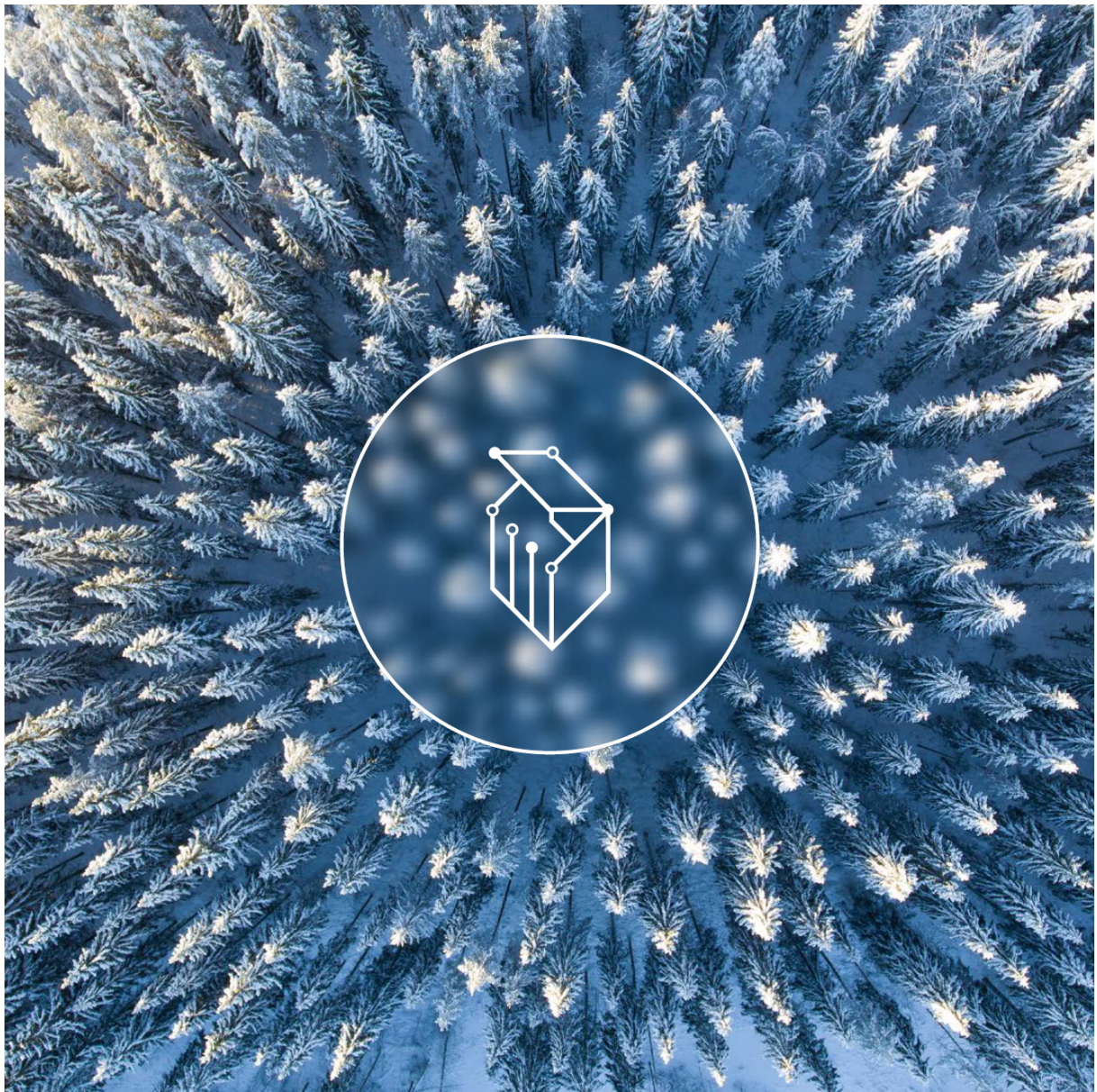


METSÄ BOARD

INTERIM REPORT

JANUARY–MARCH 2021



METSÄ BOARD'S COMPARABLE OPERATING RESULT IN JANUARY–MARCH 2021 WAS EUR 89 MILLION

JANUARY–MARCH 2021 (compared to 1–3/2020)

- Sales were EUR 493.7 million (472.1).
- Comparable operating result was EUR 88.8 million (33.8) or 18.0% (7.2) of sales. Operating result was EUR 82.0 million (33.8).
- Comparable earnings per share were EUR 0.20 (0.06), and earnings per share were EUR 0.18 (0.06).
- Comparable return on capital employed was 18.3% (7.6).
- Net cash flow from operations was EUR 16.8 million (80.0).

IMPACT OF CORONAVIRUS PANDEMIC ON METSÄ BOARD'S BUSINESS OPERATIONS

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

While no chains of coronavirus transmissions have occurred, the incidence of individual cases of infection has increased as the pandemic has progressed.

Metsä Board's financial position is good. The maturity structure of the loans is healthy, and the company has adequate liquidity. Metsä Board's paperboard product portfolio has responded to the changes in demand resulting from the pandemic, and thus the cash flow, which has remained strong, supports financial headroom.

The company continues to employ substantial precautionary measures aiming to ensure the health of employees and the continuity of business operations and prevent the virus from spreading. Despite the precautionary measures, a prolonged pandemic could lead to disruptions in production and/or the supply chain.

EVENTS IN JANUARY–MARCH 2021

- Demand for Metsä Board's fresh fibre paperboards remained strong in all market areas important for the company. The delivery volumes of paperboards were record high.
- The prices of market pulp increased strongly in both China and Europe, having a positive effect on Metsä Board's profitability.
- The sale of a 30% share in the Husum pulp mill to Norra Skog was closed on 4 January 2021, and its impacts are included in Metsä Board's financial reporting as of this interim report. The transaction made Metsä Board free of net debt. The company's interest-bearing net debt at the end of the review period was EUR -6.6 million.
- Metsä Board made an investment decision on the development programme for its Kemi paperboard mill. The value of the investment is approximately EUR 67 million. The mill's annual paperboard capacity will increase by approximately 40,000 tonnes.
- Metsä Board initiated pre-engineering on increasing the annual production capacity of folding boxboard by approximately 200,000 tonnes at its Husum mill in Sweden. The decision readiness for the potential investment is expected to be reached in the summer of 2021. Should the investment be realised, the ramp-up of the additional capacity would begin in 2023.
- The 2021 Annual General Meeting was held on 25 March 2021 in accordance with exceptional procedures. The Annual General Meeting decided to distribute a dividend of EUR 0.10 per share and a return of capital of EUR 0.16 per share, totalling EUR 0.26 per share. The dividend payment and capital repayment date was 7 April 2021.
- Metsä Board's associated company Metsä Fibre made an investment decision on the construction of Kemi's new bioproduct mill.

EVENTS AFTER THE REVIEW PERIOD

The estimated investment value of the first phase in the renewal of the Husum pulp mill, comprising a new recovery boiler and turbine, was increased from EUR 320 million to EUR 360 million.

On 28 April 2021, Metsä Board announced changes in its Corporate Management Team. Metsä Board's CFO Jussi Noponen has been appointed Metsä Board's SVP, Sales and Supply Chain. Sari Pajari-Sederholm, Metsä Board's SVP, Sales and Marketing, has been appointed Metsä Group's EVP, strategy. Henri Sederholm has been appointed Metsä Board's CFO. Sederholm and Noponen are members of Metsä Board's Corporate Management Team and report to CEO Mika Joukio. The changes are effective as of 1 May 2021.

