed, in Interim Reports and the financial statements bulletin published by the company. In addition, the company carries out risk assessments as part of the annual planning and strategy process. The risk assessment carried out in the annual planning process focuses on identifying sales and cost risks, and the risk assessment in the strategy process reviews risks related to the implementation of the company's business strategy. The company's management team reviews the company's most significant risks regularly as part of its management work. The risk assessments carried out during 2012 identified the following risks and uncertainties with a possible impact on Metsä Board's financial performance and ability to operate.

UNCERTAINTY IN THE DEVELOPMENT OF THE OVERALL ECONOMY

In the main markets, demand for paper and paperboard mainly follows general economic development.

The development of the euro area, in particular, significantly affects the demand for and profitability of Metsä Board's main products. There are still considerable uncertainties associated with the development of the global economy.

CYCLICAL NATURE OF OPERATIONS AND CHANGES IN THE COMPETITIVE ENVIRONMENT

Metsä Board operates in a cyclical line of business where the balance between supply and demand has a significant impact on the prices of paperboard and paper products, in particular. Any future decrease in demand or increase in supply may have unfavourable effects on the market balance and, therefore, on the company's profitability. New players or products and materials entering the market, capacity increases or product range expansions by competitors may lower the prices of Metsä Board's products. On the other hand, potential capacity closures in the industry or consolidation of the industry may result in increased prices. Changes in regulations, such as the EU's climate and environmental policy and increasing new requirements to limit carbon dioxide, sulphur or other emissions may increase production costs and thereby have a negative impact on profitability.

CENTRALISATION OF OPERATIONS IN A NARROW GEOGRAPHICAL AREA

All Metsä Board's paperboard mills and all pulp mills except one are located in Finland. Finland has a history of several labour disputes in both the forest industry and in the distribution chain of forest industry products. These labour disputes have hindered the operations of the industry, particularly in production and deliveries to customers. Should production and deliveries be disturbed due to labour disputes in Finland, Metsä Board has no opportunity to manufacture paperboard outside Finland. This may impair the company's competitiveness and profitability. The bulk of Metsä Board's paper production takes place at the Husum mill in Sweden. Correspondingly, labour disputes in the Swedish forest industry or distribution chain could impair Metsä

Board's ability to deliver paper, and therefore the company's profitability could weaken.

RETENTION OF CUSTOMERS AND CUSTOMERS' SOLVENCY

The retention of customer relationships may be at risk in certain extreme situations. Severe delivery problems or persistent problems related to the quality of delivered goods may endanger the stability of customer relationships. Furthermore, factors beyond the company's control, such as labour disputes in fields critical to deliveries in Finland, may endanger the stability of customer relationships.

The management of the credit risks involved in commercial activities is the responsibility of Metsä Board's centralised credit control and business areas. The credit control function together with the business areas defines the credit limits and terms of payment for different customers. A significant part of the credit risks are transferred further to credit insurance companies by means of credit insurance contracts. Metsä Board's customer credit risk was at a normal level in 2012. Measures are taken to reduce the risk further by intensifying internal credit control and its processes. The main principles for the company's credit control are defined in the credit policy approved by the company's Board of Directors.

CHANGES IN CONSUMER HABITS

Changes in the market, such as new electronic communications technologies, the development of marketing channels, and consumer trends may have an adverse effect on the demand for Metsä Board's paper and paperboard products.

BUSINESS DEVELOPMENT

Metsä Board has completed a considerable restructuring of the paper business. In the future, the company will focus on developing and growing its packaging business. Developing and growing the business operations requires several strategic choices to be made which involve risks. The uncertainties in question are associated, for example, with the product range, investment allocation or selection of customer segments.

Metsä Board has been investing in expanding its folding boxboard capacity in recent years. The goal is to sell the new capacity partly to existing customers who have global operations in market areas outside of Europe. Expanding sales outside of the company's home market areas involves cost risks and uncertainties related to introducing new products to the market.

PRICE RISKS OF PRODUCTION AND LOGISTICS COSTS

A radical and unforeseen rise in the price of production inputs important for Metsä Board's operations, such as wood, energy and chemicals, as well as transportation costs or problems with their availability, may reduce profitability and threaten the continuity of operations. Metsä Board works to hedge against this risk by entering into long-term delivery agreements and related derivative contracts.

In addition, a steep increase in transportation and other logistics costs may affect Metsä Board's profitability. The company may also



incur considerable additional costs from the emissions rights granted by the EU and the prices and indirect impacts thereof as of 2013.

LIABILITY RISKS

Metsä Board's business operations involve various types of liability risks arising from damage to third parties, the most central of which are general operational liability risks, contract risks, environmental risks and product liability risks. Attempts are made to manage these risks by streamlining business processes, improving management practices, training personnel, raising quality requirements and increasing the transparency of operations. Some of the above-mentioned risks have been transferred to insurance companies by means of insurance contracts.

BUSINESS INTERRUPTION RISKS

Different kinds of large losses, major accidents, natural disasters, environmental damage, serious malfunctions in key information systems, labour disputes and delivery problems of the most important raw materials may interrupt Metsä Board's business operations and, if prolonged, even cause loss of customers. Continuity and recovery plans have been drawn up in the business areas and mills in preparation for the realisation of such risks. The property and interruption risks of the production plants are assessed regularly and the risk has mainly been covered by insurance contracts.

PERSONNEL AVAILABILITY AND RETENTION

Metsä Board has paid special attention to ensuring the availability and retention of competent personnel by means of various personnel development programmes and successor plans. Metsä Board attempts to prepare for retirements and other risks related to personnel by means of career planning and job rotation.

RISKS ASSOCIATED WITH THE AVAILABILITY OF FINANCING

In 2012, Metsä Board implemented a significant debt financing arrangement which secured the company's short- and medium-term financing position. The availability of long-term financing has become more difficult as a result of instability in the financial markets. Furthermore, as a result of increasing regulation in the financial market, the operations of credit and bond markets may become more difficult, which may impact the company's ability to acquire long-term debt financing at a competitive price. The financial risks are managed in accordance with the treasury policy approved by Metsä Board's Board of Directors. The aim is to hedge against significant financial risks, balance the cash flow and give the business units time to adjust their operations to changing conditions. Metsä Board's financial risks and management thereof are described in more detail on pages 49–54 of this Annual Report.

FINANCIAL RISKS

Metsä Board's profitability showed moderate improvement in 2012, despite the uncertainty in the overall economy. The company is carry-

ing out continuous profit improvement measures, which are estimated to have a positive impact on profit starting from 2013.

The execution of the profit improvement measures involves uncertainties, and the pursued profit improvement may not necessarily be accomplished fully.

Metsä Board's other financial risks, related primarily to currencies, interest rates, liquidity, counterparty risks and the use of derivative instruments and the management thereof, are described in greater detail on pages 49–54 of this Annual Report.

PREPARING FOR AND TRANSFERRING RISKS

The identified risks are monitored and continuously assessed and prepared for in the manner most appropriate for the company. With regard to loss risks, Metsä Board works actively with insurance companies in risk management, for example by regularly executing risk assessments in different areas of the business operations, such as at mills and in the export chain. The production plants have prepared for potential disturbances to operations by drawing up continuity and recovery plans. The company's crisis management plan directs crisis management taking place in the business areas and production plants.

Part of the risks are borne by the company itself and part of them are selectively transferred by means of, for example, insurance contracts, derivative contracts and terms and conditions otherwise included in contracts, to be borne by insurance companies, banks and other counterparties. The most common loss risks are mainly covered by the following comprehensive global insurance contracts:

- property and business interruption insurance program
- general third-party and product liability insurance
- liability insurance for Directors and Officers
- credit insurance
- cargo insurance.

SHARES

In 2012, the highest price for Metsä Board's A share on NASDAQ OMX Helsinki Ltd. was EUR 2.84, the lowest EUR 1.52, and the average price EUR 2.34. At the end of the year, the price of the A share was EUR 2.21. At the end of 2011, the price of the A share was EUR 1.50, while the average price in 2011 was EUR 2.87.

In 2012, the highest price of Metsä Board's B share was EUR 2.47, the lowest EUR 1.33, and the average price EUR 2.00. At the end of the year, the price of the B share was EUR 2.22. At the end of 2011, the price of the B share was EUR 1.33, while the average price in 2011 was EUR 2.18.

The trading volume was EUR 2 million, or 3 per cent of the share capital. The trading volume of the B share was EUR 222 million, or 38 per cent of the share capital. The market value of the A and B shares totalled EUR 728 million at the end of the year.

The total number of Metsä Board's shares was at the end of 2012 328,165,612 of which the amount of A shares was 36,339,550 and B shares 291,826,062 at the end of reporting period. Total voting rights conferred by these shares was 1,018,617,062. After the reporting period, on February, 1, 2013 a conversion of 50,000 Metsä Board A shares into 50,000 B-shares was registered in accordance with Section

14 of the Articles of Association of Metsä Board Corporation. After the conversion the amount of A-shares is 36,289,550 which entitle to 71 per cent of the voting rights in Metsä Board and the amount of B-shares is 291,876,062 which entitle to 29 per cent of the voting rights. Total amount of votes after the conversion is 1,017,667,062.

At the end of 2012, Metsäliitto Cooperative owned 40 per cent of the shares and the voting rights conferred by these shares was 61 per cent. International investors held 11 per cent of the shares. At the end of the year, the company's CEO and Board members owned in total 1.0 per cent of the shares including indirect ownership.

The company does not hold any treasury shares.

DISTRIBUTABLE FUNDS AND DIVIDEND

The distributable funds of the parent company as of 31 December 2012 were EUR 346,732,661.62 of which the result for the financial year is EUR 230,118,432.13. In its meeting on 7 February 2013, the Board of Directors decided to propose to the Annual General Meeting, to be held on 26 March 2013, that a dividend of 0.06 euros per share be distributed for the financial year 2012. The dividend shall be paid to shareholders who on the record date for the dividend payment, 2 April 2013, are recorded in the shareholders' register held by Euroclear Finland Ltd. The dividend shall be paid on 10 April 2013. No dividend was paid for 2011.

BOARD OF DIRECTORS AND AUDITORS

The Annual General Meeting confirmed in March 2012 the number of members of the Board of Directors of Metsä Board as nine (9). The Annual General Meeting elected the following individuals as the members of the Board of Directors: Mikael Aminoff, M.Sc. (Forestry); Martti Asunta, metsäneuvos (Finnish honorary title); Kari Jordan, vuorineuvos (Finnish honorary title); Kirsi Komi, LL.M.; Kai Korhonen, M.Sc. (Eng); Liisa Leino, MA (Education); Juha Niemelä, vuorineuvos (Finnish honorary title); Antti Tanskanen, Minister; and Erkki Varis, M.Sc. (Eng). The term of office of the Board members expires at the end of the next Annual General Meeting.

At its constitutive meeting, the Board of Directors elected Kari Jordan as its Chairman and Martti Asunta as its Vice Chairman. The Board further resolved to organize the Board committees as follows: The members of the Auditing Committee are Kirsi Komi, Kai Korhonen, Antti Tanskanen and Erkki Varis, and the members of the Nomination and Compensation Committee are Mikael Aminoff, Martti Asunta, Kari Jordan, Liisa Leino and Juha Niemelä.

The Annual General Meeting elected Authorized Public Accountants KPMG Oy Ab as Metsä Board's auditor. The term of office of the auditor expires at the end of the next Annual General Meeting.

A separate Corporate Governance Statement has been issued and published at the same time with the financial statements and this report.

EVENTS AFTER THE PERIOD

A voluntary reindustrialisation project was launched in Alizay in the spring of 2012 in collaboration with Metsä Board, employee representa-

tives and local authorities. As a result of the project, the company sold the Alizay mill site, including the equipment and buildings, to Conseil General de l'Eure, representing the French government, for EUR 22 million in January 2013.

NEAR-TERM OUTLOOK

Folding boxboard delivery volumes in the last quarter of 2012 were at a normal level, although seasonally slightly lower than in the previous quarter. Folding boxboard order volumes are expected to gradually improve at the beginning of the year and delivery volumes to increase slightly in the first quarter of 2013, compared to the previous quarter. As a result of the completed annual folding boxboard contract negotiations the volumes are increasing in 2013 compared to 2012 and no material price changes are expected.

Demand for linerboard is expected to continue to be very strong, and delivery volumes are expected to increase slightly in the first quarter of 2013, compared to the previous quarter. No significant changes are expected in the price of linerboard in the coming months.

Delivery volumes of uncoated fine paper are expected to increase slightly in the first quarter of 2013, compared to the previous quarter, and delivery volumes of pulp are expected to be at the previous quarter level. No considerable changes are on the horizon in the price of uncoated fine paper. The currency-denominated price increase of long-fibre pulp is expected to continue at the beginning of the year.

The market situation of coated paper has weakened further since the year end, and delivery volumes and prices are expected to decrease slightly in the first quarter of 2013.

Production costs are expected to increase slightly in the first quarter of 2013, compared to the previous quarter, primarily due to increased energy costs.

Metsä Board's operating result for the first quarter of 2013, excluding non-recurring items, is expected to improve slightly from the fourth quarter of 2012.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR MILLION	NOTE	1 JAN–31 DEC 2012	1 JAN–31 DEC 2011
SALES	4, 36	2,107.6	2,485.3
CHANGE IN STOCKS OF FINISHED GOODS AND WORK IN PROGRESS	7	-5.0	-16.1
OTHER OPERATING INCOME	6, 36	194.4	65.9
MATERIALS AND SERVICES	7, 36	-1,560.9	-1,939.7
EMPLOYEE COSTS	7	-250.4	-418.2
SHARE OF PROFIT FROM ASSOCIATED COMPANIES	15, 36	29.2	59.5
DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES	4, 8	-100.3	-190.9
OTHER OPERATING EXPENSES	7, 36	-194.8	-259.9
OPERATING RESULT		219.8	-214.1
SHARE OF PROFIT FROM ASSOCIATED COMPANIES	15, 36	0.0	-6.8
NET EXCHANGE GAINS/LOSSES	9	5.0	3.0
OTHER FINANCIAL INCOME	9, 36	17.4	12.0
INTEREST AND OTHER FINANCIAL EXPENSES	9, 36	-66.5	-75.0
RESULT BEFORE TAX		175.7	-280.9
INCOME TAXES	10	-2.7	7.8
RESULT FOR THE PERIOD		173.0	-273.1
OTHER COMPREHENSIVE INCOME			
CASH FLOW HEDGES	11	3.2	-22.1
AVAILABLE FOR SALE INVESTMENTS	11	-72.3	22.0
TRANSLATION DIFFERENCES	11	10.1	2.7
SHARE OF PROFIT FROM OTHER COMPREHENSIVE INCOME OF ASSOCIATED COMPANIES	11	-1.1	0.2
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME	11	17.0	4.3
OTHER COMPREHENSIVE INCOME, NET OF TAX		-43.1	7.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		129.9	-266.0
ATTRIBUTABLE TO:			
SHAREHOLDERS OF PARENT COMPANY		172.8	-273.2
NON-CONTROLLING INTEREST		0.2	0.1
		173.0	-273.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
SHAREHOLDERS OF PARENT COMPANY		129.7	-266.1
NON-CONTROLLING INTEREST		0.2	0.1
		129.9	-266.0
BASIC AND DILUTED EARNINGS PER SHARE FOR RESULT ATTRIBUTABLE TO THE SHAREHOLDERS OF PARENT COMPANY, EUR	12	0.53	-0.83

THE NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEET

EUR MILLION	NOTE	31 DEC 2012	31 DEC 2011
ASSETS			
NON-CURRENT ASSETS			
GOODWILL	13	12.7	12.7
OTHER INTANGIBLE ASSETS	13	13.9	14.3
TANGIBLE ASSETS	14, 37	894.4	941.1
INVESTMENTS IN ASSOCIATED COMPANIES	15	200.3	261.7
AVAILABLE FOR SALE INVESTMENTS	16, 28	269.6	341.3
OTHER NON-CURRENT FINANCIAL ASSETS	17, 25, 28	16.6	12.6
DEFERRED TAX RECEIVABLES	18	5.0	3.6
DERIVATIVE FINANCIAL INSTRUMENTS	28, 29	16.4	10.4
		1,428.9	1,597.7
CURRENT ASSETS			
INVENTORIES	19	303.3	334.7
ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES	20, 25, 28, 36	387.5	407.6
CURRENT INCOME TAX RECEIVABLES		4.6	30.5
DERIVATIVE FINANCIAL INSTRUMENTS	28, 29	6.1	6.1
CASH AND CASH EQUIVALENT	21, 25, 28	428.5	305.0
		1,130.0	1,083.9
ASSETS CLASSIFIED AS HELD FOR SALE	5	20.6	6.8
TOTAL ASSETS		2,579.5	2,688.4
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY			
	22		
SHARE CAPITAL		557.9	557.9
TRANSLATION DIFFERENCES		35.9	25.4
FAIR VALUE AND OTHER RESERVES		174.0	227.7
RESERVE FOR INVESTED UNRESTRICTED EQUITY		284.8	284.8
RETAINED EARNINGS		-191.3	-364.1
		861.3	731.7
NON-CONTROLLING INTEREST			
		5.5	5.1
TOTAL SHAREHOLDERS' EQUITY		866.8	736.8
NON-CURRENT LIABILITIES			
DEFERRED TAX LIABILITIES	18	117.5	154.1
POST EMPLOYMENT BENEFIT OBLIGATIONS	23	75.4	80.6
PROVISIONS	24, 37	20.2	31.5
BORROWINGS	25, 28	302.3	857.9
OTHER LIABILITIES	26, 28	0.0	2.3
DERIVATIVE FINANCIAL INSTRUMENTS	28, 29	29.1	25.5
		544.5	1,152.9
CURRENT LIABILITIES			
PROVISIONS	24, 37	45.2	139.5
CURRENT BORROWINGS	25, 28, 36	807.7	278.8
ACCOUNTS PAYABLE AND OTHER LIABILITIES	27, 28, 36	302.8	351.2
CURRENT INCOME TAX LIABILITIES		0.1	1.4
DERIVATIVE FINANCIAL INSTRUMENTS	28, 29	12.4	28.8
		1,168.2	799.7
TOTAL LIABILITIES		1,712.7	1,951.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,579.5	2,688.4

THE NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.



STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY

EUR MILLION	NOTE	SHARE CAPITAL	SHARE PREMIUM ACCOUNT	TRANSLATION DIFFERENCES	FAIR VALUE AND OTHER RESERVES	RESERVE FOR INVESTED UNRESTRICTED EQUITY	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL
SHAREHOLDERS' EQUITY, 1 JANUARY 2011		557.9	666.8	23.2	222.8		-476.8	993.9	5.0	998.9
RESULT FOR THE PERIOD							-273.2	-273.2	0.1	-273.1
OTHER COMPREHENSIVE INCOME	11									
CASH FLOW HEDGES					-22.1			-22.1		-22.1
AVAILABLE FOR SALE INVESTMENTS					22.0			22.0		22.0
TRANSLATION DIFFERENCES				2.7				2.7		2.7
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATED COMPANIES				-0.3	0.5			0.2		0.2
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME				-0.2	4.5			4.3		4.3
OTHER COMPREHENSIVE INCOME TOTAL				2.2	4.9			7.1		7.1
COMPREHENSIVE INCOME TOTAL				2.2	4.9		-273.2	-266.1	0.1	-266.0
REDUCTION OF SHARE PREMIUM	22		-666.8			663.8	3.0	0.0		0.0
LOSS OF COVERAGE	22					-382.9	382.9	0.0		0.0
COMPENSATION FOR UNREDEEMED OWN SHARES	22					3.9		3.9		3.9
SHARE BASED PAYMENTS							0.2	0.2		0.2
SHAREHOLDERS' EQUITY, 31 DECEMBER 2011		557.9		25.4	227.7	284.8	-364.1	731.7	5.1	736.8
SHAREHOLDERS' EQUITY, 1 JANUARY 2012		557.9		25.4	227.7	284.8	-364.1	731.7	5.1	736.8
RESULT FOR THE PERIOD							172.8	172.8	0.2	173.0
OTHER COMPREHENSIVE INCOME	11									
CASH FLOW HEDGES					3.2			3.2		3.2
AVAILABLE FOR SALE INVESTMENTS					-72.3			-72.3		-72.3
TRANSLATION DIFFERENCES				10.1				10.1		10.1
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATED COMPANIES				0.4	-1.5			-1.1		-1.1
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME				0.0	17.0			17.0		17.0
OTHER COMPREHENSIVE INCOME TOTAL				10.5	-53.6			-43.1		-43.1
COMPREHENSIVE INCOME TOTAL				10.5	-53.6		172.8	129.7	0.2	129.9
SHARE BASED PAYMENTS							0.2	0.2		0.2
RELATED PARTY TRANSACTION										
ACQUISITION OF INTEREST IN A SUBSIDIARY FROM NON-CONTROLLING INTEREST	5						-0.3	-0.3	0.2	-0.1
SHAREHOLDERS' EQUITY, 31 DECEMBER 2012		557.9		35.9	174.0	284.8	-191.3	861.3	5.5	866.8

THE NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CONSOLIDATED CASH FLOW STATEMENT

EUR MILLION	NOTE	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES			
RESULT FOR THE PERIOD		173.0	-273.1
ADJUSTMENTS TO THE RESULT, TOTAL	31	-151.7	300.6
INTEREST RECEIVED		11.0	7.7
INTEREST PAID		-77.0	-66.5
DIVIDENDS RECEIVED	9, 15	39.6	47.0
OTHER FINANCIAL ITEMS, NET		-12.4	-8.2
INCOME TAXES PAID		-1.9	-5.5
CHANGE IN WORKING CAPITAL	31	17.9	81.2
NET CASH FLOW FROM OPERATING ACTIVITIES		-1.5	83.1
CASH FLOW FROM INVESTING ACTIVITIES			
ACQUISITION OF OTHER SHARES		-5.4	-4.9
CAPITAL EXPENDITURE		-58.2	-90.5
PROCEEDS FROM DISPOSAL OF SHARES IN SUBSIDIARY, NET OF CASH	5, 31	-2.9	27.9
PROCEEDS FROM DISPOSAL OF SHARES IN ASSOCIATED COMPANIES	15	148.1	6.8
PROCEEDS FROM DISPOSAL OF OTHER SHARES	6	63.3	0.3
PROCEEDS FROM SALE OF FIXED ASSETS		18.5	22.4
PROCEEDS FROM NON-CURRENT RECEIVABLES			49.3
INCREASE IN NON-CURRENT RECEIVABLES		-3.7	
NET CASH FLOW FROM INVESTING ACTIVITIES		159.7	11.3
CASH FLOW FROM FINANCING ACTIVITIES			
OTHER CHANGES IN EQUITY	22, 31		3.9
PROCEEDS FROM NON-CURRENT LIABILITIES		6.0	6.0
PAYMENT OF NON-CURRENT LIABILITIES		-212.2	-111.7
PROCEEDS FROM CURRENT LIABILITIES, NET		177.0	-109.8
CHANGE IN CURRENT INTEREST-BEARING RECEIVABLES, NET		-5.4	14.3
ACQUISITION OF INTEREST IN A SUBSIDIARY FROM NON-CONTROLLING INTEREST	5	-0.2	
NET CASH FLOW FROM FINANCING ACTIVITIES		-34.8	-197.4
CHANGE IN CASH AND CASH EQUIVALENTS		123.4	-103.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		305.0	407.8
TRANSLATION ADJUSTMENTS		0.1	0.3
CHANGES IN CASH AND CASH EQUIVALENTS		123.4	-103.0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21	428.5	305.0

THE NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies

The principal accounting policies to be adopted in the preparation of the consolidated financial statements are as follows.

MAIN OPERATIONS

Metsä Board Corporation and its subsidiaries comprise a forest industry group, which operations are organized into four business segments: Paperboard and Paper and Pulp. The Group has manufacturing operations in three countries in Europe. Europe is also the company's main market area, but its products are sold worldwide. The Group's other operations are the head office along with ancillary functions that support business operations. Group's main product areas are fresh forest fibre cartonboards, office papers and special papers.

Metsä Board Corporation is Group's parent company, that is domiciled in Helsinki. The registered address of the company is Revontulenpuisto 2, 02100 Espoo Finland. The parent company is listed on NASDAQ OMX Helsinki Ltd. At the end of 2012 Metsäliitto Cooperative owned 40.3 per cent of the shares, and the voting rights conferred by these shares was 61.0 per cent.

The copy of the Annual Report can be obtained in Metsä Board's website www.metsaboard.com or parent company's head office Revontulenpuisto 2, 02100 Espoo Finland.

The Group consolidated financial statements were authorized for issue by the Board of Directors on 7 February 2013. According to Finnish Companies Act shareholders have possibility to accept or reject the financial statements in General Meeting of shareholders after date of publication. General Meeting of shareholders also have possibility to decide to change financial statements.

ACCOUNTING POLICIES AND MEASUREMENT BASES

Metsä Board Corporation's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), applying the IAS and IFRS standards and SIC and IFRIC interpretations that were effective and approved by the EU at the date of the financial statements 31 December 2012. International Financial Reporting Standards refer to the standards and their interpretations approved for use in the EU by the Finnish Accounting Act and the regulations set out pursuant to it in accordance with the procedure defined in the EU decree (EC) no. 1606/2002. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and Community legislation supplementing the IFRS regulations.

The consolidated financial statements are presented in millions of euros.

The financial statements have been prepared based on historical costs, except for derivative contracts and certain other financial assets and liabilities that have been measured at fair value.

Management assesses that in foreseeable future group has enough resources to continue as a going concern. The group has prepared the financial statements on a going concern basis.

The group has applied the same accounting policies in preparation of the consolidated financial statements as in the annual financial statements for 2011 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2012:

NEW AND AMENDED STANDARDS APPLIED IN THE FINANCIAL YEAR ENDED

Amendments to IFRS 7 Financial Instruments: Disclosures (effective for financial years beginning on or after 1 July 2011): The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial instruments and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendments will impact the notes to the consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries include all companies (including units established for a specific purpose) in which the Group has the right to control the principles of finances and operations. This is usually based on holding shares conferring more than one half of the voting rights. When evaluating whether the Group has control over another company, the existence and impact of potential voting rights that can be realised at the time of the review by exercising the right or performing an exchange. Subsidiaries are consolidated in the consolidated financial statements in their entirety starting on the day on which the Group obtains control in them. The consolidation stops when the control ceases.

Business combinations are processed using the acquisition method. Consideration paid for the purchase of a subsidiary is determined as the fair value of paid assets, assumed liabilities and equity shares issued by the Group. The assigned consideration includes the fair value of an asset or liability arising as the result of a contingent consideration arrangement. Acquisition-related costs, excluding expenses incurred by the issuance of debt securities or equity securities, are recognized as expenses as they materialize. A paid consideration does not include transactions to be handled separately from the acquisition. The impact of these has been recognized though profit and loss in the acquisition. A possible contingent additional sales price has been measured at fair value at the time of acquisition and classified either as liability or equity. An additional sales price classified as liability is measured at

fair value on the closing date of each reporting period and the resulting profit or loss is recognized through profit and loss. The additional sales price classified as equity is not measured again.

The amount by which the sum of paid consideration, proportion of non-controlling shareholders in the target and previously owned proportion exceed the Group's proportion of the fair value of the acquired net assets is reported on the balance sheet as goodwill. If the total amount of consideration, proportion of non-controlling shareholders and previously owned portion is lower than the fair value of the net assets and the transaction is a beneficial one, the difference is recognised in the income statement.

Business transactions, receivables and liabilities between the Group companies and unrealised profits are eliminated. Unrealized losses are not eliminated if the loss arises from impairment. The accounting principles followed by subsidiaries have been amended to correspond to the principles followed by the Group as necessary.

In an acquisition that is completed gradually, the previous holding is valued at fair value and the generated gain or loss is recognized through profit and loss. When the Group loses its control in a subsidiary, the remaining investment is measured at the fair value of the date the control is lost and the subsequent difference is recognized through profit and loss. Furthermore, when the Group loses its control, it handles all amounts recognized in other items in the comprehensive income statement related to the subsidiary on the same basis as they should be handled if the Group had transferred the assets and liabilities in question directly. The acquisitions prior to 1 January 2010 have been handled according to the standards effect during that time.

TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS

Business transactions with non-controlling shareholders are processed in the same way as those with Group shareholders. When shares are purchased from non-controlling shareholders, the difference between the consideration paid and the proportion of the net assets in the subsidiary purchased is recognised in equity. Also, profit or loss from sale of shares to non-controlling shareholders is recognised in equity.

ASSOCIATED COMPANIES

Associated companies include all companies in which the Group has considerable influence but no control. Usually, significant influence is based on a shareholding conferring 20–50 per cent of the voting rights. Investments in associated companies are processed using the equity method, and they are initially recognized at cost. The Group's shares in associated companies also include the goodwill measured at the time of acquisition less any impairment.

The Group's share of profits or losses of associated companies following the acquisition is recognised in the income statement, and its proportion of changes in other items of other comprehensive income after the acquisition is recognised in other items of other comprehensive

income. The book value of the investment is adjusted for changes accumulated after the acquisition. If the Group's share of associated companies' losses is as large or larger than its share of the associated company including any other unsecured receivables, the Group will not recognise additional losses unless it has commitments concerning the associated companies and it has not made payments on behalf of it.

A proportion corresponding to the Group's shareholding is eliminated from unrealised profits between the Group and its associated companies. Unrealised losses are also eliminated unless the transaction indicates an impairment of the value of the asset. The accounting principles followed by associated companies have been amended to correspond to the principles followed by the Group as necessary. Profits or losses from investments in associated companies due to the dilution effect are recognised in the income statement.

The Group's share of the profits of associated companies is reported in the income statement on a separate line "Share of profits from associated companies" in operating profit if the associated company essentially is linked to Group's business otherwise after operating profit. The group's share of postacquisition movements in other comprehensive income is recognized in other comprehensive income.

JOINT VENTURES

The Group's holdings in jointly controlled units are processed in the consolidated financial statements using proportional consolidation. The Group's proportion of the joint venture's individual income items, expenses, assets and liabilities and cash flows are consolidated in the corresponding items of the consolidated financial statements. For assets sold to a joint venture, the proportion of profits or losses belonging to third parties is recognised. The Group does not recognise its share of a joint venture's profits or losses arising from assets purchased from it by the Group before the assets have been sold further to an independent party. However, a loss incurred by business transactions will be recognised immediately if it indicates a decrease in the net realisation value or impairment of current assets.

Äänevoima Oy and Ääneverkko Oy have been consolidated on a proportionate basis line by line.

TRANSACTIONS IN FOREIGN CURRENCY

The figures concerning the profit and financial position of Group units are presented in the currency that is used in the primary operating environment of the unit in question. The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency. Business transactions denominated in foreign currencies are recognised in the operating currency using the rate of the transaction date. Monetary items denominated in foreign currencies are translated into the functional currency using the rate of the closing date. Non-monetary items in foreign currencies recognised at fair value have been translated into the functional currency using the rate of the



date on which the value was determined. Otherwise, non-monetary items have been recognised using the rate of the transaction date.

Any gains or losses resulting from transactions in foreign currencies, and from the translation of monetary items, are recognised under financial income and expenses with the exception of liabilities classified as hedges for net investment in a foreign entity, for which the currency gains and losses are recognized for the part of hedge proven effective in the translation differences in other comprehensive income. A change in the fair value of a derivative hedge (currency forward contracts) proven effective is recognized directly in shareholders' equity in the fair value reserve, and only after the realisation of the forecasted sales transaction it is recognized in the income statement as an adjustment of the hedged sales.

The income statements of Group companies whose functional currencies are other than euro are translated into euros using average exchange rates for the reporting period, and their balance sheets at the exchange rates prevailing at the balance sheet date. Translation differences arising on translation and on applying the purchase method of consolidation are recognized in other comprehensive income. In conjunction with divestments of subsidiaries, either by selling or by dissolving, translation differences accumulated by the time of divestment are recognized in the income statement as part of the gain or loss from the divestment. When making the transition to IFRS, translation differences that arose prior to 1 January 2004, which was the transition date to IFRS standards, were recorded in the Group's retained earnings applied the exemption under IFRS 1, and they are no longer entered in the income statement if the subsidiary is disposed of subsequently. From the transition date translation differences have been presented in shareholders' equity as separate item.

FINANCIAL ASSETS

Financial assets have been classified according to IAS 39 standard as follows: 1) Financial assets at fair value through profit or loss, 2) Held-to-maturity investments, 3) Loans and other receivables and 4) Available-for-sale financial assets. Categorisation depends on the purpose for which the assets were acquired and is made at the time they were originally recorded. Financial assets are initially recognised at fair value. Transaction costs are originally included in the carrying value, when the item is not measured at fair value through profit and loss. The transaction costs related to the items measured at fair value through profit and loss are recognised immediately to profit and loss. Financial assets are derecognised when the Group has lost the contractual right to receive cash flows or it has transferred substantially risks and rewards of ownership to outside the Group. Financial asset purchases and sales are recorded at the settlement date.

Financial assets at fair value through profit and loss include mainly quoted bonds that are classified as held for trading. Financial assets held for trading have been recognized at fair value based on price quotations in the market. Unrealised and realised gains and losses due to changes in fair value are recognized immediately in the income statement during the financial period in which they are incurred. Derivatives not included in hedge accounting are also classified as financial assets held for trading. Their accounting principles and principles of determining their fair value are described below.

Held-to-maturity investments include those investments with a specific date of maturity which the Group has full intention and ability to retain until the date of their maturity. The Group has no held-to-maturity investments.

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and other receivables comprise external and Metsä Group's internal accounts, loan and other receivables including accounts receivables. Financial assets designated in these categories are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are publicly quoted and unquoted shares. They are valued at fair value, or if fair value cannot be reliably determined, at cost less impairment. The fair values of publicly quoted shares are based on the share price at the date of the financial statements. If there are no quoted prices for available-for-sale financial assets, the Group applies different types of valuation in their valuation, such as recent transactions and discounted cash flow. In this valuation, information received from the market is usually used, and factors specified by the Group itself are used as little as possible. Changes in fair value are recognised under other comprehensive income and presented in the fair value reserve, taking the tax effect into account. Accumulated changes in fair value are transferred from equity to profit and loss as a correction of classification when the investment is divested or its value has impaired so that an impairment loss is to be recognised for the investment.

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments. Cash and cash equivalents includes items with original maturities of three months or less.

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments. Cash and cash equivalents include items with original maturities of three months or less from the date of acquisition.

The Group assesses at each balance sheet date whether there is objective evidence of impairment of a financial asset. Objective evidence of impairment of available-for-sale financial assets includes a significant or long-term decrease of the value of the investment under the acquisition cost. If the fair value of investments has substantially gone under acquisition cost and exceeded the period of time defined by the Group, it shall indicate that the value of the investment is impaired. If there is evidence of impairment, the accumulated losses recognised in fair value reserve shall be transferred to profit and loss. Impairment losses of equity instruments classified as available for sale financial assets shall not be reversed through profit and loss.

The criteria for determining whether there is objective evidence of impairment of financial assets include:

- significant financial problems of the issuer or debtor;
- breach of contractual terms and conditions, such as defaults on interest or capital payments;
- concessions given by the Group to the debtor due to its financial or legal reasons related to its financial problems that it would not otherwise contemplate giving;
- probability of the debtor's bankruptcy;
- the financial asset in question no longer having an active market due to financial problems.

Impairment testing of trade receivables is described below in more detail with regard to the relevant accounting principles.

The amount of the impairment loss is determined as the difference between the carrying amount of the financial asset and the current value of the estimated cash flows of the financial asset discounted using the original effective interest rate (excluding any non-realised future credit losses). Impairment of financial assets has to be recorded if the carrying amount of the financial asset exceeds its recoverable amount. The carrying amount of the asset is decreased and the loss is recognized in the consolidated income statement. If the amount of the impairment loss decreases during a subsequent period and the decrease can be objectively linked to an event realised after the recording of the impairment (such as the debtor's credit rating improving), the impairment loss is reversed in the income statement. Unless the assets classified as held for sale investments, for which the impairment loss is always reversed in the other comprehensive income.

FINANCIAL LIABILITIES

The Group has classified all financial liabilities under "Other liabilities". When a financial liability is first recognised in the accounts, it is measured at cost, which is equal to the fair value of the consideration received for it. Transaction costs are deducted from the original carrying amount of all financial liabilities. Subsequently, all financial liabilities are measured at amortized cost using the effective interest method. Derivative contracts for which hedge accounting is not applied are classified as "Financial liabilities at fair value through profit or loss".

Financial assets and liabilities are classified according to IAS 39 and fair values are presented in the Note 28.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments are initially recognized in the balance sheet at cost and thereafter during their term-to-maturity are revalued at their fair value at each reporting date. Gains and losses resulting from recognition at fair value are treated in accounting as required with regard to the intended use of the derivative in question. Derivatives are initially classified either as 1) Hedges of the exposure to changes in fair value of receivables, liabilities or firm commitments, 2) Hedges of the cash flow from a highly probable forecast transaction, 3) Hedges of a net investment in a foreign entity or 4) Derivatives to which it has been decided not to apply hedge accounting. Derivatives that do not qualify for hedge accounting are classified as financial assets or financial liabilities at fair value through profit or loss.

When applying hedge accounting, at the inception of a hedging relationship the Group has documented the relationship between the hedged item and the hedging instruments as well as the hedging strategy observed. To meet the requirements of hedge accounting, the Group has also continuously carried out effectiveness testing to verify that changes in the fair value of the hedging instrument for each hedging relationship cover effectively enough, with respect to the hedged risk, any changes in the fair value of the hedged item.

Changes in the fair value of derivatives that meet the criteria for fair value hedging are recognised through profit and loss. Changes in the fair value of a hedged asset or liability item are presented similarly in

terms of the hedged risk. Changes in the fair value of the effective portion of derivative instruments that meet the criteria for cash flow hedging are recognised directly in a hedging reserve in equity. The gains and losses recognized in equity are transferred to the income statement in the period in which the hedged item is recognized in the income statement. When the criteria for hedge accounting are no longer fulfilled, a hedging instrument matures or is sold the gain or loss accrued from hedging the cash flow remain in equity until the forecast transaction takes place. However, if the forecast hedged transaction is no longer expected to occur, the gain or loss accrued in equity is recognised immediately in the income statement.

The fair value of derivatives is disclosed in current non-interest-bearing receivables or liabilities. The fair values of derivatives classified in accordance with the applied accounting practice are presented in Notes to the accounts no. 29. The maturity analysis of cash flow hedge accounting is presented in Notes to the accounts no. 30.

CURRENCY HEDGING

The Group has applied cash flow hedge accounting in accordance with IAS 39 to some of its hedges of foreign exchange risk. A separately defined portion of the highly probable forecast cash flow of sales in USD, GBP and SEK is the object of hedge accounting. A change in the fair value of a derivative hedge (currency forward contracts) proven effective is recognized directly in shareholders' equity in the fair value reserve, and only after the realisation of the forecasted sales transaction it is recognized in the income statement as an adjustment of the hedged sales. Changes in the fair value of other currency derivatives to hedge foreign currency exposure are recognized under financial items in the income statement. The fair values of forward foreign exchange contracts are based on forward prices prevailing at the balance sheet date, and currency options are stated at market rates in accordance with the Black&Scholes model's fair value.

The hedging of a net investment in a foreign entity is accounted as cash flow hedge. Changes in the fair value of a derivative and loan hedge proven effective are recognized directly against the translation differences accumulated in shareholders' equity. The ineffective portion of the hedge as well as the effect of the interest rate element of forward exchange contracts are recorded in financial income and expenses in the income statement.

INTEREST HEDGING

To hedge the fair value of separately defined loans with derivatives contracts (interest rate swaps and currency swaps), the Group has applied hedge accounting in accordance with IAS 39 as so-called fair value hedge. Changes in the fair value of both defined loans and derivative contracts that meet the criteria for effective hedge accounting are recognized in financial income and expenses through profit and loss. The fair value of loans is calculated in respect of interest rate risk and currency risk elements, but any changes in the company's credit risk premium have not been taken into account.

Moreover, to hedge its interest rate exposure, the Group applies as part of hedge accounting in accordance with IAS 39 to hedging of contractual cash flows of floating interest rates of loans as so-called cash



flow hedge. A change in the fair value of derivative contracts (interest rate swaps) is recognized directly in shareholders' equity in fair value reserve.

All other interest rate derivatives, to which hedge accounting is not applied, are stated at their fair value, and changes in fair value are recognized under financial items in the income statement. The fair values of forward rate agreements, interest rate futures and options are based on quoted market rates at the balance sheet date, and interest rate swaps and currency swaps are measured at the present value of future cash flows, with the calculation based on market interest rate yield curve.

COMMODITY RISK HEDGING

To hedge its electricity price risk exposure, the Group applies as part of hedge accounting in accordance with IAS 39 as so-called cash flow hedge. A separately defined portion of the highly probable forecast cash flow of electricity purchases in Finland and Sweden is the object of hedge accounting. Additionally hedge accounting is applied to pulp price risk hedging of Metsä Board as so-called cash flow hedge. A change in the fair value of a derivative hedge (forward electricity and pulp contracts) proven effective is recognized directly in shareholders' equity in fair value reserve, and only after the realisation of the forecast electricity purchases or pulp sales it is recognized in the income statement as an adjustment of the hedged purchases or sales. The ineffective part of electricity and pulp derivatives classified to hedge accounting and other commodity derivatives hedging commodity price risk are recognized at market rates at the balance sheet date, and changes in fair value are recognized in the income statement under "Other income and expenses".

