

METSÄ GROUP

FINANCIAL STATEMENTS BULLETIN 2020



METSÄ GROUP'S COMPARABLE OPERATING RESULT IN 2020 WAS EUR 368 MILLION

JANUARY–DECEMBER 2020 (1–12/2019)

- Sales were EUR 5,055 million (5,473).
- Operating result was EUR 376 million (374). The comparable operating result was EUR 368 million (495).
- The result before taxes was EUR 330 million (316). The comparable result before taxes was EUR 322 million (436).
- Comparable return on capital employed was 7.1% (9.6).
- Net cash flow from operations was EUR 667 million (485).

OCTOBER–DECEMBER 2020 (10–12/2019)

- Sales were EUR 1,357 million (1,290).
- Operating result was EUR 97 million (32). The comparable operating result was EUR 94 million (76).
- The result before taxes was EUR 88 million (18). The comparable result before taxes was EUR 86 million (62).
- Comparable return on capital employed was 7.4% (6.1).
- Net cash flow from operations was EUR 306 million (232).

EVENTS DURING THE FOURTH QUARTER OF 2020

- The average dollar-denominated market price of long-fibre pulp increased slightly and that of short-fibre pulp remained stable compared to the previous quarter.
- Paperboard deliveries were on a slightly higher level than during the corresponding period last year and declined seasonally compared to the previous quarter.
- The Regional State Administrative Agency for Northern Finland issued an environmental permit for Metsä Fibre's Kemi bioproduct mill.
- Metsä Board announced that it would divest a 30% share of its Husum pulp mill in Sweden. The buyer is the Swedish forest owner cooperative Norra Skog.
- Metsä Board obtained an approval for an amendment to the environmental permit of the Husum mill and made the final investment decision on the first phase of the pulp mill's renewal.

THE CORONAVIRUS PANDEMIC

Metsä Group has three key priorities in its operations when it comes to stopping the coronavirus pandemic:

personnel safety, full participation in fighting the pandemic as part of society and ensuring business continuity. Metsä Group follows and complies with the guidelines issued by the authorities with regard to the coronavirus. Minimising physical contact is the most important precautionary measure.

Metsä Group's resources have remained normal during the coronavirus pandemic. Production and deliveries have run normally, with the exception of our units in the UK in the spring and partly the Svir sawmill and wood supply in Russia during the spring and the second half of the year.

EVENTS AFTER THE PERIOD

Metsä Tissue announced that a tissue paper machine at the Mänttä mill will be renewed.

The sale of a 30% share in the Husum pulp mill to Norra Skog was finalized on 4 January 2021, and its impact will be included in Metsä Board's financial reporting as of the interim report concerning January–March 2021. The transaction reduces Metsä Board's net liabilities by approximately EUR 260 million and reduces Metsä Board's share of financing the pulp mill renewal's second phase by about EUR 100 million.

Metsä Board initiated pre-engineering on increasing the annual production capacity of folding boxboard by approximately 200,000 tonnes at the Husum mill.

The Nordic real estate investment company NREP bought Metsä Group's head office in Tapiola, Espoo. The debt-free transaction price of Metsä Group's ownership share is EUR 44 million.

Kemi bioproduct mill investment decision was made. The value of the investment is EUR 1.6 billion and it is the largest investment ever made by the Finnish forest industry in Finland. The construction phase will take approximately two and a half years, and the mill will be completed during the third quarter of 2023. The Kemi bioproduct mill will produce some 1.5 million tonnes of softwood and hardwood pulp per year, as well as many other bioproducts. It will also produce 2.0 TWh of renewable electricity per year, which equals to roughly 2.5 percent of total Finnish electricity production. The Kemi bioproduct mill will use approximately 7.6 million cubic metres of pulpwood a year, which is 4.5 million cubic metres more than the current pulp mill in Kemi.

RESULT GUIDANCE FOR JANUARY–MARCH 2021

Metsä Group's comparable operating result for January–March 2021 is expected to improve compared to October–December 2020.

BOARD OF DIRECTORS' PROPOSAL ON THE USE OF THE SURPLUS ON THE BALANCE SHEET

Metsäliitto Cooperative's Board of Directors has decided to propose that an interest of 6.0% for 2020 be paid on the statutory capital invested by members (6.5% for 2019), 5.0% (6.0) on additional members' capital A and 1.0% (2.0) on additional members' capital B. In total, the proposed distribution of profit would amount to around EUR 66 million (72).

President and CEO Ilkka Hämmälä:

"As estimated at the beginning of the quarter, Metsä Group's fourth quarter results in 2020 turned out to be weaker than in the previous quarter. Annual maintenance shutdowns moved from the first half of the year were carried out also during the fourth quarter. The market situation of the paperboard and tissue paper businesses remained good. Demand for pulp was strong, particularly in China, and prices in Asia took a clear turn upward. The higher prices did not, however, impact profitability in the fourth quarter yet. Europe's pulp market situation follows that of Asia with a delay. Demand for and the prices of sawn timber and veneer products have improved.