RESULT GUIDANCE FOR APRIL–JUNE 2021

Metsä Board's comparable operating result in April–June 2021 is expected to improve compared to January–March 2021 (EUR 88.8 million).

METSÄ BOARD'S CEO MIKA JOUKIO:

"Metsä Board's year got off to a brisk start. Demand was very strong in all our products and in all our main markets. The delivery volumes of folding boxboard and white kraftliners were record high in January–March, totalling 491,000 tonnes. At the end of the review period, the order backlog was at an exceptionally high level, which indicates good paperboard sales for the second quarter, too.

Thanks to the low number of maintenance shutdowns and the mills' further improved production efficiency, the production volumes of paperboard and market pulp were also record high.

Our comparable operating result in January–March was EUR 88.8 million, i.e. clearly better than during the comparison period (1–3/2020: EUR 33.8 million). The profitability of the comparison period was burdened by the paper industry strike in Finland, which had a roughly EUR 15 million negative impact on the operating result. The operating result of the review period improved due to higher delivery volumes of paperboard and the rapidly increased prices of market pulp in Europe and particularly in China. At the same time, a growing shortage of containers in the traffic between Europe and Asia has resulted in challenges and will continue to impact deliveries, especially in market pulp.

At the beginning of the year, we sold a 30% share of our Husum pulp mill to Norra Skog. The transaction made us a net debt free company. At the end of the review period, our interest-bearing net debt was EUR -6.6 million. Our cooperation with Norra Skog will reduce the amount of wood delivered to the Husum pulp mill from the Baltic countries, as it will be replaced by local pulpwood. This will, in turn, increase the share of certified wood fibre out of all wood fibre we purchase. Our target is, that more than 90% of all the wood fibre we purchase will be certified by 2030.

Our strong financial position and the growing demand for sustainable fresh fibre paperboard provides us with an excellent basis for the growth and development of our paperboard business. During the review period, we initiated pre-engineering on increasing the annual production capacity of Husum's folding boxboard machine by some 200,000 tonnes. The decision readiness for the investment is expected to be reached in the summer of 2021, in which case the planned increase of production could start in 2023. In addition, we launched a development programme at the Kemi paperboard mill in which the annual production capacity of white kraftliner will be increased by 40,000 tonnes and the mill's water and energy efficiency will be improved considerably.

We continue to invest in product development and innovations, and have an excellent platform for doing so in the Excellence Centre we opened last year. The centre manages development work globally in cooperation with our customers and technology partners.

Our ambition is to be a forerunner in sustainability, and we aim for entirely fossil free production and products by 2030. During the review period, Metsä Board was included on CDP's Supplier Engagement Rating Leaderboard for supply chain engagement on climate issues. Our recyclable paperboards made from renewable wood fibre are ideal for sustainable packaging, which will also support the demand for them in the future."

KEY FIGURES

	2021 Q1	2020 Q1	2020 Q4	2020 Q1–Q4
Sales, EUR million	493.7	472.1	473.1	1,889.5
EBITDA, EUR million	105.6	59.3	85.2	321.8
comparable, EUR million	112.5	59.3	85.2	315.8
EBITDA, % of sales	21.4	12.6	18.0	17.0
comparable, % of sales	22.8	12.6	18.0	16.7
Operating result, EUR million	82.0	33.8	64.5	227.3
comparable, EUR million	88.8	33.8	64.5	221.2
Operating result, % of sales	16.6	7.2	13.6	12.0
comparable, % of sales	18.0	7.2	13.6	11.7
Result before taxes, EUR million	78.9	28.9	61.5	212.3
comparable, EUR million	85.7	28.9	61.5	206.3
Result for the period, EUR million	64.2	22.1	49.3	170.1
comparable, EUR million	71.1	22.1	49.3	165.3
Earnings per share, EUR	0.18	0.06	0.14	0.48
comparable, EUR	0.20	0.06	0.14	0.46
Return on equity, %	17.3	6.7	14.6	12.5
comparable, %	19.2	6.7	14.6	12.1
Return on capital employed, %	16.9	7.6	14.3	12.6
comparable, %	18.3	7.6	14.3	12.2
Equity ratio ¹⁾ , %	60	59	60	60
Net gearing ¹⁾ , %	0	20	17	17
Interest-bearing net liabilities/comparable EBITDA	0.0	1.0	0.7	0.7
Shareholders' equity per share ¹⁾ , EUR	4.09	3.71	3.89	3.89
Interest-bearing net liabilities ¹⁾ , EUR million	-6.6	260.1	235.5	235.5
Total investments, EUR million	35.0	29.8	48.9	166.4
Net cash flow from operations, EUR million	16.8	80.0	81.0	307.7
Personnel ¹⁾	2,390	2,376	2,370	2,370

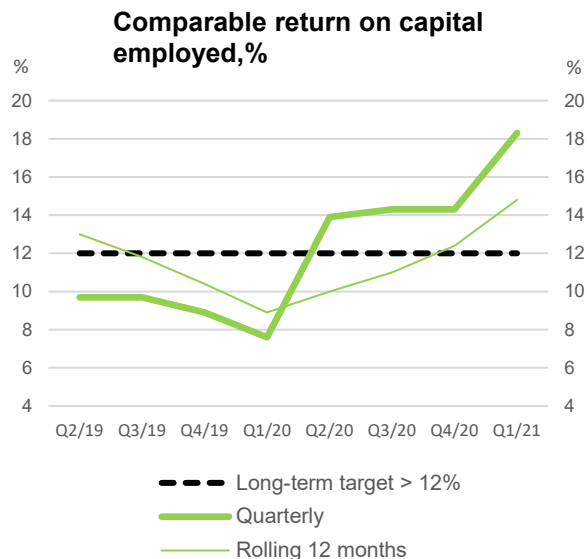
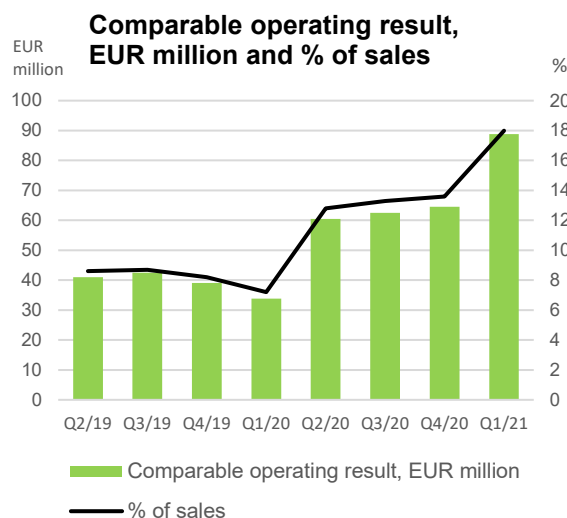
1) At the end of the period

DELIVERY AND PRODUCTION VOLUMES

	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2020 Q1–Q4
1,000 tonnes						
Delivery volumes						
Folding boxboard	329	297	318	310	298	1,223
White kraftliner	162	144	143	148	152	587
Metsä Board's market pulp ¹⁾	116	158	107	126	130	521
Metsä Fibre's market pulp ²⁾	196	207	168	156	165	696
Production volumes						
Folding boxboard	342	317	311	333	288	1,249
White kraftliner	164	168	137	156	130	591
Metsä Board's pulp ¹⁾	362	359	335	348	329	1,371
Metsä Fibre's pulp ²⁾	186	174	188	193	148	702

1) includes chemical pulp and high-yield pulp (BCTMP)

2) equal to Metsä Board's 24.9% holding in Metsä Fibre



INTERIM REPORT 1 JANUARY–31 MARCH 2021

SALES AND RESULT

January–March 2021 (compared to 1–3/2020)

Metsä Board's sales totalled EUR 493.7 million (472.1). Folding boxboard accounted for 59% (58) of sales, while 25% (26) of sales came from white kraftliner, 10% (12) from market pulp and 6% (4) from other operations.