Embedded derivatives are valued at fair value, and changes in fair value are recognized under financial items in the income statement. The amount of embedded derivatives at the Metsä Board Group is insignificant.

SEGMENT REPORTING

The Group's operating segments are comprised of the Group's business areas. The business areas produce different products and services, and they are managed as separate units.

The operating segments are reported uniformly with internal reporting submitted to the chief operating decision-maker. The Corporate Management Team has been appointed as the chief operating decision-maker in charge of allocating resources to the operating segments and evaluating their performance.

The same accounting policies are applied in segment reporting as for the Group as a whole. Transactions between segments are based on market prices. All sales and other transactions between segments are eliminated on consolidation. Operating profit, assets and liabilities of own pulp mills as well as share of profit in associated companies and net assets of Metsä Fibre have been allocated to operating segments based on purchases of pulp.

NON-RECURRING ITEMS

Exceptional and material items outside ordinary course of business are treated as non-recurring items. Non-recurring items are allocated to

segments. These kinds of income or expenses are e.g. material profits or losses on sale, impairment charges and reverse of impairment charges related to IAS 36, Impairment of Assets, and expenses and releases of expenses related to structural changes.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

An asset item or operation is classified as held for sale when the amount corresponding to its carrying value is expected to be recovered primarily from sale of the asset item.

Classification as held for sale requires management to be committed to the plan to sell the asset and requires that the Group has initiated an active program to complete the plan. The asset must be available immediate sale in its present condition and the sale should be expected within one year from the date of classification. Asset items classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Asset items classified as held for sale are not depreciated or amortized after the classification.

A discontinued operation is one which the Group has disposed of or that is classified as held for sale and represents a separate major line of business or geographical area of operations. The profit or loss from discontinued operations after tax is shown as a separate item in the consolidated income statement.

REVENUE RECOGNITION

Sales include income from the sale of products and services as well as raw materials and supplies corrected for indirect taxes, discounts and other sales adjustment items. Sale of goods is recognised as income when the risks and benefits associated with the ownership of the product are transferred to the buyer and the Group no longer has rights of possession or control on the product. Usually, this refers to the moment on which the product has been delivered to the customer in accordance with the agreed terms of delivery.

The Group's terms of delivery are based on the Incoterms 2010 delivery terms, a compilation of definitions of delivery terms published by the International Chamber of Commerce. The Group's most common delivery terms concerning sales are:

- D terms, according to which the Group has to deliver the products to the agreed destination. The sale is concluded at the moment of delivery to the buyer at the agreed destination at the agreed time.
- C terms, according to which the seller arranges and pays for transport to the agreed destination and certain other expenses. However, the Group's responsibility for the products ends after the products have been handed over to the carrier in accordance with the term used. The sale is concluded at the moment when the seller hands the goods over to the carrier for transport to the agreed destination.
- F terms, according to which the buyer arranges for the transport and is responsible for it. The sale is concluded when the products have been delivered to the buyer's carrier.

If local rules result in invoicing that deviates from the rules specified above, the impact of such income has been calculated and adjusted.

Revenue from the sale of services is recorded when the services have been rendered. Dividend income is recognised when the right to receive

a payment is established. Interest income is recognised by applying the effective interest rate method.

DELIVERY AND HANDLING COSTS

Costs arising from the delivery and handling of goods are recorded in materials and services in the income statement.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is recognized as an expense at the time it is incurred. Development expenditure is capitalized if it is probable that a development project will generate future economic benefit and the costs can be measured reliably. Capitalized development costs are amortised over their estimated useful lives. Metsä Board does not have capitalized development expenditure.

BORROWING COSTS

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

INCOME TAXES

Tax expense in the income statement is comprised of the current tax and deferred taxes. Current tax and deferred tax that relates to items that are recognised in comprehensive income shall be, respectively, recognised in comprehensive income. Income taxes are recorded on an accrual basis for the taxable income of each reporting unit, applying the tax rate in force in each country at that time. Taxes are adjusted for any taxes for previous periods.

Deferred tax assets and liabilities are calculated on all the temporary differences between the carrying amount and the tax base. Deferred tax liabilities are not recognised when the asset or liability in question is one that is originally recognized at the carrying amount and does not concern business combinations, and the recognition of such an asset or liability does not have an impact on the accounting result or taxable income at the date of the transaction. No deferred taxes are recognised for non-deductible goodwill, and no deferred taxes are recognised for undistributed profits of subsidiaries to the extent that the difference will not likely realise in the predictable future.

The most significant temporary differences result from depreciation on property, plant and equipment, fair value of available-for-sale financial assets and derivative instruments, defined benefit plans, unused tax loss carryforwards and measurement at fair value in connection with business combinations.

Deferred taxes have been calculated by applying the tax rates in force by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized.

INTANGIBLE ASSETS

GOODWILL

Goodwill arising from business combinations is recognized in the amount by which the sum of the consideration paid, the share of non-controlling interest in the company to be acquired and the previous holding exceed the fair value of the net assets.

Goodwill arising from the acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and recognised on the balance sheet at cost less accumulated impairment losses. Impairment losses from goodwill are not reversed. The book value of goodwill associated with a divested company influences the capital gain or loss.

Goodwill is allocated to cash-generating units for impairment testing. Goodwill is allocated to those units or groups of units which are expected to benefit from the business combination where the goodwill has arisen, specified by reporting segments.

OTHER INTANGIBLE ASSETS

Non-tangible assets are originally valued to their acquisition cost in the Balance Sheet, in the case that acquisition cost can be determined reliably and it is probable, that the expected financial benefit from the asset will be to the benefit of the group.

Those non-tangible assets, which have a limited financial useful life, are booked by straight line depreciation as expenses impacting profit, according to their known or estimated financial useful life. Non-tangible assets, which have unlimited financial useful lives, are not depreciated, but are tested yearly for decrease in value.

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

Depreciation for non-tangible assets begins, when the asset is ready for use, e.g. when it is in such a state, that it is able to function as intended by management. Depreciation bookings end, when a non-tangible asset is classified as for sale (or is included in a group classified as for sale) according to IFRS 5 standard Non-current Assets Held for Sale and Discontinued Operation.

COMPUTER SOFTWARE

Expenditure on developing and building significant new computer software programs are recognized in the balance sheet as an intangible asset and amortized by using the straight-line-method over its estimated useful life, which is not to exceed five years. Direct expenses to be capitalized include consultancy and expert advisory fees paid to outside parties, software licences obtained for the application, staff costs to the extent that they can be allocated directly to the project as well as other direct costs. Maintenance and operating expenditure related to computer software and EDP applications is recorded as an expense in the reporting period in which it has been incurred.



EMISSION ALLOWANCES

Allowances received by the governments free of charge have initially been recognised as intangible assets and the corresponding government grant as advance payment in liabilities based on fair value at the date of initial recognition. Allowances are measured at their fair value at the time of acquisition or later at their fair value if less. Allowances are not amortized. The emissions produced are recognised as cost and as liability together with the corresponding government grant as income both based on the value at the date of initial recognition. So rights consumed that are within the original range have no positive or negative effect on profit for the period. The costs of purchasing additional rights to cover excess emissions or the sale of unused rights have effect on profit.

OTHER

The cost of patents, licences and trademarks having a finite useful life is capitalized in the balance sheet under intangible assets and amortized on a straight-line basis over their estimated useful lives in 5–10 years.

The estimated useful lives of intangible assets are reviewed at each balance sheet date and if they differ significantly from previous estimates, the amortization periods are altered accordingly.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at historical cost. The property, plant and equipment of acquired subsidiaries is measured at fair value at the time of the purchase. Property, plant and equipment is presented in the balance sheet at cost less accumulated depreciation and any impairment. For investments in property, plant and equipment requiring a long construction time, the interest incurred during construction is capitalized in the balance sheet as part of the asset for the time that is necessary for bringing the asset to working condition for its intended use.

Property, plant and equipment is depreciated on a straight-line basis over the following estimated useful lives:

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

Land and water areas are not depreciated. If the significant parts of an item of property, plant and equipment have estimated useful lives of differing length, each part is depreciated separately.

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

Depreciation for tangible assets begins, when the asset is ready for use, e.g. when it is in such a location and state, that it is able to function as intended by management. Depreciation bookings end, when a tangible asset is classified as for sale (or is included in a group classified as for sale) according to IFRS 5 standard Non-current Assets Held for Sale and Discontinued Operation.

The estimated useful lives are reviewed at each balance sheet date and if they differ significantly from previous estimates, the depreciation periods are altered accordingly.

Subsequent costs of an item of property, plant and equipment shall be recognised as an asset if and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of a component which has been replaced with new a component shall be derecognised. All other repair and maintenance expenditures are recognised in profit and loss as incurred.

Gains and losses arising on the sale and decommissioning of items of property, plant and equipment are calculated as the difference between the net revenue obtained and the carrying amount. Capital gains and losses are included in operating profit in the income statement.

When a non-current item of property, plant and equipment is classified as held for sale, the recording of depreciation on said asset is discontinued. A non-current asset held for sale is measured at the lower of the carrying amount or the fair value less the expenses necessary to make the sale.

GOVERNMENT GRANTS

Government grants, such as government grants received related to acquisition of fixed assets, are booked as reductions to the book value of said fixed assets, when it is fairly certain, that the grants will be received and the group fulfills the requirements for receiving such grants. The grants are recognized as income in the form of lower depreciation during the useful life of the asset. Grants, which are received as compensation for already incurred expenses, are booked in Other operating income during the period, when the right to the grant emerges.

LEASES

Leases on property, plant and equipment for which the Group assumes substantially all the risks and rewards incidental to ownership of the asset are classified as finance lease agreements. A finance lease agreement is recognized in the balance sheet at an amount equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding lease payment liability is recorded in interest-bearing liabilities under other non-current liabilities. An asset obtained on a finance lease is depreciated over the useful life of the asset or, if shorter, the lease term. Lease payments are split between financial expenses and a reduction in the lease liabilities.

Lease agreements in which the risks and rewards incident to ownership remain with the lessor are treated as operating leases. Lease payments under an operating lease are recognized as an expense in the income statement on a straight-line basis over the lease term.

IMPAIRMENT OF ASSETS NOT INCLUDED IN FINANCIAL ASSETS

No depreciation or amortization is recognised for assets with an indefinite useful life, such as goodwill; they are annually tested for impairment. Assets that are subject to depreciation or amortization are always tested for impairment when events or changes in conditions indicate

that it is possible that the carrying amount corresponding to the book value of the assets might not be recoverable.

The recoverable amount is the fair value of an asset less costs to sell or its value in use, whichever is higher. Value in use is determined based on the estimated future net cash flows, discounted to their present value, expected to be derived from the said asset or cash-generating unit. The discount rate used is the interest rate before taxes that represents the market's view of the time value of money and special risks associated with the asset.

Asset items are grouped for impairment assessment to the lowest levels on which the assets generate largely independent cash flows. An impairment loss is recognized if the carrying amount of the asset is higher than its recoverable amount. If the impairment loss concerns a cash-generating unit, it is first allocated on a pro rata basis to goodwill of the cash-generating unit and thereafter on a pro rata basis to other assets of the unit symmetrically. In connection with the recognition of the impairment loss, the useful life of the depreciated asset is re-evaluated. An impairment loss recognized for an asset other than goodwill is reversed if a change has taken place in the estimates used to determine the recoverable amount of the asset. However, the maximum reversal of an impairment loss amounts to no more than the carrying amount of the asset if no impairment loss had been recognized. An impairment loss recognized on goodwill is not reversed under any circumstances.

INVENTORIES

Inventories are measured at the lower of cost and net realizable value. The cost of finished and semi-finished products comprises raw materials, direct labour expenses, other direct expenses as well as an appropriate share of fixed and variable production overheads. The normal capacity of the production facilities is used as the divisor in allocating overheads to the different production units.

The value of inventories is determined using the FIFO (first-in, first-out) method or, alternatively, the weighted average cost method depending on the nature of the inventories. Net realizable value is the estimated selling price that is obtainable less the costs of completion and the costs necessary to make the sale.

ACCOUNTS RECEIVABLES

Accounts receivables are measured at the expected net realizable value, which is the original invoicing value less estimated impairment allowances on the receivables. Impairment test is carried for all receivables at bankruptcy or overdue over 180 days, when there is a justifiable reason to assume that the Group will not receive payment for the invoiced amount according to the original terms.

PROVISIONS

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. If some or all of the

expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recorded in the balance sheet as a separate asset, but only if it is virtually certain that reimbursement will be received.

RESTRUCTURING

A restructuring provision is recorded for the financial period when the Group has incurred a legal or constructive obligation to make a payment. Termination payments are recorded when a detailed plan has been made of the restructuring and the Group has raised valid expectations in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

ONEROUS CONTRACTS

A provision is recognised for an onerous contract, when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

ENVIRONMENTAL OBLIGATIONS

Costs arising from environmental remediation which do not increase present or future revenue are recorded as annual expenses. Environmental liabilities are recorded in accordance with present environmental protection laws and regulations when it is probable that the obligation which has arisen and its amount can be estimated reasonably.

EMPLOYEE BENEFITS

Pension plans are classified as either defined benefit or defined contribution plans. Under a defined contribution plan, the Group pays fixed contributions to a separate unit. The Group has no legal or constructive obligation to pay further contributions if the recipient of the payments is not able to pay the pension benefits in question. All plans that do not meet these requirements are considered defined benefit plans. Contributions paid to defined contribution pension plans are expensed in the period to which they relate.

The Group's obligations associated with defined benefit pension plans have been calculated separately for each plan using the Projected Unit Credit Method. Pension costs are expensed for the employees' period of service based on calculations made by authorised actuaries. In calculating the current value of the pension obligation, the market return of high-quality bonds issued by the company is used as the discount rate. The maturity of the bonds and treasury bills essentially corresponds to the maturity of the calculated pension obligation. The pension plan assets measured at fair value at the balance sheet date, unrecognised actuarial gains and losses and past service costs are deducted from the present value of the pension obligation to be recognised in the balance sheet.

Actuarial gains and losses are recognised in the income statement over the expected average remaining working lives of the employees to the extent that such gains and losses exceed the greater of 10 per cent of the present value of the benefit obligation and 10 per cent of the fair value of any plan assets.



Past service costs are recognized to the income statement in fixed instalments over the period during which they are paid-up. If the past service costs are already vested, they are immediately charged to the income statement.

Gains and losses resulting from the restriction of a defined benefit plan or performance of the obligation are recognised at the time of the restriction or fulfilment.

SHARE-BASED PAYMENT

A share-based incentive programme in which the payments are made either with equity instruments or cash has been established for the company's top executives. The benefits issued in connection with the scheme are measured at fair value at the date of granting them and charged to the income statement evenly during the vesting period. In schemes where the payments are made in cash, the recognized liability and change in its fair value is correspondingly scheduled as expenses. The effect of the schemes on profit is presented under employee costs.

EARNINGS PER SHARE

Undiluted earnings per share are calculated using the weighted average number of shares during the reporting period. In calculating earnings per share adjusted for the effect of dilution, the average number of shares is adjusted for the dilution effect of any equity instruments that have been issued. In calculating earnings per share, earnings are taken to be the reported earnings attributable to the parent company's shareholders. Earnings, both undiluted and adjusted for the effect of dilution, are calculated separately for continuing and discontinued operations.

DIVIDENDS PAYABLE

Dividends payable by the company are recorded as a decrease in equity in the period during which shareholders, in a general meeting, have approved the dividend for payment.

COMPARATIVE FIGURES

Where necessary, comparative figures have been classified to conform to changes in presentation in the current year.

ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE IN FUTURE FINANCIAL YEARS

The Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

* = not yet endorsed for use by the European Union

FINANCIAL YEAR 2013

- Amendments to IAS 1 Presentation of Financial Statements (effective for financial years beginning on or after 1 July 2012): The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met. The amendments only have an impact on the presentation of Group's other comprehensive income.
- Amendment to IAS 19 Employee Benefits (effective for financial years beginning on or after 1 January 2013): The major changes are as follows: in future all actuarial gains and losses are immediately recognized in other comprehensive income, i.e. the corridor approach is eliminated, and finance costs are calculated on a net funding basis. Group assesses the amendments to impact the consolidated financial statements as follows:

The impact on the balance sheet as at 31 December 2012 and on the statement of comprehensive income* for the period 1 January 2012–31 December 2012 (in millions of Euro):

Non-current assets	+ 1.7
Non-current liabilities	+12.3
Equity attributable to shareholders of parent company	+ 1.5
Employee costs	- 1.4
Financial expenses	+ 3.2
Income taxes	- 0.2
Comprehensive income for the financial year	-10.4

- IFRS 13 Fair Value Measurement (effective for financial years beginning on or after 1 January 2013): IFRS 13 establishes a single source for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. IFRS 13 will expand the disclosures to be provided for non-financial assets measured at fair value. The new standard is not assessed to have a material impact on Group's consolidated financial statements.
- Annual Improvements to IFRSs 2009–2011* (May 2012) (effective for financial years beginning on or after 1 January 2013): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total five standards. Their impacts vary standard by standard but are not significant.
- Amendments to IFRS 7 Financial Instruments: Disclosures (effective for financial years beginning on or after 1 January 2013): The amendments clarify disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The disclosures required by those amendments are to be provided retrospectively. The amendments are not assessed to have a significant impact on Group's consolidated financial statements.

FINANCIAL YEAR 2014

- IFRS 10 Consolidated Financial Statements and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not assessed to have a material impact on Group's consolidated financial statements.
- IFRS 11 Joint Arrangements and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The new standard is not assessed to have a material impact on Group's consolidated financial statements.
- IFRS 12 Disclosures of Interests in Other Entities and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard will expand the notes the Group provides for its interests in other entities. The new standard is not assessed to have a material impact on Group's consolidated financial statements.
- IAS 28 Investments in Associates and Joint Ventures (revised 2011) and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard is not assessed to have a significant impact on Group's consolidated financial statements.
- Amendments to IAS 32 Financial Instruments: Presentation (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amended standard is to be applied retrospectively. The amendments are not assessed to have a significant impact on Group's consolidated financial statements.

FINANCIAL YEAR 2015

- IFRS 9 Financial Instruments* and subsequent amendments (effective for financial years beginning on or after 1 January 2015): IFRS 9 is the first step of the IASB's originally three-phase project to replace the current IAS 39 Financial Instruments: Recognition and Measurement. The amendments resulting from the first phase (published in November 2009) address the classification and measurement of financial assets. Based on measurement, financial assets are classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. The amendments published in October 2010 deal with the classification and measurement of financial liabilities and the standard retains most of the related IAS 39 requirements. The unfinished parts of IFRS 9, i.e. the impairment of financial assets and general hedge accounting phases are still a work in progress. Furthermore, the IASB is also considering limited amendments regarding the classification and measurement of financial assets. The macro hedge accounting phase has been taken apart from the IFRS 9 project as a separate project. As the IFRS 9 project is incomplete, the impacts of the standard on the consolidated financial statements cannot yet be assessed.



2 Key accounting estimates applied in the financial statements and judgements used in the accounting principles

Preparing IRFS-compliant financial statements requires the use of certain key accounting estimates. In addition, it requires the management to use its judgement in applying the accounting principles. The estimates made and judgement-based decisions are continuously evaluated, and they are based on prior experience and other factors, such as expectations concerning future events. The expectations are considered to be reasonable, taking the circumstances into account. The topics that are associated with key assumptions and estimates in terms of consolidated financial statements and areas that require significant discretion are described below.

KEY ACCOUNTING ESTIMATES

IMPAIRMENT TESTING

The Group annually tests the goodwill and intangible assets not ready to use for impairment. Testing for impairment is carried out for other long-term assets if there are indications that the value of the assets might be impaired. The recoverable amounts of cash-generating units are based on calculations of value in use. These calculations require that estimates are made. Impairment losses or reverse of impairment losses were not recognized in 2012 based on impairment testing. A sensitivity analysis of the substantial assumptions used in the impairment testing and the impact of changes in them on the amount of impairment is presented in Note 8.

PENSION PLANS

The present value of the pension obligations depends on various factors that are determined using various actuarial assumptions. The discount rate is also included in the assumptions used in determining the net expenditure (or income) arising from pension plans. Changes in these assumptions have an effect on the carrying amount of the pension obligations.

The appropriate discount rate is determined at the end of each year. This is a rate that should be used in determining the current value of the future cash flows estimated to be required to fulfil the pension obligations. In determining the appropriate discount rate, the interest rates of long-term treasury notes or similar instruments are taken into consideration. Other key assumptions concerning pension obligations are based on the current market conditions.

SHARE-BASED REWARD SCHEME

The share-based incentive arrangements granted to the Group's key employees are measured at fair value at the time of granting. The fair value is charged to the income statement over the vesting period during which all the requirements for the right to arise must be fulfilled. The expense measured at the time of granting the shares is based on an estimate of the number of shares to which a right is believed to arise at the end of the vesting period. Changes in the estimates are recognised

in the income statement. A total of EUR 0.3 million was recognised as an expense on the financial period ended 31 December 2012.

FINANCIAL INSTRUMENTS AT FAIR VALUE

A fair value is determined for financial instruments not traded on an open market using valuation methods. Discretion is used in selecting the various methods and making assumptions based primarily on the market conditions prevailing at the end date of each reporting period. The greatest item at fair value not traded on an open market is the investment in Pohjolan Voima shares, reported under available-for-sale financial assets. Their price is determined based on realised transactions and an analysis of discounted cash flows. The carrying amount of available-for-sale financial assets would be estimated to be EUR 3 million lower or EUR 4 million higher should the rate used for discounting the cash flows differ by 10 per cent from the rate estimated by the management. The carrying amount of available-for-sale financial assets would be estimated to be EUR 37 million higher lower or EUR 37 million lower should, if energy prices used for calculating the fair value differ by 10 per cent from prices estimated by the management.

PROVISIONS

A provision is recorded when the Group has a legal or constructive obligation as a result of a previous event and it is probable that the liability for payment will realise. The provisions are determined based on previous experience. A restructuring provision is recorded for the financial period when the Group has incurred a legal or constructive obligation to make a payment. Termination payments are recorded when a detailed plan has been made of the restructuring and the Group has raised valid expectations in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. A recorded provision illustrates the management's best estimate of the current value of future expenses, but actual expenditure may differ from the estimate. Provisions amounted to EUR 65 million on Metsä Board's balance sheet at 31 December 2012.

INCOME TAXES

The management's judgement is required for determining the taxes based on the result for the period, deferred tax assets and liabilities and the extent to which deferred tax assets are recorded. The Group's balance sheet at 31 December 2012 did not include any deferred tax assets recognized for tax loss carry-forwards. The Group is subject to income taxation in several countries. Estimating the total amount of income taxes at the level of the entire Group requires significant judgement. The final amount of tax is uncertain in terms of several business operations and calculations. The Group forecasts future tax audits and recognises liabilities based on estimates on whether further taxes will need to be paid. If the associated final tax differs from the originally recorded amounts, the difference has an effect on both the tax assets and liabilities based on the taxable income for the period and deferred tax assets and liabilities in the period during which they are observed.

KEY JUDGEMENT-BASED DECISIONS IN APPLYING

THE ACCOUNTING POLICIES

INVENTORIES

The Group regularly reviews its inventories for situations where the inventories exceed their real value, contain downgraded items or their market value falls below the acquisition cost, and records a deduction item that reduces the carrying amount of the inventories in the case of such deductions. The management must make estimates of the future demand for the products for the purpose of such review. Any changes in these estimates might lead to an adjustment in the carrying amount of the inventories in future periods. Metsä Board's balance sheet included inventories amounting to EUR 303 million on 31 December 2012.

ACCOUNTS RECEIVABLES

Accounts receivables are recognised according to the original invoiced amount less any impairment and refunds due to returns. Impairment losses are recognised on a case-by-case basis and based on previous experience when there is objective proof that the receivable cannot be collected in full. If the customers' financial position weakens so that it affects their solvency, further impairment losses might need to be recognised for future periods. Metsä Board's balance sheet at 31 December 2012 included trade receivables amounting to EUR 253 million and impairment losses recorded for trade receivables amounting to EUR 0.6 million.

IMPAIRMENT OF EQUITY INVESTMENTS CLASSIFIED AS AVAILABLE-FOR-SALE FINANCIAL ASSETS

The question when the value of available-for-sale equity investments is impaired is solved according to the guidelines of IAS 39. This requires the use of significant judgement, e.g., in terms of for how long and to what extent the fair value of the investment has been lower than the acquisition cost. In addition, it is necessary to estimate the financial position of the investment object regarding the near-future outlook of the business operations, such as the profitability of the industry and sector, to find out whether there is objective proof of impairment. Should it be considered that the reduction of the fair value to below the acquisition cost is entirely or partially significant and prolonged, an additional after tax loss of EUR 175 million would be recognised in the financial statements for 2012 when the changes in fair value associated with impaired available-for-sale financial assets of Pohjolan Voima Oy recognised under equity are charged to the income statement.

3 Management of financial risks

The financial risks associated with business operations are managed in accordance with the financial policy endorsed by the Board of Directors and the senior management of the company. The policy defines focal instructions on the management of foreign currency, interest rate, liquidity and counterparty risks, and for the use of derivative financial instruments. Correspondingly, commodity risks are managed according to the company's commodity risk policy. The purpose is to

protect the company against major financial and commodity risks, to balance the cash flow and to allow the business units time to adjust their operations to changing conditions.

Metsä Group Financial Services Oy (Metsä Finance) is specialized in finance and functions as the Group's internal bank. Metsä Board's holding in Metsä Finance is 51 per cent and Metsäliitto Cooperative's holding is 49 per cent. Financial operations have been centralised to Metsä Finance, which is in charge of managing the Group companies' financial positions according to the strategy and financial policy, providing necessary financial services and acting as an advisor in financial matters.

FOREIGN CURRENCY RISK

The Group's foreign currency exposure consists of the risks associated with foreign currency flows, translation risk of net investments in foreign entities and economic currency exposure. Most of the Group's costs are incurred in the euro zone and to some extent in Sweden, but a significant part of the sales is in other currencies. Sales may therefore vary because of changes in exchange rates, while production costs remain unchanged. Product prices are also often quoted in currencies other than the home currency. The foreign currency transaction exposure is consisting of foreign currency denominated sales and costs. The exposure is including foreign currency denominated balance sheet exposure consisting of accounts receivables and accounts payable and a quarter share of the annual contracted or estimated net currency cash flow.

The main currencies of the Group's foreign currency transaction exposure are the US dollar, the British pound and the Swedish korma. A strengthening of the dollar and the pound has a positive impact on the financial result and a weakening a negative impact. A weakening of the Swedish krona has a positive impact on the result of the Group. Other significant currencies are AUD, CHF, DKK and NOK. The hedging policy is to keep the balance sheet exposure and a quarter of annual cash flow of contracted or estimated currency flows consistently hedged. The hedging level can, however vary between 0–12 months as the financial policy has defined separate risk mandates for deviating from the norm hedging. The Board of Directors decides on significant changes in the hedging level if they see a reason to deviate from the norm set out in the financial policy. The amount of currency-specific hedging depends on current exchange rates and market expectations, on the interest rate differences between the currencies and the significance of the exchange rate risk for the financial result of the Group. The transaction exposure is mainly hedged by forward transactions but also by the use of foreign currency loans and currency options.

Hedge accounting in accordance with IAS 39 is applied to hedging of part of the currency transaction exposure, which allows fair value changes of hedges designated to hedge accounting to be recognized directly in shareholders' equity in fair value reserve. At the end of the reporting period, the foreign exchange transaction exposure had been hedged 4.8 months on average (2011: 4.8). During the reporting period, the hedging level has varied between 4 and 5 months (4–5). The dollar's hedging level was 5.0 months (4.3), of which the portion of hedge accounting was 2.8 months (2.5). The Swedish krona's hedging level was 5.0 months (4.5), of which the portion of hedge accounting was 3.3 months (3.3). The pound's hedging level was 4.1 months



(6.0), of which the portion of hedge accounting was 3.4 months (3.6). Hedges allocated to hedge accounting have been used to hedge the portion of highly probable forecast sales of the currency transaction exposure. At the end of the reporting period on average 94 per cent of the norm determined in the hedging policy has been hedged (102).

The translation risk of a net investment in a foreign entity is generated from the consolidation of the equity of subsidiaries and associated companies outside the euro area into euros in the consolidated financial statements. According to the financial policy, 0–100 per cent (0–100) of equity should be hedged. The translation risk of equity has been hedged through the use of forward transactions and hedge accounting in accordance with IAS is applied, which allows the exchange gains and losses of effective hedging to be recognized into the equity offsetting translation differences. During the reporting period, on average 3 per cent (24) of the equity position was hedged and at the end of the reporting period 3 per cent (3). The hedge ratio remains low, as Swedish krona equity hedging was abandoned in 2011.

The Group applies the Value-at-Risk method to assess the risk of its open foreign currency positions. The VaR is calculated on the deviation from the balance sheet exposure plus the quarter of annual foreign currency exposure hedge norm defined in the financial policy. A 99 per cent confidence level on one month period is applied to the VaR risk figure, i.e., the VaR indicates that with a 1 per cent probability the market value of the open foreign currency position depreciates more than the amount of the risk figure in a month. The risk mandates regarding hedging decisions have been defined by restricting the company management's powers by linking them to maximum currency-specific hedging level changes and to a VaR limit. Possible strategic decisions which exceed the policy risk limits are made by the Board of Directors. The limit set for the Metsä Board Group's foreign currency risk is EUR 10 million (12) and the VaR is at the end of the reporting period EUR 0.5 million (1.6). Average during the period has been EUR 1.3 million (1.6). The volumes and fair values of derivatives used in the management of foreign currency risks are presented in Notes no. 29.

INTEREST RATE RISK

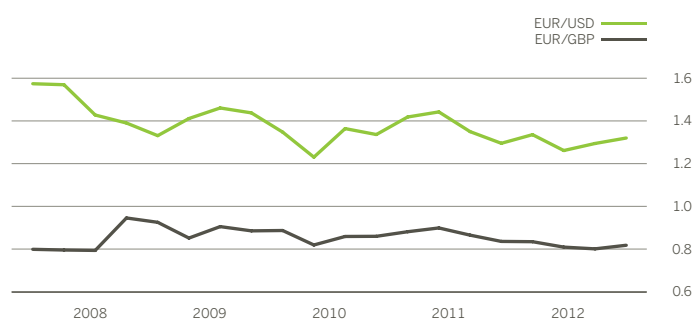
The interest rate risk is related mainly in the interest bearing receivables and loans and currency hedging. Interest bearing receivables and loans are presented in Notes no. 25. The most significant currencies in risk management are the euro, the US dollar, the British pound and

the Swedish krona. The objective of the interest rate risk policy is to minimise the negative impact of interest rate changes on the Group's and group companies' result and the financial position, and to optimise financing costs within the framework of risk limits. The effect of interest rate changes on financial costs depends on the average interest fixing time of interest bearing assets and liabilities, which is measured in the Group by duration. As duration is lengthening the rise of interest rates affects more slowly the interest expenses of financial liabilities. The maturity of the loan portfolio can be influenced, e.g., by adjusting between floating-rate and fixed-rate loans and by using interest rate derivatives. The Group uses in its interest rate risk management interest rate swaps, interest rate futures and interest rate options.

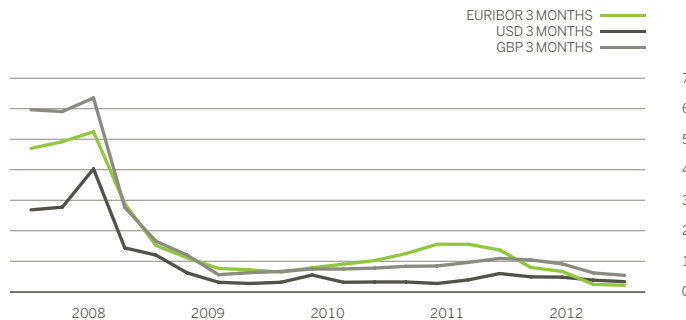
The average interest duration norm based on the Group's financial policy is 6 months. The duration can, however, deviate from the hedging policy norm so that the decision of a deviation exceeding four months has to be made by the Board of Directors. The average duration of loans was 9.9 months at the end of the year (14.5). During the reporting period duration has varied between 9 and 15 months (7–15). At the end of 2012, an increase of one per cent in interest rates would increase interest rate costs of the next 12 months by EUR 2.4 million (1.9).

The Group is exposed to a risk of change in the value of derivatives due to a change in market prices when using interest rate derivatives, since according to IAS 39 derivatives must be valued to their fair value in the balance sheet. However, the partial application of hedge accounting will balance the effects of changes in the market value of derivatives on the financial result of the Group. The Group is applying fair value hedge accounting in accordance with IAS 39 to fixed-rate loans which have been converted by interest rate and currency swaps to floating-rate financing. In addition, the Group is applying cash flow hedge accounting in accordance with IAS 39 to the major part of the interest rate swaps by which floating-rate financing has been converted to fixed-rate financing. The gross nominal volume of interest rate derivatives at the time of financial statements (including currency swap contracts) is EUR 1,908 million (1,450), of which the portion of reversed contracts is EUR 1,220 million (670). Of the derivatives portfolio, EUR 589 million (718) is allocated to hedge accounting, and the portion of derivatives recognized in the balance sheet through profit or loss is EUR 99 million (62). The maturity of interest rate swap and currency swap contracts varies between 1–8 years (1–9).

EXCHANGE RATE TRENDS



INTEREST RATE TRENDS: %



COMMODITY PRICE RISK

In the hedging of commodity risks the Group applies risk management policies defined separately for each selected commodity. According to the policy, the management of commodity risks with regard to financial hedges is accomplished centralized by Metsä Finance based on the strategy approved by Board of Directors of Metsä Board. The commodity hedging policy has been applied to the management of the price risks of electricity and natural gas and also transactions related to Emission allowances have been managed by Metsä Finance.

Metsä Board's target in managing the electricity price risk is to balance the effect of changes in the price of electricity on the Group's result and financial position. The main principle is to hedge the electricity purchase exposure, which consists of the difference of factory-specific electricity consumption estimates and power plant production shares in the possession of the Group. With regard to the Finnish and Swedish electricity procurement, the hedge strategy is implemented in cooperation with Metsä Group Energy service unit centralized through Metsä Finance. The hedges of electricity price risk in Central Europe are implemented according to instructions and by Metsä Group Energy in co-operation with local production units either by physical contracts or by financial contracts through Metsä Finance. Metsä Board hedges the electricity price risk actively by setting the hedging norm at 80, 40, 20 and 0 per cent (80, 40, 20, 0) share of the estimated net position during the first, second, third and fourth successive 12-month periods. Hedge accounting in accordance with IAS 39 has been applied partially to electricity hedging. Consequently the fair value of hedges allocated to hedge accounting is recognized in equity in fair value reserve and only after the realisation of electricity purchases in the income statement as an adjustment of the purchases.

Approximately a quarter of Metsä Board's mills' purchase of fuel is based on natural gas. The hedging of natural gas price risks has been done with physical, fixed-price contracts. In Finland only the oil-related portion of the contract has been fixed. The prices of natural gas have typically been fixed to Fuel-Oil and/or Gas-Oil prices. In addition, the prices of gas supply to Finland have been fixed to the development of coal import price and the energy price index. The premise of natural gas price risk hedging is, however, to hedge only the oil-related part of the contract by using oil derivatives and fixed-priced physical supply contracts. The hedging strategy is based on a risk policy according to which Metsä Group Energy makes the hedging decisions with the support of Metsä Finance, and the Group Board of Directors makes significant strategic decisions.

Approximately 24 per cent (46) of electricity hedges have been carried out by using physical supply contracts and 76 per cent (54) as so-called financial hedges by using electricity derivatives. At the end of the year, about 100 per cent (90) of financial hedges have been designated to hedge accounting. All natural gas price risk hedges have so far been implemented by using physical supply contracts.

According to the pulp price risk hedging policy a Group company may selectively hedge its price risk either by financial hedges through Metsä Finance or fixed-price physical contracts. Hedge accounting in accordance with IAS 39 is applied within the pulp price risk management. There are no valid price risk hedges at the end of 2012 within Metsä Board.

The volumes and fair values of derivatives used in the management of commodity risks are presented in Notes no. 29.

LIQUIDITY RISK

Liquidity risk is defined as the risk that funds and available funding become insufficient to meet business needs, or costs that are incurred in arranging the necessary financing are unreasonable high. Liquidity risk is monitored by estimating the need for liquidity needs 12–24 months ahead and ensuring that the total liquidity available will cover a main part of this need. According to the financial policy, the liquidity reserve must at all times cover 80–100 per cent of the Group's liquidity requirement for the first 12 months and 50–100 per cent of the following 12–24 months liquidity requirement. The objective is that at the most 20 per cent of the Group's loans, including committed credit facilities, are allowed to mature within the next 12 months and at least 35 per cent of the total debt must have a maturity in excess of four years. When the financial markets are functioning normally from the company's point of view, the target is to avoid keeping extra liquidity as liquid funds and instead maintain a liquidity reserve as committed credit facilities outside the balance sheet.

The cornerstone of liquidity risk management is to manage the Group's operative decisions in such a way that targets concerning indebtedness and sufficient liquidity reserve can be secured in all economic conditions. Liquidity risk is also managed by diversifying the use of capital and money markets to decrease dependency on any single financing source. The optimisation of the maturity structure of loans is also emphasized in financial decisions. During the last years liquidity and especially the capital structure of the Group has been strengthened through the change in the ownership structure of Metsä Fibre and other divestments.

Metsä Board has realized Supply Chain Finance arrangement during 2012, where the receivable of a Metsä Board customer is paid by the customer's bank in 2–4 days after invoicing. The customer's bank bears the credit risk of the receivable after payment. The extent of the arrangement is not significant.

In May, Metsä Board signed a term loan and revolving credit facility totalling 600 million. The credit facility will be utilized to refinance the EUR 500 million Eurobond which maturing 1 April 2013 and it enhances Metsä Board's liquidity position further. The facilities consist of EUR 100 million revolving credit facility that is available for drawdown immediately and in total of EUR 500 million term loans, which are available for drawdown as of late March 2013. The revolving credit facility has a maturity of three years, while EUR 150 million (bridge financing) part of the term loans matures on 30 June 2014 and EUR 350 million part on 31 March 2016. The facilities are unsecured until the utilization of the term loans.

Metsä Board's liquidity has clearly strengthened due to the credit facility signed in the review period as well as due to the reduction of shareholding in Metsä Fibre Oy and Pohjolan Voima Oy. At the end of the review period, available liquidity was EUR 576 million (325), of which 148 million (20) was committed credit facilities and 428 million (305) liquid funds and investments. EUR 299 million (111) of liquid assets and investments are assets deposited by other Metsä Group's businesses in Metsä Board's subsidiary Metsä Finance. In addition the Group had other interest-bearing receivables EUR 56 million (49). The Group had also short-term, uncommitted commercial paper programmes and credit lines amounting to EUR 525 million (519). At the end of 2012, the liquidity reserve covers fully the forecasted financing need of 2013.



35 per cent (16) of long-term loans and committed facilities fall due in a 12 month period and 9 per cent (13) have a maturity of over four years. The average maturity of long-term loans is 1.1 years (1.9). The share of short-term financing of the Group's interest bearing liabilities is 27 per cent (10). The maturity of repayments of financial liabilities is presented in Notes no. 25.

COUNTERPARTY RISK

Financial instruments carry the risk that the Group may incur losses should the counterparty be unable to meet its commitments. The Group is managing this risk by entering into financial transactions only with most creditworthy counterparties and within pre-determined limits. During the reporting period, credit risks of financial instruments did not result in any losses. Cash and cash equivalents, and other investments have been spread to several banks and commercial papers of several institutions. Counterparty limits have been revised during the year by taking into account the needs of the company and the view on the financial position of the used counterparties and the reporting of counterparty risk has been specified. Derivatives trading is regulated by the standardised ISDA contracts made with the counterparties.

The Group's accounts receivables carry a counterparty risk that the Group may incur losses should the counterparty be unable to meet its commitments. Credit risk attached to accounts receivables is managed on the basis of the credit risk management policies approved by operative management. Accounts receivables performance is followed weekly by Corporate Credit Risk Management Team and reported monthly to Corporate Credit Committee and operative management. Credit quality of customers is assessed at regular intervals based on the customers' financial statements, payment behaviour, credit agencies and credit ratings agencies. Individual credit limits are reviewed at least annually. From time to time, as deemed necessary by management, Letters of Credits, bank and parent company guarantees and Credit insurance are used to mitigate credit risk. Credit limits are approved according to credit risk management policy with approval limits of varying values across the Group. The Corporate Credit Committee reviews and sets all major credit limits which are not supported by credit insurance and/or other insurance security.

Metsä Board implements regular impairment tests for customer accounts receivables. Credit loss impairment is booked when a customer enters legal bankruptcy, or becomes past due for more than 6 months (180 days) without a valid payment plan or other acceptable reasons. New credit loss provisions for the year were EUR 0.6 million. The portion of overdue client receivables of all accounts receivables is at the time of financial statements 12.5 per cent (10.7), of which 0.2 per cent (0.0) is overdue between 90–180 days and 0.7 per cent (0.8) over 180 days. The specification of doubtful receivables is in Notes no. 20.