The Group operated in line with the special procedures adopted in the spring of 2020 in response to the pandemic. We have begun location-specific testing, offered to the entire personnel. All external employees set to work at mills are tested before they start working. Despite the stricter precautionary measures, the number of infections at our locations outside Finland increased

in November–December. We have been able to continue our business operations and development projects as planned.

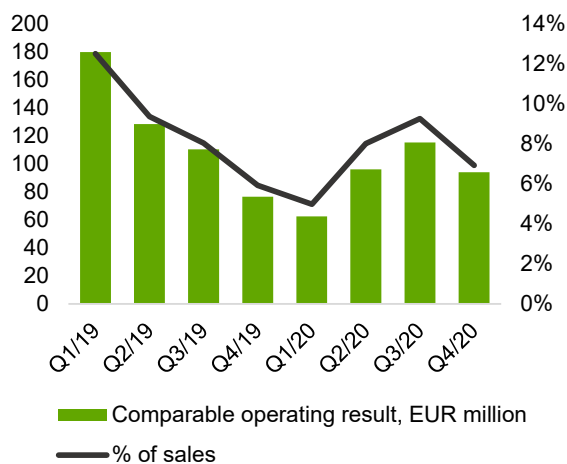
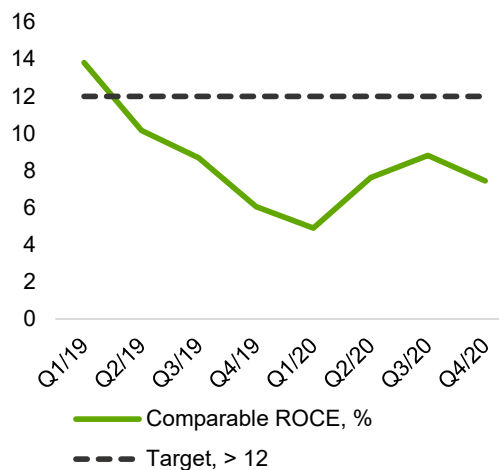
Investment projects are proceeding according to plans. The construction phase of the Rauma sawmill has proceeded on schedule and equipment installations will begin in February. Kemi bioproduct mill investment decision has now been made. Thanks to the growing production volume we will be an even stronger partner for the sustainable growth of our customers. The Kemi bioproduct mill is a global leader in environmental, energy and material efficiency. The large project will have significant positive impacts on the Kemi region and the whole country. An update to the environmental permit of Husum's recovery boiler was received in November. The decision was not appealed and the project's installation phase began immediately after the permit had been obtained. Husum's new recovery boiler will be started up in May 2022.

Metsä Group's innovation company, Metsä Spring, has begun the construction of a demo plant for 3D fibre packaging product in Äänekoski in cooperation with Valmet Corporation. The project develops new production technologies for the manufacture of high-quality fibre-based packaging. The operation of the textile demo plant owned jointly by Metsä Spring and Itochu Corporation continues and textile products for the markets are being made from the first test batches of the new material through Itochu's partner network.

Through its operations, Metsä Group is responding to the need to provide products made from renewable materials for people's everyday life. We develop our operations actively, from the better coordination of the ecological and economic goals related to northern forests to the continuous improvement of our production and operational processes and the introduction of renewable, increasingly resource-efficient products for consumers."

KEY FIGURES

	2020	2019	2020	2019
	1–12	1–12	10–12	10–12
Sales, EUR million	5,054.9	5,473.4	1,357.2	1,290.3
EBITDA, EUR million	679.3	789.7	163.5	151.2
Comparable, EUR million	670.9	799.0	160.4	161.3
% of sales	13.3	14.6	11.8	12.5
Operating result, EUR million	375.8	374.3	96.8	32.2
Comparable, EUR million	367.7	494.9	94.0	76.4
% of sales	7.3	9.0	6.9	5.9
Result before income tax, EUR million	330.1	315.7	88.3	17.6
Comparable, EUR million	322.0	436.3	85.5	61.9
Result for the period, EUR million	262.2	238.9	72.2	15.7
Return on capital employed, %	7.2	7.3	7.7	2.6
Comparable, %	7.1	9.6	7.4	6.1
Return on equity, %	6.8	6.4	7.5	1.7
Comparable, %	6.6	9.7	7.3	6.4
Equity ratio, %	57.2	56.2	57.2	56.2
Net gearing ratio, %	4.3	9.9	4.3	9.9
Interest-bearing net liabilities, EUR million	167.7	373.6	167.7	373.6
Total investments, EUR million	400.5	259.6	134.1	122.5
Net cash flow from operations, EUR million	667.4	484.8	306.1	231.9
Personnel at the end of the period	9,213	9,265	9,213	9,265