The comparable operating result of the review period was EUR 88.8 million (33.8), and the operating result was EUR 82.0 million (33.8). An item affecting comparability is a EUR -6.9 million impairment charge recognised in the assets of the associate company Metsä Fibre's Kemi pulp mill.

The operating result of the comparison period was weakened by the paper industry strike in Finland, which had an approximately EUR 15 million negative impact on the operating result.

Total deliveries of paperboards were 491,000 tonnes (450,000), of which 66% (69) was delivered to the EMEA region, 28% (26) to the Americas, and 6% (5) to the APAC region. Metsä Board's market pulp deliveries were 116,000 tonnes (130,000).

The comparable operating result improved due to the record high delivery volumes of paperboard and a strong price increase in market pulp.

The associated company Metsä Fibre's share of Metsä Board's comparable operating result in January–March was EUR 13.2 million (-4.2).

Energy costs during the review period increased, particularly due to the higher price of electricity.

Exchange rate fluctuations, including hedges, had a negative impact of around EUR 5 million on the operating result compared to the corresponding period in the previous year.

Financial income and expenses totalled EUR -3.1 million (-4.9), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -0.4 million (-2.0).

The result before taxes was EUR 78.9 million (28.9). The comparable result before taxes was EUR 85.7 million (28.9). Income taxes amounted to EUR 14.6 million (6.7).

Earnings per share were EUR 0.18 (0.06). The return on equity was 17.3% (6.7), and the comparable return on equity was 19.2% (6.7). The return on capital employed was 16.9% (7.6), and the comparable return on capital employed was 18.3% (7.6).

Operating result in January–March 2021 in brief (compared to 10–12/2020)

The comparable operating result in January–March was EUR 88.8 million (64.5). The operating result improved due to the record high delivery volumes of paperboard, the rapid price increase in market pulp and the small number of annual maintenance shutdowns. Profitability was weakened by a negative currency effect (EUR -7 million) and higher costs. In addition, sales of emission

allowances were allocated to October–December 2020. The associated company Metsä Fibre's share of Metsä Board's comparable operating result in January–March was EUR 13.2 million (-2.2).

MARKET DEVELOPMENT

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

January–March 2021 (compared to 1–3/2020)

Deliveries by European folding boxboard producers within Europe increased by 2%, and market prices declined slightly compared to the corresponding quarter in the previous year. Correspondingly, deliveries by producers of white kraftliners increased by 7%, and market prices declined. In the United States, the production of solid bleached boxboard and food service paperboard for local consumption decreased slightly and the market prices remained stable.

In Europe, the dollar-denominated market price of long-fibre pulp increased by 16%, calculated from the average prices of quarters. The dollar-denominated market price of short-fibre pulp increased by 13%. In China, the dollar-denominated market price of long-fibre pulp increased by 45% and that of short-fibre pulp by 32%.

BUSINESS DEVELOPMENT

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

Metsä Board's annual total pulp position shows a surplus of around 400,000 tonnes and consists mostly of long-fibre pulp. The company's total pulp position is composed of the difference between Metsä Board's own production and consumption of pulp, and Metsä Board's 24.9% holding in Metsä Fibre. The own production includes 70% of Husum pulp mill's production, which corresponds to Metsä Board ownership stake in the mill. On the level of the operating result, the surplus is around 600,000 tonnes, as Norra Skog's minority holding in the Husum pulp mill is not itemised in the income statement.

Paperboard sales January–March 2021 (1–3/2020)

Demand for the packaging of food and pharmaceuticals has been particularly strong during the coronavirus pandemic, supporting the sales of folding boxboard. At the same time, the pandemic has weakened demand in graphic end uses and the packaging materials for luxury items. Demand for coated white kraftliners has been supported by the brisk retail sector and the growth in e-commerce.

Metsä Board's paperboard deliveries in January–March 2021 were record high, totalling 491,000 tonnes (450,000). Deliveries of folding boxboard were 329,000 tonnes (298,000), of which 68% (71) was delivered to the EMEA region, 24% (22) to the Americas, and 8% (7) to the APAC region. Deliveries of white kraftliners were 162,000 tonnes (152,000), of which 63% (66) was delivered to the EMEA region, 36% (33) to the Americas, and 1% (1) to the APAC region.

The delivery volumes of paperboard to the **EMEA region** grew by 5% compared to the corresponding period in the previous year. The average prices of paperboard declined slightly.

Demand for Metsä Board's paperboards in the **Americas region**, and particularly in the United States, remained strong. The delivery volumes of paperboards grew by 16% compared to the corresponding period in the previous year. The dollar-denominated average price of folding boxboard declined slightly, while the price of coated white kraftliner improved.

Metsä Board's deliveries to the **APAC region** consist largely of folding boxboard. The delivery volumes of paperboards grew by 31% compared to the corresponding period in the previous year.

Market pulp sales January–March 2021 (1–3/2020)

Metsä Board's own market pulp deliveries were 116,000 tonnes (130,000) during the review period.

Associated company Metsä Fibre's market pulp deliveries were 787,000 tonnes (663,000). Around 50% of Metsä Fibre's market pulp is sold in the EMEA region and 50% in the APAC region, where China accounts for a significant share. Metsä Board holds 24.9% of Metsä Fibre.

Global demand for long-fibre pulp has grown stronger, particularly in Asia. The consumption of pulp has also grown in Europe. The global demand for pulp and high-yield pulp has been supported by, among other things, growth in the demand for tissue papers and the growth in e-commerce, which has increased the consumption of paperboard.

The mills' longer-than-usual scheduled maintenance shutdowns carried out late last year, unplanned production losses and global problems in the availability of containers have tightened the market situation of pulp. The prices of market pulp have risen rapidly in both China and Europe.

Production January–March 2021 (1–3/2020)

The production volumes of paperboard, pulp and high-yield pulp were record high during the review period. The production volume of paperboards totalled 506,000 tonnes (418,000), while the combined production volume of pulp and high-yield pulp amounted to 362,000 tonnes (329,000).

Production in the comparison period was limited by the paper industry's strike, which lasted for more than two weeks and concerned all of Metsä Board's paperboard and BCTMP mills in Finland. The loss in paperboard production was roughly 65,000 tonnes and the loss in BCTMP production some 34,000 tonnes.

Only a few planned maintenance shutdowns took place during the review period. Production at Metsä Board's mills and the mills' annual maintenance works have proceeded normally during the coronavirus pandemic.

CASH FLOW

Net cash flow from operations in January–March 2021 was EUR 16.8 million (1–3/2020: 80.0). Working capital increased by EUR 79.6 million (increase of 2.1). Cash flow during the first quarter is typically affected by a strong growth in working capital, given that the production volumes of mills are at a high level. This did not take place during the comparison period because the paper industry strike curtailed production at all mills in Finland.

BALANCE SHEET AND FINANCING

Metsä Board's equity ratio at the end of the review period was 60% (31 December 2020: 60) and the net gearing ratio was 0% (17). The ratio of interest-bearing net liabilities to comparable EBITDA in the previous 12 months was 0.0 (0.7).

At the end of the review period, interest-bearing liabilities totalled EUR 463.9 million (31 December 2020: 452.4). Non-euro-denominated loans accounted for 1.2% of loans and floating-rate loans for 10.6%, with the rest being fixed-rate loans. The average interest rate on liabilities was 2.3% (2.3), and the average maturity of non-current liabilities was 5.5 years (5.7). The interest rate maturity of loans was 49.4 months (52.0).