The geographical structure of the accounts receivables is diversified and is reflecting the external sales structure presented in the Segment information. Ten largest sources of credit risk exist in Great Britain, Germany, Italy, Belgium, France, Sweden, Spain, the Netherlands, Russia and United States (68 per cent of total external receivables). The share of largest individual customer (individual companies or groups of companies under common ownership) credit risk exposure of Metsä Board at the end of 2012 represented 11 per cent (17) of total external accounts receivables. 34 per cent (43) of accounts receivables was owed

by ten largest customer groups (individual companies or groups of companies under common ownership).

At the end of 2012, there was no significant shortfall of credit insurance limits beyond usually policy deductibles and exclusions.

MANAGING THE CAPITAL

Terms capital and capital structure are used to describe investments made in the company by its owners and retained earnings (together equity) and debt capital (liabilities) as well as the relation between them. In managing its capital structure, the Group aims at maintaining an efficient capital structure that ensures the Group's operational conditions in financial and capital markets in all circumstances despite the fluctuations typical to the sector. The company has a credit rating for its long-term financing. Certain central target values, which correspond to standard requirements set by financing and capital markets, have been defined for the capital structure. No target level has been defined for the credit rating. The Group's capital structure is regularly assessed by the Group's Board of Directors and its Audit Committee.

The Group monitors the development of its capital structure through a key ratio that describes net gearing. The objective of the Group is to maintain its net gearing ratio at the maximum level of 100 per cent on average over the trade cycle.

The key ratios describing the capital structure and the capital amounts used for the calculation of the key ratios were on 31 December 2012 and 31 December 2011 the following:

EUR MILLION	2012	2011
NET GEARING RATIO. %	72	106
INTEREST-BEARING BORROWINGS	1,110.0	1,136.7
./. LIQUID FUNDS	428.5	305.0
./. INTEREST-BEARING RECEIVABLES	56.4	48.6
	625.2	783.1
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY	861.3	731.7
+ NON-CONTROLLING INTEREST	5.5	5.1
	866.8	736.8

In Group's certain financial contracts financial covenants have been set regarding financial performance and capital structure. Other covenants in the Group's loan agreements are customary terms and conditions including for example a negative pledge, restrictions on major asset disposals, limitations on subsidiary indebtedness, restrictions on changes of business and mandatory prepayment obligations upon a change of control of the Group. The Group has been in compliance with its covenants during the accounting periods 2012 and 2011.

In case the company could not meet its obligations as defined in financial contracts and in order to avoid a breach of contract that could have an adverse effect on the company's financial position, it would need to renegotiate its financial arrangements, payback its loans or get its debtors to give up their claims to meet these obligations.

HEDGING OF FOREIGN EXCHANGE TRANSACTION EXPOSURE 31 DECEMBER 2012

ANNUAL TRANSACTION EXPOSURE

	USD	GBP	SEK	NOK	DKK	AUD	OTHER LONG	OTHER SHORT	2012 TOTAL	2011 TOTAL
TRANSACTION EXPOSURE, NET (MILL. CURRENCY UNITS)	403	166	-3,160	98	123	12				
TRANSACTION EXPOSURE, NET (EUR MILLION)	305	203	-368	13	17	9	12	0	927	1,146
TRANSACTION EXPOSURE HEDGING (EUR MILLION)	-128	-70	153	-4	-7	-4	-6	0	-371	-458
HEDGING AT THE END OF THE YEAR (MONTHS)	5.0	4.1	5.0	4.0	5.0	5.1	5.7		4.8	4.8
AVERAGE HEDGING IN 2012 (MONTHS)	4.8	4.6	4.6	3.9	4.4	6.5	5.3		4.7	4.9

HEDGING OF NET INVESTMENTS IN A FOREIGN ENTITY 31 DECEMBER 2012

EQUITY EXPOSURE

	GBP	SEK	OTHER	2012 TOTAL	2011 TOTAL
EQUITY EXPOSURE (MILL. CURRENCY UNITS)	8	2,787			
EQUITY EXPOSURE (EUR MILLION)	10	325	8	342	341
EQUITY HEDGING (EUR MILLION)	-10	0	0	-10	-11
HEDGING AT THE END OF THE YEAR (%)	100	0	0	3	3
AVERAGE HEDGING IN 2012 (%)	101	0	0	3	24

INTEREST RATE RISK/DURATION AND RE-PRICING STRUCTURE OF LOANS (INCL. INTEREST RATE DERIVATIVES)

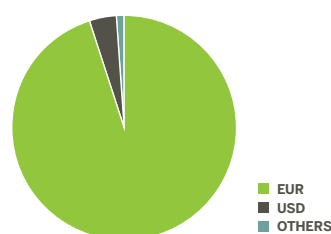
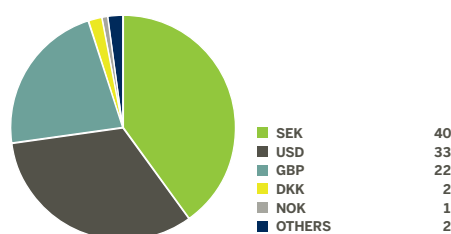
31 DEC 2012											31 DEC 2011			
LOAN AMOUNT (EUR MILLION)	DURATION (MONTHS)	AVERAGE INTEREST RATE (%)	INTEREST RATE SENSITIVITY ¹⁾ (EUR MILLION)	RE-PRICING STRUCTURE OF INTEREST RATES OF LOANS							LOAN AMOUNT (EUR MILLION)	DURATION (MONTHS)	AVERAGE INTEREST RATE (%)	INTEREST RATE SENSITIVITY ¹⁾ (EUR MILLION)
				1-4/2013	5-8/2013	9-12/2013	2014	2015	2016	-->2016				
1,110	9.9	4.6	2.4	758	23	19	162	9	108	31	1,137	14.5	6.1	1.9

¹⁾ INTEREST RATE SENSITIVITY IS AN ESTIMATE OF THE EFFECT OF AN INTEREST RATE CHANGE OF ONE PER CENT IN ONE DIRECTION ON NET INTEREST COST BASED ON YEAR END EXPOSURE.

HEDGING OF ELECTRICITY PRICE RISK EXPOSURE

	31 DEC 2012	31 DEC 2011
	GWH	GWH
ELECTRICITY EXPOSURE, NET 2013	1,130	869
ELECTRICITY HEDGING 2013	803	706
HEDGING AT THE END OF THE YEAR (%)	71	81

Electricity price risk is hedged based on defined risk management policy on a time horizon of four years either by physical contracts or by financial contracts. The table is applying only to the hedging of electricity price risk of the following year. The net electricity exposure has been calculated by taking into account the own and associated companies' electricity production.

CURRENCY BREAKDOWN FOR LOANS: %

FOREIGN CURRENCY BREAKDOWN FOR CURRENCY EXPOSURE: %


MARKET RISK SENSITIVITY AT 31 DECEMBER 2012	31 DEC 2012	IMPACT ON EQUITY EXPOSURE AND ANNUAL TRANSACTION EXPOSURE 31 DEC 2012			
EUR MILLION	IMPACT ON FINANCIAL ASSETS AND LIABILITIES	IMPACT ON NET EQUITY OF FOREIGN ENTITIES	IMPACT ON NET EQUITY OF FOREIGN ENTITIES INCL. HEDGING	IMPACT ON ANNUAL TRANSACTION EXPOSURE (CASH FLOW)	IMPACT ON ANNUAL TRANSACTION EXPOSURE (CASH FLOW) INCL. HEDGING
INTEREST RATE RISK (100 BP RISE IN INTEREST RATES)					
EFFECT ON PROFIT	1.2			-2.4	2.8
EFFECT ON OTHER CHANGE IN EQUITY	3.9				
COMMODITY RISK (ELECTRICITY PRICE + 20%)					
EFFECT ON PROFIT				-7.7	4.2
EFFECT ON OTHER CHANGE IN EQUITY	11.9				
FX RISK (USD - 10%)					
EFFECT ON PROFIT	1.4			-30.5	-17.5
EFFECT ON OTHER CHANGE IN EQUITY	7.0	0.0	0.0		
FX RISK (GBP - 10%)					
EFFECT ON PROFIT	-2.0			-20.3	-13.3
EFFECT ON OTHER CHANGE IN EQUITY	6.8	-1.0	0.0		
FX RISK (SEK - 10%)					
EFFECT ON PROFIT	0.3			36.8	21.5
EFFECT ON OTHER CHANGE IN EQUITY	-9.8	-32.5	-32.5		

MARKET RISK SENSITIVITY AT 31 DECEMBER 2011	31 DEC 2011	IMPACT ON EQUITY EXPOSURE AND ANNUAL TRANSACTION EXPOSURE 31 DEC 2011			
EUR MILLION	IMPACT ON FINANCIAL ASSETS AND LIABILITIES	IMPACT ON NET EQUITY OF FOREIGN ENTITIES	IMPACT ON NET EQUITY OF FOREIGN ENTITIES INCL. HEDGING	IMPACT ON ANNUAL TRANSACTION EXPOSURE (CASH FLOW)	IMPACT ON ANNUAL TRANSACTION EXPOSURE (CASH FLOW) INCL. HEDGING
INTEREST RATE RISK (100 BP RISE IN INTEREST RATES)					
EFFECT ON PROFIT	3.6			-1.9	6.3
EFFECT ON OTHER CHANGE IN EQUITY	4.6				
COMMODITY RISK (ELECTRICITY PRICE + 20%)					
EFFECT ON PROFIT	0.5			-4.3	1.1
EFFECT ON OTHER CHANGE IN EQUITY	4.9				
FX RISK (USD - 10%)					
EFFECT ON PROFIT	1.3			-41.0	-26.3
EFFECT ON OTHER CHANGE IN EQUITY	7.4	0.0	0.0		
FX RISK (GBP - 10%)					
EFFECT ON PROFIT	-0.8			-25.7	-12.8
EFFECT ON OTHER CHANGE IN EQUITY	8.0	-1.1	0.0		
FX RISK (SEK - 10%)					
EFFECT ON PROFIT	-0.9			40.3	25.3
EFFECT ON OTHER CHANGE IN EQUITY	-9.7	-31.6	-31.6		

ITEMS WITH + SIGN = POSITIVE EFFECT = INCREASE OF ASSETS / DECREASE OF LIABILITIES / INCREASE OF CASH FLOW
ITEMS WITH - SIGN = NEGATIVE EFFECT = DECREASE OF ASSETS / INCREASE OF LIABILITIES / DECREASE OF CASH FLOW

IFRS 7 requires an entity to disclose a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date. The Group has recognized interest rates, electricity prices and foreign exchange rates as its key market risks and has set 1 per cent interest rate rise, 20 per cent rise in electricity price and 10 per cent weakening of USD, GBP and SEK as reasonably possible risk variables. These currencies represent nearly 80 per cent of Group's annual transaction exposure. The nature of the market price risk is relatively linear so that the size of effects of opposite market price changes do not essentially differ from the presented figures. The scenarios have been calculated by using regular principles of calculating market values of financial instruments described in the Group Accounting policies. Figures at the reporting date reflect quite well the average market risk conditions throughout the reporting period.

Additionally the Group is presenting figures describing the effects of the risk variables to its equity exposure and annual transaction exposure (cash flow) to present a broader picture about market risks of interest rates, electricity prices and foreign exchange rates. Annual cash flows are based on estimates, but not existing commercial contracts. The weakening of USD and GBP has a negative impact on annual cash flow and the weakening of SEK has a positive impact. Hedges reduce this impact depending on hedging strategy. The rise of electricity price has a negative impact on cash flow. As according to hedging policy the electricity price risk of the nearest year has mostly been hedged, the impact including hedges remains minor. When the cash flow of the nearest year and all electricity hedges have been taken into account, the calculatory impact is slightly positive.

4 Segment information

The Corporate Management Team is the chief operating decision-maker. The Corporate Management Team has determined that the operating segments are based on the reports used by the management team in strategic decision-making. The Corporate Management Team monitors the business operations based on business areas. The sales of the reportable operating segments are mainly generated by sales of board and paper and pulp.

The accounting principles for the segment information are equal to those of the Group. All sales and other transactions between segments are based on market prices and eliminated in consolidation.

The reported result for the operating segments is operating result (result before financial items). Operating segments' assets and liabilities are capital items directly used by the segments in their business operations or items that based on reasonable basis can be allocated to the segments. The goodwill arising from business combination has been allocated to the operating segments based on the expected synergies from the combinations. Operating profit, assets and liabilities of pulp mills as well as share of profit in associated companies and net assets of Metsä Fibre have been allocated to operating segments based on purchases of pulp. Unallocated capital items consist of tax and financial items and other common group items. Investments consist of additions of tangible and intangible assets used over a longer period than one year and acquisition of shares.

REPORTABLE SEGMENTS

Paperboard

Paper and Pulp

Other operations

The Group has not aggregated operating segments when identifying the reportable segments. Segment sales from external customers by geographical area are based on the geographical location of the customer and segment assets and capital expenditure by geographical location of the assets.

Paperboard segment is an innovative supplier of high performance paperboards and related packaging services. The business area serves carton printers, converters, brand owners and merchants for end-uses such as beautycare, cigarettes, consumer durables, foods, healthcare, graphics and wallcoverings.

Paper and Pulp segment is a large European office paper and coated paper producer. It produces, markets and sells premium uncoated fine papers to companies, offices and paper merchants. Coated papers are sold to Sappi according to a long-term contract. Paper and Pulp's products are used for printing and copying, as well as for forms, envelopes, manuals and various business communications. Paper and Pulp segment also includes external sales of chemical pulp and BCTMP.

Paperboard business area includes the Kemi, Kyro, Simpele, Tako and Äänekoski board mills, Kyro wallpaper base machine and Joutseno BCTMP mill located in Finland as well as Gohrsmühle mill in Germany. Paper and Pulp business area includes Husum paper and pulp mill in Sweden, Alizay mill in France and Kaskinen BCTMP mill in Finland. The negotiations with employees on shutting down the Alizay mill and the discontinuation of the unprofitable operations of the Gohrsmühle mill were completed in March 2012.

Other operations include Head Office, Sales net-operation, Group IT services and hedge accounting of sales revenue and energy sales from the pulp mills or through Metsä Board energy holdings.

SALES BY OPERATING SEGMENT

EUR MILLION	2012			2011		
	EXTERNAL	INTERNAL	TOTAL	EXTERNAL	INTERNAL	TOTAL
PAPERBOARD	1,122.5	0.1	1,122.6	1,265.7	28.4	1,294.1
PAPER AND PULP	907.0	0.0	907.0	1,131.6	0.4	1,132.0
OTHER OPERATIONS	78.1	285.5	363.6	88.0	276.4	365.4
ELIMINATION OF INTER-SEGMENT SALES		-285.6	-285.6		-305.2	-305.2
TOTAL	2,107.6		2,107.6	2,485.3		2,485.3



**OPERATING RESULT AND RETURN ON CAPITAL
EMPLOYED BY OPERATING SEGMENT**

EUR MILLION	2012			2011		
	OPERATING RESULT	EXCL. NON- RECURRING ITEMS	RETURN ON CAPITAL EMPLOYED, %	OPERATING RESULT	EXCL. NON- RECURRING ITEMS	RETURN ON CAPITAL EMPLOYED, %
PAPERBOARD	111.0	105.7	16.8	30.0	114.1	4.2
PAPER AND PULP	-3.3	-5.8	-0.5	-237.4	-39.3	-32.5
OTHER OPERATIONS	-112.1	-26.3		-6.7	-15.4	
CONTINUING OPERATIONS, TOTAL	219.8	73.6	12.3	-214.1	59.4	-9.9
SHARE OF RESULTS FROM ASSOCIATED COMPANIES	0.0			-6.8	0.9	
FINANCE COSTS, NET	-44.1			-60.0		
INCOME TAXES	-2.7			7.8		
RESULT FOR THE PERIOD	173.0			-273.1		

NON-RECURRING ITEMS IN OPERATING RESULT IN 2012

EUR MILLION	PAPERBOARD	PAPER AND PULP	OTHER OPERATIONS	TOTAL
PROFIT ON SALE OF FIXED ASSETS IN OTHER OPERATING INCOME			149.5	149.5
CHANGE IN INVENTORIES	-0.9			-0.9
EMPLOYEE COSTS	8.1	-12.0	-1.1	-5.0
OTHER OPERATING EXPENSES	-2.2	3.7	-10.3	-8.8
SHARE OF PROFIT FROM ASSOCIATED COMPANIES	0.5	0.1		0.6
IMPAIRMENT CHARGES AND REVERSE OF IMPAIRMENT CHARGES	-0.2	10.7	0.3	10.8
TOTAL	5.3	2.5	138.4	146.2

In 2012 non-recurring items in operating result totalled to EUR +146.2 million.

Operating result for 2012 includes in the Paperboard business area EUR +5.7 million non-recurring items related to restructuring of production at the Gohrsmühle mill reversal of provision made earlier and other items. Also EUR -0.4 million of other items were recognised.

Operating result for 2012 includes in the Paper and Pulp business area EUR +2.5 million non-recurring items. The most significant was EUR 10.7 million reverse of impairment charges related to reclassification of Alizay mill in France according to IFRS 5, Non-Current assets held for sale and discontinued operations. Personnel provision was increased by EUR 7.0 million and other provision was reversed by EUR 7.0 million net related to the closure of the Alizay paper mill. EUR 4.7 million restructuring provision related to the streamline programme at the Husum mill. In addition EUR 1.7 million provision in

the French sales company related to personnel reductions as well as EUR 1.7 million in additional cost provisions related to the plans to close unprofitable operations at Reflex.

Other operations include EUR +149.5 million profit on sale, of which the most significant were EUR 84.6 million profit related to the sale of a 7.3 percentage point share in Metsä Fibre to Itochu Corporation and EUR 58.6 million profit related to the sale of 0.5 percentage point share in Pohjolan Voima to Metsä Fibre as well as EUR 5.4 million profit related to property sales in Finland.

Other operations includes also a EUR 8.0 million cost provisions related to soil contamination clean-up at Niemenranta in Tampere and EUR 3.5 million provision related to industrial area soil contamination clean-up in Nurmes. EUR 1.5 million cost provision reversal related to logistics agreements and the sale of Graphic Papers business.

NON-RECURRING ITEMS IN OPERATING RESULT IN 2011

EUR MILLION	PAPERBOARD	PAPER AND PULP	OTHER OPERATIONS	TOTAL
PROFIT ON SALE IN OTHER OPERATING INCOME	0.1		10.6	10.7
CHANGE IN INVENTORIES	-2.4	-16.5		-18.9
EMPLOYEE COSTS	-47.9	-74.8	-0.7	-123.4
OTHER OPERATING EXPENSES	-7.1	-61.2	-0.9	-69.2
SHARE OF PROFIT FROM ASSOCIATED COMPANIES	-0.9	-0.3		-1.2
IMPAIRMENT CHARGES AND REVERSE OF IMPAIRMENT CHARGES	-25.9	-45.3	-0.3	-71.5
TOTAL	-84.1	-198.1	8.7	-273.5

In 2011 non-recurring items in operating result totalled to EUR -273.5 million. The most significant were as follows:

In Paperboard EUR 26.4 million related to restructuring at Äänekoski mill was recognised. This included EUR 10.8 million provision related to employee costs, EUR 12.2 million impairments and the cost of inventories recognized as expense to lower the carrying amount to equal the net realizable value was EUR 2.4 million.

EUR 57.7 million related to plans to discontinue the unprofitable operations at Gohrsmühle. This included EUR 37.2 million provision related to employee costs, EUR 13.7 million impairments and EUR 6.8 other provisions.

In Paper and Pulp EUR 113.7 million was recognised related to the shut-down of Alizay Paper mill. This included EUR 57.9 million provision related to employee costs, the cost of inventories recognized as expense to lower the carrying amount to equal the net realizable value was EUR 11.8 million, EUR 7.7

million impairments and other provisions totalling EUR 36.3 million, including a EUR 15.0 million environmental provision.

EUR 31.1 million related to plans to discontinue the unprofitable operations at Reflex mills was recognized. This included EUR 16.9 million provision related to employee costs, the cost of inventories recognized as expense to lower the carrying amount to equal the net realizable value was EUR 4.7 million, EUR 1.1 million impairments and EUR 8.4 million other provisions. EUR 53.3 million connected to the divestment of M-real Hallein, of which EUR 36.5 million impairments and EUR 16.6 million other costs.

In Other operations EUR 10.6 million profit on sales of property in Finland was recognized.

Share of profit from associated companies after operating profit included in 2011 EUR 4.3 million impairment loss related to disposal of Myllykoski Paper and EUR 3.4 million related to other associated companies in China and Hungary.

ASSETS, LIABILITIES AND GOODWILL BY OPERATING SEGMENT

EUR MILLION	ASSETS		LIABILITIES		GOODWILL	
	2012	2011	2012	2011	2012	2011
PAPERBOARD	919.8	965.5	269.8	288.8	5.0	5.0
PAPER AND PULP	803.5	868.4	152.0	251.5	7.7	7.7
OTHER OPERATIONS	448.7	539.7	140.3	181.6		
ELIMINATION	-93.1	-74.1	-93.1	-74.1		
UNALLOCATED	500.6	388.9	1,243.7	1,303.8		
TOTAL	2,579.5	2,688.4	1,712.7	1,951.6	12.7	12.7

CAPITAL EXPENDITURE, DEPRECIATION AND IMPAIRMENT CHARGES BY OPERATING SEGMENT

EUR MILLION	CAPITAL EXPENDITURE		DEPRECIATION		IMPAIRMENT CHARGES	
	2012	2011	2012	2011	2012	2011
PAPERBOARD	43.0	66.8	51.3	58.2	0.2	25.9
PAPER AND PULP	17.1	22.6	54.4	56.7	-10.7	45.3
OTHER OPERATIONS	6.0	6.0	5.4	4.4	-0.3	0.3
TOTAL	66.1	95.4	111.1	119.3	-10.8	71.5

Segment assets include goodwill, other intangible assets, tangible assets, investments in associated companies, inventories, accounts receivables and prepayments and accrued income (excl. interest and income tax items) Segment liabilities include non-interest-bearing liabilities (excl. interest and income tax items).

Capital employed is segment assets less segment liabilities. The formula for calculation of return on capital employed: Segment: Operating result/Capital employed (average) *100. Group: Profit from continuing operations before tax + interest expenses, net exchange gains/losses and other financial expenses/ Total assets ./ non-interest-bearing liabilities (average)*100.



The following table presents information of sales, assets and investments by geographical areas.

GEOGRAPHICAL AREAS

EUR MILLION	EXTERNAL SALES BY LOCATION OF CUSTOMER		TOTAL NON-CURRENT ASSETS BY COUNTRY		CAPITAL EXPENDITURE BY COUNTRY	
	2012	2011	2012	2011	2012	2011
GERMANY	280.0	377.4	41.6	43.2	5.1	1.3
GREAT BRITAIN	218.7	245.5	5.0	3.8		0.0
FINLAND	193.7	225.8	1,015.6	1,174.8	47.2	71.6
SWEDEN	122.2	96.3	343.5	349.5	13.7	20.4
ITALY	118.9	137.4				
RUSSIA	109.9	89.6	0.0	0.1		0.2
FRANCE	102.1	133.5	1.0	11.3		1.2
THE NETHERLANDS	70.3	96.7		0.0		
AUSTRIA	68.8	69.1				0.5
POLAND	62.1	64.8				
BELGIUM	45.8	135.7		0.2		0.1
SPAIN	44.9	58.4				
SWITZERLAND	34.5	49.0	0.0	0.1		
OTHER EUROPE	158.6	203.7	0.4	0.1	0.1	
USA	113.3	104.2	0.1	0.0		
ASIA	269.2	300.0	0.3	0.5		0.1
OTHER COUNTRIES	94.6	98.2				
TOTAL	2,107.6	2,485.3	1,407.5	1,583.6	66.1	95.4

Non-current assets include other assets but financial instruments and deferred tax assets.

PERSONNEL

AT YEAR END BY COUNTRY	2012	2011
FINLAND	1,536	1,648
SWEDEN	887	888
GERMANY	577	966
CHINA	63	73
FRANCE	47	322
GREAT BRITAIN	38	43
OTHER COUNTRIES	131	130
GROUP TOTAL	3,279	4,070

PERSONNEL

BY BUSINESS SEGMENT, AVERAGE	2012	2011
PAPERBOARD	1,923	2,182
PAPER AND PULP	1,066	1,656
OTHER OPERATIONS	563	590
GROUP TOTAL	3,552	4,428

Group's income from one customer exceeded to some EUR 353 million (531) or some 17 (21) per cent of total sales. All segments have sales from the customer.

5 Disposed and discontinued operations

There was no acquisitions in 2012 or 2011. Metsä Board disposed in February 2012 Metsä Board Reflex mill's Premium Paper business in Germany. No profit or loss was recognized. Cash flow effect was EUR -2.9 million. In September 2011 Group disposed M-real Hallein GmbH in Austria. The selling price was some EUR 32 million. The loss on sale was EUR 0.8 million.

METSÄ BOARD REFLEX MILL'S PREMIUM PAPER BUSINESS, DISPOSED ASSETS

EUR MILLION	2012
OTHER INTANGIBLE ASSETS	0.1
CASH AND CASH EQUIVALENTS	2.9
TOTAL ASSETS	3.0
PROVISIONS	1.8
POST EMPLOYMENT BENEFIT OBLIGATIONS	1.2
TOTAL LIABILITIES	3.0
NET ASSETS	0.0
SELLING PRICE	0.0
LOSS ON SALE	0.0
SELLING PRICE	0.0
CASH AND CASH EQUIVALENTS OF DISPOSED SUBSIDIARY	-2.9
PROCEEDS FROM DISPOSAL OF SUBSIDIARY SHARES, NET OF CASH	-2.9

Metsä Board has classified buildings and machinery of Alizay mill in France (EUR 20.4 million) according to IFRS 5, Non-Current assets held for sale and discontinued operations, as assets classified as held for sale. EUR 10.7 million reversal of earlier made impairment charges related to reclassification was recognized. Alizay do not have any liabilities classified as held for sale. Also paper machine in Simpele Paper was classified according to IFRS 5. EUR 0.2 million reversal of earlier made impairment charges related to reclassification was recognized.

ACQUISITION OF NON-CONTROLLING INTEREST

The group acquired 32 per cent additional share of BGE Eisenbahnverkehr GmbH. After acquisition group's holding is 72 per cent. Net assets of the company was at the of acquisition EUR -0.6 million. The share of non-controlling interests increased by EUR 0.2 million and retained earning decreased by EUR 0.3 million.

6 Other operating income

EUR MILLION	2012	2011
GAINS ON DISPOSAL	158.2	18.2
RENTAL INCOME	1.9	2.4
SERVICE REVENUE	10.6	9.6
GOVERNMENT GRANTS	5.3	11.6
OTHER ALLOWANCES AND SUBSIDIES	1.3	0.9
OTHER OPERATING INCOME	17.1	23.2
TOTAL	194.4	65.9

Profit on sale of EUR 58.6 million was recognized in April related to the sale of the 0.5 percentage point holding in Pohjolan Voima for EUR 63.8 million to Metsä Fibre. Profit on sale of EUR 84.6 million related to the sale of Metsä Fibre's the 7.3 percentage point holding to Itochu Corporation was recognized in May. The selling price was EUR 138.1 million. Profit on sale of some EUR 5.8 million related to property sales in Finland some EUR 8.0 million related to electricity certificates disposed by Metsä Board Sverige.

The most significant gains on disposals were the EUR 10.6 million gain on sales of property in Finland and some EUR 4.6 million related to electricity certificates disposed by Metsä Board Sverige.

7 Operating expenses

EUR MILLION	2012	2011
CHANGE IN STOCKS OF FINISHED GOODS AND WORK IN PROGRESS	-5.0	-16.1
MATERIALS AND SERVICES		
RAW MATERIALS AND CONSUMABLES		
PURCHASES DURING THE PERIOD	1,255.7	1,601.3
CHANGE IN INVENTORIES	7.5	20.3
EXTERNAL SERVICES		
LOGISTICS EXPENSES	233.5	249.8
OTHER EXTERNAL SERVICES	64.2	68.3
	1,560.9	1,939.7
EMPLOYEE COSTS		
WAGES AND SALARIES	155.9	292.1
SHARE-BASED PAYMENTS (NOTE 35)	0.3	0.3
INDIRECT EMPLOYEE COSTS		
PENSION COSTS		
DEFINED BENEFIT PLANS	2.1	5.4
DEFINED CONTRIBUTION PLANS	19.1	17.7
OTHER INDIRECT EMPLOYEE COSTS	73.0	102.7
	94.2	125.8
EMPLOYEE COSTS, TOTAL	250.4	418.2
OTHER OPERATING EXPENSES		
RENTS	8.4	11.2
PURCHASED SERVICES	95.2	97.2
OTHER OPERATING EXPENSES	91.2	151.5
TOTAL	194.8	259.9



External services include production related services and logistics expenses of sold products. Other operating expenses include among others other than production related services, energy costs, real estate costs and administration costs. Plans to discontinue the unprofitable operations of the Gohrmühle and Reflex mills, plans to shut down the Alizay paper mill and the restructuring measures at the Äänekoski mill, including the shutdown of paper machine 2 increased employee costs and other operating expenses in 2011.

The research and development expenditure in continuing operations during the financial period 2012 were EUR 5.1 million and in 2011 EUR 4.9 million.

PRINCIPAL AUDITORS FEES AND SERVICES

The independent auditor in 2012 was KPMG Oy and in 2011 PricewaterhouseCoopers Oy. The fees paid to indepent principal auditor are shown in the table below. The audit fees are paid for the audit of the annual and quarterly financial statements for the group reporting purposes as well as the audit of the local statutory financial statements. Tax consultancy fees are the fees paid for tax consultancy services and the like.

PRINCIPAL AUDITORS FEES

EUR MILLION	2012	2011
	KPMG	PWC
AUDIT FEES	0.5	0.7
TAX CONSULTING FEES	0.0	0.2
OTHER FEES	0.0	0.3
TOTAL	0.5	1.2

In 2012 fees paid to other auditors than KPMG were EUR 0.04 million. In 2011 fees paid to other auditor than PricewaterhouseCoopers Oy were EUR 0.1 million.

THE REMUNERATION PAID TO KEY MANAGEMENT

	2012	2011
WAGES AND SALARIES	2,519,171.93	3,242,253.19
SHARE-BASED PAYMENTS	0.00	250,686.00
PENSION COSTS	630,613.32	731,245.53
TOTAL	3,149,785.25	4,224,184.72

The remuneration paid to the members of the Board of Directors of the parent company and shareholding.

	SHAREHOLDING	2012 EUR	2011 EUR
KARI JORDAN CHAIRMAN	31,696	87,726.59	88,611.97
MARTTI ASUNTA VICE CHAIRMAN	42,824	74,625.25	76,015.96
MIKAEL AMINOFF	42,977	74,080.27	61,303.18
KIRSI KOMI	30,282	57,648.10	62,303.18
KAI KORHONEN	140,597	55,855.16	62,803.18
LIISA LEINO	117,597	55,337.98	60,803.18
JUHA NIEMELÄ	117,597	61,894.85	62,303.18
ANTTI TANSKANEN	117,597	63,711.65	62,303.18
ERKKI VARIS	75,682	67,412.78	61,803.18
TOTAL	716,849	598,292.63	598,250.19

The Annual meeting 2012 decided that, one half of the remuneration to be paid in cash while the other half to be paid in the Company's B-series shares to be acquired from the stock between 1 and 30 April 2012.

Remuneration of Board of Directors consists of fixed monthly salary, merit pay based on responsibilities effect on profit, pension benefits, CEO's share based incentive scheme and shareholding programme for Board of Directors.

The monthly salary of CEO Mikko Helander is EUR 41,685. The salary includes car and mobile shone benefits. In 2012 CEO Mikko Helander's salary including benefits was EUR 521,779 (2011: EUR 509,002). In addition, the Board may, in accordance with the managing director's service contract, decide that the CEO receives bonus pay based on his overall performance and corresponding to his six-month salary. The bonus pay in 2012 was EUR 48,538 (79,310).

The members of Corporate Management Team are entitled to bonus pay corresponding to a maximum of their respective six-month salaries. The bonus pay is defined and decided by the Board and was in the financial years 2011 and 2012 based on the Company's and its business areas' operating results development. Salaries and emoluments including benefits paid to Corporate Management Team were EUR 1,759,272 (2011: EUR 2,077,007), bonuses EUR 161,607 (566,966) and share-based incentive EUR 0 (250,686). Share based incentive schemes and the shareholding programme for key personnel are presented in Note 35.

Chairman of the Board Kari Jordan and CEO Mikko Helander are taking part in the shareholding system of Metsä Group's Executive Management Team (Note 35). The number of Metsä Board's B-shares allocated via Metsäliitto Management Oy to Chairman of the Board Kari Jordan is 1,763,867 and to CEO Mikko Helander is 881,933. Other members of the Corporate Management team own 42,752 Metsä Board's shares.

The CEO's mutual term of notice is six months. When the service contract of the CEO is terminated by the Board, the CEO is entitled to receive discharge compensation equal to his 18-month salary. In addition, in case the Company or its business is divested, the CEO is entitled to resing from his assignment against discharge compensation equal to his 24-month salary. The period of notice for other members of Corporate Management Team is six months. For other members of Corporate Management Team, the period of additional severance compensation varies from six to eighteen months in case of severance due to other reasons than member related.

The CEO of the parent company has the right to retire on a pension at the age of 62 years. The Company has commissioned an extra pension insurance policy for the CEO, covering the period between the contractual and statutory retirement age of 63 years and entitling the CEO to receive pension compensation equal to 60 per cent of his salary at the time of retirement calculating in accordance with Finnish pension laws. In case the service relationship of the CEO is terminated prior retirement, the CEO is entitled to a free policy. Excluding the CEO, Corporate Management Team members have no extraordinary pension arrangements which could deviate from applicable pension legislation. According to Finnish pension legislation, a person has the option to retire between the ages of 63 to 68.

The expenses of the Corporate Management Team member's defined benefit pension plans were EUR 0.3 million (2011 EUR 0.3 million) and the expenses of their defined contribution plans were EUR 0.3 million (EUR 0.4 million). The Group has no off balance-sheet pension liabilities on behalf of management.

The parent company has no commitments on behalf of persons belonging to the above-mentioned bodies or those who have previously belonged to them. At 31 December 2012, the Company's CEO or the members of the Board had no loans outstanding from the Company or its subsidiaries.

8 Depreciation, amortization and impairment charges

EUR MILLION	2012	2011
DEPRECIATION AND AMORTIZATION		
OTHER INTANGIBLE ASSETS	3.7	5.6
BUILDINGS	12.3	16.8
MACHINERY AND EQUIPMENT	92.9	94.2
OTHER TANGIBLE ASSETS	2.2	2.7
TOTAL	111.1	119.3
IMPAIRMENT CHARGES		
OTHER INTANGIBLE ASSETS	0.2	0.3
LAND AND WATER AREAS		1.1
BUILDINGS	-7.6	37.5
MACHINERY AND EQUIPMENT	-3.4	27.3
OTHER TANGIBLE ASSETS		5.3
TOTAL	-10.8	71.5
DEPRECIATION AMORTIZATION AND IMPAIRMENT CHARGES, TOTAL	100.3	190.9
IMPAIRMENTS AND REVERSE OF IMPAIRMENTS BY SEGMENT		
PAPERBOARD	0.2	25.9
PAPER AND PULP	-10.7	45.3
OTHER OPERATIONS	-0.3	0.3
TOTAL	-10.8	71.5

Depreciation, amortization and impairment charges for the period include EUR 10.7 million reversal of earlier made impairment charges related to reclassification made in Alizay mill in France in Paper and Pulp according to IFRS 5, Non-Current assets held for sale and discontinued operations. Depreciation, amortization and impairment charges in 2011 included EUR 12.2 million impairments made in Paperboard business area related to the restructuring at Äänekoski mill including the closure of the paper machine 2, and EUR 13.7 million related to the planned discontinuation of the unprofitable production at Gohrsmühle mill. EUR 7.7 million in Papers and Pulp related to the planned closure of the Alizay mill, EUR 1.1 million related to the planned discontinuation of the unprofitable production at Reflex mill and EUR 36.5 million related to M-real Hallein's disposal.

IMPAIRMENT OF ASSETS

Metsä Board carries out a full impairment test at least once a year, during the last quarter based on the situation of 30 September. In addition, a sensitivity analysis is made each quarter. Should the sensitivity analysis indicate impairment, a full test will be initiated. The Audit Committee reviews the sensitivity analyses or impairment testing results quarterly.

TESTING PRINCIPLES

The carrying amounts of assets or cash-generating units (CGU) are evaluated for possible impairment. Cash generating units are operating segments or smaller units to which a recoverable amount can be defined to. In 2012 the cash-generating units are the same as in 2011 testing, except for Alizay. If there are indications of impairment of an asset item or cash-generating unit, or if the unit's carrying amount includes or it has been allocated goodwill, the recoverable amount of the asset or cash-generating unit is measured. The recoverable amount of the asset or cash-generating unit is the value in use based on the future cash flows, or fair value less cost to sell. In 2012 testing all recoverable amounts are based on value in use of cash-generating units.

The recoverable cash flows for the cash-generating units under testing are based on five-year forecasts and the evenly-growing cash flows that follows them.

The key testing assumptions are Metsä Board management's estimates and projections as well as third party forecasts. The key factors affecting the projections are development of average paper and board prices, delivery volumes, foreign exchange rates, and capacity utilisation rates, cost development of key raw materials such as wood, pulp, chemicals and energy, the development of personnel costs and other fixed costs as well as the discount rate. The key factors are similar to those used in 2011 testing.

Metsä Board's share of Metsä Fibre's recoverable amount, carrying amount and goodwill included in "Investments in associated companies" (EUR 45.2 million) are allocated to cash-generating units in the proportion of their pulp purchases.

For the situation on 30 September 2012 and for previous goodwill impairment tests the cash flows consequent to the 5-year projected cash flows are based on a 2 per cent fixed annual growth rate. Average values for the key assumptions (price, volume, variable costs) during the projection period have been used as initial point for the cash flows following the forecast period. The fixed costs are based on the projected costs for the fifth year.

The discount rate used is Metsä Board's Weighted Average Cost of Capital (WACC). When calculating WACC the cost of debt takes into account market based view on Metsä Board's risk premium.

Both the cash flows and the discount rate are calculated after tax, which means that the established discounted cash flows and value in use are before tax as set out in IAS 36. For testing carried out concerning situation 30 September 2012, the WACC after taxes was 5.88 per cent (2011: 6.55%) and for Metsä Fibre 4.41 per cent (5.22%).

Management's view is that the risk factors regarding future cash flows do not differ materially from one cash-generating unit to another.

The goodwill impairment test results are evaluated by comparing the recoverable amount (V) with the carrying amounts of the cash-generating units (B) as follows:

RATIO			
V		<	B
V	0–5%	>	B
V	5–10%	>	B
V	10–15%	>	B
V	15–20%	>	B
V	20–50%	>	B
V	50%	>	B

The most important cash-generating units of Metsä Board Group, the goodwill allocated to them as of 31 December 2012 as well as their testing result as of 30 September 2012:

CASH GENERATING UNIT	GOODWILL (EUR MILLION)	TEST RESULT (V-B)/B
FOLDING BOXBOARD ¹⁾	20.8	OVER 50%
LINERBOARD ¹⁾	17.3	OVER 50%
KYRO PAPER ¹⁾	1.4	OVER 50%
HUSUM UNCOATED PAPERS	7.7	OVER 50%
HUSUM COATED PAPERS	0.0	0–5%
ZANDERS ¹⁾	0.6	5–10%
MARKET PULP ¹⁾	10.1	OVER 50%
METSÄ BOARD GROUP TOTAL	57.9	

¹⁾ THE AMOUNT INCLUDES THE GOODWILL FROM METSÄ BOARD'S HOLDING IN METSÄ FIBRE (EUR 45.2 MILLION), WHICH IS SHOWN IN "INVESTMENTS IN ASSOCIATED COMPANIES" IN THE BALANCE SHEET.



In the following CGUs a reasonably possible change in a key assumption results in a situation where the carrying amount of the CGU exceeds the recoverable amount. Assumptions to which the recoverable amount of the CGU is most sensitive are listed in the table. When considering the resulting effects of changes in other assumptions it was concluded that there are no correlations between assumptions that would materially change the result of the testing. The pricing of end products is mainly driven by the demand and supply balance, and that the cost base changes do not have a significant impact on product pricing.