Comparable operating result

Comparable ROCE, %


Sales and Operating result 1–12/2020, EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paperboard Industry	Tissue and Greaseproof Papers
Sales	1,819.9	429.1	1,826.5	1,889.5	1,011.9
Other operating income	2.8	2.8	14.4	33.3	14.9
Operating expenses	-1,790.1	-401.8	-1,712.7	-1,601.1	-866.6
Depreciation and impairment losses	-10.2	-20.8	-124.3	-94.5	-44.3
Operating result	22.4	9.3	3.9	227.3	115.9
Items affecting comparability	0.0	0.0	0.0	-6.0	-2.0
Comparable operating result	22.4	9.3	3.9	221.2	113.8
% of sales	1.2	2.2	0.2	11.7	11.2

FINANCIAL STATEMENTS BULLETIN FOR 2020

SALES AND RESULT

Metsä Group's sales in January–December 2020 were EUR 5,054.9 million (1–12/2019: 5,473.4). Sales decreased due to lower sales prices of pulp compared with the previous year, among other factors.

The comparable operating result was EUR 367.7 million (494.9), or 7.3% (9.0) of sales. The decrease in the operating result is attributable, among other things, to a decline in the sales prices of pulp and the strikes in Finland in early 2020, which are estimated to have had a negative impact of around EUR 50 million on the operating result.

Exchange rate fluctuations after hedging had a positive effect of around EUR 51 million on the operating result in the review period, compared with the previous year.

Sales in the fourth quarter totalled EUR 1,357.2 million, whereas sales of the corresponding period in the previous year were EUR 1,290.3 million. The comparable operating result was EUR 94.0 million (10–12/2019: 76.4).

Items affecting comparability in January–December totalled EUR 8.1 million (-120.6). The most significant items related to Metsä Board's sale of a land area not related to business operations (6.0), the divestment of Metsä Tissue's napkin business (-1.3) and the insurance indemnity paid to Metsä Tissue's company in Poland and its divestment of fixed assets (3.3).

Metsä Group's operating result (IFRS) was EUR 375.8 million (374.3). The share of the results of associated companies and joint ventures was EUR 3.1 million (3.3), financial income was EUR 3.2 million (5.3), exchange rate differences in financing were EUR -2.3 million (-6.4), and financial expenses totalled EUR 49.7 million (60.8).

The result before taxes was EUR 330.1 million (315.7), and taxes including changes in deferred tax liabilities

totalled EUR 67.9 million (76.8). The Group's effective tax rate was 20.6% (24.3). The result for the review period was EUR 262.2 million (238.9).

The return on capital employed was 7.2% (7.3), and the return on equity was 6.8% (6.4). The comparable return on capital employed was 7.1% (9.6), and the comparable return on equity was 6.6% (9.7).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity has remained strong. Total liquidity at the end of the year was EUR 2,004.7 million (31 December 2019: 1,690.0). This consisted of EUR 1,212.9 million (1,090.0) in liquid assets and investments, and EUR 791.8 million (600.0) in off-balance sheet committed credit facility agreements.

The Group's liquidity reserve is complemented by uncommitted commercial paper programmes and credit facilities amounting to EUR 161.5 million (31 December 2019: 161.5) and by undrawn pension premium (TyEL) funds in the amount of EUR 356.9 million (31 December 2019: 332.2).

Net cash flow from operations was EUR 667.4 million (484.8). A total of EUR 100.3 million in working capital was released (112.9 tied up). While EUR 1.0 million of trade and other receivables was tied up in working capital, EUR 7.1 million and EUR 94.2 million were freed from inventories as well as accounts payable and other liabilities, respectively.

The Group's equity ratio at the end of December was 57.2%, and its net gearing was 4% (31 December 2019: 56.2 and 10, respectively). Net interest-bearing liabilities were EUR 168 million (31 December 2019: 374).

At the end of December, the equity ratio of the parent company Metsäliitto Cooperative was 88.9%, and the

net gearing was -23% (31 December 2019: 88.7 and -21, respectively).

In January–December, Metsäliitto Cooperative's members' capital increased by a total of EUR 119.6 million (146.5). The value of participation shares grew by EUR 8.5 million (11.2), that of the additional shares A by EUR 109.5 million (130.2), and that of the additional shares B by EUR 1.5 million (5.1).

In January–March 2020, Metsäliitto Cooperative acquired Metsä Board Corporation B shares to a value of EUR 50.4 million from the market on the basis of the Board of Directors' authorisation at an average price of EUR 5.03 per share.

PERSONNEL

In January–December, Metsä Group had an average of 9,392 employees (9,624). Personnel expenses were EUR 615.0 million (630.4). At the end of December, the Group employed 9,213 people (31 December 2019: 9,265), of whom 5,055 (4,929) were based in Finland and 4,158 (4,336) abroad. The parent company Metsäliitto Cooperative employed 1,973 people at the end of December (31 December 2019: 1,926).