At the end of the review period, net interest-bearing liabilities totalled EUR -6.6 million (31 December 2020: 235.5).

Metsä Board's liquidity has remained strong. At the end of the review period, the available liquidity was EUR 859.5 million (31 December 2020: 605.8), consisting of the following items: liquid assets and investments of EUR 467.8 million, a syndicated credit facility (revolving credit facility) of EUR 200.0 million, and other committed credit facilities of EUR 191.8 million. Of the liquid assets, EUR 457.4 million consisted of short-term deposits with Metsä Group Treasury, and EUR 10.3 million were cash funds and investments. Other interest-bearing receivables amounted to EUR 2.8 million. In addition to items reported as liquidity, the liquidity reserve is complemented by Metsä Group's internal undrawn short-term credit facility of EUR 150.0 million and undrawn pension premium (TyEL) funds of EUR 212.3 million.

The fair value of other non-current investments was EUR 179.5 million at the end of the review period (31 December 2020: 186.9). The change in the fair value is related to the decrease in the fair value of Pohjolan Voima Oyj's shares.

At the end of the review period, an average of 7.5 months of the net foreign currency exposure was hedged, including the hedging of the balance sheet position of trade receivables and trade payables (31 December 2020: 7.9). The degree of hedging during the period varied between seven and nine months, on average. In addition to the balance sheet position, half of the projected annual net foreign currency exposure at the normal level is hedged. The amount of hedging may deviate from the normal level by 40% in either direction. When hedging is at the normal level, the aim is to allocate the hedges primarily to the following two quarters.

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

DIVESTMENT OF MINORITY HOLDING IN THE HUSUM PULP MILL

Metsä Board sold a 30% holding in the Husum pulp mill in Sweden to the forest owners' cooperative Norra Skog. The transaction was completed on 4 January 2021.

The transaction reduced Metsä Board's net debt by approximately EUR 260 million. In addition, it reduces Metsä Board's share of financing in the second phase of the pulp mill's modernisation by some EUR 100 million. The transaction did not result in a sales gain to be

reported in the profit and loss account; rather, its positive effects are shown directly in equity.

Metsä Board will continue to consolidate the Husum pulp mill as a subsidiary in the consolidated financial statements, so the operating profit's sensitivity to changes in the market prices of pulp will remain unchanged. The arrangement will reduce Metsä Board's annual net surplus in pulp by approximately 210,000 tonnes.

The cooperation with Norra Skog will increase the share of local certified wood fibre in all wood fibre purchased by Metsä Board and reduce the cost fluctuation of the Husum pulp mill.

INVESTMENTS

Investments during the review period totalled EUR 35.0 million (1–3/2020: 29.8), of which investments in own property, plant and equipment were EUR 33.4 million (29.7) and investments in leased property, plant and equipment were EUR 1.5 million (0.1). Maintenance investments accounted for approximately 18% and development and growth investments for approximately 82% of the total investments.

Renewal of the Husum pulp mill

In 2019, Metsä Board announced that it would begin the renewal of the Husum pulp mill in phases. The estimated investment value of the first phase in the renewal of the pulp mill, comprising a new recovery boiler and turbine, was increased from EUR 320 million to EUR 360 million. The design scope of the project has grown, and the final investment decision was delayed due to the duration of the environmental permit process. The delay has also exposed the project's purchases outside the main equipment deliveries to cost inflation, which has been significant in recent months.

The new recovery boiler and turbine is estimated to be taken into use during the first half of 2022. The plan is to replace the current fibre lines with a new fibre line during the second phase of the investment in the 2020s.

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

Development programme of the Kemi paperboard mill

During the review period, Metsä Board initiated the development programme of its Kemi paperboard mill, which produces white-top kraftliner. The programme's

investment cost is approximately EUR 67 million, and the mill's annual paperboard capacity will increase by around 40,000 tonnes. The programme includes a series of modernisation and bottleneck investments in the paperboard machine. As part of the programme, Metsä Board will also buy a modernised production line for unbleached pulp from Metsä Fibre. The production line's annual capacity is roughly 180,000 tonnes. The investments will take place in 2021–2023, with an emphasis on 2023. The development programme is a significant step towards the 2030 sustainability targets set by the company.

Associated company Metsä Fibre's Kemi bi-product mill

The Kemi bioproduct mill of Metsä Board's associated company Metsä Fibre was issued an environmental permit in December 2020, and the investment decision was made on 11 February 2021.

The value of the bioproduct mill investment is approximately EUR 1.6 billion, and the construction project will take roughly two and a half years. The bioproduct mill will produce around 1.5 million tonnes of softwood and hardwood pulp per year, as well as other bioproducts. The pulp production capacity includes the existing pulp production line for unbleached pulp used in the production of white kraftliner, with an annual capacity of roughly 180,000 tonnes. The bioproduct mill will not use any fossil fuels, and its electricity self-sufficiency will be high, 250%. The new mill will replace the current pulp mill in Kemi, with an annual capacity of about 620,000 tonnes. The financing of Metsä Fibre's bioproduct mill is composed of internal financing and debt. Metsä Board will not invest equity in Metsä Fibre to finance the project.

Metsä Board holds 24.9% of Metsä Fibre.

PERSONNEL

At the end of the review period, the number of personnel was 2,390 (31 March 2020: 2,376), of whom 1,444 (1,435) were based in Finland. In January–March, Metsä Board employed 2,386 people on average (1–3/2020: 2,365). Personnel expenses in January–March totalled EUR 53.4 million (46.0). Personnel expenses in the comparison period were lowered by the paper industry strike in Finland.

SUSTAINABILITY

Metsä Board aims to be a forerunner in sustainability. Climate change mitigation as well as the sustainable and efficient use of resources are strong drivers of the company's operations.

KEY SUSTAINABILITY FIGURES

	2021 Q1	2020 Q1	2020 Q4	2020 Q1–Q4	Target year 2030
Total recordable incident frequency TRIF ¹⁾	11.9	6.5	6.4	8.4	0
Lost-time accidents frequency LTA1F ¹⁾	9.0	5.4	4.6	5.7	0
Share of certified wood fibre, %	84%	81%	82%	80%	>90%
Energy efficiency improvement ²⁾	+1.7%	-0.2%	+ 2.1%	+2.1%	+10%
Reduction in process water use ²⁾	-11.8%	-9.0%	-7.7%	-7.7%	-30%

1) per million hours worked

2) change from the base year of 2018, per tonne produced, rolling 12 months

The frequency of occupational accidents at mills increased during the first quarter. Typical accidents included injuries to hands, exposure to chemicals and slips. Safety at work is developed with proactive measures, a common way of working and by following a standardised management system. The target is zero accidents.

All of the wood used by Metsä Board comes from sustainably managed northern forests. In January–March 2021, certified wood fibre accounted for 84% of all wood fibre purchased by the company. The target is for at least 90% of the wood fibre used by Metsä Board to be certified by the end of 2030.

During the last 12-month period, the use of process water per tonne produced reduced by 11.8% and energy efficiency improved by 1.7% compared to the base year of 2018. Due to the development programme of the Kemi paperboard mill, announced during the review period, the mill's water use per tonne of produced paperboard will reduce by around 40% and energy use by around 5%. In terms of water and energy use, Metsä Board's corporate-level target is to reduce water use by 30% and energy use by at least 10% per tonne produced in 2018–2030. Metsä Board has financing arrangements whose pricing is tied to sustainability targets, such as reducing the specific use of energy and water.