CASH GENERATING UNIT (CGU)	(1) V – B ¹⁾	(2) KEY ASSUMPTION	(3) REQUIRED CHANGE IN ORDER FOR V TO EQUAL B
HUSUM COATED PAPERS	4.3	- WACC BASED ON INTEREST RATES AND RISK PREMIUMS AT THE TIME OF TESTING	- WACC 0.10%-UNITS HIGHER
ZANDERS	3.3	- WACC BASED ON INTEREST RATES AND RISK PREMIUMS AT THE TIME OF TESTING	- WACC 0.25%-UNITS HIGHER

¹⁾ EUR MILLION

9 Financial income and expenses

EUR MILLION	2012	2011
EXCHANGE DIFFERENCES		
COMMERCIAL ITEMS	6.0	4.5
HEDGING/HEDGE ACCOUNTING NOT APPLIED	-1.1	-1.1
THE INEFFECTIVENESS FROM HEDGES OF		
NET INVESTMENT IN FOREIGN OPERATIONS	-0.1	0.1
OTHER ITEMS	0.2	-0.5
EXCHANGE DIFFERENCES TOTAL	5.0	3.0
OTHER FINANCIAL INCOME		
INTEREST INCOME ON LOANS, OTHER RECEIVABLES AND CASH AND CASH EQUIVALENTS	11.6	11.2
DIVIDEND INCOME	5.8	0.8
	17.4	12.0
VALUATION OF FINANCIAL ASSETS AND LIABILITIES		
GAINS AND LOSSES ON FINANCIAL ASSETS OR LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (HELD FOR TRADING)	-0.1	
GAINS AND LOSSES ON DERIVATIVES/HEDGE ACCOUNTING NOT APPLIED	0.6	-2.1
GAINS AND LOSSES ON HEDGING INSTRUMENT IN FAIR VALUE HEDGES	17.6	-9.3
FAIR VALUE ADJUSTMENTS OF HEDGED ITEM IN FAIR VALUE HEDGES	-6.6	13.4
VALUATION TOTAL	11.5	2.0
INTEREST EXPENSES FROM FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST USING THE EFFECTIVE INTEREST METHOD	-72.7	-76.0
OTHER FINANCIAL EXPENSES	-5.3	-1.0
INTEREST AND OTHER FINANCIAL EXPENSES, TOTAL	-78.0	-77.0
VALUATION OF FINANCIAL ASSETS AND LIABILITIES AND INTEREST AND OTHER FINANCIAL EXPENSES, TOTAL	-66.5	-75.0

10 Income taxes

EUR MILLION	2012	2011
INCOME TAXES FOR THE FINANCIAL PERIOD	27.7	15.7
INCOME TAXES FROM PREVIOUS PERIODS	-0.1	-3.5
CHANGE IN DEFERRED TAXES	-25.0	-20.1
OTHER TAXES	0.1	0.1
TOTAL	2.7	-7.8

INCOME TAX RECONCILIATION

RESULT BEFORE TAXES	175.7	-280.9
COMPUTED TAX AT FINNISH STATUTORY RATE OF 24.5% (26%)	-43.0	-73.0
CHANGE IN SWEDISH STATUTORY RATE FROM 26.3% TO 22.0%	-9.7	
CHANGE IN FINNISH STATUTORY RATE FROM 26% TO 24.5%		-0.9
DIFFERENCE BETWEEN FINNISH AND FOREIGN RATES	-0.1	0.1
TAX EXEMPT INCOME	-21.1	-0.6
NON-DEDUCTIBLE EXPENSES	0.4	14.7
PREVIOUS YEARS TAX LOSSES USED DURING THE PERIOD	-8.4	-12.4
LOSSES FROM SUBSIDIARIES OF WHICH NO DEFERRED TAX ASSETS HAVE BEEN RECOGNIZED	5.9	81.3
SHARE OF PROFIT FROM ASSOCIATED COMPANIES	-7.2	-13.6
INCOME TAXES FROM PREVIOUS PERIODS	-0.1	-3.5
OTHER	0.0	0.1
INCOME TAX EXPENSE	2.7	-7.8
EFFECTIVE TAX RATE, %	1.5	2.8

The Swedish Parliament passed legislation on a corporate income tax rate change from 26.3 per cent to 22.0 per cent in November 2012. The change was effective from 1 January 2013. Deferred tax assets and liabilities as at 31 December 2012 concerning Sweden have been measured using the changed tax rate. The effect of changed tax rate was EUR 9.7 million.

The Finnish corporate income tax rate changed from 26 per cent to 24.5 per cent from 1 January 2012. Deferred tax assets and liabilities from 31 December 2011 on concerning Finland have been measured using the changed tax rate. The effect of changed tax rate was EUR 0.9 million.

The income tax relating to components of other comprehensive income is presented in the Note 11.

11 Other items of comprehensive income

2012			
EUR MILLION	RECORDED IN OTHER ITEMS OF COMPREHENSIVE INCOME	RECLASSIFI- CATION	TOTAL
CASH FLOW HEDGES			
CURRENCY FLOW HEDGES			
GAINS AND LOSSES RECORDED IN EQUITY	5.3		
TRANSFERRED TO ADJUST SALES		2.8	
INTEREST FLOW HEDGES			
GAINS AND LOSSES RECORDED IN EQUITY	-2.8		
TRANSFERRED TO ADJUST FINANCIAL ITEMS		0.0	
COMMODITY HEDGES			
GAINS AND LOSSES RECORDED IN EQUITY	-2.8		
TRANSFERRED TO ADJUST PURCHASES		0.7	
TOTAL	-0.3	3.5	3.2
AVAILABLE FOR SALE INVESTMENTS			
GAINS AND LOSSES OF FAIR VALUATION	-13.1		
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATED COMPANIES	-1.5		
TRANSFERRED TO OTHER OPERATING INCOME		-59.1	
TOTAL	-14.6	-59.1	-73.7
TRANSLATION DIFFERENCES	10.3		
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATED COMPANIES	0.4		
NET INVEST HEDGE	-0.3		
TOTAL	10.4		10.4
TOTAL	-4.5	-55.6	-60.1

TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME				2012
EUR MILLION	BEFORE TAXES	TAXES AFTER TAXES		
CASH FLOW HEDGES	3.2	-0.8	2.4	
AVAILABLE FOR SALE INVESTMENTS	-73.7	17.7	-56.0	
TRANSLATION DIFFERENCES	10.4	0.1	10.5	
TOTAL	-60.1	17.0	-43.1	

Available for sale investments after taxes EUR -56.0 million (21.7) include share of other comprehensive income of associated companies EUR -1.5 million (0.5) and translation differences after taxes EUR 10.5 million (2.2) EUR 0.4 million (1.3).

2011's tax impact includes the decrease of Finnish tax rate from 26 per cent to 24.5 per cent.

2011			
EUR MILLION	RECORDED IN OTHER ITEMS OF COMPREHENSIVE INCOME	RECLASSIFI- CATION	TOTAL
CASH FLOW HEDGES			
CURRENCY FLOW HEDGES			
GAINS AND LOSSES RECORDED IN EQUITY	-3.3		
TRANSFERRED TO ADJUST SALES		-6.1	
INTEREST FLOW HEDGES			
GAINS AND LOSSES RECORDED IN EQUITY	0.3		
TRANSFERRED TO ADJUST FINANCIAL ITEMS		-4.2	
COMMODITY HEDGES			
GAINS AND LOSSES RECORDED IN EQUITY	-8.9		
TRANSFERRED TO ADJUST PURCHASES		0.1	
TOTAL	-11.9	-10.2	-22.1
AVAILABLE FOR SALE INVESTMENTS			
GAINS AND LOSSES OF FAIR VALUATION	22.0		
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATED COMPANIES	0.5		
TRANSFERRED TO OTHER OPERATING INCOME			
TOTAL	22.5		22.5
TRANSLATION DIFFERENCES	1.9		
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATED COMPANIES	-0.3		
NET INVEST HEDGE	0.8		
TOTAL	2.4		2.4
TOTAL	13.0	-10.2	2.8

TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME				2011
EUR MILLION	BEFORE TAXES	TAXES AFTER TAXES		
CASH FLOW HEDGES	-22.1	5.3	-16.8	
AVAILABLE FOR SALE INVESTMENTS	22.5	-0.8	21.7	
TRANSLATION DIFFERENCES	2.4	-0.2	2.2	
TOTAL	2.8	4.3	7.1	

12 Earnings per share

	2012	2011
RESULT FOR THE PERIOD ATTRIBUTABLE TO SHARE- HOLDERS OF PARENT COMPANY, EUR MILLION	172.8	-273.2
ADJUSTED NUMBER OF SHARES (AVERAGE) IN THOUSANDS	328,166	328,166
BASIC AND DILUTED EARNINGS PER SHARE, EUR	0.53	-0.83



13 Intangible assets

EUR MILLION	GOODWILL	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS NOT YET IN USE	TOTAL
ACQUISITION COSTS, 1 JANUARY 2012	12.7	160.4		173.1
TRANSLATION DIFFERENCES		0.5		0.5
INCREASES		7.8	0.3	8.1
DECREASES		-0.5		-0.5
TRANSFERS BETWEEN ITEMS				
ACQUISITION COSTS, 31 DECEMBER 2012	12.7	168.2	0.3	181.2
ACCUMULATED AMORTIZATION AND IMPAIRMENT CHARGES, 1 JANUARY 2012		-146.1		-146.1
TRANSLATION DIFFERENCES		-0.3		-0.3
ACCUMULATED AMORTIZATION ON DEDUCTION AND TRANSFERS		-4.3		-4.3
AMORTIZATION FOR THE PERIOD		-3.7		-3.7
IMPAIRMENT CHARGES		-0.2		-0.2
ACCUMULATED AMORTIZATION AND IMPAIRMENT CHARGES, 31 DECEMBER 2012		-154.6		-154.6
BOOK VALUE, 1 JANUARY 2012	12.7	14.3		27.0
BOOK VALUE, 31 DECEMBER 2012	12.7	13.6	0.3	26.6
ACQUISITION COSTS, 1 JANUARY 2011	12.7	173.6		186.3
TRANSLATION DIFFERENCES		0.2		0.2
INCREASES		11.6		11.6
DECREASES		-25.0		-25.0
TRANSFERS BETWEEN ITEMS				
ACQUISITION COSTS, 31 DECEMBER 2011	12.7	160.4		173.1
ACCUMULATED AMORTIZATION AND IMPAIRMENT CHARGES, 1 JANUARY 2011		-147.6		-147.6
TRANSLATION DIFFERENCES		0.0		0.0
ACCUMULATED AMORTIZATION ON DEDUCTION AND TRANSFERS		7.5		7.5
AMORTIZATION FOR THE PERIOD		-5.6		-5.6
IMPAIRMENT CHARGES/AMORTIZATION FOR THE PERIOD		-0.4		-0.4
ACCUMULATED AMORTIZATION AND IMPAIRMENT CHARGES, 31 DECEMBER 2011		-146.1		-146.1
BOOK VALUE, 1 JANUARY 2011	12.7	26.0	0	38.7
BOOK VALUE, 31 DECEMBER 2011	12.7	14.3	0	27.0

The carrying value and fair value of emission allowances received by the governments free of charge included in intangible assets was on 31 December 2012 EUR 3.6 million (5.2). The value of initial recognition was EUR 4.8 million (10.3). Other intangible assets include among others computer software, patents and licenses. Metsä Board has not capitalized development expenditure.

14 Tangible assets

EUR MILLION	LAND AND WATER AREAS	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	CONSTRUCTION IN PROGRESS	TOTAL
ACQUISITION COSTS, 1 JANUARY 2012	23.6	765.4	3,755.3	80.5	22.0	4,646.8
TRANSLATION DIFFERENCES		5.3	44.9	1.0	0.1	51.3
INCREASES	0.2	5.8	32.5	0.3	22.2	61.0
DECREASES	-0.3	-1.1	-11.2	-0.2		-12.8
TRANSFERS BETWEEN ITEMS		0.4	17.5	2.4	-20.3	0.0
ASSETS CLASSIFIED AS HELD FOR SALE	0.0	-50.0	-523.7	-2.5	0.0	-576.2
ACQUISITION COSTS, 31 DECEMBER 2012	23.5	725.8	3,315.3	81.5	24.0	4,170.1
ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES, 1 JANUARY 2012	-2.2	-599.1	-3,038.6	-65.8		-3,705.7
TRANSLATION DIFFERENCES		-4.3	-33.9	-0.7		-38.9
ACCUMULATED DEPRECIATION ON DEDUCTION AND TRANSFERS		1.5	10.3	-2.2		9.6
ASSETS CLASSIFIED AS HELD FOR SALE		41.4	511.7	2.5		555.6
DEPRECIATION FOR THE PERIOD		-12.3	-92.8	-2.2		-107.3
IMPAIRMENT CHARGES AND REVERSED IMPAIRMENT CHARGES		7.6	3.4			11.0
ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES, 31 DECEMBER 2012	-2.2	-565.2	-2,639.9	-68.4		-3,275.7
BOOK VALUE, 1 JANUARY 2012	21.4	166.3	716.7	14.7	22.0	941.1
BOOK VALUE, 31 DECEMBER 2012	21.3	160.6	675.4	13.1	24.0	894.4

EUR MILLION	LAND AND WATER AREAS	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	CONSTRUCTION IN PROGRESS	TOTAL
ACQUISITION COSTS, 1 JANUARY 2011	61.2	865.3	3,836.4	78.2	35.1	4,876.2
TRANSLATION DIFFERENCES		0.9	7.3	0.1	-0.1	8.2
INCREASES		6.2	62.9	0.6	22.1	9.8
DECREASES	-38.1	-107.5	-183.6		-0.2	-329.4
TRANSFERS BETWEEN ITEMS	0.5	0.5	32.3	1.6	-34.9	0.0
ACQUISITION COSTS, 31 DECEMBER 2011	23.6	765.4	3,755.3	80.5	22.0	4,646.8
ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES, 1 JANUARY 2011	-34.8	-646.7	-3,079.1	-52.4		-3,813.0
TRANSLATION DIFFERENCES		-0.8	-5.4	-0.2		-6.4
ACCUMULATED DEPRECIATION ON DEDUCTION AND TRANSFERS	33.7	102.6	167.4	-5.2		298.5
DEPRECIATION FOR THE PERIOD		-16.8	-94.2	-2.7		-113.7
IMPAIRMENT CHARGES AND REVERSED IMPAIRMENT CHARGES	-1.1	-37.5	-27.3	-5.3		-71.2
ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES, 31 DECEMBER 2011	-2.2	-599.1	-3,038.6	-65.8		-3,705.7
BOOK VALUE, 1 JANUARY 2011	26.4	218.6	757.3	25.8	35.1	1,063.2
BOOK VALUE, 31 DECEMBER 2011	21.4	166.3	716.7	14.7	22.0	941.1

Depreciation, amortization and impairment charges for the period include EUR 10.7 million reversal of earlier made impairment charges related to reclassification made in Alizay mill in France in Paper and Pulp according to IFRS 5, Non-Current assets held for sale and discontinued operations.

Depreciation, amortization and impairment charges in 2011 included EUR 12.2 million impairments made in Paperboard business area related to the restructuring at Äänekoski mill including the closure of the paper machine 2, and EUR 13.7 million related to the planned discontinuation of the unprofit-

able production at Gohrsmühle mill. EUR 7.7 million in Papers and Pulp related to the planned closure of the Alizay mill, EUR 1.1 million related to the planned discontinuation of the unprofitable production at Reflex mill and EUR 36.5 million related to M-real Hallein's disposal.

Pledges and real estate mortgages for loans from financial institutions, pension loans and other liabilities amounted to EUR 111.1 million (117.0).

There was no capitalization of interest expenses in 2012 or 2011.



At 31 December 2012 tangible assets include assets acquired under finance lease agreements:

EUR MILLION	MACHINERY AND EQUIPMENT	TOTAL
ACQUISITION COSTS	46.5	46.5
ACCUMULATED DEPRECIATION	-31.4	-31.4
BOOK VALUE, 1 JANUARY 2012	16.6	16.6
BOOK VALUE, 31 DECEMBER 2012	15.1	15.1

At 31 December 2011 tangible assets include assets acquired under finance lease agreements:

EUR MILLION	MACHINERY AND EQUIPMENT	TOTAL
ACQUISITION COSTS	44.6	44.6
ACCUMULATED DEPRECIATION	-28.0	-28.0
BOOK VALUE, 1 JANUARY 2011	17.8	17.8
BOOK VALUE, 31 DECEMBER 2011	16.6	16.6

Additions include assets of EUR 3.7 million (1.9) acquired under finance lease agreements.

15 Investments in associated companies

EUR MILLION	2012	2011
AT 1 JANUARY	261.7	264.8
SHARE OF RESULTS FROM ASSOCIATED COMPANIES		
SHARE OF RESULTS FROM ASSOCIATED COMPANIES (OPERATING RESULT)	29.2	59.5
SHARE OF RESULTS FROM ASSOCIATED COMPANIES	0.0	-6.8
DIVIDENDS RECEIVED	-33.8	-46.1
INCREASES	0.0	
DECREASES	-55.7	-3.1
ASSETS CLASSIFIED AS HELD FOR SALE		-6.8
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATED COMPANIES		
FAIR VALUE RESERVE	-1.5	0.5
TRANSLATION DIFFERENCES	0.4	-0.3
AT 31 DECEMBER	200.3	261.7

Metsä Board sold in January shares of Plastiroll. Selling price was EUR 7.2 million and profit on sale was EUR 0.4 million. Metsä Board disposed in May for EUR 138.1 million the 7.3 percentage point holding in Metsä Fibre to Itochu Corporation. Metsä Board's ownership decreased from 32.2 per cent to 24.9 per cent. Profit on sale of EUR 84.6 million was recognized. Metsä Board sold in July shares of Kirjaniemen Kartano to Metsäliitto Cooperative. The selling price was EUR 3 million and profit on sale was EUR 0.6 million.

In 2011 Metsä Board sold shares of Myllykoski Paper. Share of profit from associated companies after operating result included EUR 4.3 million impair-

ment loss related to disposal of Myllykoski Paper and EUR 3.4 million related to other associated companies in China and Hungary.

The carrying amount in associated companies at 31 Dec 2012 includes goodwill EUR 45.2 million (57.4). The decrease of goodwill comes from disposal of Metsä Fibre shares.

THE MOST SIGNIFICANT ASSOCIATED COMPANIES 2012

EUR MILLION	COUNTRY	ASSETS	LIABILITIES	SALES	GAIN/ LOSS	OWNER- SHIP, %
METSÄ FIBRE GROUP	FINLAND	884.8	310.0	1,273.9	109.7	24.9
KIRKNIEMEN KARTANO OY	FINLAND			0.3	0.1	0
KEMISHIPPING OY	FINLAND	16.9	17.0	17.0	-0.1	15.0
MORE RESEARCH ÖRNSKÖLDSVIK AB	SWEDEN	2.9	1.1	4.2	0.1	24.0
OTHERS		0.8	0.2	0.3	0.1	
TOTAL		905.4	328.3	1,295.7	109.9	

Metsä Board disposed shares of Kirjaniemen Kartano to Metsäliitto in July. Year 2012 only include figures till the end of June.

THE MOST SIGNIFICANT ASSOCIATED COMPANIES 2011

EUR MILLION	COUNTRY	ASSETS	LIABILITIES	SALES	GAIN/ LOSS	OWNER- SHIP, %
METSÄ FIBRE GROUP	FINLAND	898.8	329.1	1,301.3	190.8	32
KIRKNIEMEN KARTANO OY	FINLAND	6.9	1.9	0.4	-0.2	48
PLASTIROLL OY	FINLAND	22.5	5.0	27.1	2.3	39
MORE RESEARCH ÖRNSKÖLDSVIK AB	SWEDEN	2.7	0.8	3.9	0.0	24
TOTAL		930.9	336.8	1,332.7	192.9	

None of the associated companies were listed.

TRANSACTION AND BALANCES WITH ASSOCIATED COMPANIES

EUR MILLION	2012	2011
SALES	0.1	0.1
PURCHASES	6.4	7.2
INTEREST INCOME	0.0	0.4
INTEREST EXPENSES	0.0	0.0
RECEIVABLES		
ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES	0.4	0.2
LIABILITIES		
ACCOUNTS LIABILITIES AND OTHER LIABILITIES	2.1	2.6

Transactions with Metsä Fibre are included in transactions with sister companies (Note 36).

16 Available for sale investments

Available for sale financial assets consist of listed and unlisted shares. The fair value of listed shares is based on public quotation for shares at the Balance sheet date.

EUR MILLION	2012	2011
SHARES IN OTHER COMPANIES		
LISTED COMPANIES	0.3	0.4
OTHER COMPANIES	269.3	340.9
TOTAL	269.6	341.3

The most important shareholding of non-quoted companies consists of 2.6 per cent stake in Finnish energy company Pohjolan Voima Oy, that produces electricity and heat for its shareholders in Finland. Pohjolan Voima trades with its shareholders at prices based on production costs, which generally are lower than the market prices. The Group controls some 5.2 per cent (2011: 6.4) of the electricity produced by Olkiluoto nuclear power plant (through Pohjolan Voima's B-shares, OL1 and OL2), some 6.4 (6.4) percentage proportion in Meripori coal-fired power plant (through C2 shares). The Group also controls some 84 per cent of the energy produced by Hämeenkyron Voima Oy (through Pohjolan Voima's G10 shares). In addition Group also has some 1.5 (1.8) percentage proportion in new nuclear power plant under construction Olkiluoto 3 (through B2 shares).

The ownership (by series of shares) at fair value quarterly by using the average of discounted cash flow method and the valuation based on earlier transaction. The WACC used was 3.38 (4.07) percentage. 12 months rolling averages have been used for the energy price estimates, which evens out the short-term energy price fluctuations. The changes in fair value less deferred tax calculated with Finnish tax rate are recorded in other comprehensive income and presented under fair value reserve in equity. The acquisition cost of shares in Pohjolan Voima Oy is EUR 33.4 million (32.7) and the fair value EUR 265.1 million (336.6). The fair value of nuclear power shares (B and B2 shares) was some EUR 257.5 (335.9) million, of which EUR 239.0 (301.1) million B-shares and EUR 18.5 (34.8) million B2 shares, coal-fired power shares (C2-shares) some EUR -4.4 (-5.9 million and G10-shares EUR 12.0 million (6.6).

The decrease of B- and B2-shares is due to fact that Metsä Board sold in April to Metsä Fibre 150,000 B-shares and 8,000 B2 shares. Metsä Board also acquired in 2012 more G10 shares for EUR 5.4 million.

The shareholder agreement prevents free selling of shares to others than shareholders.

Other shares in not quoted companies, where the fair value cannot be measured reliably are carried at cost less any impairment losses.

17 Other non-current financial assets

EUR MILLION	2012	2011
INTEREST-BEARING RECEIVABLES		
LOANS FROM GROUP COMPANIES		
LOANS FROM ASSOCIATED COMPANIES	0.3	
OTHER LOAN RECEIVABLES	6.3	4.2
	6.6	4.2
NON-INTEREST BEARING RECEIVABLES		
LOANS FROM GROUP COMPANIES	3.8	3.8
LOANS FROM ASSOCIATED COMPANIES		
OTHER LOAN RECEIVABLES	0.4	0.4
DEFINED BENEFIT PENSION PLANS (NOTE 23)	5.8	4.2
	10.0	8.4
OTHER NON-CURRENT FINANCIAL ASSETS TOTAL	16.6	12.6

Loans from Group companies are loans granted to parent company Metsäliitto Cooperative and to other subsidiaries of parent company.



18 Deferred taxes

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES TO 2012 BALANCE SHEET

EUR MILLION	AS AT 1 JAN 2012	CHARGED IN INCOME STATEMENT	TRANSLATION DIFFERENCES	CHARGED IN OTHER ITEMS OF COMPREHENSIVE INCOME	AS AT 31 DEC 2012
DEFERRED TAX ASSETS					
PENSION OBLIGATION AND OTHER PROVISIONS	1.6	-0.5			1.1
INTERCOMPANY MARGINS	0.6	1.3			1.9
OTHER TEMPORARY DIFFERENCES	10.8	-0.6		-3.7	6.5
DEFERRED TAX ASSETS, TOTAL	13.0	0.2		-3.7	9.5
NETTING AGAINST LIABILITIES	-9.4	1.2		3.7	-4.5
DEFERRED TAX ASSETS IN BALANCE SHEET	3.6	1.4		0.0	5.0
DEFERRED TAX LIABILITIES					
APPROPRIATIONS	83.2	-23.7	2.3		61.8
AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED AT FAIR VALUE	74.5			-17.7	56.8
HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS		-1.6		1.6	0.0
OTHER TEMPORARY DIFFERENCES	5.8	0.5	-0.2	-2.7	3.4
DEFERRED TAX LIABILITIES, TOTAL	163.5	-24.8	2.1	-18.8	122.0
NETTING AGAINST ASSETS	-9.4	1.2		3.7	-4.5
DEFERRED TAX LIABILITIES IN BALANCE SHEET	154.1	-23.6	2.1	-15.1	117.5

OTHER TEMPORARY DIFFERENCES IN DEFERRED TAX ASSETS COMES MOSTLY FROM FINANCE LEASE ARRANGEMENTS EUR 2.8 MILLION (2.8).

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES TO 2011 BALANCE SHEET

EUR MILLION	AS AT 1 JAN 2011	CHARGED IN INCOME STATEMENT	DISPOSALS	TRANSLATION DIFFERENCES	CHARGED IN OTHER ITEMS OF COMPREHENSIVE INCOME	AS AT 31 DEC 2011
DEFERRED TAX ASSETS						
PENSION OBLIGATION AND OTHER PROVISIONS	1.5	0.1				1.6
INTERCOMPANY MARGINS	0.9	-0.3				0.6
OTHER TEMPORARY DIFFERENCES	5.2	0.0			5.6	10.8
DEFERRED TAX ASSETS, TOTAL	7.6	-0.2			5.6	13.0
NETTING AGAINST LIABILITIES	-4.2	0.4			-5.6	-9.4
DEFERRED TAX ASSETS IN BALANCE SHEET	3.4	0.2			0.0	3.6
DEFERRED TAX LIABILITIES						
APPROPRIATIONS	103.7	-18.1	-2.4			83.2
AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED AT FAIR VALUE	73.4	0.0			1.1	74.5
HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS		-1.1			1.1	0.0
OTHER TEMPORARY DIFFERENCES	6.4	-1.0		0.4		5.8
DEFERRED TAX LIABILITIES, TOTAL	183.5	-20.2	-2.4	0.4	2.2	163.5
NETTING AGAINST ASSETS	-4.2	0.4			-5.6	-9.4
DEFERRED TAX LIABILITIES IN BALANCE SHEET	179.3	-19.8	-2.4	0.4	-3.4	154.1

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same taxation authority on either the same taxable entity or different taxable entity, which intend to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

The Group did not have net operating loss carry-forwards on 31 December 2012 or 31 December 2011, for which tax assets would have been recognized. The operating loss carry-forwards mainly in Germany, France and Finland for which deferred tax assets have not been recognized due to uncertainty of the utilization of these loss carry-forwards amounted to approximately EUR 1,255 (1,160) million. The deferred tax assets for these non-recognized losses carry forwards amounted to approximately EUR 363 (330) million. Some EUR 23 million of the losses will expire in 2018–2022. The rest do not expire.

19 Inventories

EUR MILLION	2012	2011
RAW MATERIALS AND CONSUMABLES	83.2	103.7
WORK IN PROGRESS	6.2	10.4
FINISHED GOODS AND GOODS FOR SALE	205.1	206.7
ADVANCE PAYMENTS	8.8	13.9
	303.3	334.7

The cost of inventories recognized as expense to lower the carrying amount to equal the net realizable value was EUR 0.9 million in Metsä Board Zanders.

The cost of inventories recognized as expense to lower the carrying amount to equal the net realizable value in 2011 was EUR 18.9 million. These recognitions were made in Alizay Paper EUR 11.8 million, in Metsä Board Zanders EUR 4.7 million and in Äänekoski Paper EUR 2.4 million.

The expense is included in materials and services in the income statement.

20 Accounts receivables and other receivables

EUR MILLION	2012	2011
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CURRENT)		
AT 1 JANUARY	0.0	1.0
INCREASES		0.0
CHANGES IN FAIR VALUES		0.0
DECREASE		-1.0
AT 31 DECEMBER	0.0	0.0

Financial assets at fair value through profit or loss are mainly bonds, classified entirely as held for trading.

INTEREST-BEARING LOAN RECEIVABLES

LOANS FROM GROUP COMPANIES	49.8	44.3
LOANS FROM ASSOCIATED COMPANIES	0.0	0.0
OTHER LOAN RECEIVABLES	0.0	0.0
	49.8	44.3

ACCOUNTS RECEIVABLES AND OTHER NON-INTEREST-BEARING RECEIVABLES

FROM GROUP COMPANIES		
ACCOUNTS RECEIVABLES	11.1	9.1
OTHER RECEIVABLES	0.2	0.1
PREPAYMENTS AND ACCRUED INCOME	20.8	18.2
	32.1	27.4

FROM ASSOCIATED COMPANIES

ACCOUNTS RECEIVABLES	0.1	0.2
	0.1	0.2

FROM OTHERS

ACCOUNTS RECEIVABLES	252.9	275.1
OTHER RECEIVABLES	31.5	41.9
PREPAYMENTS AND ACCRUED INCOME	21.1	18.7
	305.5	335.7
ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES TOTAL	387.5	407.6

Receivables from Group companies are receivables from parent company Metsäliitto Cooperative and from other subsidiaries of the parent company.

There are no loan receivables from the managing directors of Group companies, members of the Board of Directors and their deputies or other persons belonging to similar bodies.

Metsäliitto Management Oy has been established for the shareholding programme of the members of Metsä Group's Executive Management Team (Note 35).

DOUBTFUL ACCOUNTS RECEIVABLES

Accounts receivables are recognized net of the following provision for impairment:

EUR MILLION	2012	2011
AT 1 JANUARY	3.6	5.8
INCREASES	1.8	1.6
DECREASES	-1.9	-3.8
AT 31 DECEMBER	3.5	3.6

EUR 0.4 million of credit loss was recognised during 2012 (EUR 0.1 million in 2011).

AGEING ANALYSIS OF ACCOUNTS RECEIVABLES, EXTERNAL

NO OVERDUE	221.4	245.7
OVERDUE		
LESS THAN 30 DAYS	25.1	25.5
BETWEEN 31-60 DAYS	3.7	0.8
BETWEEN 61-90 DAYS	0.3	0.9
BETWEEN 91-180 DAYS	0.6	
MORE THAN 180 DAYS	1.8	2.2
TOTAL	252.9	275.1

PREPAYMENTS AND ACCRUED INCOME

CURRENT		
EMPLOYEE COSTS	2.1	1.4
INTEREST	6.3	2.1
INSURANCE	0.1	0.9
OTHERS	12.6	14.3
TOTAL	21.1	18.7

21 Cash and cash equivalents

EUR MILLION	2012	2011
CURRENT INVESTMENTS	321.0	183.5
CASH AT BANK AND IN HAND	107.5	121.5
TOTAL	428.5	305.0

Current investments are certificates of deposits and time deposits with original maturities less than three months.



22 Shareholders' equity

CHANGES IN SHARE CAPITAL AND IN SHARE PREMIUM ACCOUNT

EUR MILLION	SHARE CAPITAL		SHARE PREMIUM ACCOUNT	RESERVE FOR INVESTED UNRESTRICTED EQUITY	TOTAL
	SERIES A	SERIES B			
AT 1 JANUARY 2011	61.8	496.1	666.8		1,224.7
REDUCTION OF SHARE PREMIUM ACCOUNT					
TRANSFERRED TO RESERVE FOR INVESTED UNRESTRICTED EQUITY			-280.9	280.9	0
TRANSFERRED TO RETAINED EARNINGS, LOSS OF COVERAGE			-382.9		-382.9
RECLASSIFICATION					
TRANSFERRED TO RETAINED EARNINGS			-3.0		-3.0
COMPENSATION FOR UNREDEEMED OWN SHARES				3.9	3.9
AT 31 DECEMBER 2011	61.8	496.1	0	284.8	842.7
2012 NO CHANGES					
AT 31 DECEMBER 2012	61.8	496.1		284.8	842.7

Each series A share entitles its holder to twenty (20) votes at a General Meeting of Shareholders, and each series B share entitles the holder to one (1) vote. All shares carry the same right to receive a dividend. Metsä Board's A shares can be converted to B shares if shareholder or representative of the nominee registered shares makes a written request of the conversion to the company. The conversion does not include additional consideration.

NUMBER OF SHARES

	SERIES A	SERIES B	TOTAL
AT 1 JANUARY 2011	36,339,550	291,826,062	328,165,612
2011 NO CHANGES			
AT 31 DECEMBER 2011	36,339,550	291,826,062	328,165,612
2012 NO CHANGES			
AT 31 DECEMBER 2012	36,339,550	291,826,062	328,165,612

All shares are paid in full. The share has no nominal value.

FAIR VALUE AND OTHER RESERVES

EUR MILLION	2012	2011
FAIR VALUE RESERVE	172.3	226.0
LEGAL RESERVE AND RESERVES STIPULATED BY THE ARTICLES OF ASSOCIATION	1.7	1.7
TOTAL	174.0	227.7

SHARE PREMIUM ACCOUNT

The amount exceeding the par value of shares received by the company in connection with share issue are recognised in share premium account.

LEGAL RESERVE AND RESERVES STIPULATED BY THE ARTICLES OF ASSOCIATION

Legal reserve and reserves stipulated by the Articles of Association have been created and accumulated as a result of resolution by the General Meeting of Shareholders.

FAIR VALUE RESERVE

The reserve include the effective portion of fair value based on hedge accounting applied to interest, currency and commodity derivatives and the fair value change of available for sale financial assets less deferred tax.

TRANSLATION DIFFERENCES

Translation differences include translation differences arising on translation of subsidiaries in other currencies than euro and gains and losses arising on hedging of net investments in these subsidiaries less deferred tax, when requirements of hedge accounting have been fulfilled.

RESERVE FOR INVESTED UNRESTRICTED EQUITY

According to Finnish Limited Liability Companies Act the reserve for invested unrestricted equity shall be credited with that part of the subscription price of the shares that according to the Memorandum of Association or the share issue decision is not to be credited to the share capital and that according to the Accounting Act is not to be credited to liabilities, as well as with other equity inputs that are not to be credited to some other reserve. The reserve for invested unrestricted equity shall likewise be credited with the amount of a share capital reduction, less any amounts needed for the covering of losses or for the distribution of assets. The Annual General Meeting 23 March 2011 decided to reduce the share premium account by transferring the funds, EUR 663,812,052.56, to the reserve for invested unrestricted equity. At the same time a previously recognized merger gain of EUR 3.0 million was reclassified and transferred from share premium account to retained earnings. Metsä Board has covered accumulated losses as of 31 December 2010 by transferring EUR 382.9 million from Reserve for invested unrestricted equity to retained earnings. In November 2001, Metsä Board Corporation sold the shares that were not transferred to the book-entry securities system by the deadline. The assets received less costs were saved in the regional state administrative agency. The assets on the account were paid to Metsä Board in November 2011 since the period of 10 years had elapsed since the assets were saved. The assets, or EUR 3.9 million, were recognized in the reserve for invested unrestricted equity.

DIVIDENDS

After Balance sheet day the Board of Directors has proposed a dividend of EUR 0.06 per share.

23 Retirement benefit obligations

Metsä Board operates a number of defined benefit pension plans and defined contribution pension plans in different countries, which are arranged in accordance with local regulations and practices. Most of them are defined contribution plans.

The most significant pension plan in Finland is the statutory Finnish employee pension scheme (TyEL) according to which benefits are linked directly to the employee's earnings.

In Finland there are pension schemes which are the responsibility of Metsäliitto Employees' Pension Foundation. The Metsäliitto Employees' Pension Foundation schemes are regarded as defined benefit plan and are pre-funded. There are also other defined contribution pension plans in Finland. Foreign pension plans are both defined benefit plans and defined contribution plans. Foreign pension plans are both defined benefit plans and defined contribution plans.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

EUR MILLION	2012	2011
DEFINED BENEFIT PENSION PLANS	62.1	65.7
DEFINED CONTRIBUTION PENSION PLANS	7.5	10.7
NET LIABILITY	69.6	76.4
OVERFUNDED PLAN SHOWN AS ASSET	5.8	4.2
TOTAL LIABILITY IN THE BALANCE SHEET	75.4	80.6

DEFINED BENEFIT PENSION PLANS

EUR MILLION	2012	2011
THE AMOUNTS RECOGNISED IN THE BALANCE SHEET		
PRESENT VALUE OF FUNDED OBLIGATIONS	47.0	44.4
PRESENT VALUE OF UNFUNDED OBLIGATIONS	76.9	65.9
	123.9	110.3
FAIR VALUE OF PLAN ASSETS	-49.3	-45.7
UNRECOGNIZED ACTUARIAL GAINS AND LOSSES	-12.4	1.1
NET LIABILITY IN THE BALANCE SHEET	62.2	65.7

THE AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

CURRENT SERVICE COST	0.7	3.1
INTEREST COST	4.8	5.0
EXPECTED RETURN ON PLAN ASSETS	-2.4	-2.2
NET ACTUARIAL GAINS AND LOSSES RECOGNIZED IN YEAR	-0.1	-0.4
PAST SERVICE COST		-0.1
PROFIT/LOSS OF CURTAILMENTS	-0.9	0.0
TOTAL INCLUDED IN EMPLOYEE COSTS	2.1	5.4

The actual return on plan assets was EUR 2.4 million (2011: EUR 2.6 million).

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

DEFINED BENEFIT OBLIGATION AS AT 1 JANUARY	110.3	111.9
CURRENT SERVICE COST	0.7	3.1
INTEREST COST	4.8	5.0
EMPLOYEE CONTRIBUTION	-0.4	-0.4
ACTUARIAL GAINS AND LOSSES	16.8	0.9
PAST SERVICE COST	0.0	-0.1
DISPOSALS	-1.4	-4.5
BENEFITS PAID	-5.7	-6.3
CURTAILMENTS	-1.8	
TRANSLATION DIFFERENCES	0.6	0.7
DEFINED BENEFIT OBLIGATION AS AT 31 DECEMBER	123.9	110.3

CHANGES IN THE FAIR VALUE OF PLAN ASSETS

FAIR VALUE OF PLAN ASSETS AS AT 1 JANUARY	45.7	40.2
EXPECTED RETURN ON PLAN ASSETS	2.4	2.2
ACTUARIAL LOSSES (GAINS) RECOGNIZED IN YEAR	2.1	-0.5
EMPLOYEE CONTRIBUTION	0.1	0.1
CONTRIBUTION BY THE EMPLOYER	1.4	3.5
SETTLEMENTS	-1.4	
BENEFITS PAID	-1.6	-0.6
TRANSLATION DIFFERENCES	0.6	0.8
FAIR VALUE OF PLAN ASSETS AS AT 31 DECEMBER	49.3	45.7

Group expects to contribute EUR 1.1 million to its defined benefit pension plans in 2013.



MAJOR CATEGORIES OF PLAN ASSETS AS A PERCENTAGE OF TOTAL PLAN ASSETS, %		
EQUITY SECURITIES	34	33
DEBT SECURITIES	16	18
REAL ESTATE	13	14
BONDS	26	25
OTHERS	11	10
TOTAL	100	100

AMOUNTS FOR THE CURRENT AND PREVIOUS PERIODS

PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	-123.9	-110.3
FAIR VALUE OF PLAN ASSETS	49.3	45.7
FUNDED STATUS	-74.6	-64.6
EXPERIENCE ADJUSTMENTS ON PLAN LIABILITIES	-0.5	1.7
EXPERIENCE ADJUSTMENTS ON PLAN ASSETS	1.5	1.0

THE PRINCIPAL ACTUARIAL ASSUMPTIONS USED:

	2012	2011
FINLAND		
DISCOUNT RATE %	3.25	4.75
EXPECTED RETURN ON PLAN ASSETS %	5.9	5.7
FUTURE SALARY INCREASES %		
FUTURE PENSION INCREASES %	2.1	2.1
EXPECTED AVERAGE REMAINING WORKING YEARS OF STAFF	0	0
GREAT BRITAIN		
DISCOUNT RATE %	4.35	4.7
EXPECTED RETURN ON PLAN ASSETS %	5.32	6.62
FUTURE SALARY INCREASES %	2.8	3.0
FUTURE PENSION INCREASES %	2.8	3.0
EXPECTED AVERAGE REMAINING WORKING YEARS OF STAFF	11	11
GERMANY		
DISCOUNT RATE %	3.76	5.25
EXPECTED RETURN ON PLAN ASSETS %	N/A	N/A
FUTURE SALARY INCREASES %	3.0	2.5
FUTURE PENSION INCREASES %	2.5	2.0
EXPECTED AVERAGE REMAINING WORKING YEARS OF STAFF	14.4	13.5
THE NETHERLANDS		
DISCOUNT RATE %	4.0	5.0
EXPECTED RETURN ON PLAN ASSETS %	4.0	5.0
FUTURE SALARY INCREASES %	3.0	3.0
FUTURE PENSION INCREASES %	2.0	2.0
EXPECTED AVERAGE REMAINING WORKING YEARS OF STAFF	13.2	14.7
SWITZERLAND		
DISCOUNT RATE %	2.0	3.0
EXPECTED RETURN ON PLAN ASSETS %	2.0	3.5
FUTURE SALARY INCREASES %	1.0	1.5
FUTURE PENSION INCREASES %	0.0	0.5
EXPECTED AVERAGE REMAINING WORKING YEARS OF STAFF	4.7	5.3

24 Provisions

EUR MILLION	RESTRUCTURING	ENVIRONMENTAL OBLIGATIONS	OTHER PROVISIONS	TOTAL
AT 1 JANUARY 2012	109.4	17.6	44.0	171.0
TRANSLATION DIFFERENCES	0.0		0.2	0.2
INCREASES	17.3	11.6	2.6	31.5
DECREASES	-80.6	-6.0	-27.8	-114.4
UNUSED AMOUNTS REVERSED	-12.4	-5.0	-5.6	-23.0
EFFECT OF DISCOUNTING	0.1			0.1
AT 31 DECEMBER 2012	33.8	18.2	13.4	65.4
			2012	2011
NON-CURRENT			20.2	31.5
CURRENT			45.2	139.5

The most significant increase in provisions in 2012 was a EUR 11.6 million environmental provision in Other operations related to the soil contamination clean-up at Niemenranta in Tampere (EUR 8.0 million) and soil contamination clean-up in Nurmee (EUR 3.5 million) and other soil contamination in Finland (EUR 0.1 million). In Other operations there was a reversal of a EUR 1.5 million logistics provision, made in 2008 related to the sale of graphic papers business.