MEMBERS

At the end of December, Metsäliitto Cooperative had 95,449 members (31 December 2019: 103,618). During January–December, 3,379 new members joined the Cooperative, and 11,548 members cancelled their memberships. The membership register was reviewed during the second half of the year in terms of the conditions for membership, which impacted the number of members. At the end of December 2020, the forest area owned by the members totalled 5.257 million hectares (31 December 2019: 5.421).

INVESTMENTS

Metsä Group's investments in January–December totalled EUR 400.5 million (259.6), of which investments in owned property, plant and equipment were EUR 362.5 million (233.8) and investments in leased property, plant and equipment were EUR 38.0 million (25.8).

In the fourth quarter of the year, Metsä Board obtained an approval for an amendment to the environmental permit of the Husum mill and made the final investment decision on the first phase of the pulp mill's renewal. The investment's pre-engineering phase began in 2019 and the preparatory construction work got underway in the first quarter of 2020. The first phase of the investment will involve the modernisation of the pulp mill's recovery boiler and turbine. The total value of the first phase is roughly EUR 320 million, and the start-up of the new recovery boiler and turbine is set to take place in the first half of 2022. It is planned that in the second

phase of the investment, during the 2020s, the current fibre lines will be replaced with a new fibre line.

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

The investment decision concerning Metsä Fibre's new pine sawmill in Rauma was made in March and construction in the Rauma mill area got underway in the spring of 2020. The value of the investment is approximately EUR 200 million, and production is set to begin in the third quarter of 2022. The sawmill under construction in Rauma will be a global forerunner in terms of its technology and efficiency. It is the biggest sawmill investment in Finland's history. The annual capacity of the new unit will be 750,000 cubic metres of pine sawn timber, the volume of logs sourced in Finland annually comes to around 1.5 million cubic metres. The sawmill will employ around 100 people directly and around 500 people across its direct value chain in Finland. The construction of the sawmill has a high degree of Finnish origin, around 70%, and the employment impact of the construction phase is 1,500 person-years.

Kemi bioproduct mill investment decision was made in February. More information about the project can be found in this reports Events after the period section.

In September 2019, Metsä Tissue initiated an environmental permit procedure and a prefeasibility study to double tissue paper production in two phases at the Mariestad mill in Sweden. The company filed its environmental permit application with the Vänersborg Land and Environment Court in Sweden in May 2020. The first phase of the plan involves a new tissue paper machine as well as an automated warehouse and office building for the Mariestad mill. The final investment decision, to be made in the second quarter of 2021 at earliest, depends on the environmental permit.

At the Raubach mill, Metsä Tissue continued to prepare the investment in the new production line for tissue paper intended for professional use. The new line's annual production capacity is 16,000 tonnes. Production is planned to begin during the second half of 2021, delayed from the original plan due to the coronavirus pandemic. The total value of the investment is around EUR 10 million.

RISKS AND UNCERTAINTIES

The coronavirus pandemic will continue to be a source of considerable uncertainty in the world economy and in Metsä Group's business environment during 2021. This will be influenced by the increase in the number of infections in several countries, the restrictions and closures imposed by governments as well as uncertainties surrounding the effectiveness of the vaccination and the duration of the pandemic. If the pandemic draws out, it could suppress the economic recovery or weaken the

world economy and consumers' purchasing power even further in all of Metsä Group's market areas, thereby reducing demand for the Group's products. The pandemic may also cause significant disruption in various segments of our operations and threaten the continuity of business operations.

In addition, customers' weaker cash position or slower payment behaviour may have an impact on Metsä Group's cash flow and lead to credit losses. The pandemic's ultimate impact on the world economy and on Metsä Group's business operations will become apparent only over a longer period of time.

During the coronavirus pandemic, the Group has continuously monitored the development of the infection situation, the restrictions imposed by various governments and the business impacts of the pandemic, and implemented measures to secure business continuity. The impact of the pandemic on employees' absence rates has been monitored in all of the Group's operations. To protect the personnel against infection and secure business continuity, the Group has arranged testing and drawn up operating instructions aiming to prevent the virus from spreading. The Group's resource situation and business operations have remained almost normal during the pandemic. Should employees' absence rates during the continued pandemic reach a high level, they could affect the continuity of production and other operations.

The impact of the pandemic on the Group's sourcing operations and logistics has not been significant so far. Changes in the pandemic situation, as well as orders issued by the authorities, may affect the availability of raw materials. We will continue to monitor the situation in terms of raw materials and ensure the availability of alternative raw materials in cooperation with the mills and suppliers. Slower lead-times in ports have weakened the circulation of the global container fleet, thereby also weakening the availability of containers in the Group's maritime logistics.

In addition to the pandemic, the world economy in 2021 will also be impacted by the continuing tensions and trade war between the United States and China, the domestic affairs of the United States following the presidential election and any possible changes to the accommodative monetary policies of central banks. The effects of the new trade deal between the UK and the EU may furthermore be visible in international trade flows.