During the review period, Metsä Board was included on CDP's Supplier Engagement Rating Leaderboard for supply chain engagement on climate issues. In 2020, Metsä Board was included on CDP's Climate A and Water A lists for climate change mitigation and the sustainable use of water resources. In the sustainable use of forests, the company has achieved an A- rating.

Some 83% of the energy used by Metsä Board is based on fossil free energy sources. The goal is to abandon the use of fossil-based energy altogether by the end of 2030, at which point the company's direct and indirect

fossil-based carbon dioxide emissions (Scope 1 and 2) will drop to zero. By then, the raw materials and packaging materials used by the company must also be fossil free. The company's reduction targets in terms of greenhouse gas emissions have been approved by the Science Based Targets initiative and they meet the strictest requirements of the Paris Agreement, which aim to limit global warming to 1.5 degrees. Metsä Board's reduction targets for the emissions of the company's value chain (Scope 3) also meet SBTi's strictest criteria and accord with current best practices.

Sustainability is discussed in more detail on the company's website at www.metsaboard.com/sustainability.

R&D AND INNOVATION

In folding boxboard and white kraftliners, Metsä Board continues the development work aiming to reduce the weight of paperboard while not compromising on its strength and conversion properties. This creates a good basis for increasing the company's paperboard capacity in the near future.

The company also continues to develop barrier solutions and is investigating their commercial potential in food and food service applications. The food packaging paperboard MetsäBoard Prime FBB EB, brought to the markets in late 2019, has provided a good starting point for further development. The development of barrier solutions is also part of the ExpandFibre programme, Fortum and Metsä Group's EUR 50 million programme promoting the circular bioeconomy.

Metsä Group's innovation company Metsä Spring and Valmet are building a pilot plant in Äänekoski. The plant will produce new kinds of 3D fibre products directly from wood fibre pulp, without intermediate phases. End uses will include food packaging. The pilot plant reached rooftop height during the review period, and the first test

runs are set to take place in late 2021.

RESOLUTIONS OF THE 2021 ANNUAL GENERAL MEETING

The Annual General Meeting adopted the company's financial statements for the financial year 2020 and decided to distribute a dividend of EUR 0.10 per share and capital in the amount of EUR 0.16 per share from the reserve for invested non-restricted equity, totalling EUR 0.26 per share. The Annual General Meeting confirmed 7 April 2021 as the dividend payment date.

The Annual General Meeting decided to adopt the remuneration report for the governing bodies in an indicative vote.

The Annual General Meeting decided to keep the Board of Directors' annual remuneration unchanged in such a way that the Chair of the Board of Directors is paid annual remuneration of EUR 95,000, the Deputy Chair is paid EUR 80,000 and each member of the Board is paid EUR 62,500, and that a meeting fee of EUR 800, instead of the former EUR 700, is paid for each meeting of the Board and committees of the Board that a member attends. The Annual General Meeting decided to pay roughly half of the remuneration in the form of the company's B shares acquired through public trading. The transfer of these shares will be restricted for two years. Furthermore, the Annual General Meeting decided to pay the Chair of the Audit Committee monthly remuneration of EUR 800.

The Annual General Meeting confirmed the number of Board members as nine (9) and elected the following persons as members of the Board of Directors: Hannu Anttila, M.Sc. (Economics); Raija-Leena Hankonen, M.Sc. (Economics); Erja Hyrsky, M.Sc. (Economics); Ilkka Hämälä, M.Sc. (Technology); Kirsi Komi, LL.M.; Jussi Linnaranta, M.Sc. (Agriculture); Jukka Moisio, M.Sc. (Economics); Timo Saukkonen, M.Sc. (Agriculture); and Veli Sundbäck, LL.M. The term of office of the Board members continues until the end of the next Annual General Meeting.

Further information about the decisions made by the Annual General Meeting and materials related to the meeting is available on the company's website at www.metsaboard.com/Investors/General-Meeting/General-Meeting-2021.

LEGAL PROCEEDINGS

In the autumn of 2015, the Finnish Tax Administration, in its assessment of the 2014 taxation, refused the deductibility of certain losses related to the cross-border merger of a French subsidiary in Metsä Board Corporation's 2014 taxation.

Metsä Board has appealed the decision issued by the Tax Administration, as the company believes the losses are deductible. The Tax Administration's Adjustment Board dismissed the company's appeal in March 2018. In February 2021, the Administrative Court of Helsinki dismissed the appeal made by the company on the Board of Adjustment's decision. Metsä Board is now applying for a leave to appeal the decision of the Administrative Court of Helsinki from the Supreme Administrative Court.

SHARES

At the end of the review period, the price for Metsä Board's B share on the Nasdaq Helsinki was EUR 9.29. The share's highest and lowest prices were EUR 9.93 and EUR 8.49, respectively. At the end of the review period, the price for Metsä Board's A share on the Nasdaq Helsinki was EUR 9.32. In January–March, the average daily trading volumes of the B and A shares on the Nasdaq Helsinki were 410,270 shares and 9,166 shares, respectively. The total trading volume of the B share was EUR 235.8 million and the total trading volume of the A share was EUR 5.3 million.

In addition to the Nasdaq Helsinki, Metsä Board's shares are also traded on other marketplaces. The Nasdaq Helsinki stock exchange accounted for around 84% of total trading during the review period.

During the review period, a total of 84,976 of Metsä Board A shares were converted to B shares. At the end of the review period, the total number of Metsä Board shares was 355,512,746, of which 32,802,175 were A shares and 322,710,571 were B shares.

At the end of the review period, the market value of all Metsä Board shares was EUR 3.3 billion, of which the market value of the B shares and the A shares accounted for EUR 3.0 billion and EUR 0.3 billion, respectively.

At the end of the review period, Metsäliitto Cooperative held 48% (31 March 2020: 48) of all shares, and the votes conferred by these shares accounted for 67% (67) of the total votes. International and nominee-registered investors held approximately 15% (14) of all shares. The company does not hold any treasury shares.

NEAR-TERM RISKS AND UNCERTAINTIES

A prolongation of the coronavirus pandemic may cause disruptions in Metsä Board's production and supply chains. On the other hand, the stimulative monetary policy during the pandemic, combined with the positive economic impacts of the recovery from the pandemic,

may lead to overheating of the economy. The unwinding of the situation may have sudden negative effects on the world economy and thereby on the demand for Metsä Board's products and the company's profitability. In addition, customers' weaker cash position or slower payment behaviour may have an impact on Metsä Board's cash flow and lead to credit losses.

A weakening in the availability of global freight capacity may result in additional costs or restrict paperboard and pulp deliveries altogether, thereby having a negative effect on the company's profitability.

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

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

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

Metsä Board is focusing on the active development and growth of its paperboard business. The growth of the paperboard business and the introduction of new products to the markets depend on the success of sales. Increasing sales on a global scale also involves cost and exchange rate risks. In addition, the acceptability and taxation of various packaging materials involve regulatory risks.

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

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

Metsä Board's climate risks mainly concern forests and the use of energy and water. Regulation may steer the

future use of forests. Increased regulation aiming to mitigate climate change and reduce greenhouse gas emissions may, furthermore, increase costs and result in substantial change requirements applicable to production technology. The supply and demand of products in a low-carbon economy may differ from the current situation. Climate change may cause an increasing number of extreme weather phenomena, such as storms, floods and drought, and weaken the availability of the process water and electricity required by mills and result in breaks in production. Extreme weather conditions may also limit the availability of the wood raw material. Should they materialise, climate risks could have a negative impact on Metsä Board's profitability.