In Paper and Pulp restructuring provision was increased by EUR 10.7 million and environmental provision was reversed by EUR 5.0 million and other cost provisions by EUR 5.6 million related to the closure of the Alizay paper mill. In addition in Paper and Pulp there was EUR 4.7 million provisions related to streamlining programme at the Husum mill and EUR 1.7 million provisions related to personnel reduction in the French sales company. In Paperboard, related to plans to close unprofitable operations in Gohrsmühle, there was EUR 10.9 million reversal of restructuring provision related to personnel costs and other provisions were increased by EUR 2.4 million related to logistics arrangements.

Other provision include provision related to onerous contracts, leases, taxes and legal action. The non-current portion for 2012 is estimated to dissolve for the most part by the end of year 2014.

25 Borrowings

EUR MILLION	2012	2011
NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES		
BONDS	87.2	585.0
LOANS FROM FINANCIAL INSTITUTIONS	3.3	19.7
PENSION LOANS	136.3	175.6
FINANCE LEASE LIABILITIES	21.9	24.3
OTHER LIABILITIES	53.6	53.3
TOTAL	302.3	857.9
CURRENT INTEREST-BEARING FINANCIAL LIABILITIES		
CURRENT PORTION OF LONG-TERM DEBT	507.9	165.7
CURRENT LOANS	0.0	0.0
BILL OF EXCHANGE PAYABLE	0.0	1.1
OTHER LIABILITIES	299.8	112.0
TOTAL	807.7	278.8
INTEREST-BEARING FINANCIAL LIABILITIES, TOTAL	1,110.0	1,136.7
INTEREST-BEARING FINANCIAL ASSETS		
NON-CURRENT		
LOAN RECEIVABLES	6.6	4.2
	6.6	4.2
CURRENT		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	0.0	0.0
LOAN RECEIVABLES AND OTHER RECEIVABLES	49.8	44.4
CURRENT INVESTMENTS AT AMORTIZED COST	321.0	183.5
CASH AT BANK AND IN HAND	107.4	121.5
	478.2	349.4
INTEREST-BEARING FINANCIAL ASSETS, TOTAL	484.8	353.6
INTEREST-BEARING NET LIABILITIES, TOTAL	625.2	783.1



MATURITY OF REPAYMENT AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 31 DEC 2012

EUR MILLION	CARRYING AMOUNT	2013	2014	2015	2016	2017	2018-
BONDS AND DEBENTURES	536.0						
INSTALLMENTS		-448.8	-87.2				
INTEREST PAYMENT		-30.4	-4.3				
LOANS FROM FINANCIAL INSTITUTIONS	12.3						
INSTALLMENTS		-8.9	-0.5	-1.0	-1.3	-0.6	
INTEREST PAYMENT		-0.1	-0.1	0.0	0.0	0.0	
PENSION LOANS	181.5						
INSTALLMENTS		-45.2	-29.3	-19.3	-19.2	-19.2	-49.3
INTEREST PAYMENT		-9.9	-6.9	-5.5	-4.4	-3.4	-4.1
FINANCE LEASE LIABILITIES	26.9						
INSTALLMENTS		-5.0	-1.8	-1.7	-1.7	-1.3	-15.4
INTEREST PAYMENT		-0.6	-0.4	-0.4	-0.4	-0.3	0.0
OTHER NON-CURRENT INTEREST-BEARING LIABILITIES	53.6						
INSTALLMENTS				-49.7			-3.9
INTEREST PAYMENT		-0.8	-0.7	-0.8	0.0	0.0	0.0
NON-CURRENT INTEREST-BEARING LIABILITIES, TOTAL	810.3						
INSTALLMENTS IN 2013	-507.9						
NON-CURRENT INTEREST-BEARING LIABILITIES IN BALANCE SHEET	302.3						
TOTAL							
INSTALLMENTS		-507.9	-118.8	-71.7	-22.2	-21.1	-68.6
INTEREST PAYMENT		-41.8	-12.4	-6.7	-4.8	-3.7	-4.1
CURRENT INTEREST-BEARING LIABILITIES	299.8						
INSTALLMENTS		-299.8					
INTEREST PAYMENT							
ACCOUNTS PAYABLES AND OTHER LIABILITIES	302.8						
INSTALLMENTS		-302.8					
TOTAL LIABILITIES	1,412.9						
INSTALLMENTS		-1,110.5	-118.8	-71.7	-22.2	-21.1	-68.6
INTEREST PAYMENT		-41.8	-12.4	-6.7	-4.8	-3.7	-4.1
BOOK VALUE							
GUARANTEES AGREEMENTS	3.3	-0.4	-0.7	-0.3	0.0	0.0	-1.9
DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES	41.5						
INTEREST RATE SWAPS, INTEREST PAYMENT		4.0	-1.6	-1.0	-0.7	0.8	0.9
CURRENCY DERIVATIVES, INTEREST PAYMENT		-1,223.4	-44.4				
COMMODITY DERIVATIVES, INTEREST PAYMENT		-6.6	-1.6	-1.7	-0.7		
DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES TOTAL		-1,226.1	-47.6	-2.7	-1.4	0.8	0.9
DERIVATIVE FINANCIAL INSTRUMENT ASSETS	22.5						
INTEREST RATE SWAPS, INTEREST PAYMENT							
CURRENCY DERIVATIVES, INTEREST PAYMENT		1,227.1	44.4				
COMMODITY DERIVATIVES, INTEREST PAYMENT							
DERIVATIVE FINANCIAL INSTRUMENT ASSETS TOTAL		1,227.1	44.4	0.0	0.0	0.0	0.0
DERIVATIVE FINANCIAL INSTRUMENTS CASH FLOW		1.0	-3.3	-2.7	-1.4	0.8	0.9

MATURITY OF REPAYMENT AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 31 DEC 2011

EUR MILLION	CARRYING AMOUNT	2012	2013	2014	2015	2016	2017-
BONDS AND DEBENTURES	688.4						
INSTALLMENTS		-103.4	-496.7	-88.3			
INTEREST PAYMENT		-56.4	-30.5	-4.4			
LOANS FROM FINANCIAL INSTITUTIONS	44.9						
INSTALLMENTS		-25.1	-16.5	-2.1	-0.8	-0.4	
INTEREST PAYMENT		-0.7	-0.2	-0.1	0.0		
PENSION LOANS	209.9						
INSTALLMENTS		-34.4	-39.3	-29.3	-19.3	-19.3	-68.3
INTEREST PAYMENT		-12.2	-9.5	-6.9	-5.5	-4.4	-7.5
FINANCE LEASE LIABILITIES	27.1						
INSTALLMENTS		-2.8	-2.0	-1.6	-1.6	-1.3	-17.8
INTEREST PAYMENT		-0.9	-0.8	-0.7	-0.6	-0.6	-0.5
OTHER NON-CURRENT INTEREST-BEARING LIABILITIES	53.4						
INSTALLMENTS					-49.5		-3.9
INTEREST PAYMENT		-1.4	-1.5	-1.4	-1.5		
NON-CURRENT INTEREST-BEARING LIABILITIES, TOTAL	1,023.7						
INSTALLMENTS IN 2012	-165.7						
NON-CURRENT INTEREST-BEARING LIABILITIES IN BALANCE SHEET	857.9						
TOTAL							
INSTALLMENTS		-165.7	-554.5	-121.3	-71.2	-21.0	-90.0
INTEREST PAYMENT		-71.6	-42.5	-13.5	-7.6	-5.0	-8.0
CURRENT INTEREST-BEARING LIABILITIES	113.0						
INSTALLMENTS		-113.0					
INTEREST PAYMENT							
ACCOUNTS PAYABLES AND OTHER LIABILITIES	357.9						
INSTALLMENTS		-355.7	-1.4	-0.4	-0.4	0.0	-0.1
TOTAL LIABILITIES	1,494.6						
INSTALLMENTS		-634.4	-555.9	-121.7	-71.6	-21.0	-90.1
INTEREST PAYMENT		-71.6	-42.5	-13.5	-7.6	-5.0	-8.0
BOOK VALUE							
GUARANTEES AGREEMENTS							
DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES	54.3						
INTEREST RATE SWAPS, INTEREST PAYMENT		5.6	1.7	-1.1	-0.4	-0.3	0.6
CURRENCY DERIVATIVES, INTEREST PAYMENT		-1,454.3	-4.1	-2.1	0.0	0.0	0.0
COMMODITY DERIVATIVES, INTEREST PAYMENT		-6.1	-2.3	-0.1	-0.3	0.0	0.0
DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES TOTAL		-1,454.8	-4.7	-3.3	-0.7	-0.3	0.6
DERIVATIVE FINANCIAL INSTRUMENT ASSETS	16.5						
INTEREST RATE SWAPS, INTEREST PAYMENT		0.0	0.0	0.0	0.0	0.0	0.0
CURRENCY DERIVATIVES, INTEREST PAYMENT		1,447.7	4.1	2.0	0.0	0.0	0.0
COMMODITY DERIVATIVES, INTEREST PAYMENT		0.0	0.0	0.0	0.0	0.0	0.0
DERIVATIVE FINANCIAL INSTRUMENT ASSETS TOTAL		1,447.7	4.1	2.0	0.0	0.0	0.0
DERIVATIVE FINANCIAL INSTRUMENTS CASH FLOW		-7.1	-0.6	-1.3	-0.7	-0.3	0.6



BONDS

EUR MILLION	INTEREST %	2012	2011
2002–2012	9.20		103.4
2002–2014	9.40	87.2	88.3
2006–2013	8.75	448.8	496.7
		536.0	688.4

MATURITY OF FINANCE LEASE LIABILITIES

EUR MILLION	2012	2011	2012	2011
	MINIMUM LEASE PAYMENTS		THE PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
NOT LATER THAN 1 YEAR	5.5	3.7	5.0	2.8
1–2 YEARS	2.2	2.8	1.8	2.0
2–3 YEARS	2.1	2.2	1.7	1.6
3–4 YEARS	2.0	2.2	1.7	1.6
4–5 YEARS	1.7	1.9	1.3	1.3
LATER THAN 5 YEARS	15.5	18.3	15.4	17.8
	29.0	31.1	26.9	27.1
FUTURE FINANCE CHARGES	2.1	4.0		
THE PRESENT VALUE OF MINIMUM LEASE PAYMENTS	26.9	27.1		

The most significant finance lease agreements are power plant Äänevoima Oy's power plants. Äänevoima's initial contract periods vary between 10 and 15 years. All finance lease liabilities will be due in 2017 at the latest. These leases contain renewal and purchase options.

26 Other non-current liabilities

EUR MILLION	2012	2011
NON-INTEREST BEARING NON-CURRENT LIABILITIES TO GROUP COMPANIES	0.0	0.0
NON-INTEREST BEARING NON-CURRENT LIABILITIES TO OTHERS		
OTHER LIABILITIES	0.0	2.3
NON-INTEREST-BEARING NON-CURRENT LIABILITIES TOTAL	0.0	2.3

Liabilities to Group companies are liabilities to parent company Metsäliitto Cooperative and other subsidiaries of Metsäliitto Cooperative.

27 Accounts payable and other liabilities

EUR MILLION	2012	2011
NON-INTEREST BEARING CURRENT LIABILITIES TO GROUP COMPANIES		
ACCOUNTS PAYABLE	40.1	35.9
OTHER LIABILITIES	3.8	3.2
NON-INTEREST BEARING CURRENT LIABILITIES TO ASSOCIATED COMPANIES		
ACCOUNTS PAYABLE	1.0	1.4
OTHER LIABILITIES		0.0
NON-INTEREST BEARING CURRENT LIABILITIES TO OTHERS		
ADVANCE PAYMENTS	1.2	3.3
ACCOUNTS PAYABLE	114.5	131.3
OTHER LIABILITIES	22.5	36.5
ACCRUALS AND DEFERRED INCOME	119.7	139.3
TOTAL	302.8	351.2

Liabilities to Group companies are liabilities to parent company Metsäliitto Cooperative and other subsidiaries of Metsäliitto Cooperative.

CURRENT ACCRUALS AND DEFERRED INCOME

PERIODIZATIONS OF EMPLOYEE COSTS	34.7	42.1
INTERESTS	11.4	11.6
ACCRUALS OF PURCHASES	40.2	43.6
OTHERS	33.4	42.0
TOTAL	119.7	139.3

28 Financial assets and liabilities classified according to IAS 39 and fair values and fair value hierarchy

FINANCIAL ASSETS 31 DEC 2012

EUR MILLION	NOTE	FAIR VALUE THROUGH PROFIT & LOSS	AVAILABLE FOR SALE FIN. ASSETS	LOANS AND OTHER RECEIVABLES	DERIVATIVES AT HEDGE ACCOUNTING	AMORTISED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
AVAILABLE FOR SALE INVESTMENTS	16		269.6				269.6	269.6
OTHER NON-CURRENT FINANCIAL ASSETS	17			16.5			16.5	16.5
ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES	20			387.3			387.3	387.3
CASH AND CASH EQUIVALENT	21			428.5			428.5	428.5
DERIVATIVE FINANCIAL INSTRUMENTS	29	18.4			4.0		22.5	22.5
TOTAL		18.4	269.6	832.3	4.0		1,124.4	1,124.4

FINANCIAL LIABILITIES

NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES	25					302.3	302.3	322.1
OTHER NON-CURRENT FINANCIAL LIABILITIES	26					0.1	0.1	0.1
CURRENT INTEREST-BEARING FINANCIAL LIABILITIES	25					807.7	807.7	819.5
ACCOUNTS PAYABLE AND OTHER FINANCIAL LIABILITIES	27					268.2	268.2	268.2
DERIVATIVE FINANCIAL INSTRUMENTS	29	27.4			14.0		41.4	41.4
TOTAL		27.4			14.0	1,378.3	1,419.7	1,451.3

FINANCIAL ASSETS 31 DEC 2011

EUR MILLION	NOTE	FAIR VALUE THROUGH PROFIT & LOSS	AVAILABLE FOR SALE FIN. ASSETS	LOANS AND OTHER RECEIVABLES	DERIVATIVES AT HEDGE ACCOUNTING	AMORTISED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
AVAILABLE FOR SALE INVESTMENTS	16		341.3				341.3	341.3
OTHER NON-CURRENT FINANCIAL ASSETS	17			12.6			12.6	12.6
ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES	20			407.0			407.0	407.0
CASH AND CASH EQUIVALENT	21			305.0			305.0	305.0
DERIVATIVE FINANCIAL INSTRUMENTS	29	16.5					16.5	16.5
TOTAL		16.5	341.3	724.6			1,082.4	1,082.4

FINANCIAL LIABILITIES

NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES	25					857.9	857.9	863.6
OTHER NON-CURRENT FINANCIAL LIABILITIES	26					2.3	2.3	2.3
CURRENT INTEREST-BEARING FINANCIAL LIABILITIES	25					278.8	278.8	281.7
ACCOUNTS PAYABLE AND OTHER FINANCIAL LIABILITIES	27					306.5	306.5	306.5
DERIVATIVE FINANCIAL INSTRUMENTS	29	29.8			24.5		54.3	54.3
TOTAL		29.8			24.5	1,445.5	1,499.8	1,508.4

Accounts receivables and other receivables do not include advance payments and employee costs accruals (Note 19). Accounts payable and other financial liabilities do not include advance payments and employee costs accruals (Note 26).

In Metsä Board Group all interest-bearing liabilities are valued in the balance sheet at amortised cost based on effective interest method. Interest-bearing financial assets have been classified by applying IAS39-standard. Fair values in

the table are based on the present value of cash flow of each liability or assets calculated by market rate. The discount rates applied are between 0.6–5.4 per cent (2011 0.6–9.9). Of interest bearing liabilities 72 per cent (61) is subject to variable rates and the rest to fixed rates. The average interest rate of interest-bearing liabilities at the end of 2012 was 4.6 per cent (6.1 per cent). The fair values of accounts and other receivables and accounts payables and other liabilities are not essentially deviating from the carrying amounts in the balance sheet.



FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

		2012			
EUR MILLION	NOTE	LEVEL1	LEVEL2	LEVEL3	TOTAL
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, NON-CURRENT	16				
AVAILABLE FOR SALE FINANCIAL ASSETS	16	0.3		269.3	269.6
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, CURRENT	20				
DERIVATIVE FINANCIAL ASSETS	29		22.5		22.5
DERIVATIVE FINANCIAL LIABILITIES	29	4.6	36.9		36.9

		2011			
EUR MILLION	NOTE	LEVEL1	LEVEL2	LEVEL3	TOTAL
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, NON-CURRENT	16				
AVAILABLE FOR SALE FINANCIAL ASSETS	16	0.4		340.9	341.3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, CURRENT	20				
DERIVATIVE FINANCIAL ASSETS	29	0.0	16.5		16.5
DERIVATIVE FINANCIAL LIABILITIES	29	5.5	48.8		54.3

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BASED ON LEVEL 3

EUR MILLION	2012	2011
AT 1 JANUARY	340.9	314.2
TOTAL GAINS AND LOSSES IN PROFIT OR LOSS	59.1	0.1
TOTAL GAINS AND LOSSES IN OTHER COMPREHENSIVE INCOME	-72.2	22.0
PURCHASES	5.4	4.9
SETTLEMENTS	-63.9	-0.3
AT 31 DECEMBER	269.3	340.9

Financial assets and liabilities measured at fair value have been categorised according to IFRS 7 (Financial Instruments: Disclosures) Paragraph 27 A and 27 B.

- 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 is not based on observable market data, but company's own assumption.

29 Derivatives

DERIVATIVES

EUR MILLION	NOMINAL VALUE	FAIR VALUE						
		ASSETS	LIABILITIES	TOTAL	FAIR VALUE HEDGES	CASH FLOW HEDGES	EQUITY HEDGES	DERIVATIVES/ HEDGE ACCOUNTING NOT APPLIED
2012								
INTEREST FORWARD AGREEMENTS								
INTEREST RATE OPTIONS								
INTEREST RATE SWAPS	1,866.0	17.2	28.9	-11.7	-1.8	-7.4		-2.5
INTEREST RATE DERIVATIVES	1,866.0	17.2	28.9	-11.7	-1.8	-7.4	0.0	-2.5
CURRENCY FORWARD AGREEMENTS	1,217.9	5.2	1.4	3.8		4.0	0.1	-0.2
CURRENCY OPTION AGREEMENTS	49.8	0.0		0.0				
CURRENCY SWAP AGREEMENTS	42.4		0.5	-0.4	-0.5			
CURRENCY DERIVATIVES	1,310.1	5.2	1.9	3.4	-0.5	4.0	0.1	-0.2
ELECTRICITY DERIVATIVES	78.9		10.4	-10.4		-4.3		-6.0
PULP DERIVATIVES								
OTHER COMMODITY DERIVATIVES	0.4		0.3	-0.3				-0.3
COMMODITY DERIVATIVES	79.3	0.0	10.7	-10.7		-4.3		-6.3
DERIVATES TOTAL	3,255.4	22.4	41.4	-19.0	-2.3	-7.8	0.1	-9.0

EUR MILLION

2011								
INTEREST FORWARD AGREEMENTS	4.0		0.2	-0.2				-0.2
INTEREST RATE OPTIONS								
INTEREST RATE SWAPS	1,344.9	10.4	22.4	-12.0	-3.7	-4.5		-3.7
INTEREST RATE DERIVATIVES	1,348.9	10.4	22.6	-12.2	-3.7	-4.5		-3.9
CURRENCY FORWARD AGREEMENTS	1,435.3	6.1	13.3	-7.2		-4.2	-0.2	-2.8
CURRENCY OPTION AGREEMENTS	41.1		0.1	-0.1				-0.1
CURRENCY SWAP AGREEMENTS	101.2		9.6	-9.6	-9.6			
CURRENCY DERIVATIVES	1,577.6	6.1	23.0	-16.9	-9.6	-4.2	-0.2	-2.9
ELECTRICITY DERIVATIVES	99.8		6.3	-6.3		-2.2		-4.1
PULP DERIVATIVES	17.8		0.0	0.0		0.0		
OTHER COMMODITY DERIVATIVES	6.7		2.5	-2.5				-2.5
COMMODITY DERIVATIVES	124.3	0.0	8.8	-8.8		-2.2		-6.6
DERIVATES TOTAL	3,050.8	16.5	54.3	-37.8	-13.3	-11.0	-0.2	-13.4



30 Maturity analysis of cash flow hedge accounting

Result of the hedging instrument is recognized to the income statement at the realization of the cash flow. Contractual maturities of hedging instruments equals to the hedged cash flow.

EUR MILLION				
31 DEC 2012				
PERIODS WHEN THE FORE-CASTED CASH FLOW ARE EXPECTED TO OCCUR	HIGHLY PROBABLE FOREIGN CURRENCY CASH FLOWS	CONTRACTUAL INTEREST CASH FLOWS	HIGHLY PROBABLE COMMODITY CASH FLOWS (PULP)	HIGHLY PROBABLE COMMODITY CASH FLOWS (ELECTRICITY)
Q 1	87.7	-0.2		-7.1
Q 2	88.8	-0.9		-6.9
Q 3	37.7	-0.9		-5.8
Q 4	14.2	-0.9		-5.8
TOTAL IN 2013	227.4	-2.8		-25.6
2014		-3.5		-19.8
2015		-3.5		-12.8
2016		-2.0		-7.1
2017				
CASH FLOWS TOTAL	227.4	-11.7		-65.2
TOTAL NOMINAL VALUES OF DERIVATIVES DIRECTED TO HEDGE ACCOUNTING	227.4	100.0		65.2

EUR MILLION				
31 DEC 2011				
PERIODS WHEN THE FORE-CASTED CASH FLOW ARE EXPECTED TO OCCUR	HIGHLY PROBABLE FOREIGN CURRENCY CASH FLOWS	CONTRACTUAL INTEREST CASH FLOWS	HIGHLY PROBABLE COMMODITY CASH FLOWS (PULP)	HIGHLY PROBABLE COMMODITY CASH FLOWS (ELECTRICITY)
Q 1	103.5	-0.5	6.7	-3.2
Q 2	101.8	-0.5	6.7	-3.2
Q 3	45.1	-0.5	4.4	-3.2
Q 4	12.8	-0.5		-3.2
TOTAL IN 2012	263.2	-1.9	17.8	-13.0
2013		-1.9		-9.8
2014		-1.9		-2.4
2015		-1.9		-2.1
2016		-1.0		
CASH FLOWS TOTAL	263.2	-8.7	17.8	-27.3
TOTAL NOMINAL VALUES OF DERIVATIVES DIRECTED TO HEDGE ACCOUNTING	263.2	100.0	17.8	27.3

31 Notes to the Consolidated cash flow statement

EUR MILLION	2012	2011
ADJUSTMENTS TO THE RESULT FOR THE PERIOD		
TAXES	2.7	-7.8
DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES	100.3	190.9
SHARE OF PROFIT FROM ASSOCIATED COMPANIES	-29.2	-52.7
GAINS AND LOSSES ON SALE OF NON-CURRENT ASSETS	-158.4	-18.9
FINANCE COSTS, NET	44.0	60.0
POST EMPLOYMENT BENEFIT OBLIGATIONS AND PROVISIONS	111.1	129.1
	-151.7	300.6
CHANGE IN WORKING CAPITAL		
INVENTORIES	35.5	37.2
ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES	26.8	73.1
ACCOUNTS PAYABLE AND OTHER LIABILITIES	-44.4	-29.1
	17.9	81.2

DISPOSALS OF SUBSIDIARIES

Metsä Board disposed in 2012 Premium Paper business of Metsä Board Zanders Reflex mill in Germany. Cash flow effect was EUR -2.9 million.

Metsä Board sold in 2011 M-real Hallein GmbH in Austria. The selling price was EUR 31.7 million. Cash and cash equivalents of disposed subsidiary were EUR 3.8 million. Proceeds from disposal of shares in subsidiaries, net of cash were EUR 27.9 million.

Other changes in equity in 2011, EUR 3.9 million, see Note 22.

32 The Principal Subsidiaries 31 December 2012

	COUNTRY	GROUP'S HOLDING, %	NUMBER OF SHARES
SHARES AND HOLDINGS IN THE GROUP			
METSÄLIITTO COOPERATIVE	FINLAND		179,171
SHARES IN SUBSIDIARIES			
IN FINLAND			
ALREC BOILER OY ¹⁾	FINLAND	24.92	899
OY HANGÖ STEVEDORING AB	FINLAND	100.00	150
METSÄ BOARD KEMI OY	FINLAND	100.00	2,000,000
LOGISWARE OY	FINLAND	100.00	4,500
OOO PETERBOX	RUSSIA	100.00	
METSÄ BOARD INTERNATIONAL OY	FINLAND	100.00	10,000
METSÄ GROUP FINANCIAL SERVICES OY	FINLAND	51.00	25,500
IN OTHER COUNTRIES			
METSÄ BOARD DEUTSCHE HOLDING GMBH	GERMANY	100.00	
METSÄ BOARD NETHERLANDS B.V.	THE NETHERLANDS	100.00	1,000
M-REAL HOLDING FRANCE SAS	FRANCE	100.00	520,000
M-REAL IBP DEALS AMERICAS LTD	USA	100.00	50
METSÄ BOARD NL HOLDING B.V.	THE NETHERLANDS	100.00	15,350
METSÄ BOARD REINSURANCE AG	SWITZERLAND	100.00	19,997
METSÄ BOARD SVERIGE AB	SWEDEN	100.00	10,000,000
M-REAL UK HOLDINGS LTD	GREAT BRITAIN	100.00	146,750,000

¹⁾ CONSOLIDATION AS A SUBSIDIARY UNDER SHAREHOLDERS' AGREEMENT.

	COUNTRY	GROUP'S HOLDING, %	NUMBER OF SHARES
SUBGROUPS IN FINLAND			
METSÄ BOARD INTERNATIONAL OY			
M-REAL BENELUX B.V.	THE NETHERLANDS	100.00	2,000
METSÄ BOARD BENELUX N.V./S.A.	BELGIUM	100.00	2,921
METSÄ BOARD OOO	RUSSIA	100.00	100
METSÄ BOARD CZ, S.R.O.	CZECH REPUBLIC	100.00	
METSÄ BOARD DEUTSCHLAND GMBH	GERMANY	100.00	1
METSÄ BOARD FRANCE SAS	FRANCE	100.00	8,211
M-REAL HELLAS LTD	GREECE	51.00	306
METSÄ BOARD HONG KONG LTD	HONG KONG	100.00	100
M-REAL SHANGHAI LTD	CHINA	100.00	
METSÄ BOARD IBÉRIA S.A.	SPAIN	100.00	147,871
METSÄ BOARD IRELAND LTD	IRELAND	100.00	5,000
METSÄ BOARD ITALIA S.R.L.	ITALY	100.00	100,000
METSÄ BOARD HUNGARY KFT	HUNGARY	100.00	30
METSÄ BOARD (MIDDLE EAST & NORTH AFRICA) LTD	CYPRUS	100.00	742,105
METSÄ BOARD POLSKA SP. Z O.O.	POLAND	100.00	232
METSÄ BOARD NORDIC A/S	DENMARK	100.00	36
METSÄ BOARD NORDIC AB	SWEDEN	100.00	1,000
METSÄ BOARD SINGAPORE PTE LTD	SINGAPORE	100.00	10,000
METSÄ BOARD SCHWEIZ AG	SWITZERLAND	100.00	100
METSÄ BOARD UK LTD	GREAT BRITAIN	100.00	2,400
METSÄ BOARD USA CORPORATION	USA	100.00	180
METSÄ BOARD AUSTRALIA AND NEW ZEALAND PTY LTD	AUSTRALIA	100.00	



	COUNTRY	GROUP'S HOLDING, %	NUMBER OF SHARES
SUBGROUPS IN OTHER COUNTRIES			
M-REAL HOLDING FRANCE SAS			
M-REAL ALIZAY SAS	FRANCE	100.00	3,203,210
METSÄ BOARD DEUTSCHE HOLDING GMBH			
METSÄ BOARD ZANDERS GMBH	GERMANY	100.00	2,800,000
BGE EISENBAHN GÜTERVERKEHR GMBH	GERMANY	72.00	
METSÄLIITTO ENERGIE GMBH	GERMANY	80.00	
METSÄ BOARD NL HOLDING B.V			
M-REAL IBP DEALS (CHINA) LTD	CHINA	100.00	
M-REAL IBP HK LTD	HONG KONG	100.00	7,009,900
M-REAL UK HOLDINGS LTD			
M-REAL UK SERVICES LTD	GREAT BRITAIN	100.00	115,800,001

33 Joint ventures

Joint ventures have been consolidated using line-by-line method proportionate to the Metsä Board Group's holding. Group's consolidated Income statement and Balance sheet included assets, liabilities, income and costs as follows:

EUR MILLION	2012	2011
NON-CURRENT ASSETS	17.1	19.9
CURRENT ASSETS	4.3	4.4
ASSETS TOTAL	21.4	24.3
NON-CURRENT LIABILITIES	21.2	23.7
CURRENT LIABILITIES	3.2	3.5
LIABILITIES TOTAL	24.4	27.2
SALES	12.2	13.7
EXPENSES	12.3	15.7
THE RESULT FOR THE PERIOD	-0.1	-1.2

Joint ventures, which have been consolidated using line-by-line method proportionate:

JOINT VENTURES:	GROUP'S HOLDING, %	
ÄÄNEVOIMA OY	56.25	56.25
ÄÄNEVERKKO OY	56.25	56.25

34 Contingent liabilities

EUR MILLION	2012	2011
FOR OWN LIABILITIES		
LIABILITIES SECURED BY PLEDGES		
PENSION LOANS	67.5	90.0
OTHER LIABILITIES	10.0	7.4
PLEDGES GRANTED	61.6	59.0
LIABILITIES SECURED BY MORTGAGES		
PENSION LOANS	108.1	114.0
OTHER LIABILITIES	0.0	0.0
REAL ESTATE MORTGAGES	108.1	114.0
LIABILITIES SECURED BY CHATTEL MORTGAGES		
LOANS FROM FINANCIAL INSTITUTIONS	3.0	3.0
CHATTEL MORTGAGES	3.0	3.0
ON BEHALF OF GROUP COMPANIES		
PLEDGED ASSETS	13.4	13.4
ON BEHALF OF ASSOCIATED COMPANIES		
GUARANTEE LIABILITIES	0.1	0.0
ON BEHALF OF OTHERS		
GUARANTEE LIABILITIES	3.2	3.3
OTHER LIABILITIES		
AS SECURITY FOR OTHER COMMITMENTS	10.3	12.8
OPERATING LEASES	4.5	5.0
TOTAL		
PLEDGES	75.0	72.4
REAL ESTATE MORTGAGES	111.1	117.0
GUARANTEES	3.3	3.3
PROMISSORY NOTES	0.0	0.0
OTHER LIABILITIES	10.3	12.8
OPERATING LEASES	4.5	5.0
TOTAL	204.2	210.5

Pledges granted are sister company's shares (Metsä Fibre) as well as bank assets securing the Nord-Pool liabilities.

OTHER LEASE COMMITMENTS

Metsä Board leases various offices and warehouses under non-cancellable operating lease agreements.

Some contracts are renewable at the end of the lease period.

EUR MILLION	2012	2011
OPERATING LEASES		
NOT LATER THAN ONE YEAR	2.3	2.2
LATER THAN ONE YEAR AND NOT LATER THAN FIVE YEARS	2.2	2.8
LATER THAN FIVE YEARS	0.0	0.0
TOTAL	4.5	5.0

JOINT VENTURES

Proportionate interest in joint ventures unconditional purchase agreement, tangible assets, was EUR 0.0 million (0.0).

DISPUTE

UPM-Kymmene Corporation initiated arbitration proceedings against Metsä Board concerning the transaction completed in May 2012, in which Metsä

Board sold 7.3 percentage points of its holding in Metsä Fibre Oy to the Japanese Itochu Corporation for EUR 138 million.

In the arbitration proceedings, UPM is primarily claiming EUR 58.5 million in damages and secondarily the reimbursement of an alleged unjustified benefit of EUR 58.5 million jointly from Metsäliitto Cooperative and Metsä Board. The claim is based on an alleged breach of the co-sale clause under the Metsä Fibre shareholder agreement signed in 2009.

Metsä Board denies UPM's claim as unfounded in its entirety and is not making any provisions because of it. The claim has no impact on the transaction with Itochu or cooperation between the parties, and is not associated with agreements entered into with Itochu.

35 Share-based payment

SHARE-BASED PAYMENT

Metsä Board had two valid share-based incentive schemes, as part of the company's incentive and commitment programme for key persons in 2011. Share incentive scheme 2008–2010, which Metsä board's Board of Directors decided to adopt 16 January 2008 and Share incentive scheme 2011, which Metsä Board's Board of Directors decided to adopt 15 December 2011. In 2012 EUR 184,753 was recognized as expense in the income statement related to the share-based incentive schemes.

SHARE INCENTIVE SCHEME 2008–2010

On 16 January 2008, Metsä Board's Board of Directors decided to adopt a share incentive scheme for 2008–2010. The scheme offers target groups the possibility to be awarded Metsä Board Corporation's B-shares for achieving the goals set for three vesting periods each of one calendar year.

The vesting periods are the calendar years 2008, 2009 and 2010. The size of the bonus awarded under the share incentive is linked to the Group's operating profit (EBIT, 50 per cent weight) and the return on capital employed (ROCE, 50 per cent weight). The size of the bonus awarded for vesting period 2010 is linked to EBIT and adjusted cash flow (Cash flow 2).

The bonus payable under the share incentive scheme is paid in the form of Metsä Board Corporation's B-shares. In addition an amount corresponding at maximum to the value of the shares, is paid in cash to cover taxes. The achievement of the target set for the period involved determines the share of the maximum bonus that is paid to key personnel.

The bonus is not paid if the person concerned ceases to be employed before the award is paid. The person concerned must also continue to own the shares at least two years after the date of the award payment. In 2011, 61,555 Metsä Board series B-shares and cash to cover taxes and tax-related costs arising from the reward, related to the share-based incentive scheme at the transfer time, were paid.



SHARE INCENTIVE SCHEME 2008–2010

DATE OF ISSUE INSTRUMENT	ISSUED BY BOARD'S DECISION 16 JAN 2008 SHARE-BASED REWARD SCHEME	
	2010 ¹⁾	TOTAL
MAXIMUM NUMBER OF SHARES	82,500	82,500
MAXIMUM NUMBER OF SHARES IN CASH	82,500	82,500
GRANT DATE	3 FEB 2010	
VESTING PERIOD STARTS	1 JAN 2010	
VESTING PERIOD ENDS	31 DEC 2010	
OBLIGATION TO HOLD SHARES, YEARS	2	
CONDITIONS OF VESTING REQUIREMENTS	OBLIGATION TO WORK	
CRITERIA	EBIT, CASHFLOW2	
DATE OF VESTING REQUIREMENT	1 JAN 2013	
MAXIMUM VALIDITY, YEARS	3	
PAYMENT METHOD	SHARES AND CASH	
BINDING TIME LEFT, YEARS	0	
NUMBER OF KEY PERSONNEL (31 DEC 2012)	6	
EXERCISE PRICE, EUR	0	
FAIR VALUE MEASURING²⁾		
SHARE PRICE AT GRANT DATE, EUR	1.80	
FAIR VALUE OF SHARE AT GRANT DATE, EUR	1.80	
ASSUMED DIVIDENDS	0.00	
SHARE PRICE AT THE END OF FINANCIAL PERIOD, EUR	3.16	
FAIR VALUE AT END OF FINANCIAL PERIOD, EUR	280,472	280,472
EFFECT ON RESULT AND FINANCIAL POSITION, EUR		
EXPENSE FOR 2012, SHARE BASED PAYMENT	96,569	96,569
EXPENSE FOR 2012, SHARE BASED PAYMENT, SETTLED AS EQUITY	37,901	37,901
LIABILITY AT THE END	0	
NUMBER OF SHARES 1 JAN 2012		
OUTSTANDING AT THE BEGINNING OF PERIOD	61,155	61,155
CHANGES DURING THE PERIOD		
SHARES GRANTED		
SHARES FORFEITED		
SHARES EXERCISED		
SHARES EXPIRED	61,155	61,155
NUMBER OF SHARES 31 DEC 2012		
OUTSTANDING AT THE END OF PERIOD		
EXERCISABLE AT THE END OF THE PERIOD		

¹⁾ The quantities in the table reflect the numbers of shares to be given on the base of share-based payment. Metsä Board has also committed not to pay more than the value of shares in cash (tax-portion).

²⁾ The fair value of the share-settled part at exercise date was the market price of Metsä Board's B-share less any dividend paid before the payment of the reward.

Correspondingly, the fair value of the cash-settled part is estimated on every reporting date until the settlement date. The fair value of share-based payment is recognized to the quantity based on best possible estimate of the reward, which is believed to be granted.

SHARE INCENTIVE SCHEME 2011

The scheme offers the target group the possibility to be awarded Metsä Board Corporation's B-shares for achieving set goals for three vesting periods. The vesting periods are the calendar years 2011–2013, 2012–2014 and 2013–2015. The bonus awarded under the share incentive scheme is determined by achievement of the set goals; by the end of April following the incentive period. In addition to the shares, the bonus includes a cash portion, which is at maximum

the value of the shares at the transfer time and which is used to cover taxes and tax-like charges incurred by key persons due to the bonus. The bonus is not paid, if the employee's contract with the company ends before the end of the vesting period. In addition, the awarded person must continue to own the shares for at least two years following the end of the vesting period.

The basic information and transactions related to the Share incentive scheme 2012 are presented in the following table:

SHARE INCENTIVE SCHEME 2011			
DATE OF ISSUE INSTRUMENT	ISSUED BY BOARD'S DECISION 15 DEC 2010 EQUITY-BASED REWARD SCHEME		
	2011–2013	2012–2014	TOTAL
MAXIMUM NUMBER OF SHARES	525,000	700,000	1,225,000
GRANT DATE	4 APR 2011	11 APR 2012	
VESTING PERIOD STARTS	1 JAN 2011	1 JAN 2012	
VESTING PERIOD ENDS	31 DEC 2013	31 DEC 2014	
OBLIGATION TO HOLD SHARES, YEARS	2	2	
CONDITIONS OF VESTING REQUIREMENTS CRITERIA	OBLIGATION TO WORK EQUITY RATIO, ROCE, EBIT	OBLIGATION TO WORK EQUITY RATIO, ROCE, EBIT	
DATE OF VESTING REQUIREMENT	30 APR 2014	30 APR 2015	
RELEASE OF THE BONUS	1 JAN 2016	1 JAN 2017	
MAXIMUM VALIDITY, YEARS	5	5	
PAYMENT METHOD	SHARES AND CASH	SHARES AND CASH	
BINDING TIME LEFT, YEARS	4	4	
NUMBER OF KEY PERSONNEL (31 DEC 2012)	10	9	
EXERCISE PRICE, EUR	0	0	
FAIR VALUE MEASURING¹⁾			
SHARE PRICE AT GRANT DATE, EUR	3,12	1,90	
FAIR VALUE OF SHARE AT GRANT DATE, EUR	2,75	1,83	
ASSUMED DIVIDENDS	0,12	0,12	
SHARE PRICE AT THE END OF FINANCIAL PERIOD, EUR	2,22	2,22	
FAIR VALUE AT END OF FINANCIAL PERIOD, EUR	0	370,705	370,705
EFFECT ON RESULT AND FINANCIAL POSITION, EUR			
EXPENSE FOR 2012, SHARE-BASED PAYMENT	0	88,184	88,184
EXPENSE FOR 2012, SHARE-BASED PAYMENT			
SETTLED AS EQUITY	0	39,846	39,846
LIABILITY AT THE END	0	48,338	48,338
NUMBER OF SHARES 1 JAN 2012 ²⁾			
OUTSTANDING AT THE BEGINNING OF PERIOD	360,000	0	360,000
CHANGES DURING THE PERIOD			
SHARES GRANTED	0	300,000	300,000
SHARES FORFEITED	46,667	13,333	60,000
SHARES EXERCISED	0	0	0
SHARES EXPIRED	0	0	0
NUMBER OF SHARES 31 DEC 2012			
OUTSTANDING AT THE END OF PERIOD	313,333	286,667	600,000
EXERCISABLE AT THE END OF THE PERIOD	313,333	286,667	600,000

¹⁾ The fair value of the share-settled part at exercise date was the market price of Metsä Board Corporation's B-share less any dividend paid before the payment of the reward. Correspondingly, the fair value of the cash-settled part is estimated on every reporting date until the settlement date. The fair value of share-based payment is recognized to the amount based on best possible estimate of

the reward, which is believed to be granted. ²⁾ The quantities in the table reflect gross quantities, i.e. the number of shares and cash portion to be given based on share-based payment. In addition an amount corresponding at maximum to the value of the shares, is paid in cash to cover taxes.