The estimates and statements in this bulletin are based on current plans and estimates. They involve risks and uncertainties that may cause the results to differ from those expressed in such statements. In the short term, the results of Metsä Group are affected particularly by the price of and demand for end products, the availability and costs of principal raw materials, energy prices and the exchange rate development of the euro. The risks related to Metsä Group's business are explained in more detail in Metsä Group's 2020 Annual Review.

PENDING DISPUTES

In the autumn of 2015, the Finnish Tax Administration, in its assessment of the 2014 taxation, refused the deductibility of certain losses related to the cross-border merger of a French subsidiary in Metsä Board Corporation's 2014 taxation. Metsä Board believes the losses to be deductible and has appealed the Tax Administration's decision. The Board of Adjustment dismissed the company's appeal in March 2018. The company has appealed the decision to the Administrative Court of Helsinki.

THE CORONAVIRUS PANDEMIC

The safety of Metsä Group's employees, partners and local communities is of primary importance. Metsä Group keeps a close eye on the development of the coronavirus pandemic and is updating its policies and instructions on the basis of the guidelines issued by the authorities.

In line with the recommendations issued by the authorities, Metsä Group shifted to remote working wherever possible in March. Most of the Group's work occurs in production units that do not allow for remote working. The measures by which the virus is prevented from spreading in workplaces are extremely important. These include staying at home when exhibiting any symptoms, thorough hand washing, maintaining a distance between oneself and other people as well as effective cleaning. No one who is even the slightest degree ill may come to work. Only visits to Metsä Group's locations that are essential and necessary for business continuity – such as visits related to maintenance and investment work – are permitted, subject to a recent negative test result. Personnel located in areas where the virus is heavily spreading are tested regularly. All external employees set to work at mills are tested before the work gets underway.

Metsä Group's products include pulp, paperboard and tissue papers. These products are important for a functioning society, given that they promote hygiene and consumer safety and protect consumer goods. To ensure the continuity of operations, Metsä Group's various business areas have drawn up contingency plans for the eventuality of any further spreading of the virus.

Our resources have remained normal throughout the coronavirus pandemic. Our production and deliveries have run normally, barring a few exceptions. Production at Metsä Wood's UK units was closed and most employees were laid off for around five weeks in the spring. In Russia, the Metsä Svir sawmill and Metsä Forest's wood supply have occasionally relied on only partial operations. Several annual maintenance shutdowns scheduled for the spring of 2020 were postponed until the second half of the year due to the coronavirus pandemic and were subsequently carried out successfully.

EVENTS AFTER THE PERIOD

Metsä Tissue announced to renew a tissue paper machine at the Mänttä mill. This will improve the mill's energy and production efficiency considerably, while also increasing the mill's production capacity. The renewal will allow product quality to be developed, particularly along the expectations of consumer customers.

The sale of a 30% share in the Husum pulp mill to Norra Skog was finalized out on 4 January 2021, and its impact will be included in Metsä Board's financial reporting as of the interim report concerning January–March 2021. It reduces Metsä Board's net liabilities by approximately EUR 260 million. It also reduces Metsä Board's share of financing the pulp mill renewal's second phase by about EUR 100 million.

On 22 January 2021, Metsä Board announced that it would initiate pre-engineering on increasing the annual folding boxboard production capacity by approximately 200,000 tonnes at the Husum mill. The pre-engineering will also include an assessment of the capacity of the mill's port in relation to the increased volumes of raw materials and finished products. The decision readiness for the potential investment is expected to be reached by the summer of 2021. Should the investment be realised, the ramp-up of the additional capacity would begin in 2023.

The Nordic real estate investment company NREP bought Metsä Group's head office in Tapiola, Espoo, in January. The debt-free transaction price of Metsä Group's ownership is EUR 44 million. Metsäliitto Cooperative signed a long-term lease agreement in connection with the transaction.

Kemi bioproduct mill

Decision to build a new bioproduct mill in Kemi, Finland was made in February. The value of the investment is EUR 1.6 billion and it is the largest investment ever made by the Finnish forest industry in Finland. The construction phase will take approximately two and a half years, and the mill will be completed during the third quarter of 2023. The Kemi bioproduct mill will produce some 1.5 million tonnes of softwood and hardwood pulp per year, as well as many other bioproducts. It will also produce 2.0 TWh of renewable electricity per year, which equals to roughly 2.5 percent of Finnish total electricity production. The new mill will replace the current pulp mill in Kemi, which has reached the end of its lifespan. An impairment loss of approximately EUR 42 million is expected to be recorded on the assets of the Kemi's current pulp mill as an item affecting comparability in the first quarter of 2021.