Changes in the market price of pulp have a significant impact on Metsä Board's profitability. The company's annual overall pulp position shows a surplus of roughly 400,000 tonnes. A 10% decline (increase) in the price of market pulp would have an approximately EUR 30 million negative (positive) impact on the company's annual operating result.

The US dollar strengthening by 10% against the euro would have a positive impact of approximately EUR 72 million on Metsä Board's annual operating result. Correspondingly, the Swedish krona strengthening by 10% would have a negative impact of approximately EUR 42 million. The British pound strengthening by 10% would have a positive impact of approximately EUR 9 million. The impact of weakened exchange rates would be the opposite. The sensitivities do not include the impact of hedging.

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

Further information on long-term risks and risk management is available on pages 53–55 of Metsä Board's 2020 Annual Report.

NEAR-TERM OUTLOOK

The duration of the coronavirus pandemic and its impacts on the world economy and on Metsä Board's business operations continue to be difficult to estimate.

Metsä Board's paperboard delivery volumes in April–June 2021 are expected to grow from the delivery volumes of January–March 2021 (491,000 tonnes).

The prices of folding boxboard and white kraftliners in local currencies are expected to rise.

More planned maintenance shutdowns of mills will take place during the second quarter compared to the first quarter.

The demand for long-fibre market pulp will be supported by the global demand growth for tissue papers and paperboards. Pulp producers' maintenance shutdowns during the spring will translate into a seasonal decline in the supply of pulp. The container shortage particularly in the traffic between Europe and Asia will continue and have an impact on the deliveries of market pulp. The prices of market pulp in Europe and China have continued to increase after the review period.

Cost inflation accelerated during the first quarter, and costs are expected to continue to increase to some degree during the second quarter. Cost inflation for 2021 is expected to be around 3% compared to 2020.

Exchange rates, accounting for the effect of hedging, in April–June 2021 will have a negative impact on results compared to January–March 2021 and a clearly negative impact on results compared to April–June 2020.

ANNUAL MAINTENANCE AND INVESTMENT SHUTDOWNS IN 2021

The annual maintenance shutdowns of individual paperboard and BCTMP mills in Finland are spread evenly over the second, third and fourth quarters of 2021.

A modernisation of the finishing area will be carried out at the Kyrö mill in the fourth quarter. This will result in a 2–3 week loss in production.

Most significant planned annual maintenance and investment shutdowns at mills in 2021

Q1/2021	No large-scale maintenance activities
Q2/2021	Metsä Fibre's Rauma pulp mill
Q3/2021	The Kemi integrated mill
Q4/2021	Metsä Board's Husum integrated mill, the Kyrö paperboard mill, Metsä Fibre's Äänekoski bioproduct mill

The Kemi integrated mill includes Metsä Board's paperboard mill and Metsä Fibre's pulp mill

EVENTS AFTER THE REVIEW PERIOD

The estimated investment value of the first phase in the renewal of the Husum pulp mill, comprising a new recovery boiler and turbine, was increased from EUR 320 million to EUR 360 million. The design scope of the project has grown, and the final investment decision was

delayed due to the duration of the environmental permit process. The delay has also exposed the project's purchases outside the main equipment deliveries to cost inflation, which has been significant in recent months.

On 28 April 2021, Metsä Board announced changes in its Corporate Management Team. Metsä Board's CFO Jussi Noponen has been appointed Metsä Board's SVP, Sales and Supply Chain. Sari Pajari-Sederholm, Metsä Board's SVP, Sales and Marketing, has been appointed Metsä Group's EVP, strategy. Henri Sederholm has been appointed Metsä Board's CFO. Sederholm and Noponen are members of Metsä Board's Corporate Management Team and report to CEO Mika Joukio. The changes are effective as of 1 May 2021.

RESULT GUIDANCE FOR APRIL–JUNE 2021

Metsä Board's comparable operating result in April–June 2021 is expected to improve compared to January–March 2021 (EUR 88.8 million).

METSÄ BOARD CORPORATION

Espoo, Finland, 28 April 2021
BOARD OF DIRECTORS

Further information:

Jussi Noponen, CFO
tel. +358 10 465 4913

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

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

Finland: +358 981 710 310
Sweden: +46 856 642 651
The United Kingdom: +44 333 300 0804
The United States: +1 631 913 1422

The conference call ID is 23377269#.

Metsä Board's financial reporting

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

27 October 2021: Interim Report for January–September 2021

CALCULATION OF KEY RATIOS

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

COMPARABLE KEY RATIOS

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

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

The reconciliation of the comparable key figures is presented in this financial report. Metsä Board considers

that the key figures derived in this manner improve the comparability of reporting periods.

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

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

FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	Q1 2021	Q1 2020	Q1–Q4 2020
Sales	2, 6	493.7	472.1	1,889.5
Change in stocks of finished goods and work in progress		22.3	-21.7	-38.7
Other operating income	2, 6	2.2	2.2	33.3
Material and services	6	-338.2	-306.5	-1,225.4
Employee costs		-53.4	-46.0	-196.9
Share of result of associated company	6	6.4	-4.2	-2.4
Depreciation, amortisation and impairment losses		-23.6	-25.6	-94.5
Other operating expenses		-27.4	-36.5	-137.5
Operating result	2	82.0	33.8	227.3
Share of results of associated companies and joint ventures		0.0	0.0	-0.1
Net exchange gains and losses		-0.4	-2.0	-3.4
Other net financial items	2, 6	-2.7	-2.9	-11.5
Result before income tax		78.9	28.9	212.3
Income taxes	3	-14.6	-6.7	-42.2
Result for the period		64.2	22.1	170.1

EUR million	Note	Q1 2021	Q1 2020	Q1–Q4 2020
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains/losses on defined pension plans		3.9	2.1	-3.7
Financial assets valued at fair value through other comprehensive income	8	-7.4	6.9	-70.3
Share of other comprehensive income of associated company		-0.1	0.0	0.4
Income tax relating to items that will not be reclassified		0.7	-1.7	15.0
Total		-2.9	7.4	-58.6
Items that may be reclassified to profit or loss				
Cash flow hedges		-28.1	-34.8	17.6
Translation differences		-6.8	-17.8	6.2
Share of other comprehensive income of associated company		-4.8	-3.2	0.7
Income tax relating to components of other comprehensive income		5.9	7.1	-3.4
Total		-33.7	-48.7	21.1
Other comprehensive income, net of tax		-36.6	-41.3	-37.5
Total comprehensive income for the period		27.6	-19.2	132.6
Result for the period attributable to				
Shareholders of parent company		62.9	22.1	170.1
Non-controlling interests		1.3		
Total		64.2	22.1	170.1
Total comprehensive income for the period attributable to				
Shareholders of parent company		27.3	-19.2	132.6
Non-controlling interests		0.3		
Total		27.6	-19.2	132.6
Earnings per share for result attributable to shareholders of parent company (EUR/share)		0.18	0.06	0.48