METSÄLIITTO MANAGEMENT OY

Metsäliitto Management Oy has been established for the shareholding programme of the members of Metsä Group's Executive Management. The grant date of the programme is 10 August 2010. The members of the Executive Management own the entire stock-base of the company. The company is consolidated in Metsä Group (not Metsä Board Group) as special purpose entity. The purpose of Metsäliitto Management Oy is to acquire Metsä Board Corporation B shares from the market or members of the Executive Management at market prices. The share purchases have been financed by using capital investments of the members of Executive Management, a total of EUR 3,850,000, of which the capital input of Kari Jordan, Chairman of the Board of Metsä Board is EUR 1 million and President and CEO Mikko Helander's EUR 500,000, and a loan of EUR 15,400,000 granted by Metsäliitto Cooperative. Shares have been purchased for Kari Jordan for approximately EUR 5 million and for Mikko Helander for approximately EUR 2.5 million. The number of Metsä Board's B-shares allocated via Metsäliitto Management Oy to CEO Mikko Helander is 881,933.

The loan granted by Metsäliitto Cooperative will be repaid in its entirety by 31 March 2014. If the validity of the arrangement is continued one year at a time in 2013, 2014, 2015 or 2016, the loan period will be extended correspondingly. Metsäliitto Management Oy has the right to repay the loan prematurely at any time. Metsäliitto Management Oy is obligated to repay the loan prematurely by selling the Metsä Board Corporation B shares it holds if the stock exchange price of Metsä Board Corporation B share exceeds a certain level defined in the arrangement for an extended period of time.

The arrangement will remain in force until the end of 2013 and beginning of 2014, at which time the intention is to dissolve the arrangement in a manner to be decided later. The arrangement can be dismantled by merging the company with Metsä Board Corporation or selling the Metsä Board Corporation B shares held by the company to Metsäliitto Cooperative, a party designated by Metsäliitto Cooperative or a third party and liquidating the company or by selling the shares of the company to Metsäliitto Cooperative. The arrangement will be extended one year at a time if, in October–November 2013, 2014, 2015 or 2016, the stock exchange price of the Metsä Board Corporation B share is lower than the average price at which Metsäliitto Management Oy acquired the Metsä Board Corporation B shares it owns.

The assignment of the Metsä Board Corporation B shares owned by Metsäliitto Management Oy is restricted during the validity of the arrangement. As a rule, the ownership of members of the Executive Management in Metsäliitto Management Oy will remain in force until the dismantling of the arrangement.

In the Metsä Board Group, the arrangement is processed as a share incentive scheme. Valuation is performed once after the essential terms and conditions of the arrangement have been agreed upon.

In 2011, EUR 0.14 million (2011: 0.14) was recognized as expense in the Group's income statement in connection with Metsäliitto Management Oy's share ownership programme.

36 Related party transactions

The related parties are Metsä Board's ultimate parent company Finnish Metsäliitto Cooperative, who owns 42.4 per cent of Metsä Board's shares and 61.7 per cent of the voting rights (including Metsäliitto Management Oy), other subsidiaries of Metsäliitto, associated companies as well as members of the Board of Directors and Corporate Management Team, and their close family-members. Key management includes members of the Board as well as Corporate Management Team.

The most significant other subsidiaries of Metsäliitto with whom Metsä board had business activities are as follows:

Metsä Tissue Group
Metsä Fibre Group
Metsäforest Sverige Ab
Metsäliitto France

The most significant subsidiaries of Metsä Board are listed in the Note 32.

Metsä Fibre has been consolidated by using equity method according to Investments in associates-standard (IAS 28) since 8 December 2009. Before that Metsä Board consolidated Metsä Fibre according to Interests in Joint Ventures standard (IAS 31). Related party transactions with Metsä Fibre are presented from 8 December 2009 as transactions with sister companies.

In June 2011 Metsä Fibre acquired own shares from UPM-Kymmene. Metsä Board's ownership rose from 30.03 per cent to 32.19 per cent and Metsäliitto's ownership from 53 per cent to 56.8 per cent. In May 2012 Metsä Board and Metsäliitto sold share of Metsä Fibre to Itochu Corporation. Metsä Board's ownership is after disposal from 24.9 per cent and Metsäliitto's ownership 50.2 per cent. Itochu Corporation ownership is 24.9 per cent.

The total wood purchases from Metsäliitto Cooperative were EUR 95.2 million in 2012 (92.5). The price used was market price.

Other operating income for 2012 include EUR 58.6 million profit related to the sale of 0.5 percentage in Pohjolan Voima to Metsä Fibre, EUR 1.5

37 Environmental affairs

million profit on property sales in Finland to Metsä Tissue Oyj and EUR 0.6 million profit on sale related to disposal of shares in Kirkeniemen Kartano Oy to Metsäliitto Cooperative.

Metsä Group Financial Services Oy owned by Metsä Board (51 per cent) and Metsäliitto (49 per cent) operates as Group's internal bank. The interest rates are market based.

EUR MILLION	TRANSACTIONS WITH PARENT COMPANY		TRANSACTIONS WITH SISTER COMPANIES	
	2012	2011	2012	2011
SALES	9.3	12.1	51.6	48.5
OTHER OPERATING INCOME	4.1	3.4	62.1	2.4
PURCHASES	117.7	115.6	580.3	654.6
SHARE OF PROFIT FROM ASSOCIATED COMPANIES			29.2	59.5
DIVIDEND INCOME			33.4	45.0
INTEREST INCOME	3.4	3.5	2.3	1.7
INTEREST EXPENSES	0.6	0.6	0.5	1.8
RECEIVABLES				
NON-CURRENT RECEIVABLES			3.8	3.8
CURRENT RECEIVABLES	13.7	14.5	68.1	57.1
LIABILITIES				
NON-CURRENT LIABILITIES				
CURRENT LIABILITIES	203.1	15.8	140.1	135.6

There are no doubtful receivables in the receivables from group companies. No bad debt was recognized during the period. No security has been given for group liabilities. Metsäliitto Cooperative has increased liquid funds deposited in Metsä Finance by some EUR 185 million compared to end of year 2011.

The compensations paid to the management are presented in the Note 7 and 35. The shareholding system of members of Metsä Group's Executive Management, Metsäliitto Management Oy is presented in the Note 35. The parent company has no commitments on behalf of management or receivables from management.

Transactions with associated companies are presented in the Note 15.

Joint ventures are presented in the Note 33.

Only additional identifiable costs that are primarily intended to prevent, reduce or repair damage to the environment are included in environmental costs. Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits.

Following is the summary of environmental costs and changes in capitalised environmental expenditures.

EUR MILLION	2012	2011
INCOME STATEMENT		
MATERIALS AND SERVICES	9.4	11.2
EMPLOYEE COSTS		
WAGES AND FEES	1.4	2.3
OTHER EMPLOYEE COSTS	0.6	1.1
DEPRECIATION AND AMORTIZATION	6.2	10.1
OTHER OPERATING EXPENSES	1.8	1.1
	19.4	25.8
BALANCE SHEET		
TANGIBLE ASSETS		
ACQUISITION COSTS, 1 JANUARY	181.3	327.1
INCREASES	3.5	1.0
DECREASES	-13.0	-146.8
DEPRECIATION	-97.7	-119.6
CARRYING AMOUNT, 31 DECEMBER	74.1	61.7
PROVISIONS		
ENVIRONMENTAL OBLIGATIONS	18.2	17.6
CO₂ EMISSION ALLOWANCES, CONTINUING OPERATIONS		
POSSESSION OF EMISSION ALLOWANCES, 1,000 TONNES	700	752
EMISSION PRODUCED (ESTIMATE), 1,000 TONNES	436	
EMISSION PRODUCED (2011 VERIFIED), 1,000 TONNES		674
THE SALES OF EMISSION ALLOWANCES (EUR MILLION)	3.7	5.3

The decrease in tangible assets is due to disposal of M-real Hallein. The increase of environmental obligations in 2012 relates to the soil contamination clean-up in Finland. The increase in environmental obligations relates to the plans to shut down the Alizay paper mill.

38 Events after the Balance sheet date

A voluntary reindustrialisation project was launched in Alizay in the spring of 2012 in collaboration with Metsä Board, employee representatives and local authorities. As a result of the project, the company sold the Alizay mill site, including the equipment and buildings, to Conseil General de l'Eure, representing the French government, for EUR 22 million in January 2013.



SHARES AND SHAREHOLDERS

SHARE CAPITAL AND SHARES

AT 31 DECEMBER 2012

Metsä Board's paid-in share capital on the balance sheet date was EUR 557,881,540.40 and consisted of 328,165,612 shares. The company has two classes of shares. At the end of the reporting period, the number of class A shares was 36,339,550 and the number of class B shares 291,826,062. Each class A share carries twenty (20) votes at a General Meeting of Shareholders, while each class B share carries one (1) vote. All shares carry the same right to receive a dividend.

Metsä Board's A shares can be converted to B shares if a shareholder or a representative of nominee registered shares makes to the company a written request for conversion. The conversion does not entitle a shareholder to receive additional compensation or consideration.

After the reporting period, on February, 1, 2013 a conversion of 50,000 Metsä Board A shares into 50,000 B-shares was registered in accordance with Section 14 of the Articles of Association of Metsä Board Corporation. After the conversion the amount of A-shares is 36,289,550 which entitle to 71 per cent of the voting rights in Metsä Board and the amount of B-shares is 291,876,062 which entitle to 29 per cent of the voting rights. Total amount of votes after the conversion is 1,017,667,062.

STOCK EXCHANGE LISTINGS AND SHARE PRICE DEVELOPMENT

About 90 per cent of the trading in Metsä Board's shares was done at NASDAQ OMX Helsinki Ltd stock exchange in 2012 according to the trading data collector Fidessa.

In 2012, the highest price for Metsä Board's A share on NASDAQ OMX Helsinki Ltd. was EUR 2.84, the lowest EUR 1.52, and the average price was EUR 2.34. At the end of the year, the price of the A share was EUR 2.21. At the end of 2011, the price of the A share was EUR 1.50, while the average price in 2011 was EUR 2.87.

In 2012, the highest price of Metsä Board's B share was EUR 2.47, the lowest EUR 1.33, and the average price was EUR 2.00. At the end of the year, the price of the B share was EUR 2.22. At the end of 2011, the price of the B share was EUR 1.33, while the average price in 2011 was EUR 2.18.

The trading volume of the A shares was EUR 2 million, or six per cent of the share capital. The trading volume of the B shares was EUR 728 million, or 76 per cent of the share capital. The market value of the A and B shares totaled EUR 728 million at the end of 2012.

Metsäliitto Cooperative owned 40 per cent of the shares at the end of 2012. The voting rights carried by these shares amounted to 61 per cent. International investors held 11 per cent of the shares.

The company does not hold any treasury shares.

IMPACT OF CHANGE IN CONTROL

Many of Metsä Board's financing agreements include a clause under which its loans will mature prematurely if any new party acquires control of Metsä Board. In addition, certain shareholders' agreements of Metsä Board's affiliated companies include a provision under which Metsä Board must offer its shares in such companies for redemption by the other shareholders in case of a change of control in Metsä Board. A possible decrease of the voting rights of Metsäliitto Cooperative in Metsä Board below 50 per cent would not alone, however, trigger any such clauses.

DIRECTORS' INTEREST

Shareholdings of the Board of Directors and the Corporate Management Team are presented on pages 112–115.

BOARD OF DIRECTORS' AUTHORITY TO ISSUE SHARES

The Board of Directors has authority to increase the share capital through one or more share issues and/or issues of special rights, as specified in Section 1 of Chapter 10 of the Companies Act, entitling to shares such that in the share issue or issue of special rights, a total maximum of 70,000,000 B shares can be issued and subscribed for. The special rights entitle their holders to receive new B-series shares against the payment of a subscription price or by setting off a receivable against the subscription price ("Convertible Bond"). New shares can be issued against payment or without payment. The authorization is effective until March 28, 2017.

CHANGES IN SHARE CAPITAL AND NUMBERS OF SHARES 1 JAN 2004–31 DEC 2012

		NUMBERS OF SHARES	SHARE CAPITAL, EUR MILLION
	SHARE CAPITAL, 31 DEC 2003	178,999,425	304.3
2004	RIGHTS ISSUE	148,633,415	252.7
	RIGHTS ISSUE	532,772	0.9
	SHARE CAPITAL, 31 DEC 2004	328,165,612	557.9
2005–2012	NO CHANGES		
	SHARE CAPITAL, 31 DEC 2012	328,165,612	557.9

DIVIDEND POLICY

Metsä Board's dividend policy is stable and rewarding to shareholders, and aims at paying a dividend of at least 1/3 of the Company's earnings per share on average over the business cycle, nonetheless taking into account the Company's net gearing target.

MAJOR SHAREHOLDERS¹⁾ 31 DEC 2012

SHAREHOLDERS	A-SERIES	B-SERIES	TOTAL SHARES		VOTES
	NO. OF SHARES	NO. OF SHARES	NO. OF SHARES	%	%
1 METSÄLIITTO COOPERATIVE	25,751,535	106,421,760	132,173,295	40.28	61.01
2 VARMA MUTUAL PENSION INSURANCE COMPANY	2,203,544	13,714,945	15,918,489	4.85	5.67
3 ILMARINEN MUTUAL PENSION INSURANCE COMPANY	3,534,330	9,813,295	13,347,625	4.07	7.90
4 ETOLA ERKKI OLAVI	0	7,200,000	7,200,000	2.19	0.71
5 METSÄLIITTO MANAGEMENT OY	0	6,790,887	6,790,887	2.07	0.67
6 OP-FOCUS FUND	0	6,178,605	6,178,605	1.88	0.61
7 THE STATE PENSION FUND	0	3,800,000	3,800,000	1.16	0.37
8 MTK RY	1,704,249	1,480,860	3,185,109	0.97	3.49
9 OP-SUOMI PIENYHTIÖT	0	3,158,052	3,158,052	0.96	0.31
10 OP-DELTA FUND	0	3,100,000	3,100,000	0.94	0.30
11 POHJOLA FINLAND VALUE	0	2,950,000	2,950,000	0.90	0.29
12 MUTUAL LIFE INSURANCE COMPANY SUOMI	0	2,300,000	2,300,000	0.70	0.23
13 NORDEA FENNIA FUND	0	2,150,000	2,150,000	0.66	0.21
14 SÄÄSTÖPANKKI KOTIMAA MUTUAL FUND	0	2,116,956	2,116,956	0.65	0.21
15 GYLLENBERG FINLANDIA FUND	0	1,976,000	1,976,000	0.60	0.19
16 FIM FORTE MUTUAL FUND	0	1,561,098	1,561,098	0.48	0.15
17 DANSKE FINNISH INSTITUTIONAL EQUITY FUND	0	1,492,323	1,492,323	0.45	0.15
18 CARNEGIE SHARE FUND	0	1,250,000	1,250,000	0.38	0.12
19 GYLLENBERG SMALL FIRM FUND	0	1,200,000	1,200,000	0.37	0.12
20 MUTUAL FUND FIM FENNO	243,638	776,300	1,019,938	0.31	0.55

¹⁾ SHAREHOLDERS IN THE BOOK-ENTRY SYSTEM. DOES NOT INCLUDE NOMINEE REGISTERED SHAREHOLDERS.

METSÄ BOARD A-SHARE

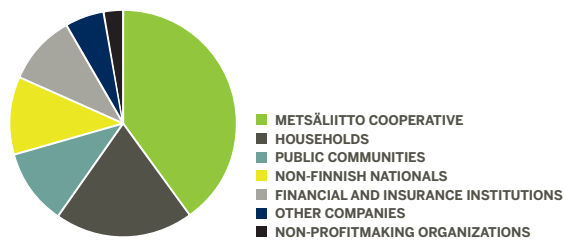
NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%	NUMBER OF VOTES	%
1-100	989	27.94	55,701	0.15	1,114,020	0.15
101-500	1,469	41.50	426,486	1.17	8,529,720	1.17
501-1,000	531	15.00	439,970	1.21	8,799,400	1.21
1,001-5,000	488	13.79	1,020,061	2.81	20,401,220	2.81
5,001-10,000	35	0.99	256,555	0.71	5,131,100	0.71
10,001-50,000	19	0.54	405,645	1.12	8,112,900	1.12
50,001-100,000	3	0.09	171,766	0.47	3,435,320	0.47
100,001-500,000	2	0.06	369,708	1.02	7,394,160	1.02
500,001-	4	0.11	33,193,658	91.343	663,873,160	91.34
TOTAL	3,540	100	36,339,550	100	726,791,000	100
OF WHICH NOMINEE REGISTERED	8		128,035	0.35	2,560,700	0.35
ON WAITING LIST, TOTAL	0		0	0	0	0
IN JOINT ACCOUNTS			0	0	0	0
TOTAL IN SPECIAL ACCOUNTS			0	0	0	0
NUMBER ISSUED			36,339,550	100	726,791,000	100

METSÄ BOARD B-SHARE

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%	NUMBER OF VOTES	%
1-100	13,486	34.126	593,585	0.20	593,585	0.20
101-500	11,621	29.407	3,063,284	1.05	3,063,284	1.05
501-1,000	5,012	12.683	4,074,500	1.40	4,074,500	1.40
1,001-5,000	6,981	17.665	17,072,096	5.85	17,072,096	5.85
5,001-10,000	1,327	3.358	9,756,391	3.34	9,756,391	3.34
10,001-50,000	913	2.31	18,111,325	6.21	18,111,325	6.21
50,001-100,000	75	0.19	5,310,675	1.82	5,310,675	1.82
100,001-500,000	71	0.18	15,145,605	5.19	15,145,605	5.19
500,001-	32	0.081	218,698,601	74.94	218,698,601	74.94
TOTAL	39,518	100	291,826,062	100	291,826,062	100
OF WHICH NOMINEE REGISTERED	12		34,251,870	11.74	34,251,870	11.737
ON WAITING LIST, TOTAL	0		0	0	0	0
IN JOINT ACCOUNTS			0	0	0	0
TOTAL IN SPECIAL ACCOUNTS			0	0	0	0
NUMBER ISSUED			291,826,062	100	291,826,062	100



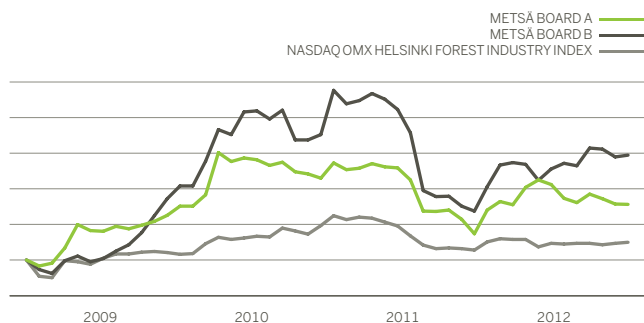
METSÄ BOARD SHAREHOLDERS: %, 31 DEC 2012



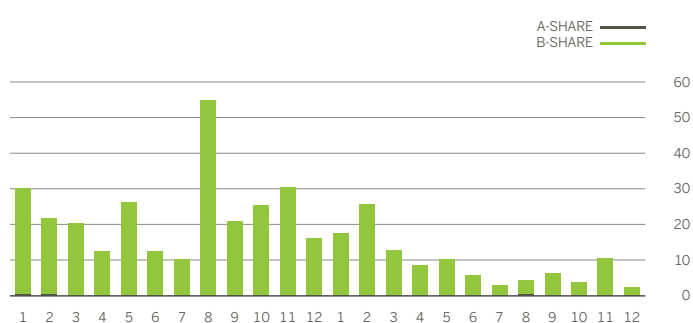
METSÄ BOARD VOTING RIGHTS: %, 31 DEC 2012



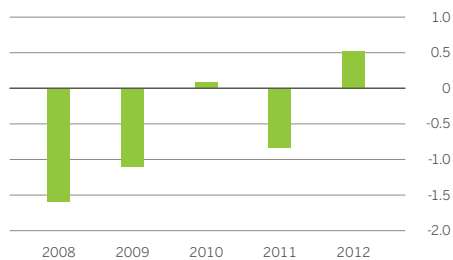
SHARE PRICE DEVELOPMENT 2009–2012: INDEX



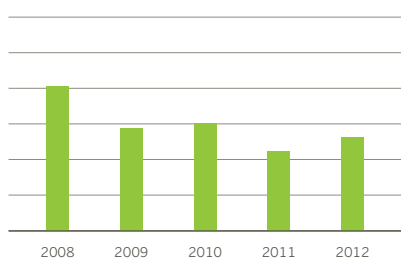
TRADED VOLUME 2011–2012: MILLIONS



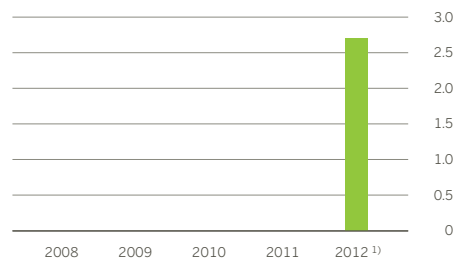
EARNINGS PER SHARE: EUR



SHAREHOLDER'S EQUITY PER SHARE: EUR



DIVIDEND YIELD: %



¹⁾ BOARD'S PROPOSAL TO THE ANNUAL GENERAL MEETING

SHARE PERFORMANCE

		2012	2011	2010	2009	2008
ADJUSTED PRICES, EUR						
A SHARE	HIGH	2.84	3.34	3.64	2.40	3.40
	LOW	1.52	1.49	1.93	0.54	0.77
	AT YEAR END	2.21	1.50	2.85	1.94	0.83
	AVERAGE	2.34	2.87	2.85	1.52	1.88
B SHARE	HIGH	2.47	3.33	3.26	1.57	3.28
	LOW	1.33	1.16	1.46	0.19	0.67
	AT YEAR END	2.22	1.33	2.54	1.53	0.69
	AVERAGE	2.00	2.18	2.44	0.66	1.59
TRADING IN SHARES, UNITS OF NASDAQ OMX HELSINKI						
A SHARE		992,596	1,579,107	1,968,018	1,513,161	1,757,960
% OF TOTAL NO. OF A SHARES		2.7	4.3	5.4	4.2	4.8
B SHARE		110,668,983	280,402,053	365,284,851	497,931,005	634,548,405
% OF TOTAL NO. OF B SHARES		37.9	96.1	125.2	170.6	217.4
NUMBER OF SHARES AT THE YEAR END ¹⁾						
A SHARE		36,339,550	36,339,550	36,339,550	36,339,550	36,339,550
B SHARE		291,826,062	291,826,062	291,826,062	291,826,062	291,826,062
TOTAL		328,165,612	328,165,612	328,165,612	328,165,612	328,165,612
ADJUSTED NUMBER OF SHARES AT YEAR END		328,165,612	328,165,612	328,165,612	328,165,612	328,165,612
MARKET CAPITALIZATION OF SHARES AT YEAR END, EUR MILLION		728.2	442.6	844.8	517.0	231.5
NUMBER OF SHAREHOLDERS ²⁾		43,058	42,463	43,937	42,766	40,555

¹⁾ AFTER THE REPORTING PERIOD, ON FEBRUARY, 1, 2013 A CONVERSION OF 50,000 METSÄ BOARD A SHARES INTO 50,000 B-SHARES WAS REGISTERED IN ACCORDANCE WITH SECTION 14 OF THE ARTICLES OF ASSOCIATION OF METSÄ BOARD CORPORATION. AFTER THE CONVERSION THE AMOUNT OF A-SHARES IS 36,289,550 AND THE AMOUNT OF B-SHARES IS 291,876,062.

²⁾ SHAREHOLDERS IN THE BOOK ENTRY SYSTEM. DOES NOT INCLUDE NOMINEE REGISTERED SHAREHOLDERS.

FIGURES PER SHARE

EUR MILLION	2012	2011	2010	2009	2008
CALCULATION OF EARNINGS PER SHARE					
RESULT FROM CONTINUING OPERATIONS BEFORE TAX	175.7	-280.9	48.1	-357.5	-204.0
- NON-CONTROLLING INTEREST	-0.2	-0.1	1.0	-4.4	-8.9
- TAXATION	-2.7	7.8	-20.7	26.7	33.5
+ RESULT FROM DISCONTINUED OPERATIONS		0	0	-23.5	-338.3
= EARNINGS	172.8	-273.2	28.4	-358.7	-517.7
- ADJUSTED NUMBER OF SHARES (AVERAGE)	328,165,612	328,165,612	328,165,612	328,165,612	328,165,612
EARNINGS PER SHARE, EUR					
FROM CONTINUING OPERATIONS	0.53	-0.83	0.09	-1.02	-0.55
FROM DISCONTINUED OPERATIONS			0.00	-0.07	-1.03
EARNINGS PER SHARE TOTAL, EUR	0.53	-0.83	0.09	-1.09	-1.58
SHAREHOLDERS' EQUITY PER SHARE, EUR	2.62	2.23	3.03	2.79	4.05
DIVIDEND PER SHARE, EUR	0.06 ¹⁾	0.00	0.00	0.00	0.00
DIVIDEND PER PROFIT, %	11.3	-	-	-	-
NOMINAL VALUE PER SHARE, EUR	-	-	-	-	-
DIVIDEND YIELD, %					
SERIES A	2.7 ¹⁾	0.0	0.0	0.0	0.00
SERIES B	2.7 ¹⁾	0.0	0.0	0.0	0.00
PRICE/EARNING RATIO (P/E RATIO)					
SERIES A	4.2	-1.8	31.7	-1.8	-0.5
SERIES B	4.2	-1.6	28.2	-1.4	-0.4
(P/BV), %					
SERIES A	84.4	67.3	94.1	69.5	20.5
SERIES B	84.7	59.6	83.8	54.8	17.0

¹⁾ BOARD OF DIRECTORS PROPOSES THAT A DIVIDEND OF 0.06 EUROS PER SHARE BE DISTRIBUTED FOR THE FINANCIAL YEAR 2012.



CALCULATION OF KEY RATIOS

PROFITABILITY

RETURN ON EQUITY (%)	=	$\frac{\text{PROFIT FROM CONTINUING OPERATIONS BEFORE TAX} - \text{DIRECT TAXES}}{\text{SHAREHOLDERS' EQUITY (AVERAGE)}}$
RETURN ON CAPITAL EMPLOYED (%)	=	$\frac{\text{PROFIT FROM CONTINUING OPERATIONS BEFORE TAX} + \text{INTEREST EXPENSES, NET EXCHANGE GAINS/LOSSES AND OTHER FINANCIAL EXPENSES}}{\text{TOTAL EQUITY} + \text{INTEREST-BEARING BORROWINGS (AVERAGE)}}$

FINANCIAL POSITION

EQUITY RATIO (%)	=	$\frac{\text{SHAREHOLDERS' EQUITY}}{\text{TOTAL ASSETS} - \text{ADVANCE PAYMENTS RECEIVED}}$
GEARING RATIO (%)	=	$\frac{\text{INTEREST-BEARING BORROWINGS}}{\text{SHAREHOLDERS' EQUITY}}$
NET GEARING RATIO (%)	=	$\frac{\text{INTEREST-BEARING BORROWINGS} - \text{LIQUID FUNDS} - \text{INTEREST-BEARING RECEIVABLES}}{\text{SHAREHOLDERS' EQUITY}}$
COVENANT EQUITY RATIO (%)	=	$\frac{\text{SHAREHOLDERS' EQUITY} + \text{DEFERRED TAX LIABILITIES}}{\text{TOTAL ASSETS} - \text{ADVANCE PAYMENTS RECEIVED}}$
COVENANT NET GEARING RATIO (%)	=	$\frac{\text{INTEREST-BEARING BORROWINGS} - \text{LIQUID FUNDS} - \text{INTEREST-BEARING RECEIVABLES}}{\text{SHAREHOLDERS' EQUITY} + \text{CUMULATIVE IMPAIRMENT LOSSES (MAX EUR 300 MILLION)}}$

SHARE PERFORMANCE INDICATORS

EARNINGS PER SHARE	=	$\frac{\text{PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY}}{\text{ADJUSTED NUMBER OF SHARES (AVERAGE)}}$
SHAREHOLDERS' EQUITY PER SHARE	=	$\frac{\text{EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY}}{\text{ADJUSTED NUMBER OF SHARES AT 31 DECEMBER}}$
DIVIDEND PER SHARE	=	$\frac{\text{DIVIDENDS}}{\text{ADJUSTED NUMBER OF SHARES AT 31 DECEMBER}}$
DIVIDEND PER PROFIT (%)	=	$\frac{\text{DIVIDEND PER SHARE}}{\text{EARNINGS PER SHARE}}$
DIVIDEND YIELD (%)	=	$\frac{\text{DIVIDEND PER SHARE}}{\text{SHARE PRICE AT 31 DECEMBER}}$
PRICE/EARNINGS RATIO (P/E RATIO) (%)	=	$\frac{\text{ADJUSTED SHARE PRICE AT 31 DECEMBER}}{\text{EARNINGS PER SHARE}}$
P/BV (%)	=	$\frac{\text{ADJUSTED SHARE PRICE AT 31 DECEMBER}}{\text{SHAREHOLDERS' EQUITY PER SHARE}}$
ADJUSTED AVERAGE SHARE PRICE	=	$\frac{\text{TOTAL TRADED VOLUME PER SHARE (EUR)}}{\text{AVERAGE ADJUSTED NUMBER OF SHARES TRADED DURING THE FINANCIAL YEAR}}$
MARKET CAPITALIZATION	=	$\text{NUMBER OF SHARES} \times \text{MARKET PRICE AT 31 DECEMBER}$

OTHER KEY FIGURES

INTERNAL FINANCING OF CAPITAL EXPENDITURE (%)	=	$\frac{\text{NET CASH FLOW FROM OPERATING ACTIVITIES}}{\text{GROSS CAPITAL EXPENDITURE}}$
INTEREST COVER	=	$\frac{\text{NET CASH FLOW FROM OPERATING ACTIVITIES} + \text{NET INTEREST EXPENSES}}{\text{NET INTEREST EXPENSES}}$
NET CASH FLOW ARISING FROM OPERATING ACTIVITIES	=	$\text{NET CASH FLOW FROM OPERATING ACTIVITIES IN THE CASH FLOW STATEMENT}$

PARENT COMPANY ACCOUNTS

(FINNISH ACCOUNTING STANDARDS, FAS)

INCOME STATEMENT

EUR MILLION	NOTE	1 JAN–31 DEC 2012	1 JAN–31 DEC 2011
SALES	1	1,066.7	1,109.5
CHANGE IN STOCKS OF FINISHED GOODS AND IN WORK		3.4	-4.2
OTHER OPERATING INCOME	2	224.1	47.8
MATERIALS AND SERVICES			
RAW MATERIALS AND CONSUMABLES			
PURCHASES DURING THE FINANCIAL PERIOD		-642.4	-705.2
CHANGE IN INVENTORIES		-1.9	-1.3
EXTERNAL SERVICES	3	-148.0	-144.9
		-792.3	-851.4
EMPLOYEE COSTS	4		
WAGES AND SALARIES		-51.7	-54.7
SOCIAL SECURITY EXPENSES			
PENSION EXPENSES		-13.2	-15.3
OTHER SOCIAL SECURITY EXPENSES		-23.8	-38.1
		-88.6	-108.2
DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES	5		
DEPRECIATION ACCORDING TO PLAN		-50.6	-56.8
IMPAIRMENT CHARGES		0.2	-12.5
		-50.4	-69.3
OTHER OPERATING EXPENSES		-122.4	-142.1
OPERATING RESULT		240.5	-17.9
FINANCIAL INCOME AND EXPENSES	6, 7		
INTEREST INCOME FROM NON-CURRENT INVESTMENTS			
INCOME FROM GROUP COMPANIES		41.6	94.8
OTHER INTEREST AND SIMILAR INCOME		31.6	30.5
NET EXCHANGE GAINS/LOSSES		2.7	8.2
WRITE-DOWNS ON NON-CURRENT INVESTMENTS		-25.7	-278.2
OTHER INTEREST AND SIMILAR EXPENSES		-93.1	-75.1
		-43.0	-219.8
RESULT BEFORE EXTRAORDINARY ITEMS		197.5	-237.7
EXTRAORDINARY INCOME AND EXPENSES	8		
EXTRAORDINARY INCOME		20.0	19.6
		20.0	19.6
RESULT BEFORE APPROPRIATIONS AND TAXES		217.5	-218.1
APPROPRIATIONS			
CHANGE IN DEPRECIATION DIFFERENCES		39.3	58.2
INCOME TAXES	9	-26.8	-8.2
RESULT FOR THE FINANCIAL PERIOD		230.1	-168.1



PARENT COMPANY ACCOUNTS

BALANCE SHEET

EUR MILLION	NOTE	31 DEC 2012	31 DEC 2011
ASSETS			
NON-CURRENT ASSETS			
INTANGIBLE ASSETS	10		
INTANGIBLE RIGHTS		7.4	7.3
OTHER CAPITALIZED EXPENDITURE		2.3	3.2
		9.7	10.5
TANGIBLE ASSETS	11		
LAND AND WATER AREAS		12.3	12.4
BUILDINGS		117.1	118.8
MACHINERY AND EQUIPMENT		315.0	316.7
OTHER TANGIBLE ASSETS		3.3	3.5
ADVANCE PAYMENT AND CONSTRUCTION IN PROGRESS		10.0	19.5
		457.7	470.9
INVESTMENTS	12		
SHARES IN GROUP COMPANIES		474.6	477.2
RECEIVABLES FROM GROUP COMPANIES		264.7	214.5
SHARES IN ASSOCIATED COMPANIES		66.0	89.2
OTHER SHARES AND HOLDINGS		34.9	34.2
OTHER RECEIVABLES		2.0	
		842.2	815.1
		1,309.6	1,296.5
CURRENT ASSETS			
INVENTORIES			
RAW MATERIALS AND CONSUMABLES		32.6	34.5
WORK IN PROGRESS			1.8
FINISHED GOODS AND GOODS FOR RESALE		93.7	88.5
ADVANCE PAYMENT		3.9	8.6
		130.2	133.5
RECEIVABLES	13, 14, 15, 16		
CURRENT			
ACCOUNTS RECEIVABLES		119.9	125.7
RECEIVABLES FROM GROUP COMPANIES		530.5	548.9
RECEIVABLES FROM ASSOCIATED COMPANIES		0.1	0.2
OTHER RECEIVABLES		21.2	23.6
PREPAYMENT AND ACCRUED INCOME		10.5	40.4
		682.2	738.8
CASH AND CASH EQUIVALENTS		0.8	0.6
TOTAL ASSETS		2,122.8	2,169.4

EUR MILLION	NOTE	31 DEC 2012	31 DEC 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
	17		
SHARE CAPITAL		557.9	557.9
RESERVE FOR INVESTED UNRESTRICTED EQUITY		284.7	284.7
RETAINED EARNINGS		-168.1	
RESULT FOR THE FINANCIAL PERIOD		230.1	-168.1
		904.6	674.5
APPROPRIATIONS			
ACCUMULATED DEPRECIATION DIFFERENCE		41.1	80.4
PROVISIONS			
	18		
PROVISIONS FOR PENSIONS		7.4	8.4
OTHER PROVISIONS		15.8	22.3
		23.2	30.7
LIABILITIES			
NON-CURRENT			
	19, 20, 21		
BONDS		87.3	587.3
LOANS FROM FINANCIAL INSTITUTIONS		0.1	14.3
PENSION LOANS		131.1	169.6
OTHER LIABILITIES			1.0
		218.5	772.2
CURRENT			
	19, 20, 22, 23		
BONDS		449.3	103.4
LOANS FROM FINANCIAL INSTITUTIONS		14.3	22.5
PENSION LOANS		44.4	34.3
ADVANCE PAYMENTS		1.2	3.0
ACCOUNTS PAYABLE		54.2	59.7
PAYABLES TO GROUP COMPANIES		307.2	322.3
PAYABLES TO ASSOCIATED COMPANIES		0.4	0.5
OTHER LIABILITIES		6.5	8.3
ACCRUALS AND DEFERRED INCOME		57.9	57.6
		935.4	611.6
		1,153.9	1,383.8
TOTAL EQUITY AND LIABILITIES		2,122.8	2,169.4

PARENT COMPANY ACCOUNTS

CASH FLOW STATEMENT

EUR MILLION	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
OPERATING PROFIT	240.5	-17.9
ADJUSTMENTS TO OPERATING PROFIT A)	-154.6	88.5
CHANGE IN NET WORKING CAPITAL B)	10.2	1.9
INTEREST PAID, NET	-46.6	-43.8
DIVIDENDS RECEIVED	41.6	94.9
OTHER FINANCIAL ITEMS	-11.3	7.2
TAXES		0.1
NET CASH FLOW FROM OPERATIONS	79.9	130.9
INVESTMENTS		
ACQUISITION OF SHARES	-28.4	-238.9
PURCHASE OF OTHER FIXED ASSETS	-36.3	-55.9
SALE OF SHARES	211.4	184.7
SALE OF OTHER FIXED ASSETS	16.9	37.9
INCREASE IN OTHER NON-CURRENT INVESTMENTS	-52.2	-130.4
TOTAL CASH USED IN INVESTMENTS	111.5	-202.6
CASH FLOW BEFORE FINANCING	191.4	-71.7
FINANCING		
INCREASE IN NON-CURRENT LIABILITIES	6.0	0
DECREASE IN NON-CURRENT LIABILITIES	-205.5	-102.1
INCREASE (-) OR DECREASE (+) IN INTEREST-BEARING NON-CURRENT RECEIVABLES	24.8	-52.4
INCREASE (-) OR DECREASE (+) IN INTEREST-BEARING CURRENT RECEIVABLES	-16.4	215.8
COMPENSATION FOR UNREDEEMED OWN SHARES		3.9
TOTAL FINANCING	-191.1	65.3
CHANGE IN LIQUID FUNDS	0.2	-6.4
LIQUID FUNDS AT 1 JANUARY	0.6	7.0
LIQUID FUNDS AT 31 DECEMBER	0.8	0.6
A) ADJUSTMENTS TO OPERATING PROFIT		
DEPRECIATION	50.4	69.3
GAINS (+) OR LOSSES (-) ON SALE OF FIXED ASSETS	-197.5	14.4
CHANGE IN PROVISIONS	-7.5	4.8
TOTAL	-154.6	88.5
B) CHANGE IN NET WORKING CAPITAL		
INCREASE (-) OR DECREASE (+) IN STOCKS	3.2	0.7
INCREASE (-) OR DECREASE (+) IN NON-INTEREST BEARING RECEIVABLES	16.3	9.3
INCREASE (+) OR DECREASE (-) IN NON-INTEREST BEARING CURRENT LIABILITIES	-9.3	-8.1
TOTAL	10.2	1.9



PARENT COMPANY ACCOUNTING POLICIES

Metsä Board Corporation's financial statements have been prepared in accordance with Finnish accounting standards (FAS).

SALES

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

EXCHANGE RATE DIFFERENCES

Foreign exchange gains and losses have been booked to net exchange gains/losses under financial income and expense. Open and actual foreign exchange differences hedging sales are recorded immediately to financial income and expenses in the income statement.

TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency have been booked at the exchange rate on the day of the transaction.

At the balance sheet date, receivables and liabilities denominated in foreign currency have been translated into euros at the exchange rate quoted by the European Central Bank at the balance sheet date.

PENSIONS AND PENSION FUNDING

Statutory pension security is handled by pension insurance companies outside the Group. In addition to statutory pension security, some salaried employees have supplementary pension arrangements which are either insured, arranged through the Metsäliitto Employees' Pension Foundation or are an unfunded liability of the company. The Metsäliitto Employees' Pension Foundation is fully funded based on the current value of its assets.

Pension insurance premiums have been periodized to correspond to the accrual-based wages and salaries given in the financial statements.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is recorded as an expense in the relevant financial period.

INVENTORIES

Inventories are measured at the lower of cost or net realizable value. In measuring inventories, the FIFO principle is observed or, alternatively, the weighted average price method.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

Straight-line depreciation according to plan is based on the estimated useful life of the asset as follows:

Buildings and construction	20–40 years
Heavy power plant machinery	20–40 years
Other heavy machinery	15–20 years
Lightweight machinery and equipment	5–15 years
Other items	5–10 years

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

LEASING

Lease payments are treated as rental expenses.

ENVIRONMENTAL EXPENDITURE

Environmental expenditure comprises the specifiable expenses of environmental protection measures aiming primarily at combating, remedying or alleviating environmental damage.

EXTRAORDINARY INCOME AND EXPENSES

Group contribution, paid and received, are presented in the income statement as extraordinary items, only. The tax effect of extraordinary items is presented in the notes to the financial statements.

APPROPRIATIONS

Finnish tax legislation offers the possibility to deduct expenses prematurely from the profit for the financial year and to transfer them to the balance sheet as provisions. The items are taken into account in tax filings only if they have been entered in the accounts. These items are presented in the appropriations in the income statement. Among such items are depreciation on property, plant and equipment in excess of plan, which is stated as a depreciation difference in the balance sheet and as a change in the depreciation difference in the income statement.

PROVISIONS

Future costs and losses to which the Group is committed and which are likely to be realized are included in the income statement under the appropriate expense heading and in the balance sheet under provisions for future costs whenever the precise amount and the time of occurrence are not known and in other cases they are included in accrued liabilities. These can be, for example, the pension liability or costs of discontinued operations and restructuring costs.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

EUR MILLION

2012

2011

1. SALES

Owing to the Group structure, the sales of the parent company has not been broken down by segments and market.