The Kemi bioproduct mill will increase the annual value of Finland's exports by approximately EUR 0.5 billion, and the positive income effect in Finland from wood sales and domestic purchases will also be approximately EUR 0.5 billion. The new bioproduct mill will secure the 250 jobs in the existing pulp mill in Kemi for decades to come. The Kemi bioproduct mill will create around 1,500 new jobs across its entire direct value

chain in Finland, most of them in wood sourcing. All in all, around 2,500 people will work in the direct value chain of the Kemi bioproduct mill in Finland. The Finnish companies have been competitive, and the Kemi bioproduct mill project's degree of Finnish origin is estimated to be high, approximately 70%. During the construction phase, the employment impact will be nearly 10,000 person-years, more than half of it will be located in Kemi. The number of individual persons working in the mill area during the construction phase is estimated to be around 15,000.

Wood required by the mill will be procured from sustainably managed forests, and the origin of the wood is always known. The Kemi bioproduct mill will use approximately 7.6 million cubic metres of pulpwood a year, which is 4.5 million cubic metres more than the current pulp mill in Kemi. Wood is planned to be procured mainly from Finland. The availability of high-quality wood raw material is supported by the strong owner base of Metsäliitto Cooperative. The wood procurement to Kemi mill will expand to Sweden in the future, from where it is estimated that approximately one million cubic meters of wood will be procured annually.

Of the total investment to the Kemi bioproduct mill, EUR 1.6 billion, 40% will be financed with domestic equity and 60% with debt financing. The debt financing primarily consists of EUR 500 million 10 year-loan guaranteed by Finnvera with an 80% risk share, EUR 200 million 10-year loan guaranteed by the Swedish Eksportkreditnämnd (EKN) with a 95% risk share, EUR 200 million 15-year loan by the European Investment Bank (EIB) and EUR 100 million five-year Green Term Loan with eight commercial banks. In addition, Metsä Fibre has renewed the EUR 200 million revolving credit facility (RCF) maturing in June 2021 with a similar and five-year arrangement, the financing margin of which is tied to the company's key sustainability indicators.

NEAR-TERM OUTLOOK

Demand for wood focuses on regeneration and thinning stands to be harvested when the ground is unfrozen. Purchases of winter stands is steered according to weather conditions. In energy wood, the demand focuses on crown wood. The demand for forest management services remains good.

The uncertainty in demand caused by the coronavirus pandemic will continue in all of Metsä Wood's main markets. The free trade agreement between the UK and the EU will support demand for both Kerto LVL and plywood products. Demand for Kerto LVL is expected to remain strong, particularly in the North American and Australian markets. Demand is also expected to remain strong in the main markets for spruce plywood. While the demand outlook for birch plywood has strengthened, competition in Europe's main markets remains tough. Demand in the UK is expected to remain strong over the next few months, considering the season.

At Metsä Fibre, the pulp market is expected to gain strength as the demand for market pulp continues to grow, especially in the Asian markets. While new production capacity for hardwood pulp will enter the market at the end of 2021, new capacity in softwood pulp is not to be expected. The global shortage in containers, impacting the Asian deliveries of European and North American producers, will place further strain on the Asian markets.

The market for sawn timber is expected to remain strong across all of the main markets, even exceeding supply.

Metsä Board's paperboard deliveries in January–March 2021 are expected to grow from October–December 2020. The prices of white kraftliner in local currencies are expected to increase slightly, while the prices of folding boxboard are expected to remain stable. No large-scale annual maintenance shutdowns at mills are set to take place in January–March 2021. Energy costs are expected to increase in January–March. Other production costs of paperboard and pulp are expected to remain fairly stable.

Uncertainty about the impact that the coronavirus pandemic will have on the short-term demand for products is still great in the countries in which Metsä Tissue operates. Demand for tissue paper products is expected to increase once the restrictions resulting from the pandemic can start to be eased. Demand for greaseproof

papers is expected to continue to grow slightly. The company is preparing for increases in the costs of raw materials and other costs and steers its pricing actively to ensure profitable operations.

RESULT GUIDANCE FOR JANUARY–MARCH 2021

Metsä Group's comparable operating result for January–March 2021 is expected to improve compared to October–December 2020.

BOARD OF DIRECTORS' PROPOSAL ON THE USE OF THE SURPLUS ON THE BALANCE SHEET

Metsäliitto Cooperative's Board of Directors has decided to propose that an interest of 6.0% for 2020 be paid on the statutory capital invested by members (6.5% for 2019), 5.0% (6.0) on additional members' capital A and 1.0% (2.0) on additional members' capital B. In total, the proposed distribution of profit would amount to around EUR 66 million (72).

The Board's proposal will be discussed in March by Metsäliitto Cooperative's Supervisory Board, which will issue a statement on the matter to the Representative Council convening in April.