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

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	Note	31 Mar 2021	31 Mar 2020	31 Dec 2020
ASSETS				
Non-current assets				
Goodwill		12.4	12.4	12.4
Other intangible assets		6.1	8.2	6.7
Tangible assets	4	827.7	728.0	824.7
Investments in associated companies and joint ventures		370.3	362.9	369.0
Other investments	8	179.5	262.0	186.9
Other non-current financial assets	6, 8	14.8	14.5	10.8
Deferred tax receivables	2	6.9	7.1	7.5
		1,417.7	1,395.1	1,417.9
Current assets				
Inventories		384.1	342.5	360.0
Accounts receivables and other receivables	6, 8	347.0	312.0	310.6
Cash and cash equivalents	6, 8	467.8	180.0	214.0
		1,198.8	834.5	884.6
Total assets		2,616.5	2,229.7	2,302.5
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Equity attributable to shareholders of parent company		1,452.3	1,317.2	1,383.8
Non-controlling interests		126.0		
Total equity		1,578.3	1,317.2	1,383.8
Non-current liabilities				
Deferred tax liabilities		90.4	100.0	97.5
Post-employment benefit obligations	2	12.8	11.8	13.4
Provisions	5	3.7	4.2	3.7
Borrowings	8	444.3	411.3	444.8
Other liabilities	8	4.8	6.2	5.3
		556.0	533.4	564.7
Current liabilities				
Provisions	5	1.0	1.7	1.0
Current borrowings	6, 8	19.6	31.7	7.6
Accounts payable and other liabilities	6, 8	461.6	345.6	345.4
		482.2	379.0	354.0
Total liabilities		1,038.2	912.5	918.7
Total shareholders' equity and liabilities		2,616.5	2,229.7	2,302.5

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interests	Equity Total
Shareholders' equity, 1 January 2021		557.9	-24.9	136.6	265.8	448.4	1,383.8		1,383.8
Comprehensive income for the period									
Result for the period						62.9	62.9	1.3	64.2
Other comprehensive income net of tax total			-5.0	-33.7		3.1	-35.6	-1.0	-36.6
Comprehensive income total			-5.0	-33.7		66.0	27.3	0.3	27.6
Share based payments						-0.8	-0.8		-0.8
Transactions with non-controlling interests						134.4	134.4	125.7	260.2
Related party transactions									
Dividend and capital distribution					-56.9	-35.6	-92.4		-92.4
Shareholders' equity, 31 March 2021		557.9	-29.9	102.9	208.9	612.5	1,452.3	126.0	1,578.3

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	Q1 2021	Q1 2020	Q4 2020
Result for the period		64.2	22.1	170.1
Total adjustments	7	36.0	41.8	140.6
Change in working capital		-79.6	-2.1	37.9
Net financial items	7	0.3	23.5	4.2
Income taxes paid		-4.2	-5.4	-45.2
Net cash flow from operations		16.8	80.0	307.7
Investments in intangible and tangible assets		-33.8	-30.5	-154.2
Disposals and other items	6, 7	0.1	0.8	12.2
Net cash flow from investing		-33.6	-29.7	-142.0
Changes in non-controlling interests	7	261.2		
Changes in non-current loans and in other financial items	6	10.1	-1.3	1.0
Paid dividend and capital distribution				-85.3
Net cash flow from financing		271.2	-1.3	-84.4
Changes in cash and cash equivalents		254.3	49.0	81.3
Cash and cash equivalents at beginning of period	6	214.0	134.2	134.2
Translation difference in cash and cash equivalents		-0.6	-3.1	-1.5
Changes in cash and cash equivalents		254.3	49.0	81.3
Cash and cash equivalents at end of period	6	467.8	180.0	214.0

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

NOTES TO THE FINANCIAL REPORT

NOTE 1 – BACKGROUND AND BASIS OF PREPARATION

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

This financial report has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2020 IFRS financial statements. The effects of foreign exchange changes on review period operating result vis-à-vis comparison period result have been calculated based on estimated review period net cash flows in relevant currencies and taking into account the realized effects of foreign exchange hedges.

The same accounting policies have been applied as in the 2020 IFRS financial statements with the following exception:

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

The amendments to the standards that came into force at the beginning of 2021 do not have a material effect on the Group's financial report.

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

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

This financial report was authorised for issue by the Board of Directors of Metsä Board on 28 April 2021.

NOTE 2 – SEGMENT INFORMATION

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

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

GEOGRAPHICAL DISTRIBUTION OF SALES

EUR million	Q1 2021	Q1 2020	Q1–Q4 2020
EMEA	337.7	321.9	1,281.8
Americas	119.0	111.5	440.7
APAC	37.0	38.6	167.0
Total	493.7	472.1	1,889.5

RECONCILIATION OF COMPARABLE FIGURES

EUR million	Q1 2021	Q1 2020	Q1–Q4 2020
Operating result	82.0	33.8	227.3
Depreciation, amortisation and impairment losses	23.6	25.6	94.5
EBITDA	105.6	59.3	321.8
Items affecting comparability:			
Gains and losses on disposal in other operating income and expenses			-6.0
Share of results of associated companies	6.9		
Total	6.9		-6.0
EBITDA, comparable	112.5	59.3	315.8
Depreciation, amortisation and impairment losses	-23.6	25.6	-94.5
Operating result, comparable	88.8	33.8	221.2
Share of results of associated companies and joint ventures	0.0	0.0	-0.1
Net financial items	-3.1	-4.9	-14.9
Result before income tax, comparable	85.7	28.9	206.3
Income taxes	-14.6	-6.7	-42.2
Income taxes related to items affecting comparability			1.2
Result for the period, comparable	71.1	22.1	165.3

"+" sign items = expense affecting comparability

"-" sign items = income affecting comparability

Items affecting comparability in 2021 totalled EUR -6.9 million and comprised impairment recognised in the assets of the associate company Metsä Fibre's Kemi pulp mill.

Items affecting comparability in 2020 totalled EUR 6.0 million and comprised disposal gains from sold non-business related land area.

NOTE 3 – INCOME TAXES

	Q1	Q1	Q1–Q4
EUR million	2021	2020	2020
Taxes for the current period	12.5	2.9	41.8
Taxes for the prior periods	0.9	0.0	0.2
Change in deferred taxes	1.3	3.8	0.2
Total income taxes	14.6	6.7	42.2

NOTE 4 – CHANGES IN PROPERTY, PLANT AND EQUIPMENT

	Q1	Q1	Q1–Q4
EUR million	2021	2020	2020
Carrying value at beginning of period	824.7	742.0	742.0
Investments to owned property, plant and equipment	33.4	29.6	161.1
Investments to leased property, plant and equipment	1.5	0.1	4.5
Decreases	-0.4	-0.6	-2.4
Depreciation, amortization and impairment losses	-23.1	-25.0	-92.4
Translation difference	-8.4	-18.2	11.9
Carrying value at end of the period	827.7	728.0	824.7

There were no impairment losses recognised in 2020 or in 2021.

NOTE 5 – PROVISIONS

EUR million		Restructuring	Environmental obligations	Other provisions	Total
	1 January 2021	0.2	3.4	1.0	4.7
Translation differences		0.0		0.0	0.0
Utilised during the year			0.0		0.0
	31 March 2021	0.2	3.4	1.0	4.7

The non-current part of provisions was EUR 3.7 million and the current part EUR 1.0 million, total provisions

amount to EUR 4.7 million. Half of non-current provisions are estimated to be utilised by the end of 2025 and the rest in 2030s.

NOTE 6 – RELATED PARTY TRANSACTIONS

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

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

Transactions with parent and sister companies

EUR million	Q1 2021	Q1 2020	Q1–Q4 2020
Sales	21.9	18.1	75.4
Other operating income	1.0	1.2	4.0
Purchases	161.7	142.4	598.7
Share of result from associated company	6.4	-4.2	-2.4
Interest income	0.0	0.0	0.1
Interest expenses	0.3	0.2	0.9
Accounts receivables and other receivables	30.8	22.6	50.2
Cash and cash equivalents	457.4	173.1	204.7
Accounts payable and other liabilities	130.4	89.6	54.8

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

Metsä Fibre paid a dividend of EUR 0.0 million to Metsä Board in the review period (21.8).