2. OTHER OPERATING INCOME

RENTAL INCOME	1.4	1.5
GAINS ON DISPOSAL OF FIXED ASSETS	197.3	13.6
SERVICE REVENUE	19.0	19.3
GOVERNMENT GRANTS	2.7	7.0
OTHER ALLOWANCES AND SUBSIDIES	1.0	0.5
OTHER	2.8	5.9
	224.1	47.8

3. EXTERNAL SERVICES

LOGISTICS EXPENSES	101.9	100.2
OTHER EXTERNAL SERVICES	46.1	44.7
	148.0	144.9

External services include production related services and logistics expenses of sold products. Other operating expenses include among others other than production related services, energy costs, real estate costs and administration costs.

4. EMPLOYEE COSTS

WAGES AND SALARIES FOR WORKING HOURS	51.6	54.7
PENSION EXPENSES	13.2	15.3
OTHER SOCIAL SECURITY EXPENSES	23.8	38.2
	88.6	108.2
SALARIES AND EMOLUMENTS PAID TO MANAGEMENT		
MANAGING DIRECTOR	0.6	0.6
MEMBERS OF THE BOARD AND DEPUTIES	0.6	0.6
	1.2	1.2
PRINCIPAL AUDITORS FEES		
FEES PAID TO INDEPENDENT PRINCIPAL AUDITOR KPMG AND PRICEWATERHOUSE COOPERS (2011) WERE AS FOLLOWS:		
AUDIT FEES	0.09	0.3
TAX CONSULTANCY		
OTHER FEES	0.0	0.2
	0.09	0.5

The audit fees are paid for the audit of the annual and quarterly financial statements. Tax consultancy fees are the fees paid for the consultancy services and the like.

EUR MILLION

2012

2011

5. DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES

DEPRECIATION AND AMORTIZATION		
INTANGIBLE RIGHTS	2.3	3.5
OTHER CAPITALIZED EXPENDITURE	0.8	1.0
BUILDINGS AND CONSTRUCTIONS	7.5	8.5
MACHINERY AND EQUIPMENT	39.6	43.4
OTHER TANGIBLE ASSETS	0.3	0.3
TOTAL DEPRECIATION AND AMORTIZATION	50.6	56.8
IMPAIRMENT CHARGES		
MACHINERY AND EQUIPMENT	-0.2	12.1
OTHER INTANGIBLE ASSETS		0.3
DEPRECIATION DIFFERENCE	-39.3	-58.0
TOTAL DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES	11.2	11.2

6. FINANCIAL INCOME AND EXPENSES

DIVIDEND INCOME	41.6	94.8
INTEREST INCOME FROM NON-CURRENT INVESTMENTS	21.4	14.5
OTHER INTEREST INCOME	10.3	16.0
WRITE-DOWNS ON NON-CURRENT INVESTMENTS	-25.7	-278.2
INTEREST EXPENSES	-78.2	-74.1
OTHER FINANCIAL EXPENSES	-15.1	-1.0
	-45.7	-228.0
NET EXCHANGE DIFFERENCES	2.7	8.2
FINANCIAL INCOME AND EXPENSES, TOTAL	-43.0	-219.8

7. EXCHANGE DIFFERENCES IN INCOME STATEMENT

EXCHANGE DIFFERENCES ON SALES	0.1	1.6
EXCHANGE DIFFERENCES ON PURCHASES	-0.2	-0.8
EXCHANGE DIFFERENCES ON FINANCING	2.8	7.4
EXCHANGE DIFFERENCES, TOTAL	2.7	8.2

8. EXTRAORDINARY INCOME AND EXPENSES

EXTRAORDINARY INCOME		
GROUP CONTRIBUTION RECEIVED	20.0	19.6

9. INCOME TAXES

INCOME TAXES FOR THE FINANCIAL PERIOD	26.8	8.3
INCOME TAXES FOR PREVIOUS PERIODS		-0.1
	26.8	8.2
INCOME TAXES ON ORDINARY OPERATIONS	21.9	3.1
INCOME TAXES ON EXTRAORDINARY ITEMS	4.9	5.1



EUR MILLION	2012	2011
10. INTANGIBLE ASSETS		
INTANGIBLE RIGHTS		
ACQUISITION COSTS, 1 JANUARY	100.9	104.2
INCREASES	3.8	7.4
TRANSFERS BETWEEN ITEMS	0.6	
DECREASES	-2.4	-10.7
ACQUISITION COSTS, 31 DECEMBER	103.0	100.9
ACCUMULATED AMORTIZATION, 1 JANUARY	-93.6	-90.9
ACCUMULATED AMORTIZATION ON DEDUCTION AND TRANSFERS	0.3	1.1
AMORTIZATION FOR THE PERIOD	-2.3	-3.8
ACCUMULATED AMORTIZATION, 31 DECEMBER	-95.6	-93.6
BOOK VALUE, 31 DECEMBER	7.4	7.3
GOODWILL		
ACQUISITION COSTS, 1 JANUARY	20.0	20.0
ACQUISITION COSTS, 31 DECEMBER	20.0	20.0
ACCUMULATED AMORTIZATION, 1 JANUARY	-20.0	-20.0
AMORTIZATION FOR THE PERIOD		
ACCUMULATED AMORTIZATION, 31 DECEMBER	-20.0	-20.0
BOOK VALUE, 31 DECEMBER		
OTHER CAPITALIZED EXPENDITURE		
ACQUISITION COSTS, 1 JANUARY	14.9	14.7
INCREASES		0.2
DECREASES		
ACQUISITION COSTS, 31 DECEMBER	14.9	14.9
ACCUMULATED AMORTIZATION, 1 JANUARY	-11.7	-10.7
ACCUMULATED AMORTIZATION ON DEDUCTION AND TRANSFERS		
AMORTIZATION FOR THE PERIOD	-0.8	-1.0
ACCUMULATED AMORTIZATION, 31 DECEMBER	-12.6	-11.7
BOOK VALUE, 31 DECEMBER	2.3	3.2

EUR MILLION	2012	2011
11. TANGIBLE ASSETS		
LAND AND WATER AREAS		
ACQUISITION COSTS, 1 JANUARY	12.4	12.5
INCREASES	0.2	0.0
DECREASES	-0.3	-0.1
ACQUISITION COSTS, 31 DECEMBER	12.3	12.4
BOOK VALUE, 31 DECEMBER	12.3	12.4
BUILDINGS		
ACQUISITION COSTS, 1 JANUARY	265.5	262.6
INCREASES	5.7	2.8
TRANSFERS BETWEEN ITEMS	0.4	0.5
DECREASES	-0.9	-0.3
ACQUISITION COSTS, 31 DECEMBER	270.7	265.5
ACCUMULATED DEPRECIATION, 1 JANUARY	-146.8	-138.6
ACCUMULATED DEPRECIATION ON DEDUCTION AND TRANSFERS	0.7	0.3
DEPRECIATION FOR THE PERIOD	-7.5	-8.5
ACCUMULATED DEPRECIATION, 31 DECEMBER	-153.6	-146.8
BOOK VALUE, 31 DECEMBER	117.1	118.8
MACHINERY AND EQUIPMENT		
ACQUISITION COSTS, 1 JANUARY	1,232.7	1,206.7
INCREASES	19.7	25.8
TRANSFERS BETWEEN ITEMS	18.1	14.5
DECREASES	-0.7	-14.3
ACQUISITION COSTS, 31 DECEMBER	1,269.9	1,232.7
ACCUMULATED DEPRECIATION, 1 JANUARY	-916.1	-874.0
ACCUMULATED DEPRECIATION ON DEDUCTION AND TRANSFERS	0.5	13.5
DEPRECIATION AND IMPAIRMENT CHARGES FOR THE PERIOD	-39.4	-55.6
ACCUMULATED DEPRECIATION, 31 DECEMBER	-954.9	-916.1
BOOK VALUE, 31 DECEMBER	315.0	316.7
PRODUCTION MACHINERY AND EQUIPMENT, 31 DECEMBER	309.6	285.1
OTHER TANGIBLE ASSETS		
ACQUISITION COSTS, 1 JANUARY	9.0	8.9
INCREASES		0.1
DECREASES		
ACQUISITION COSTS, 31 DECEMBER	9.0	9.0
ACCUMULATED DEPRECIATION, 1 JANUARY	-5.4	-5.1
ACCUMULATED DEPRECIATION ON DEDUCTION AND TRANSFERS		
DEPRECIATION FOR THE PERIOD	-0.3	-0.3
ACCUMULATED DEPRECIATION, 31 DECEMBER	-5.7	-5.4
BOOK VALUE, 31 DECEMBER	3.3	3.5
CONSTRUCTION IN PROGRESS		
ACQUISITION COSTS, 1 JANUARY	19.5	15.0
INCREASES	9.6	19.5
TRANSFERS BETWEEN ITEMS	-19.0	-15.0
DECREASES		
ACQUISITION COSTS, 31 DECEMBER	10.0	19.5
BOOK VALUE, 31 DECEMBER	10.0	19.5

The undepreciated portion of capitalized interest expenses under the "Machinery and equipment" it was EUR 1.0 million (2011: EUR 1.3 million). There were no capitalized interest expenses during 2012 or 2011.

EUR MILLION	2012	2011
12. INVESTMENTS		
SHARES IN GROUP COMPANIES		
ACQUISITION COSTS, 1 JANUARY	477.2	626.1
INCREASES	23.1	234.0
DECREASES		-203.7
REVERSE OF WRITE-DOWNS		50.0
WRITE-DOWNS	-25.7	-229.2
ACQUISITION COSTS, 31 DECEMBER	474.6	477.2
BOOK VALUE, 31 DECEMBER	474.6	477.2
SHARES IN ASSOCIATED COMPANIES		
ACQUISITION COSTS, 1 JANUARY	89.2	97.6
DECREASES	-23.2	-8.4
ACQUISITION COSTS, 31 DECEMBER	66.0	89.2
BOOK VALUE, 31 DECEMBER	66.0	89.2
OTHER SHARES AND HOLDINGS		
ACQUISITION COSTS, 1 JANUARY	34.2	29.4
INCREASES	5.3	4.9
DECREASES	-4.7	-0.1
ACQUISITION COSTS, 31 DECEMBER	34.9	34.2
BOOK VALUE, 31 DECEMBER	34.9	34.2
RECEIVABLES FROM GROUP COMPANIES		
ACQUISITION COSTS, 1 JANUARY	214.5	84.2
INCREASES	50.2	179.5
DECREASES		-49.2
ACQUISITION COSTS, 31 DECEMBER	264.7	214.5
BOOK VALUE, 31 DECEMBER	264.7	214.5
OTHER RECEIVABLES		
ACQUISITION COSTS, 1 JANUARY		
INCREASES	2.0	
DECREASES		
ACQUISITION COSTS, 31 DECEMBER	2.0	
BOOK VALUE, 31 DECEMBER	2.0	
INVESTMENT, TOTAL		
ACQUISITION COSTS, 1 JANUARY	815.1	837.3
INCREASES	80.7	418.4
DECREASES	-27.9	-261.4
REVERSE OF WRITE-DOWNS		50.0
WRITE-DOWN	-25.7	-229.2
ACQUISITION COSTS, 31 DECEMBER	842.2	815.1
BOOK VALUE, 31 DECEMBER	842.2	815.1

13. LOAN RECEIVABLES FROM MANAGEMENT

There are no loan receivables from the managing directors, members of the Board of Directors and their deputies as well as persons belonging to similar bodies. The parent company has no commitments on behalf of persons belonging to the above-mentioned bodies.

EUR MILLION	2012	2011
14. CURRENT RECEIVABLES		
RECEIVABLES FROM GROUP COMPANIES		
ACCOUNTS RECEIVABLES	7.0	10.3
LOAN RECEIVABLES	472.9	497.7
OTHER RECEIVABLES	42.3	33.0
PREPAYMENT AND ACCRUED INCOME	8.2	7.8
RECEIVABLES FROM ASSOCIATED COMPANIES		
ACCOUNTS RECEIVABLES	0.1	0.2
OTHER RECEIVABLES		
ACCOUNTS RECEIVABLES	119.9	125.8
OTHER RECEIVABLES	21.2	23.6
PREPAYMENTS AND ACCRUED INCOME	10.5	40.4
	682.2	738.8
15. PREPAYMENTS AND ACCRUED INCOME		
INSURANCE	0.1	0.8
TAXES	2.2	29.0
OTHERS	8.2	10.6
	10.5	40.4
16. INTEREST-BEARING RECEIVABLES		
LOAN RECEIVABLES AND OTHER NON-CURRENT ASSETS	266.7	214.5
LIQUID FUNDS AND OTHER CURRENT ASSETS	473.7	498.4
	740.4	712.9
17. SHAREHOLDERS' EQUITY		
SHARE CAPITAL, 1 JANUARY		
SERIES A SHARES	61.8	61.8
SERIES B SHARES	496.1	496.1
SHARE CAPITAL, 31 DECEMBER	557.9	557.9
SHARE PREMIUM ACCOUNT, 1 JANUARY		663.8
REDUCTION OF SHARE PREMIUM ACCOUNT		-663.8
SHARE PREMIUM ACCOUNT, 31 DECEMBER		0.0
RESTRICTED EQUITY, TOTAL	557.9	557.9
RESERVE FOR INVESTED UNRESTRICTED EQUITY, 1 JANUARY	284.7	0
TRANSFER FROM SHARE PREMIUM ACCOUNT		280.9
COMPENSATION FOR UNREDEEMED OWN SHARES		3.8
RESERVE FOR INVESTED UNRESTRICTED EQUITY, 31 DECEMBER	284.7	284.7
RETAINED EARNINGS, 1 JANUARY	-168.1	-382.9
LOSS OF COVERAGE FROM SHARE PREMIUM ACCOUNT		382.9
RESULT FOR THE PERIOD	230.1	-168.1
RETAINED EARNINGS, 31 DECEMBER	62.0	-168.1
UNRESTRICTED EQUITY, TOTAL	346.7	116.6
SHAREHOLDERS' EQUITY, TOTAL	904.6	674.5



EUR MILLION 1 JAN INCREASES DECREASES 31 DEC

18. PROVISIONS

PROVISIONS FOR PENSION	2.3	0.2		2.5
PROVISIONS FOR UNEMPLOYMENT PENSION COSTS	6.0		-1.1	4.9
RESTRUCTURING	9.2	0.2	-7.9	1.5
PROVISION FOR RENTAL COSTS	4.1		-1.0	3.1
OTHER PROVISIONS	9.0	11.7	-9.5	11.2
	30.7	12.1	-19.5	23.3

EUR MILLION 2012 2011

19. LIABILITIES

NON-CURRENT			
NON-INTEREST-BEARING			1.0
INTEREST-BEARING	218.5		771.2
	218.5		772.2
CURRENT			
NON-INTEREST-BEARING	782.6		160.3
INTEREST-BEARING	152.8		451.3
	935.4		611.6

BONDS	INTEREST-%		EUR MILLION
2002-2012	9.2		103.4
2002-2014	9.4	87.6	88.5
2006-2013	8.75	449.0	498.8
TOTAL		536.6	690.7

EUR MILLION 2012

20. NON-CURRENT DEBTS WITH AMORTIZATION PLAN

BONDS	
2013	449.0
2014	87.6
TOTAL, AT THE END OF THE FINANCIAL PERIOD	536.6

LOANS FROM FINANCIAL INSTITUTIONS	
2013	14.3
2014	0.1
TOTAL, AT THE END OF THE FINANCIAL PERIOD	14.4

PENSION LOANS	
2013	44.4
2014	28.5
2015	18.5
2016	18.5
2017	18.5
2018	47.1
TOTAL, AT THE END OF THE FINANCIAL PERIOD	175.5

TOTAL	
2013	507.7
2014	116.1
2015	18.5
2016	18.5
2017	18.5
2018	47.1
TOTAL, AT THE END OF THE FINANCIAL PERIOD	726.4

21. NON-CURRENT LIABILITIES

OTHER LIABILITIES		
BONDS	87.3	587.3
LOANS FROM FINANCIAL INSTITUTIONS	0.1	14.3
PENSION LOANS	131.1	169.6
OTHER LIABILITIES		1.0
	218.5	772.2

22. CURRENT LIABILITIES

LIABILITIES FROM GROUP COMPANIES	307.2	322.3
LIABILITIES FROM ASSOCIATED COMPANIES	0.4	0.5
OTHER LIABILITIES		
BONDS	449.3	103.4
LOANS FROM FINANCIAL INSTITUTIONS	14.3	22.5
PENSION LOANS	44.4	34.3
ADVANCE PAYMENT	1.2	3.0
ACCOUNTS PAYABLE	54.2	59.7
OTHER LIABILITIES	6.5	8.3
ACCRUALS AND DEFERRED INCOME	57.9	57.6
	935.4	611.6

EUR MILLION	2012	2011
23. ACCRUALS AND DEFERRED INCOME		
CURRENT		
INSURANCE	4.1	3.5
PERSONNEL EXPENSES	15.1	21.2
INTERESTS	11.4	11.5
ACCRUALS OF PURCHASES	7.7	2.7
FREIGHT COSTS	0.6	0.6
DISCOUNTS	12.6	12.6
OTHERS	6.4	5.5
	57.9	57.6
24. CONTINGENT LIABILITIES		
FOR OWN LIABILITIES		
LIABILITIES SECURED BY PLEDGES		
PENSION LOANS	67.5	90.0
PLEDGES GRANTED	51.5	51.3
LIABILITIES SECURED BY MORTGAGES		
PENSION LOANS	108.1	114.0
OTHER LIABILITIES		
REAL ESTATE MORTGAGES	108.1	114.0
ON BEHALF OF GROUP COMPANIES		
PLEDGES	13.4	13.4
GUARANTEES	1,064.3	1,324.4
OTHER COMMITMENTS		
GUARANTEES	3.1	3.0
OTHER LIABILITIES	9.4	11.4
LEASING COMMITMENTS		
PAYMENTS DUE IN THE FOLLOWING YEAR	1.1	0.7
PAYMENTS DUE IN SUBSEQUENT YEARS	1.3	1.4
TOTAL		
REAL ESTATE MORTGAGES	108.1	114.0
PLEDGES	64.9	64.7
GUARANTEES	1,067.4	1,327.3
OTHER LIABILITIES	9.4	11.4
LEASING LIABILITIES	2.4	2.1
	1,252.1	1,519.5

EUR MILLION	2012	2011
25. ENVIRONMENTAL ITEMS		
INCOME STATEMENT		
MATERIALS AND CONSUMABLES	4.2	4.3
EMPLOYEES COSTS		
WAGES AND SALARIES	0.7	0.7
SOCIAL SECURITY COSTS	0.3	0.3
DEPRECIATION	3.1	4.0
OTHER OPERATING CHARGES	1.3	0.7
	9.6	10.0
BALANCE SHEET		
INTANGIBLE AND TANGIBLE ASSETS		
ACQUISITION COSTS, 1 JANUARY	69.0	70.0
INCREASES	1.5	0.6
DECREASES	-1.2	-1.6
DEPRECIATION	-38.6	-35.6
CARRYING AMOUNT, 31 DECEMBER	30.7	33.4
PROVISIONS		
OTHER PROVISIONS	11.2	1.7

Only additional identifiable costs that are primarily intended to prevent, reduce or repair damage to the environment are included environmental costs. Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits.



THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The distributable funds of the parent company are EUR 346,732,661.62 of which the result for the period is EUR 230,118,432.13. The Board of Directors proposes to the Annual General Meeting that the distributable funds be distributed as follows:

A dividend of 0.06 eur per share or in total	19,689,936.72
To be transferred to the Retained earnings account	<u>327,042,724.90</u>
	346,732,661.62

Board of Directors proposes that the dividend be paid on 10 April 2013.

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

Espoo, 7 February 2013

Kari Jordan

Martti Asunta

Mikael Aminoff

Kirsi Komi

Kai Korhonen

Liisa Leino

Juha Niemelä

Antti Tanskanen

Erkki Varis

Mikko Helander
CEO

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF METSÄ BOARD CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Metsä Board Corporation for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

OTHER OPINIONS

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki, 14 February 2013

KPMG OY AB

Raija-Leena Hankonen
Authorized Public Accountant



CORPORATE GOVERNANCE STATEMENT

This statement describing the corporate governance of Metsä Board Corporation (Metsä Board or Company) has been issued as a separate statement pursuant to Section 6 of Chapter 2 of the Securities Markets Act and is published concurrently with the Company's financial statements and Report of the Board of Directors.

Metsä Board is a Finnish public limited company whose A and B series shares are subject to public trading on the Mid Cap list of NASDAQ OMX Helsinki Ltd. (Helsinki Stock Exchange). Metsä Board's administration is governed by Finnish laws and the regulations and rules set out pursuant to such laws. Metsä Board also follows the rules and recommendations of the Helsinki Stock Exchange as applicable to listed companies.

Metsä Board prepares its financial statements and interim reports according to the International Financial Reporting Standards

(IFRS). The financial statement documents are prepared and published in Finnish and English.

Metsä Board's headquarters are located in Espoo, Finland. The Company's registered domicile is Helsinki.

METSÄ BOARD'S ADMINISTRATION AND GOVERNANCE STRUCTURE

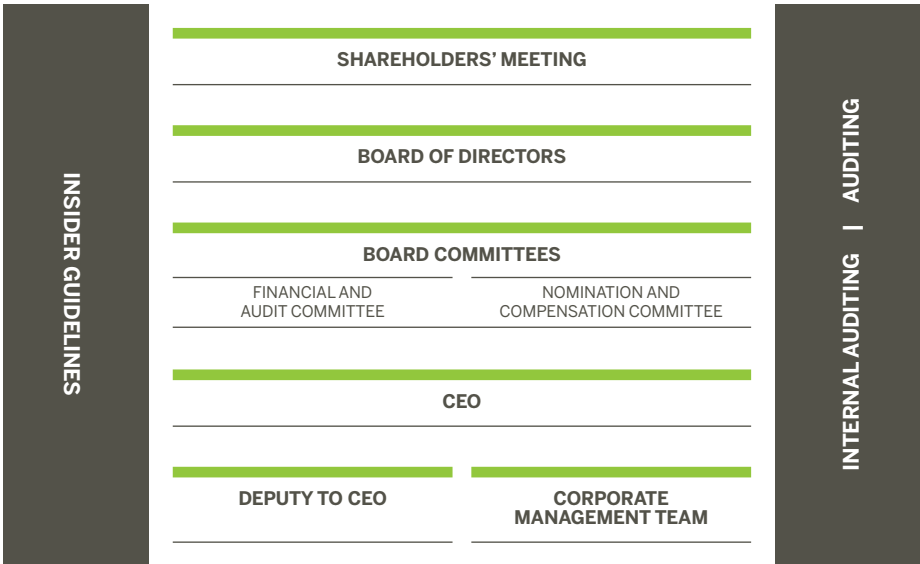
The Company's statutory bodies include the General Meeting of Shareholders, the Board of Directors and the CEO. In addition, a Corporate Management Team assists the CEO in the operative management of the Company and in coordinating its operations. Members of the management team are not members of the Board of Directors. The tasks and responsibilities of the different bodies are specified pursuant to the Finnish Companies Act.

In Metsä Board's existing organisation, business areas are defined such that each business area is responsible for its own sales as well as production, and thus has a clear profit responsibility. Metsä Board's business areas are Paperboard as well as Paper and Pulp, each of which has a responsible manager and management team.

APPLICATION OF THE FINNISH CORPORATE GOVERNANCE CODE

As a Finnish listed company, Metsä Board applies the Finnish Corporate Governance Code (www.cgfinland.fi). This statement is compliant with recommendation 51 of the code. Currently Metsä Board does not deviate from any single recommendation of the code.

CORPORATE GOVERNANCE IN METSÄ BOARD



GENERAL MEETING

The General Meeting of Shareholders is the Company's highest decision-making body where shareholders use their decision-making power. Each shareholder is entitled to participate in a General Meeting by following the procedure described in the notice to the General Meeting.

According to the Finnish Companies Act, the General Meeting decides on the following matters, among others:

- amending the Articles of Association
- approving the financial statements
- profit distribution
- mergers and demergers
- acquisition and transfer of own shares
- appointing the members of the Board and specifying their and Board committee members' compensation
- appointing the auditor and specifying its compensation.

Shareholders are entitled to put forward a matter pertaining to the General Meeting to be addressed when the shareholder delivers a written request to this effect so well in advance that the matter can be included in the notice to the meeting. In addition, the shareholder has a right to present questions on the items on the agenda of the General Meeting. A shareholder is entitled to participate in a General Meeting when he/she is included in the register of shareholders eight (8) working days before the General Meeting. An Annual General Meeting takes place each year in June at the latest. Notice to a General Meeting is served at the earliest three months and at the latest three weeks before the meeting by publishing it on the Company's website and by publishing the notice or a summary thereof in a Finnish newspaper of general circulation.

An Extraordinary General Meeting will convene if the Board finds it necessary, or if the auditor or shareholders representing at least 10 per cent of all shares deliver a written request to this effect in order to process a specified matter.

BOARD OF DIRECTORS

The Board of Directors is responsible for the company's administration and arranging the company's operations properly according to applicable laws, the Articles of Association and good corporate governance. Taking into account the scope and quality of the company's operations, the Board takes care of matters that are far-reaching and unusual, and do not belong to the company's day-to-day business operations. The Board supervises Metsä Board's operations and management and decides on strategy, major investments, the company's organisation structure and significant financing matters. The Board supervises the proper arrangement of the company's operations, and ensures that accounting and asset management control, financial reporting and risk management have been organised in an appropriate manner.

For its operation, the Board has a written working order. In accordance with its working order, the Board's tasks include:

- appointing the CEO and accepting the appointment of Corporate Management Team members, and ensuring that the CEO takes care of the company's day-to-day administration according to the regulations and guidelines given by the Board
- appointing members to the Audit, Nomination and Compensation Committees and accepting their working orders
- processing and accepting the corporate strategy and its main policies
- accepting the annual operational plan
- monitoring how company accounting, asset management and risk control are arranged
- deciding on significant investments, business acquisitions, divestments and closures of operations
- deciding on considerable investments and financing arrangements
- deciding on the surrender and pledging of the company's significant real property

- deciding on the granting of donations, or on the CEO's authority concerning them
- granting and cancelling the right to represent the company and the authority to sign on behalf of the company
- monitoring that the company's Articles of Association are complied with; convening the General Meeting and monitoring that the decisions made by the Annual General Meeting are implemented
- signing and presenting the annual financial statements to the Annual General Meeting for approval, and preparing a proposal for the use of profits
- approving the essential policies, regulations and guidelines governing the business operations
- deciding on who are permanent insiders in the company and accepting the company's insider rules
- publishing or authorizing the CEO to publish all such information that is likely to have an impact on the company's share value, or which otherwise has to be made public according to the Finnish Securities Markets Act.

The working order of the Board of Directors is presented in full on the Metsä Board website [www.metsaboard.com/Investor Relations/ Corporate Governance](http://www.metsaboard.com/Investor%20Relations/Corporate%20Governance). The Board can delegate matters in its general responsibility to the CEO and correspondingly take charge of decision-making in a task that belongs to the CEO.

On an annual basis, the Board assesses its own operations and the company's administration principles and decides on necessary changes, if any.

The Board convenes on a regular basis. In the financial year 2012, the Board held a total of 16 meetings, five of which were phone meetings. The attendance rate of the members was 98 per cent (94 per cent in 2011).



COMPOSITION AND INDEPENDENCE OF THE BOARD OF DIRECTORS

The composition and number of members of the Board of Directors must facilitate effective fulfilment of the Board's tasks. The composition of the Board of Directors takes into account the development phase of the Company, the special requirements of the industry and the needs of the Company's operations. Both sexes are represented in the Board of Directors. A member of the Board must possess the competence required by the task and the opportunity to allocate sufficient time for the task.

According to the Articles of Association, a minimum of five and a maximum of ten regular members shall be appointed to the Board of Directors by the shareholders by the Annual General Meeting for a one-year period at a time. The number of consecutive terms is not limited. At present, the Board has nine regular members. The Board appoints a Chairman and a Vice Chairman from among its members. The Annual General Meeting of 2012 appointed the following persons as members of the Board of Directors:

Mr Kari Jordan, born 1956, Chairman, M.Sc. (Econ.)

Mr Martti Asunta, born 1955, Vice Chairman, M.Sc. (For.)

Mr Mikael Aminoff, born 1951, M.Sc. (For.)

Ms Kirsi Komi, born 1963, independent member, L.L.M.

Mr Kai Korhonen, born 1951, independent member, M.Sc. (Eng.), eMBA

Ms Liisa Leino, born 1960, independent member, M.Sc. (Nutrition)

Mr Juha Niemelä, born 1946, independent member, M.Sc. (Econ.)

Mr Antti Tanskanen, born 1946, independent member, Ph.D. (Econ.)

Mr Erkki Varis, born 1948, independent member, M.Sc. (Eng.)

A majority of the members of the Board of Directors are independent of both the Company and its significant shareholders. Board member Antti Tanskanen has acted as member (independent of operative manage-

ment) continuously for more than 12 years. Tanskanen is a known Board professional who enjoys a reputation of trust throughout the society and has several other positions of trust outside the Company. Therefore, the Board of Directors has deemed Tanskanen independent of the Company and its significant shareholders based on an overall evaluation.

The Board's Nomination and Compensation committee proposes to the Annual General Meeting convened for March 26, 2013 that all current Board members except Antti Tanskanen be re-elected for a new term. Mr Tanskanen has notified the Company that he is no longer available to act as Board member. The Board's Nomination and Compensation committee proposes that Mr Veli Sundbäck, L.L.M. be elected as a new member. Further information on existing and proposed Board members is available on the Company's website at www.metsaboard.com/InvestorRelations/CorporateGovernance.

To assess the independence and impartiality of the members of the Board of Directors, the members shall notify the company of circumstances that may have an impact on the member's ability to act without conflict of interest. In situations where the Board of Directors processes a business or other contractual relationship or connection with Metsäliitto Cooperative or its other subsidiary, the Board of Directors acts, if necessary, without those of its members who are dependent on Metsäliitto Cooperative.

BOARD COMMITTEES

Board committees provide assistance to the Board of Directors, preparing matters for which the Board is responsible. The Board of Directors appoints an Audit Committee and a Nomination and Compensation Committee from among its members. Every year after the Annual General Meeting, the Board of Directors appoints each committee's chairman and members. The Board of Directors and its committees can also seek assistance from external advisors.

Final decisions concerning matters related to the tasks of the committees are made by the

Board of Directors on the basis of committee proposals, excluding proposals made directly to the General Meeting by the Nomination and Compensation Committee.

AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board of Directors in ensuring that the company's financial reporting, calculation methods, annual financial statements and other financial information made public by the Company are correct, balanced, transparent and clear. On a regular basis, the Audit Committee reviews the internal control and management systems and monitors the progress of financial risk reporting and the auditing of the accounts. The Audit Committee assesses the efficiency and scope of internal auditing, the company's risk management, key risk areas and compliance with applicable laws and regulations. The committee gives a recommendation to the Board concerning the appointment of auditors to the Company. The Audit Committee also processes the annual plan for internal auditing and the reports prepared on significant auditing.

The Audit Committee consists of four Board members who are independent of the Company and its significant shareholders. Since the Annual General Meeting of 2012, Kai Korhonen has been chairman of the Audit Committee with Kirsi Komi, Antti Tanskanen and Erkki Varis as members.

The committee members must have adequate expertise in accounting and financial statement policies. The Audit Committee convenes on a regular basis, at least four times a year, including meeting with the company's auditor. The committee chairman provides the Board with a report on every meeting of the Audit Committee. The tasks and responsibility areas have been specified in the committee's working order which the Board has approved (www.metsaboard.com/InvestorRelations/CorporateGovernance).

When necessary, the following persons are also represented in the Audit Committee meetings as summoned by the Committee: the auditor, Chief Executive Officer and

Chief Financial Officer as well as other management representatives and external advisors.

The Audit Committee convened four times during 2012 and the attendance rate of the members was on average 94 per cent (100 per cent in 2011).

NOMINATION AND COMPENSATION COMMITTEE

The task of the Nomination and Compensation Committee is to assist the Board of Directors in matters related to the appointment and compensation of the company's CEO, a possible Deputy CEO and the senior management and prepare matters related to the reward schemes for management and employees. In addition, the Committee prepares for the Annual General Meeting a proposal on the number of Board members, Board composition and Board member compensation. The Committee also recommends, prepares and proposes to the Board the CEO's (and a Deputy CEO's) nomination, salary and compensation, and further evaluates and provides the Board and the CEO with recommendations concerning management rewards and compensation systems.

The Committee consists of five Board members. It convenes on a regular basis at least four times a year. The Committee chairman presents the proposals issued by the Committee to the Board. The tasks and responsibilities of the Nomination and Compensation committee have been specified in the committee's working order, which the Board approves (www.metsaboard.com/InvestorRelations/CorporateGovernance).

Since the Annual General Meeting of 2012, Kari Jordan has been chairman of the Nomination and Compensation Committee with Mikael Aminoff, Martti Asunta, Liisa Leino and Juha Niemelä as members.

The Nomination and Compensation Committee convened five times during 2012 and the attendance rate of the members was on average 88 per cent (93 per cent in 2011).

CHIEF EXECUTIVE OFFICER

CEO Mikko Helander, born 1960, M.Sc. (Eng.), is responsible for the daily management of the Company's administration according to the guidelines and instructions given by the Board. In addition, the CEO is responsible for ensuring that the Company's accounting has been carried out according to applicable laws and that asset management has been organised in a reliable manner. The CEO manages the Company's daily business and is responsible for controlling and steering the business areas.

The CEO has a written CEO contract approved by the Board. The Board monitors the CEO's performance and provides a performance evaluation once a year.

The contractual retirement age of the CEO is 62 years. The Company has commissioned an additional pension insurance policy for the CEO, covering the period between the contractual retirement and the statutory retirement age of 63 years and entitling the CEO to receive pension compensation equal to 60 per cent of his salary at the time of retirement. According to Finnish pension legislation, a person has the option to retire between the ages of 63 to 68.

The Board appoints and discharges the CEO. The Board can discharge the CEO without a specific reason. The CEO can also resign from his assignment. The mutual term of notice is six months. The Board may, however, decide to discharge the CEO without a period of notice.

When the service contract of the CEO is terminated by the Board, the CEO is entitled to receive discharge compensation equal to his 18-month salary. In addition, in case the Company is divested, the CEO is entitled to resign from his assignment against discharge compensation equal to his 24-month salary.

DEPUTY TO THE CEO

The Board can at its discretion appoint a Deputy to the CEO. The Deputy to the CEO is responsible for carrying out the CEO's tasks when the CEO is unable to perform his

duties. For the time being no Deputy to the CEO has been appointed.

CORPORATE MANAGEMENT TEAM

In the operative management of Metsä Board, the CEO is assisted by the Corporate Management Team, which consists of Mikko Helander, CEO, together with business area executives Pasi Piiparinen (Paperboard) and Seppo Puotinen (Paper and Pulp). In addition, Matti Mörsky, CFO, Sari Pajari, SVP, Supply Chain and Business Development and Jani Suomalainen, SVP, Purchasing are members of the Corporate Management Team.

Each Corporate Management Team member has a written employment or service contract. With the exception of the CEO members of the Corporate Management Team have no extraordinary pension arrangements which would deviate from applicable pension legislation. With the exception of the CEO, the term of notice of Corporate Management team members is six months.

The Corporate Management Team's tasks and responsibilities include planning investments, specifying and preparing the Company's strategic guidelines, allocating resources, controlling routine functions as well as preparing several matters to be reviewed by the Board.

The Corporate Management Team convenes at the Chairman's invitation once a month, as a rule, and also otherwise when necessary.

On 31 December 2012, neither Board members nor the CEO or the Deputy to the CEO had monetary loans from the Company or its subsidiaries, and no security arrangements existed between them.

INTERNAL CONTROL, INTERNAL AUDITING AND RISK MANAGEMENT

Profitable business requires that operations are monitored continuously and with adequate efficiency. Metsä Board's internal management and control procedure is based on the Finnish Companies Act, regulations and recommendations for listed companies, the Articles of



Association and the company's own approved principles and policies. The functionality of the company's internal control is evaluated by the company's internal auditing. Internal control is carried out throughout the organisation. Internal control methods include internal guidelines and reporting systems.

The following describes the principles, objectives and responsibilities of Metsä Board's internal control, risk management and internal auditing.

INTERNAL CONTROL

Being a listed company, Metsä Board's internal control is steered by the Finnish Companies Act and the Securities Market Act, other laws and regulations applicable to the operations and the rules and recommendations of the Helsinki Stock Exchange, including the Corporate Governance Code. External control is carried out by Metsä Board's auditor and the authorities.

In Metsä Board, internal control covers financial reporting and other monitoring. Internal control is implemented by the Board and operative management as well as the entire personnel. Internal control aims to ensure achieving the goals and objectives set for the company; economical, appropriate and efficient use of resources; correct and reliable financial information and other management information; adherence to external regulations and internal policies; security of operations, information and property in an adequate manner; and the arrangement of adequate and suitable manual and IT systems to support operations.

Internal control is divided into (i) proactive control, such as the specification of corporate values, general operational and business principles; (ii) daily control, such as operational systems and work instructions related to operational steering and monitoring; and (iii) subsequent control, such as management evaluations and inspections, comparisons and verifications with the aim of ensuring that the goals are met and that the agreed operational and control principles are followed. The corporate culture, governance and the approach

to control together create the basis for the entire process of internal control.

MONITORING OF THE FINANCIAL REPORTING PROCESS, CREDIT CONTROL AND AUTHORISATION RIGHTS

The financial organisations of the business areas and the central administration are responsible for financial reporting. The units and business areas report the financial figures each month. The business areas' control functions check their units' monthly performance and report them further to central administration. Business area profitability development and business risks and opportunities are discussed in monthly meetings attended by senior management of the Company and of the business area in question. The result will be reported to the Board and the Corporate Management Team each month. The Company's internal guidelines provide detailed descriptions on the reporting and control rules and the reporting procedure.

Credit control in Metsä Board has been centralised under a Credit Committee, which convenes at least each quarter. The development of trade receivables is monitored in each sales company by credit controllers under the supervision of the Group VP of Credits. Counterparty-specific credit limits are set within the boundaries of the credit policy confirmed by the Board in cooperation with centralised credit control and business area management. The development of credit risks is reported to the Board on a regular basis.

Authorisation rights concerning expenses, significant contracts and investments have been specified continuously for different organisation levels according to the decision-making authority policy confirmed by the Board and the authority separately granted by the CEO and other management personnel. Investment follow-up is carried out by the Group's financial administration according to the investment policy confirmed by the Board. After pre-approval, investments are taken to the management teams of the business areas and the Corporate Management Team within the framework of the annual investment plan.

Most significant investments are separately submitted for Board approval. Investment follow-up reports are compiled each quarter.

INTERNAL AUDITING

Internal auditing assists the Board and CEO with their control tasks by evaluating the quality of internal control maintained in order to achieve the Company's objectives. In addition, internal auditing supports the organisation by evaluating and ensuring the functionality of business processes, risk management and the management and administration systems.

The key task of internal auditing is to assess the efficiency and suitability of internal control concerning the company's functions and units. In its assignment, internal auditing evaluates how well the operational principles, guidelines and reporting systems are adhered to, how property is protected and how efficiently resources are used. Internal auditing also acts as an expert in development projects related to its task area and prepares special reports at the request of the Audit Committee or operative management.

Internal auditing operates under the supervision of the Audit Committee and the CEO. Audit observations, recommendations and the progress of measures are reported to the management of the target audited, the company management and the auditor. Every six months, internal auditing reports its auditing measures, plans and operations to the Audit Committee.

The action plan of internal auditing is prepared for one calendar year at a time. The aim is to allocate the auditing to all functions and units at certain intervals. Auditing is annually allocated to areas that are in a key position regarding the evaluated risk and the company's objectives at the time. The topicality and appropriateness of the action plan are processed with the Company's management every six months.

The scope and coordination of the auditing operations are ensured through regular communication and information exchange with other internal assurance functions and the auditor. When necessary, internal auditing

uses external service providers for temporary additional resourcing or special expertise for carrying out demanding evaluation tasks.

RISK MANAGEMENT

Risk management is an essential part of Metsä Board's standard business planning and leadership. Risk management belongs to daily decision-making, operations follow-up and internal control, and it promotes and ensures that the objectives set by the Company are met.

Linking business management efficiently with risk management is based on the operational principles confirmed by the Board; the aim of the principles is to maintain risk management as a process that is well defined, understandable and sufficiently practical. Risks and their development are reported on a regular basis to the Board's Audit Committee. Centralised risk management also takes care of the coordination and competitive bidding of Metsä Board's insurance coverage.

The most crucial objective of risk management is to identify and evaluate those risks, threats and opportunities which may have an impact on the implementation of the strategy and on how short-term and long-term objectives are met. A separate risk review is also included in the most significant investment proposals.

The business areas regularly evaluate and monitor the risk environment and related changes as part of their normal operational planning. The risks identified and their control is reported to the company's management, Audit Committee and the Board at least twice a year. Business risks also involve opportunities, and they can be utilised within the boundaries of the agreed risk limits. Conscious risk-taking decisions must always be based on an adequate evaluation of the risk-bearing capacity and the profit/loss potential, among other things.