Espoo, 11 February 2021
BOARD OF DIRECTORS

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Metsä Group will publish the following financial reports in 2021:

Interim Report for January–March 2021

28 April 2021

Half-Year Financial Report for January–June 2021

28 July 2021

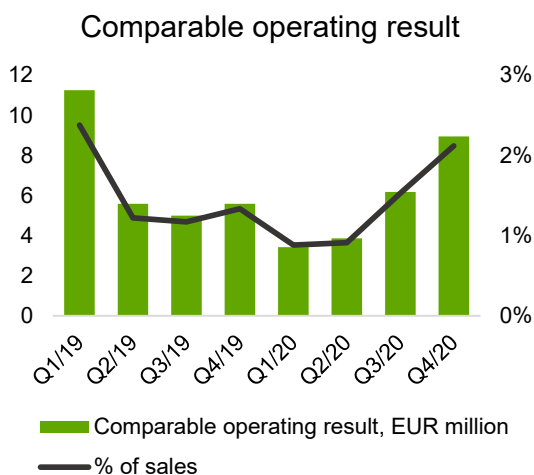
interim Report for January–September 2021

27 October 2021

BUSINESS AREAS

Wood Supply and Forest Services

	2020	2019	2020	2019
Wood Supply and Forest Services	1–12	1–12	10–12	10–12
Sales, EUR million	1,819.9	1,972.9	469.0	464.9
EBITDA, EUR million	32.6	35.7	11.5	7.8
Comparable EBITDA, EUR million	32.6	35.7	11.5	7.8
Operating result, EUR million	22.4	27.4	8.9	5.6
Comparable operating result, EUR million	22.4	27.4	8.9	5.6
% of sales	1.2	1.4	1.9	1.2
Comparable ROCE, %	12.8	16.3	20.8	13.4
Total investments, EUR million	16.9	22.9	0.4	15.6
Personnel at end of period	842	838	842	838
Wood deliveries, 1,000 m ³	32,737	34,669	8,359	8,233



The sales of Wood Supply and Forest Services, i.e. Metsä Forest, in January–December totalled EUR 1,819.9 million (1–12/2019: 1,972.9), and the comparable operating result was EUR 22.4 million (27.4). The lower delivery volumes of wood reduced sales and the operating result.

Metsä Forest's sales in the fourth quarter were EUR 469.0 million (10–12/2019: 464.9), and the comparable operating result was EUR 8.9 million (5.6).

The forest industry's need for wood in Finland in 2020 was lower than normal as a result of strikes and the coronavirus pandemic. While harvesting and transportation conditions in Finland were normal, the harvesting of winter stands did not get underway before December. Wood prices remained stable during the first half of

the year, but the prices of log wood, in particular, began to rise during the fourth quarter.

The wood market situation in the Baltic Sea region evened out following the strong demand in the previous year. Insect damage brought wood from Germany and Southern Sweden to the markets.

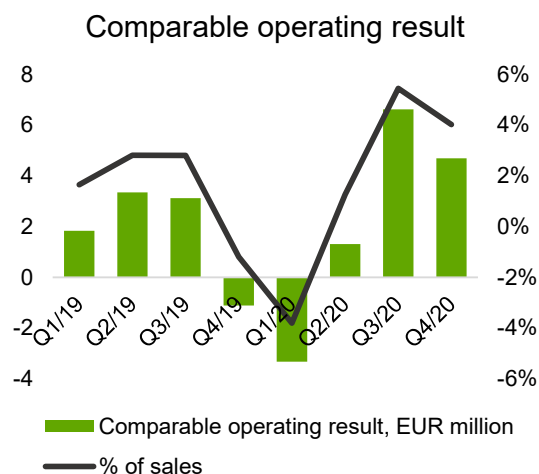
Metsä Forest bought less wood in 2020 than in the previous year, but the purchased volumes corresponded with the need. During the review period, Metsä Forest bought all grades of wood across Finland through both standing and delivery sales. Demand focused particularly on felling sites to be harvested when the ground is unfrozen. The purchasing of energy wood continued to focus on crown wood. The majority of wood in Finland was purchased from members of Metsäliitto Cooperative.

Metsä Forest's deliveries to customers' production facilities were carried out smoothly. Harvesting had to be curtailed throughout the first half of the year, but the situation normalised during the fourth quarter. In January–December 2020, Metsä Forest delivered a total of approximately 32.7 million cubic metres (34.7) of wood to its customers. Approximately 85% of this was delivered to Finland's industrial sector.

The sales of forest services were good. A total of 50% of the wood acquired by Metsä Forest from private forest owners was purchased through digital means. In the sales of forest management services, the figure was 56%. The benefits of digital transactions were highlighted during the pandemic. Special arrangements were made in wood supply to ensure safe working in the unusual circumstances.