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

Transactions with associated companies and joint ventures

EUR million	Q1 2021	Q1 2020	Q1–Q4 2020
Sales	0.2	0.2	0.5
Purchases	1.0	0.7	3.0
Other non-current financial assets			
Accounts receivables and other receivables	0.1	0.1	0.2
Accounts payable and other liabilities	0.6	0.6	0.6

NOTE 7 – NOTES TO CONSOLIDATED CASH FLOW STATEMENT

ADJUSTMENTS TO THE RESULT FOR THE PERIOD

EUR million	Q1 2021	Q1 2020	Q1-Q4 2020
Taxes	14.6	6.7	42.2
Depreciation, amortization and impairment charges	23.7	25.6	94.5
Share of result from associated companies and joint ventures	-6.4	4.3	2.5
Gains and losses on sale of fixed assets	-0.1	-0.3	-14.0
Finance costs, net	3.1	4.9	14.9
Pension liabilities and provisions	-0.1	0.6	-1.0
Other adjustments	1.2	0.1	1.5
Total	36.0	41.8	140.6

Net financial items

Net financial items in consolidated cash flow statement include a dividend of EUR 0.0 million paid by Metsä Fibre (21.8).

Disposals and other items

Disposals and other items reported in 2021 were EUR 0.1 million in total.

Disposals and other items in 2020 were EUR 12.2 million in total. They consisted of sales proceeds of EUR

7.1 million from sale of non-business related land area, proceeds amounting to EUR 6.2 million from emission right sales, investment in Pohjolan Voima Ltd EUR -2.2 million as well as other sale proceeds and other items amounting to EUR 1.1 million.

Changes in non-controlling interests

In 2021, changes in non-controlling interests, EUR 261.2 million, include the sale of a 30 percent stake in the Husum pulp mill to Norra Skog. The transaction was completed on January 4, 2021.

NOTE 8 – FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities and their fair values

Financial assets 31 March 2021

EUR million	Fair value through profit and loss	Fair value through other comprehen- sive income	Amortised cost	Total carrying amount
Other non-current investments	3.5	176.0		179.5
Other non-current financial assets			14.6	14.6
Accounts receivables and other receivables			335.1	335.1
Cash and cash equivalent	0.0		467.8	467.8
Derivative financial instruments	0.4	11.7		12.1
Total carrying amount	3.9	187.7	817.4	1,009.0
Total fair value	3.9	187.7	817.4	1,009.0

Financial liabilities 31 March 2021

EUR million	Fair value through profit and loss	Fair value through other comprehen- sive income	Amortised cost	Total carrying amount
Non-current interest-bearing financial liabilities			444.3	444.3
Other non-current financial liabilities			0.4	0.4
Current interest-bearing financial liabilities			19.6	19.6
Accounts payable and other financial liabilities			402.9	402.9
Derivative financial instruments	2.3	15.8		18.1
Total carrying amount	2.3	15.8	867.2	885.3
Total fair value	2.3	15.8	900.5	918.6

Classification of financial assets and liabilities and their fair values

Financial assets 31 March 2020

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

Financial liabilities 31 March 2020

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

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

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

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

Fair values in the table are based on present value of cash flow of each liability or assets calculated by market rate. The discount rates applied are between 0.3–1.5% (0.3–2.1). The fair values of accounts and other receivables and accounts payable and other liabilities do not materially deviate from their carrying amounts in the balance sheet.

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

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments			179.5	179.5
Derivative financial assets	6.0	6.1		12.1
Financial liabilities measured at fair value				
Derivative financial liabilities	0.3	17.8		18.1
Financial assets not measured at fair value				
Cash and cash equivalent		467.7		467.7
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		477.6		477.6
Current interest-bearing financial liabilities		19.6		19.6

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

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

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

	Q1	Q1	Q1–Q4
EUR million	2021	2020	2020
Carrying value at beginning of period	186.9	255.1	255.1
Total gains and losses in profit or loss			-0.1
Total gains and losses in other comprehensive income	-7.4	6.9	-70.3
Purchases			2.2
Disposals			-0.1
Carrying value at end of the period	179.5	262.0	186.9

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

Level 1

Fair value is based on quoted prices in active markets.

Level 2

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

Level 3

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

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

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

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

based on circumstances prevailing in the markets on each closing date of the reporting period (Level 3).

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

The most significant asset at fair value not traded on an active market is the investment in Pohjolan Voima Oyj shares classified as a financial asset at fair value through other comprehensive income. The value of investment is determined based on the present value of discounted cash flows.

The WACC used in Pohjolan Voima share valuation on 31 March 2021 was 3.26% (31 December 2020: 2.87) and 4.26% (3.87) for the Olkiluoto 3 power plant under construction. The acquisition cost of shares in Pohjolan Voima Oyj on 31 March 2021 is EUR 40.2 million (40.2) and fair value EUR 176.0 million (183.4).

The carrying value of other investments as of 31 March 2021 is estimated to change by EUR -8.1 million and EUR 8.8 million should the rate used for discounting the cash flows change by 0.5 percentage points from the rate estimated by the management. The carrying value of other investments is estimated to change by EUR 79.8 million should the energy prices used in calculating the fair value differ by 10% from the prices estimated by the management.

Derivatives 31 March 2021

EUR million	Nominal value	Fair value			Fair value	
		Derivative Assets	Derivative Liab.	Fair value Net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	100.0		3.0	-3.0		-3.0
Interest rate derivatives	100.0		3.0	-3.0		-3.0
Currency forward contracts	1,025.1	3.8	14.8	-11.0	-1.9	-9.2
Currency derivatives	1,025.1	3.8	14.8	-11.0	-1.9	-9.2
Electricity derivatives	8.0	1.8	0.2	1.5		1.5
Oil derivatives	17.2	3.5	0.0	3.5		3.5
Other commodity derivatives	10.6	3.0	0.1	3.0		3.0
Commodity derivatives	35.7	8.3	0.3	8.0		8.0
Derivatives total	1,160.9	12.1	18.1	-6.0	-1.9	-4.1

Derivatives 31 March 2020

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

NOTE 9 – COMMITMENTS AND GUARANTEES

EUR million	31 Mar 2021	31 Mar 2020	31 Dec 2020
Liabilities secured by collateral		24.1	
Pledges granted		128.3	
Real estate mortgages		232.8	192.8
Total pledges and mortgages		361.1	192.8
Guarantees and counter-indemnities	1.7	9.2	2.8
Commitments on behalf of associated companies and joint ventures	0.1	0.1	0.1
Total	1.8	370.3	195.7

COMMITMENTS RELATED TO PROPERTY, PLANT AND EQUIPMENT

EUR million	31 Mar 2021	31 Mar 2020	31 Dec 2020
Payments due in following 12 months	55.1	32.4	60.4
Payments due later	5.3		
Total	60.4	32.4	60.4

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

NOTE 10 – EVENTS AFTER THE REVIEW PERIOD

The estimated investment costs of the first phase in the renewal of the Husum pulp mill, comprising a new re-recovery boiler and turbine, was increased from EUR 320 million to EUR 360 million.

On 28 April 2021, Metsä Board announced changes in its Corporate Management Team. Metsä Board's CFO Jussi Noponen has been appointed Metsä Board's

SVP, Sales and Supply Chain. Sari Pajari-Sederholm, Metsä Board's SVP, Sales and Marketing, has been appointed Metsä Group's EVP, strategy. Henri Sederholm has been appointed Metsä Board's CFO. Sederholm and Noponen are members of Metsä Board's Corporate Management Team and report to CEO Mika Joukio. The changes are effective as of 1 May 2021.