Risk management responsibilities in Metsä Board are divided among different functions. The Board is responsible for the Company's risk management and approves the Company's risk management policy; the Audit

Committee evaluates the levels and procedures of the Company's risk management and the essential risk areas and provides the Board with related proposals. The CEO and the Management Team are responsible for the specification and adoption of the risk management principles. They are also responsible for ensuring that the risks are taken into account in the company's planning processes and that risk reporting is adequate and appropriate. The Vice President of Risk Management reports to the CFO and is responsible for the Company's risk management process development, coordination, the implementation of risk evaluation and the essential insurance decisions. Business areas and support functions identify and evaluate the essential risks related to their own areas of responsibility in their planning processes, prepare for them, take necessary preventive action and report on the risks as agreed.

Metsä Board's essential risk management elements include implementing a comprehensive corporate risk management process that supports the entire business, protecting property and ensuring business continuity, corporate security and its continuous development, as well as crisis management and continuity and recovery plans. According to the risk management policy and principles, adequate risk management forms a necessary part of the preliminary review and implementation stages of projects which are financially or otherwise significant.

The tasks of Metsä Board's risk management are to

- ensure that all identified risks with an impact on personnel, customers, products, property, information assets, corporate image, corporate responsibility and operational capacity are controlled according to applicable laws and on the basis of best available information and financial aspects
- ensure that the company's objectives are met
- fulfil the expectations of stakeholders
- protect property and ensure disruption-free business continuity
- optimise the profit/loss possibility ratio

- ensure the management of the company's overall risk exposure and minimise the overall risks.

The most significant risks and uncertainties that the company is aware of are described in the Report of the Board of Directors.

AUDIT

According to Metsä Board's Articles of Association, the company has one auditor who shall be an auditing firm authorised by the Central Chamber of Commerce of Finland. The General Meeting appoints the auditor each year. The Audit Committee together with the Audit Committee of the parent entity Metsäliitto Cooperative arranged in 2011 a competition for the auditing services. As a result of the competition, the Company's long-term auditor PricewaterhouseCoopers Oy was changed to KPMG Oy Ab. Pursuant to the decision of the Annual General Meeting of 2012, KPMG Oy Ab acts as the Company's auditor and has appointed Raija-Leena Hankonen, APA, as the auditor with main responsibility. The Audit committee controls the appointment procedure of the auditors and provides the Board and the General Meeting with a recommendation for the appointment of the auditor.

In 2012, KPMG Oy Ab received EUR 187,025 (PricewaterhouseCoopers EUR 306,000 in 2011 and 359,000 in 2010) in auditing compensation, KPMG internationally received altogether EUR 478,847 (PricewaterhouseCoopers Oy EUR 741,000 in 2011) and other auditing firms outside Finland were paid EUR 37,001 (EUR 72,000). In addition, KPMG has received EUR 5,211 (PricewaterhouseCoopers EUR 443,000 in 2011) for services not related to the actual auditing of the accounts.



SALARY AND REMUNERATION REPORT

This salary and remuneration report of Metsä Board Corporation (Metsä Board or the Company) has been issued pursuant to Recommendation 47 of the Finnish Corporate Governance Code of June 15, 2010 and its latest update has been published on the Company's website in March 2013. In accordance with the Company's practice the salary and remuneration report is updated two times every calendar year as a starting point, however, always in March in connection with the annual Corporate Governance Statement.

DECISION-MAKING AND PRINCIPLES OF REMUNERATION

The purpose of the management's compensation system is to compensate management in a fair and competitive way for a successful and profitable implementation of the Company's strategy. The objective of remuneration is also to encourage management in the development of the Company's strategy and business to thereby act for the benefit the Company in the long run.

The Board of Directors approves the salary and compensation of the CEO and the principles applied in the compensation of other Corporate Management Team members. The Board further approves the structures and basis as well as applicable measures for the Company's remuneration and incentive schemes. The Nomination and Compensation Committee assists the Board in matters relating to management remuneration, conditions of employment and engagement of management members as well as prepares Board decisions relating to management remuneration. The CEO acting in cooperation with the Chairman of the Board decides on matters related to the compensation of other senior management members in accordance with the principles approved and guidance issued by the Board.

FINANCIAL BENEFITS BOARD OF DIRECTORS

The Annual General Meeting held in March 2012 resolved to maintain the remuneration

of the members of the Board of Directors unchanged. Thus, the Chairman received an annual remuneration of EUR 76,500, the Vice Chairman EUR 64,500 and members EUR 50,400. One half of the remuneration was decided to be paid in cash while the other half was to be paid in the Company's B-series shares to be acquired from the stock exchange between 1 and 30 April 2012. As a result, the Chairman received 19,471, the Vice Chairman 16,417 and each Board member 12,828 B-series shares. The amount of the cash consideration corresponds to the estimated withholding tax. In addition, the Annual General Meeting resolved to pay to the members a remuneration of EUR 500 per each attended Board and committee meeting. The Nomination and Compensation Committee of the Board of Directors proposes to the Annual General Meeting convening on March 26, 2013 that the annual remuneration be kept unchanged and also that the practice of paying the remuneration in shares and in cash be continued. In addition, the Committee proposes that a remuneration of EUR 600 be paid for each attended Board and committee meeting. Board remuneration has been paid in shares and cash since 2009.

CEO

The CEO has a written service contract approved by the Board. The Board monitors the CEO's performance and provides a specific performance evaluation once a year. The Board appoints and discharges the CEO. The Board can discharge the CEO without a specific reason. The CEO can also resign from his assignment. The mutual term of notice is six months. The Board may, however, decide to discharge the CEO without a period of notice. When the service contract of the CEO is terminated by the Board, the CEO is entitled to receive discharge compensation equal to his 18-month salary. In addition, in case the Company or its business is divested, the CEO is entitled to resign from his assignment against discharge compensation equal to his 24-month salary.

The contractual retirement age of the CEO is 62 years. The Company has commis-

sioned an extra pension insurance policy for the CEO, covering the period between the contractual and statutory retirement age of 63 years and entitling the CEO to receive pension compensation equal to 60 per cent of his salary at the time of retirement (calculated in accordance with Finnish pension laws). The cost to the Company of the CEO's payment and benefit based pension insurance policy amounted in 2012 to EUR 394,188 (EUR 365,857 in 2011 and EUR 498,189 in 2010). In case the service relationship of the CEO is terminated prior to retirement, the CEO is entitled to a free policy.

Short-term compensation

The monthly salary of CEO Mikko Helander is EUR 41,685.22. The salary includes car and mobile phone benefits. In addition, the Board may, in accordance with the managing director's service contract, decide that the CEO receives bonus pay based on his overall performance and corresponding to his six-month salary. In 2012, the CEO received a total of EUR 570,317 in salary, bonuses and other benefits (EUR 588,312 in 2011 and EUR 1,429,371 in 2010), of which EUR 521,779 (EUR 509,002 and EUR 497,849) was fixed compensation and EUR 48,538 (EUR 79,310 and EUR 931,522) was bonus pay. In 2010, the bonus pay consisted of bonus pay in accordance with the CEO's service contract as well as a separate compensation approved by the Board of Directors in August 2010 and relating to the CEO's withdrawal from the company's 2010 share bonus system and the simultaneous joining to Metsä Group's share ownership scheme.

Long-term compensation

The CEO takes part in the management ownership scheme of Metsä Group's executive management, through which he indirectly owns shares in the Company. As a consequence, Helander was not entitled to the share bonus for the 2010 financial period under the Company's own share bonus system. Helander has in August 2010

invested approximately EUR 500,000 of his own funds in Metsä Group's management holding company, in which he is a co-owner together with other Metsä Group's executive management members. The holding company entitled Metsäliitto Management Ltd. has in August 2010 purchased Metsä Board's B-series shares using its own capital and additional debt capital obtained from Metsäliitto Cooperative. Altogether 881,933 B-shares purchased for the aggregate purchase price of approximately EUR 2.5 million have been indirectly allocated to the CEO. Helander is tied to the holding company and, as a result, to an indirect ownership of Metsä Board's shares until the end of 2013, at which time the management ownership system is planned to be terminated and dismantled. The system will, however, be extended for one year at a time if, in October–November 2013, 2014, 2015 or 2016, the stock exchange price of Metsä Board's B-shares is lower than the average price at which Metsäliitto Management Ltd. originally acquired such shares. Upon dismantling of the system, the loan granted by Metsäliitto Cooperative to the management holding company becomes due. The remaining funds will be distributed to the participating shareholders in accordance with the shareholdings. The management holding company also has the right to prematurely repay the loan.

Should Helander either resign or his service relationship with the Company is terminated by the Board of Directors prior to the dismantling of the system, he is entitled to receive from the management holding company the funds he has personally invested in such company, however, no possible value increase. Should the system then be out-of-the-money, Helander is only entitled to a calculative share of the funds personally invested. The transfer of Metsä Board's B-shares owned by Metsäliitto Management Ltd. is restricted during the entire validity of the system.

With the exception of the CEO, the period of notice of Corporate Management Team members is six months. Termination of employment without cause entitles members of the Corporate Management Team to receive discharge compensation equal to their 6 to 18-month salary.

Excluding the CEO, Corporate Management Team members have no extraordinary pension arrangements which would deviate from applicable pension legislation. According to Finnish pension legislation, a person has the option to retire between the ages of 63 to 68. The Finnish TyEL pension system provides for a retirement benefit based on years of service and earnings according to the prescribed statutory system. For purposes of the Finnish pension system earnings include salary, bonuses and fringe benefits but exclude share or stock option based income.

Short-term compensation

In 2012, other Corporate Management Team members received a total of EUR 1,350,562 (EUR 2,306,377 in 2011 and EUR 1,977,048 in 2010) in salary and bonuses of which EUR 1,237,493 (EUR 1,568,004 in 2011 and EUR 1,469,132 in 2010) were fixed salaries and benefits (car and mobile phone) and EUR 113,069 (EUR 738,372 and EUR 507,917) bonuses. The members of the Corporate Management Team are entitled to bonus pay corresponding to a maximum of their respective 6-month salaries. The bonus pay is defined and decided by the Board and was in the financial year 2010 based on the Company's and its business areas' (business area heads) operating results (EBIT) and cash flow development, whereas in 2011 and 2012 only based on operating results development. The 2013 bonus pay is also based on the Company's and its business areas' operating results (EBIT) development, as determined by the Board of Directors.

Long-term compensation

In December 2010, the Board of Directors approved the current share-based incentive plan. The aim of the plan is to combine the objectives of shareholders and executives in order to increase the value of the company, to commit the executives to perform the mutual strategy, and to offer them a competitive reward plan based on share ownership. The plan consists of three consecutive three-year earnings periods, namely calendar years 2011–2013, 2012–2014 and 2013–2015. At the beginning of each period, the Board of Directors decides on the earnings criteria and defined performance targets. The potential reward from the plan for each of the earnings periods is based on Metsä Board Group's equity ratio at the end of the period as well as the development of return on capital employed (ROCE) and earnings before interest and taxes (EBIT). Each earnings period is followed by a two-year restriction period during which a participant is not entitled to transfer or dispose of the shares.

The potential reward from the earning period 2011–2013 will be paid in 2014 partly in the company's B-series shares and partly in cash, while the potential reward from the earning period 2012–2014 will be paid in 2015 in a similar manner. The proportion to be paid in cash will cover taxes and tax-related costs. At the beginning the plan concerned 9 individuals, including all members of the Corporate Management Team. The maximum reward to be paid for the first and the second three-year earnings period corresponds to the purchase price of approximately 1,000,000 B-series shares, while the maximum reward to be paid for the third three-year earnings period corresponds to the purchase price of approximately 885,000 B-series shares.

CORPORATE MANAGEMENT TEAM

Also other Corporate Management Team members have written employment contracts.



METSÄ BOARD CORPORATION'S BOARD OF DIRECTORS

KARI JORDAN

b. 1956

M.Sc. (Econ)

Chairman of the Board (2005–)

- **Metsä Group**, President and CEO (2006–)
- **Metsäliitto Cooperative**, CEO (2004–)
- **Metsäliitto Cooperative**, Vice Chairman of the Board (2006–)
- **Metsä Tissue Corporation**, Chairman of the Board (2004–)
- **Metsä Fibre Oy**, member of the Board (2004–) and Chairman of the Board (2006–)
- **Confederation of Finnish Industries EK**, member of the Board (2005–) and Vice Chairman of the Board (2009–)
- **Central Chamber of Commerce**, member of the Board (2007–2011), Chairman of the Board (2012–)
- **Finnish Forest Industries Federation**, Vice Chairman of the Board and member of Federation's Working Group (2005–), Chairman of the Board (2009–2011), member of the Board (2013–)
- **Varma Mutual Pension Insurance Company**, member of the Supervisory Board (2006–2012), member of the Board (2013–)
- **Holds several positions of trust in foundations and non-profit associations.**

Shares owned in Metsä Board

Corporation 31 Dec 2012: directly 31,696 B shares, through Metsäliitto Management Oy 1,763,867 B shares.

MARTTI ASUNTA

b. 1955

M.Sc. (Forestry)

Metsäneuvos (Finnish honorary title)

Member of the Board and Vice Chairman of the Board (2008–)

- **Metsäliitto Cooperative**, Chairman of the Board (2008–)
- **Metsä Fibre Oy**, member of the Board (2008–)
- **Metsä Tissue Corporation**, member of the Board (2008–)
- **Pellervo-Seura**, member of the Board (2008–), Chairman of the Board (2010–)

Shares owned in Metsä Board

Corporation 31 Dec 2012: 42,824 B shares.

MIKAEL AMINOFF

b. 1951

M.Sc. (Forestry)

Agriculture and Forestry entrepreneur

Member of the Board (2010–)

- **Metsäliitto Cooperative**, member of the Supervisory Board (2001–)
- **Metsäliitto Cooperative**, member of the Board (2008–)

Shares owned in Metsä Board

Corporation 31 Dec 2012: 42,977 B shares.

KIRSI KOMI

b. 1963

LL.M, Master of Laws

Member of the Board (2010–)

Independent Board member

- **Finnish Red Cross Blood Service**, member of the Board (2010–), Chairman of the Board (2011–)
- **Patria Plc**, Vice Chairman of the Board (2011–)
- **Citycon Oy**, member of the Board (2011–)
- **Docrates Oy**, Chairman of the Board (2011–)
- **Nokia Siemens Networks**, General Counsel, member of the Executive Board (2007–2010)
- **Nokia Corporation**, Vice President, Legal & member of Networks Business Group ("NET") Leadership Team and other NET senior management forums (1999–2007)
- **Nokia Corporation**, legal counsel (1992–1999)

Shares owned in Metsä Board

Corporation 31 Dec 2012: 30,282 B shares.



KAI KORHONEN

b. 1951

M.Sc. (Eng), eMBA

Member of the Board (2008–)
Independent Board member

- **Stora Enso Oyj**, Senior Executive Vice President (1998–2007)
 - **Ilmarinen Mutual Pension Insurance Company**, member of the Supervisory Board (2006–2008)
 - **Finnish Forest Industries Federation**, Vice Chairman of the Board (2006–2007)
- Shares owned in Metsä Board Corporation 31 Dec 2012: 140,597 B shares.



LIISA LEINO

b. 1960

M.Sc. (Nutrition)

Member of the Board (2009–)
Independent Board member

- **Leinovalu Oy**, full-time Chairman of the Board (2006–), CEO (2011–)
- **Confederation of Finnish Industries EK**, member of the Board (2011–2012)
- **The Federation of Finnish Technology Industries**, member of the Board (2011)
- **Varma Mutual Pension Insurance Company**, deputy member of the Board (2011–)
- **Rautaruukki Oyj**, member of the Board (2007–)
- **Alko Oy**, member of the Board (2009–2011)
- **Finnish Business and Policy Forum EVA**, member of the Supervisory Board (2010–)
- **Elomatic Oy**, member of the Board (2011–)

Shares owned in Metsä Board Corporation 31 Dec 2012: 117,597 B shares.



JUHA NIEMELÄ

b. 1946

M.Sc. (Econ)

Doctor of Sciences in Economics and Technology h.c.
Vuorineuvos (Finnish honorary title)

Member of the Board (2007–)
Independent Board member

- **UPM-Kymmene Corporation**, CEO (1994–2004)
- **Veikkaus Oy**, Chairman of the Board (2001–)
- **Powerflute Oyj**, member of the Board (2005–)
- **Green Resources AS**, member of the Board (2008–), Chairman of the Board (2009–)

Shares owned in Metsä Board Corporation 31 Dec 2012: 117,597 B shares.



ANTTI TANSKANEN

b. 1946

Ph.D. (Econ)
Minister

Member of the Board (1992–)
Independent Board member

- **OP Bank Group**, Chairman and CEO (1997–2006)
- **State Pension Fund**, Chairman of the Board (2009–)
- **University of Helsinki**, Chairman of the Board (2010–)

Shares owned in Metsä Board Corporation 31 Dec 2012: 117,597 B shares.



ERKKI VARIS

b. 1948

M.Sc. (Eng)

Member of the Board (2009–)
Independent Board member

- **Oy Metsä-Botnia Ab**, President and CEO (1997–2008)
- **Metsäliitto Group**, member of the Executive Management Team (2002–2008)
- **Oy Metsä-Rauma Ab**, Managing Director (1994–1996)
- **Oy Metsä-Botnia Ab**, Deputy to CEO (1990–1994)

Shares owned in Metsä Board Corporation 31 Dec 2012: 75,682 B shares.



METSÄ BOARD CORPORATION'S CORPORATE MANAGEMENT TEAM

MIKKO HELANDER

b. 1960
M.Sc. (Eng)
Chief Executive Officer

Joined Metsä Group in 2003 and Metsä Board in 2006.
Chairman of the Metsä Board Corporate Management Team as of 2006.

- **Valmet Corporation**, Project Engineer and Production Manager at Valmet Järvenpää plant, (1984–1990)
- **Kasten Hövik**, Managing Director (1990–1993)
- **Valmet Corporation**, various leading positions, e.g. Head of projects, Valmet Järvenpää (1993–1994), Head of the operations, Valmet Rotomec S.p.a., Italy (1994–1997), Vice President, Calender business area, Valmet Corporation (1997–1999) and President, Valmet Converting Group, UK (1999–2003)
- **Metsä Tissue Corporation**, Chief Executive Officer (2003–2006)
- **Metsä Board Corporation**, Chief Executive Officer and Chairman of the Corporate Management Team (2006–)

Shares owned in Metsä Board Corporation 31 Dec 2012: directly 0, through Metsäliitto Management Oy 881,933 B shares.

MATTI MÖRSKY

b. 1952
M.Sc. (Eng)
Chief Financial Officer

Joined Metsä Board in 1981. Corporate Management Team member as of 2006.

- **G.A. Serlachius Oy**, various positions (1981–1987)
- **Metsä-Serla Corporation (present Metsä Board)**, various positions in business development and in M&A projects, i.e. Vice President, Business Development (1987)
- **Holmen Hygiene AB**, General Manager, Hygiene Division (1989)
- **Metsä-Serla Corporation**, General Manager, Kitchen Furniture Division (1992)
- **Rantasalmi Loghouses**, General Manager (1994)
- **M-real Corporation**, Senior Vice President, Business Development (1999–2009)
- **Metsä Board Corporation**, Chief Financial Officer (2009–)

Shares owned in Metsä Board Corporation
31 Dec 2012: 10,890 B shares.

SARI PAJARI

b. 1968
M.Sc. (Tech)
Senior Vice President, Supply Chain and Business Development

Joined Metsä Group in 2007 and Metsä Board in 2011.
Corporate Management Team member as of 2011.

- **Jaakko Pöyry Consulting**, various positions (Consultant, Senior Consultant, Vice President) in Finland and USA (1990–2000)
- **PwC Management Consulting**, Principal Consultant (2000–2002)
- **IBM Corporation**, Principal Consultant and Business Development Executive (2002–2007)
- **Metsäliitto Group**, Director, Group ICT (2007–2009)
- **Metsäliitto Group**, CIO, Senior Vice President (2009–2011)
- **Metsä Board Corporation**, Senior Vice President, Supply Chain and Business Development (2011–)
- **Tieto Corporation**, member of the Board (2012–)

Shares owned in Metsä Board Corporation
31 Dec 2012: no ownership.





PASI PIIPARINEN

b. 1961

M.Sc. (Eng)

Senior Vice President, Head of Paperboard business area

Joined Metsä Board in 2012. Corporate Management Team member as of 2012.

- **Enso Gutzeit Oy**, Project Manager (1987–1988)
- **Finntransit Ltd**, Managing Director (1988–1992)
- **Enso Deutschland GmbH**, Sales Director, Fine Paper (1992–1995)
- **Managing Director**, Ensopack Ltd (1995–1996)
- **Stora Enso Oyj**, various positions both in Consumer Packaging and Fine Papers business areas as of 1996. Latest position as Senior Vice President, Sales and Marketing, Fine Papers business area (2008–2012)
- **Metsä Board Corporation**, Senior Vice President, Head of Paperboard business area (2012–)

Shares owned in Metsä Board Corporation

31 Dec 2012: no ownership.

SEPPO PUOTINEN

b. 1955

Lic. Tech.

Senior Vice President,
Head of Paper and Pulp business area

Worked in Metsä-Serla (present Metsä Board) in 1986–2000 and joined Metsä Board again in 2004. Corporate Management Team member as of 2005.

- **Metsä-Serla Corporation**, various positions in business development, marketing and operational responsibility: i.e. Vice President, Cartons Division, Corrugated and Folding Carton operations (1986–1999)
- **SCA Packaging Finland Oy**, Managing Director, Finland, Russia and the Baltic countries (2000–2002)
- **SCA**, President, Containerboard Division (2002–2004)
- **M-real Corporation**, Executive Vice President, Corporate Strategy & Sales Services (2004–2005)
- **Metsä Board Corporation**, Senior Vice President, Head of Paper and Pulp business area (2005–) and Vice President and Mill Manager, Metsä Board Husum (2009–)

Shares owned in Metsä Board Corporation 31 Dec 2012:

1,000 A shares, 30,132 B shares.



JANI SUOMALAINEN

b. 1973

M.Sc. (Tech), MBA

Senior Vice President, Purchasing

Joined Metsä Board in 1998. Corporate Management Team member as of 2012.

- Various positions in M-real carton mills (1998–2003)
- **M-real Corporation**, Vice President, Customer Service and Supply Chain (2004–2010)
- **M-real Corporation**, Vice President, Business Controlling (2010–2011)
- **M-real Corporation**, Vice President, Purchasing (2011–2012)
- **Metsä Board Corporation**, Senior Vice President, Purchasing (2012–)

Shares owned in Metsä Board Corporation 31 Dec 2012: 730 B shares.



QUARTERLY DATA

EUR MILLION	TOTAL YEAR						QUARTERLY			
SALES	2012	2011	IV/2012	III/2012	II/2012	I/2012	IV/2011	III/2011	II/2011	I/2011
PAPERBOARD	1,122.6	1,294.1	279.2	289.1	273.6	280.7	274.7	322.3	337.7	359.4
PAPER AND PULP	907.0	1,132.0	209.5	223.3	228.9	245.2	238.2	282.3	297.2	314.3
OTHER OPERATIONS	363.6	364.4	93.8	90.7	90.8	88.6	75.0	88.5	104.5	96.7
INTERNAL SALES	-285.6	-305.2	-74.0	-70.9	-71.0	-70.0	-63.6	-77.4	-79.0	-85.6
TOTAL	2,107.6	2,485.3	508.5	532.2	522.3	544.6	524.4	615.7	660.4	684.9
OPERATING RESULT EXCLUDING NON-RECURRING ITEMS	2012	2011	IV/2012	III/2012	II/2012	I/2012	IV/2011	III/2011	II/2011	I/2011
PAPERBOARD	105.7	114.1	27.8	28.1	23.3	26.4	7.9	23.9	36.1	46.1
PAPER AND PULP	-5.8	-39.3	0.2	1.7	4.6	-12.4	-19.7	-9.9	-4.0	-5.6
OTHER OPERATIONS	-26.3	-15.4	-3.4	-5.1	-8.9	-8.7	-9.3	-8.5	-0.3	2.8
EBIT	73.6	59.4	24.6	24.7	19.0	5.3	-21.1	5.9	31.6	43.1
OPERATING RESULT AND RESULT BEFORE TAXES	2012	2011	IV/2012	III/2012	II/2012	I/2012	IV/2011	III/2011	II/2011	I/2011
PAPERBOARD	111.0	30.0	34.4	27.8	22.6	26.2	-56.7	23.9	16.7	46.1
PAPER AND PULP	-3.3	-237.4	8.1	-0.3	4.6	-15.7	-148.8	-26.6	-56.3	-5.6
OTHER OPERATIONS	112.1	-6.7	-2.1	-4.9	134.0	-14.8	-9.8	-10.1	6.9	6.1
OPERATING RESULT ¹⁾	219.8	-214.1	40.4	22.6	161.1	-4.4	-215.3	-12.4	-32.8	46.4
SHARE OF RESULTS FROM ASSOCIATED COMPANIES	0.0	-6.8	-0.3	0.0	0.0	0.3	-3.1	0.4	-4.1	0.0
EXCHANGE GAINS/LOSSES	5.0	3.0	1.1	1.6	0.3	2.0	0.1	0.5	0.2	2.2
OTHER FINANCIAL INCOME AND EXPENCES	-49.1	-60.0	-14.2	-16.4	-2.0	-16.4	-11.9	-17.4	-16.1	-17.6
RESULT BEFORE TAXES	175.7	-265.3	27.0	7.8	159.4	-18.5	-230.2	-28.9	-52.8	31.0
OPERATING RESULT (% OF SALES)	2012	2011	IV/2012	III/2012	II/2012	I/2012	IV/2011	III/2011	II/2011	I/2011
PAPERBOARD	9.9	2.3	12.3	9.6	8.3	9.3	-20.7	7.5	5.0	12.8
PAPER AND PULP	-3.6	-21.0	3.9	0.0	2.0	-6.4	-62.6	-9.8	-1.3	-1.9
METSÄ BOARD	10.4	-8.6	8.1	-4.1	-30.8	-0.7	-41.0	-2.1	-4.8	6.7

¹⁾ METSÄ FIBRES' S NET RESULT IS INCLUDED IN OPERATING RESULT AS OF 8 DECEMBER 2009.

1,000 TONNES	TOTAL YEAR						QUARTERLY			
DELIVERIES	2012	2011	IV/2012	III/2012	II/2012	I/2012	IV/2011	III/2011	II/2011	I/2011
PAPERBOARD	1,188	1,388	298	306	289	295	290	346	365	387
PAPER	681	908	162	169	165	185	190	222	236	260
MARKET PULP	804	719	184	192	210	218	169	181	195	174
PRODUCTION	2012	2011	IV/2012	III/2012	II/2012	I/2012	IV/2011	III/2011	II/2011	I/2011
PAPERBOARD	1,201	1,403	325	308	286	282	295	342	367	399
PAPER	685	881	171	164	169	181	161	233	240	248
METSÄ FIBRE'S PULP ¹⁾	610	706	140	144	145	181	174	197	170	164
METSÄ BOARD'S PULP	1,234	1,210	332	292	297	313	235	309	325	340

¹⁾ CORRESPONDS TO METSÄ BOARD'S OWNERSHIP SHARE OF 24.9% IN METSÄ FIBRE AS OF 1 MAY 2012, BEFORE THAT 32%.

PRODUCTION CAPACITIES

BOARD MILLS

1,000 TONNES	COUNTRY	MACHINES	FOLDING BOXBOARD	LINERBOARD	TOTAL
TAMPERE	FINLAND	2	205		205
KYRÖSKOSKI	FINLAND	1	190		190
ÄÄNEKOSKI	FINLAND	1	240		240
SIMPELE	FINLAND	1	300		300
KEMI	FINLAND	1		375	375
TOTAL		6	935	375	1,310

PAPER MILLS

1,000 TONNES	COUNTRY	MACHINES	COATED PAPER	UNCOATED FINE PAPER	SPECIALITY PAPERS	TOTAL
KYRÖSKOSKI	FINLAND	1			105	105
BERGISCHE GLADBACH	GERMANY	2			50	50
HUSUM	SWEDEN	3	340	470		810
TOTAL		6	340	470	155	965

PULP MILLS

1,000 TONNES	COUNTRY	CHEMICAL PULP	BCTMP	TOTAL
HUSUM	SWEDEN	750		750
JOUTSENO	FINLAND		290	290
KASKINEN	FINLAND		300	300
TOTAL		750	590	1,340

METSÄ FIBRE ¹⁾

1,000 TONNES	COUNTRY	CHEMICAL PULP	TOTAL
ÄÄNEKOSKI	FINLAND	530	530
KEMI	FINLAND	590	590
RAUMA	FINLAND	630	630
JOUTSENO	FINLAND	670	670
TOTAL		2,420	2,420

¹⁾ METSÄ BOARD'S SHARE OF PRODUCTION CAPACITY IS 24.9%.



TEN YEARS IN FIGURES

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
INCOME STATEMENT, EUR MILLION										
SALES	2,108	2,485	2,605	2,432	3,236	3,499	3,698	3,342	5,522	6,044
- CHANGE %	-15.2	-4.6	7.1	-24.8	-7.5	-5.4	10.7	N/A	-8.6	-7.9
EXPORTS FROM FINLAND	1,118	1,140	1,179	1,073	1,216	1,084	1,068	875	1,696	1,653
EXPORTS AND FOREIGN SUBSIDIARIES	1,936	2,307	2,396	2,232	3,068	3,274	3,459	3,160	5,182	5,652
OPERATING PROFIT	220	-214	146	-267	-61	-49	-172	11	28	74
- % OF SALES	10.4	-8.6	5.6	-11.0	-1.9	-1.4	-4.6	0.3	0.5	1.2
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX ¹⁾	176	-281	48	-358	-204	-191	-280	-117	-108	-80
- % OF SALES	8.3	-11.3	1.8	-14.7	-6.3	-5.5	-7.6	-3.5	-2.0	-1.3
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS ²⁾	173	-273	27	-331	-170	-168	-270	-130	-125	-95
- % OF SALES	8.2	-11.0	1.0	-13.6	-5.3	-4.8	-7.3	-3.9	-2.3	-1.6
BALANCE SHEET, EUR MILLION										
BALANCE SHEET TOTAL	2,580	2,688	3,117	3,132	4,505	5,481	6,458	6,580	6,486	7,106
SHAREHOLDERS' EQUITY	861	732	994	916	1,329	1,830	2,055	2,459	2,393	2,245
NON-CONTROLLING INTEREST	6	5	5	8	58	52	63	45	37	19
INTEREST-BEARING NET LIABILITIES	625	783	827	777	1,254	1,867	2,403	2,205	2,183	3,109
DIVIDENDS AND FIGURES PER SHARE										
DIVIDENDS, EUR MILLION	19.7 ³⁾	0	0	0	0	19.7	19.7	39.4	39.4	53.7
DIVIDEND PER SHARE, EUR	0.06 ³⁾	0	0	0	0	0.06	0.06	0.12	0.12	0.25
DIVIDEND/PROFIT, %	11.3 ³⁾	0	0	0	0	-10.2	-5.0	-48.0	63.2	-58.8
EARNINGS PER SHARE, EUR	0.53	-0.83	0.09	-1.09	-1.58	-0.59	-1.21	-0.25	0.19	-0.43
SHAREHOLDERS' EQUITY PER SHARE, EUR	2.62	2.23	3.03	2.79	4.05	5.58	6.26	7.49	7.29	10.56
KEY FIGURES – PROFITABILITY										
RETURN ON CAPITAL EMPLOYED, TOTAL %	12.3	-9.9	5.7	-8.9	-1.3	-0.8	-5.5	0.9	0.9	1.6
RETURN ON EQUITY, %	21.6	-31.5	2.8	-28.6	-10.4	-8.5	-14.8	-4.0	-5.7	-3.8
KEY FIGURES – FINANCIAL POSITION										
EQUITY RATIO, %	33.6	27.4	32.1	29.6	30.8	34.4	32.8	38.1	37.5	31.9
GEARING RATIO, %	128	154	135	153	152	124	132	101	103	151
NET GEARING RATIO, %	72	106	83	84	90	99	113	88	89	137
NET CASH FLOW ARISING FROM OPERATING ACTIVITIES	-2	83	-69	81	-97	127	223	136	217	417
INTERNAL FINANCING ON CAPITAL EXPENDITURE; EUR MILLION	-3	87	-105	111	-76	50	53	31	89	105
NET INTEREST EXPENSES, EUR MILLION ⁵⁾	66	66	64	92	156	148	109	81	130	166.9
INTEREST COVER ⁵⁾	1.0	2.3	-0.1	1.9	0.4	1.9	3.0	2.7	2.7	3.5
OTHER KEY FIGURES										
GROSS CAPITAL EXPENDITURE, EUR MILLION	66	95	66	73	128	259	428	452	245	397
- % OF SALES ⁴⁾	3.1	3.8	2.5	3.0	3.2	5.9	9.9	11.9	4.4	6.6
R&D EXPENDITURE, EUR MILLION ⁵⁾	5	5	5	7	10	14	18	22	28	27
- % OF SALES ⁴⁾	0.2	0.2	0.2	0.3	0.3	0.4	0.5	0.6	0.5	0.4
PERSONNEL, AVERAGE ⁵⁾	3,552	4,428	4,772	5,913	6,849	8,267	9,849	10,429	16,532	20,372
- OF WHOM IN FINLAND	1,634	1,795	1,842	2,173	2,437	2,824	3,344	3,423	5,263	6,178

THE 2004–2012 FIGURES ARE CALCULATED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND 2003 ACCORDING TO FINNISH ACCOUNTING STANDARDS BUT 2003–2004 FIGURES HAVE NOT BEEN RESTATED DUE TO DISPOSAL OF MAP MERCHANT GROUP AND THE GRAPHIC PAPERS BUSINESS.

¹⁾ THE 2003 FIGURES PROFIT BEFORE EXTRAORDINARY ITEMS.

²⁾ THE 2003 FIGURES PROFIT BEFORE TAXES AND MINORITY INTEREST.

³⁾ BOARD OF DIRECTORS' PROPOSAL.

⁴⁾ THE KEY RATIO FOR 2005–2012 HAS BEEN CALCULATED FOR CONTINUING OPERATIONS ONLY.

⁵⁾ FROM CONTINUING OPERATIONS FOR 2005–2012.

CALCULATION OF KEY RATIOS IS PRESENTED ON PAGE 92.

FINANCIAL REPORTING

Metsä Board does not comment on its financial performance or similar issues from the close of each reporting period up to the publication of the report for said period, except for information on a material change in the market situation and the rectification of incorrect information.

FINANCIAL INFORMATION

Financial reports are published in English and Finnish. Annual reports and other publications can be ordered from Metsä Board Corporation by e-mail: metsaboard.communications@metsagroup.com. In Metsä Board's internet site www.metsaboard.com material for investors is collected under the heading Investors. Stock exchange releases, interim reports and financial information on these web pages are updated in real time. Metsä Board company presentation on the site is updated when financial reports are published.

Information on subjects such as Metsä Board's products, customer cases, sales network and environmental issues and organization can be found on the web pages. Also, feedback can be sent through the company site. Metsä Board's general e-mail address is metsaboard.communications@metsagroup.com.

SHARES

The company has total of 328,165,612 shares. Information on Metsä Board Corporation's shares is given in this report on pages 88–91. Metsä Board's shares series A and B are quoted on the Mid Cap list of NASDAQ OMX Helsinki Ltd. The trading codes of the shares are METSA and METSB, respectively.

INVESTOR RELATIONS

Metsä Board is committed to generating shareholder value. Metsä Board offers up-to-

date and easily utilizable information on the company regularly and openly. The company aims to produce reliable and factual information concerning its operations and financial position as well as the near-term outlook. All investors are treated equally.

Metsä Board has described the general guidelines and defined the responsibilities with reference to handling material information and contacts with the financial market in its IR policy. The policy can be found in Metsä Board's web pages.

FOR SHAREHOLDERS' INFORMATION

Metsä Board Corporation will publish financial reports in the year 2013 as follows.

- Thursday 7 February 2013
Financial result for 2012
- Tuesday 7 May 2013
Interim report January–March 2013
- Thursday 1 August 2013
Interim report January–June 2013
- Wednesday 6 November 2013
Interim report January–September 2013

ANNUAL GENERAL MEETING

The Annual General Meeting of Metsä Board Corporation will be held at Finlandia-talo, Helsinki hall, Mannerheimintie 13 E, Helsinki, on Tuesday 26 March 2013 at 3 p.m. EET. Shareholders wishing to take part in the Annual General Meeting and to exercise their right to vote must be registered on 14 March 2013 on the shareholders' register of the company held by Euroclear Finland Ltd. A shareholder has to give prior notice to the company not later than by 10 a.m. on 21 March 2013 on the company's website at www.metsaboard.com; by e-mail to metsaboard.AGM2013@metsaboard.com; by telephone to +358 10 465 4102 on weekdays

between 10 a.m. and 12 a.m.; or by mail to Metsä Board Corporation, Legal Services/Suuronen, P.O. Box 20, FI-02020 Metsä.

Possible proxy documents should be delivered in originals to the above address before the last date of registration. The Board of Directors proposes that a dividend of 0.06 euros per share be distributed for the financial year 2012.

SHARE REGISTER

Shareholder's address, name and ownership changes are requested to be informed to that book-entry register which holds their book entry account.

CONTACT INFORMATION

EQUITY INVESTORS

Matti Mörsky
Tel. +358 10 465 4913
matti.morsky@metsagroup.com

EQUITY INVESTORS AND COMMUNICATIONS

Juha Laine
Tel. +358 10 465 4335
juha.laine@metsagroup.com
metsaboard.communications@metsagroup.com

DEBT INVESTORS AND BANKER RELATIONSHIPS

Ari-Pekka Latti
Tel. +358 10 465 4255
ari-pekka.latti@metsagroup.com

Ilkka Punkari
Tel. +358 10 465 5226
ilkka.punkari@metsagroup.com

General questions and comments on investor relations can be e-mailed to metsaboard.investors@metsagroup.com.

www.metsaboard.com

CLOSED WINDOW	FINANCIAL REPORT	PUBLICATION DATE
1 JANUARY TO 7 FEBRUARY 2013	FINANCIAL RESULTS FOR 2012	THU 7 FEBRUARY 2013
1 APRIL TO 7 MAY 2013	INTERIM REPORT JANUARY–MARCH	TUE 7 MAY 2013
1 JULY TO 1 AUGUST 2013	INTERIM REPORT JANUARY–JUNE	THU 1 AUGUST 2013
1 OCTOBER TO 6 NOVEMBER 2013	INTERIM REPORT JANUARY–SEPTEMBER	WED 6 NOVEMBER 2013



CONTACT INFORMATION

METSÄ BOARD CORPORATION

Head office
P.O. Box 20
02020 METSÄ, Finland

Revontulenpuisto 2
02100 Espoo, Finland
Tel. +358 10 4611

Business ID 0635366-7

www.metsaboard.com



INFORMATION ON THE PUBLICATION

Cover: Carta Integra 190 g/m²
Interior: Galerie Art Silk 115 g/m²

Additional copies:

Metsä Board Corporation
Communications
P.O. Box 20
02020 METSÄ
Finland

E-mail: metsaboard.communications@metsagroup.com

The publication is available in PDF format at www.metsaboard.com.
The Annual Report is available in English and Finnish.

BUSINESS AREAS

PAPERBOARD

P.O. Box 20
02020 METSÄ, Finland
Tel. +358 10 4611

MILLS (COUNTRY)

Gohrsmühle (*Germany*)
Joutseno (*Finland*)
Kemi (*Finland*)
Kyro (*Finland*)
Simpele (*Finland*)
Tako (*Finland*)
Äänekoski (*Finland*)

PAPER AND PULP

SE-89680 Husum
Sweden
Tel. +46 6631 8000

MILLS (COUNTRY)

Husum (*Sweden*)
Kaskinen (*Finland*)

SALES NETWORK (COUNTRY, CITY)

Argentina and Uruguay (*Buenos Aires*)
Australia (*Melbourne*)
Belgium (*Brussels*)
Brazil (*São Paulo*)
Bulgaria (*Sofia*)
Chile (*Santiago*)
China (*Hong Kong, Shanghai*)
Costa Rica (*San José*)
Cyprus (*Paphos*)
Czech Republic (*Prague*)
Finland (*Espoo, Tampere*)
France (*Paris*)
Germany (*Bergisch Gladbach, Frankfurt*)
Greece (*Athens*)
Iceland (*Reykjavik*)
India (*Mumbai*)
Ireland (*Dublin*)
Israel (*Tel Aviv*)
Italy (*Milan*)
Japan (*Tokyo*)
Jordan (*Amman*)
Lebanon (*Beirut*)
Malta (*San Gwann*)
Mexico (*México*)
Netherlands (*Amsterdam*)
Peru (*Lima*)
Poland (*Warsaw*)
Romania (*Bucharest*)
Serbia (*Belgrad*)
Singapore (*Singapore*)
South Africa (*Cape Town, Durban*)
Spain (*Madrid, Badajoz*)
Syria (*Damascus*)
Turkey (*Istanbul*)
United Kingdom (*Chatham, Maidenhead*)
Ukraine (*Kiev*)
Hungary (*Budapest*)
Russia (*Moscow*)
United States (*Norwalk, CT*)

To locate contact details of local Metsä Board sales offices, please visit company website www.metsaboard.com.

METSÄ BOARD

P.O. Box 20

FI-02020 METSÄ, Finland

Telephone: +358 (0)10 4611

www.metsaboard.com