Wood Products Industry

	2020	2019	2020	2019
Wood Products Industry	1–12	1–12	10–12	10–12
Sales, EUR million	429.1	434.2	116.6	93.0
EBITDA, EUR million	30.1	27.9	10.1	3.9
Comparable EBITDA, EUR million	30.1	25.9	10.1	3.9
Operating result, EUR million	9.3	9.2	4.7	-1.1
Comparable operating result, EUR million	9.3	7.2	4.7	-1.1
% of sales	2.2	1.7	4.0	-1.2
Comparable ROCE, %	3.1	2.6	6.0	-1.1
Total investments, EUR million	21.7	32.6	5.1	4.7
Personnel at end of period	1,551	1,510	1,551	1,510
Engineered wood product deliveries, 1,000 m ³	446	446	126	95



The sales of the Wood Products Industry, i.e. Metsä Wood, in January–December were EUR 429.1 million (1–12/2019: 434.2), and the comparable operating result was EUR 9.3 million (7.2).

Metsä Wood's sales in the fourth quarter were EUR 116.6 million (10–12/2019: 93.0), and the comparable operating result was EUR 4.7 million (10–12/2019: -1.1).

Metsä Wood's sales in January–December declined slightly from the previous year. The sales of veneer products declined by 2%, but the euro-denominated sales of the UK business increased by 2%. The delivery volumes of Kerto LVL and spruce plywood products declined slightly from the comparison period, but the delivery volumes of birch plywood products increased. The

delivery volumes of veneer products were impacted by the four-week strike early in the year and the coronavirus pandemic. Average sales prices decreased in all product categories.

The delivery volumes of the UK business increased from the previous year. The restrictions related to the coronavirus pandemic in the UK resulted in a significant decline in demand during the second quarter. The production units in the UK were closed and most employees were laid off for roughly five weeks. Demand nevertheless quickly bounced back and was on a higher level than normal during the second half of the year. In Finland and Estonia, the coronavirus pandemic did not have a significant impact on production or the delivery chain.

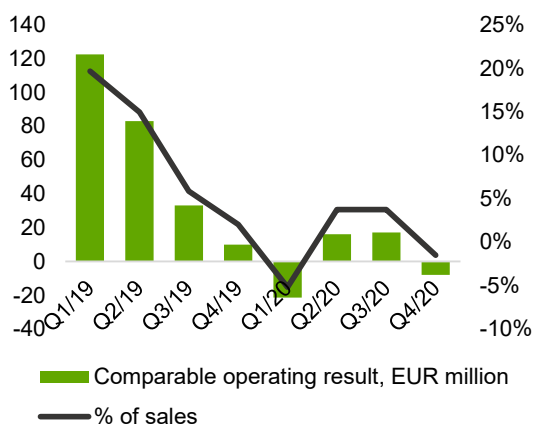
Profitability improved in relation to the comparison period. The result improved thanks to lower raw material, energy and labour costs and the improved profitability of the UK business. The strike at Finnish mills, the coronavirus pandemic and the modest market situation weakened profitability.

The positive development during the second half of the year was largely the result of the improved market situation in the UK and improved demand for Kerto LVL products as well as the strong demand for spruce plywood products and positive price development.

Metsäliitto Cooperative bought a 5% share in Lohjan Biolämpö Oy from Äänekosken Energia. Lohjan Biolämpö produces heat for the Kerto mill in Lohja and for the town of Lohja. After the transaction, Lohjan Biolämpö Oy held by Metsäliitto Cooperative (51%) and Lohjan Energiahuolto Oy Loher (49%).

Pulp and Sawn Timber Industry

	2020	2019	2020	2019
	1–12	1–12	10–12	10–12
Pulp and Sawn Timber Industry				
Sales, EUR million	1,826.5	2,236.0	528.3	490.2
EBITDA, EUR million	128.2	372.1	15.6	50.9
Comparable EBITDA, EUR million	128.2	372.1	15.6	50.9
Operating result, EUR million	3.9	248.6	-8.0	9.9
Comparable operating result, EUR million	3.9	248.6	-8.0	9.9
% of sales	0.2	11.1	-1.5	2.0
Comparable ROCE, %	0.2	12.3	-1.7	2.0
Total investments, EUR million	135.2	90.1	46.6	25.6
Personnel at end of period	1,331	1,279	1,331	1,279
Pulp deliveries, 1,000 t	2,796	2,993	834	724
Sawn timber deliveries, 1,000 m ³	1,583	1,812	434	434

Comparable operating result


The sales of the Pulp and Sawn Timber Industry, i.e. Metsä Fibre, totalled EUR 1,826.5 million (1–12/2019: 2,236.0), and the comparable operating result was EUR 3.9 million (248.6).

Metsä Fibre's sales in the fourth quarter were EUR 528.3 million (10–12/2019: 490.2), and the comparable operating result was EUR -8.0 million (9.9).

The sales volume of pulp in January–December was 2,796,000 tonnes (2,993,000). The USD-denominated average market prices of long-fibre pulp in 2020 decreased by 14% in Europe and by 7% in China. The USD-denominated average market prices of short-fibre pulp in Europe decreased by 21% compared to the average prices of the previous year. The prices of market pulp were fairly stable during the first three quarters and began to rise during the fourth quarter.

The total production of pulp in January–December was 2,819,000 tonnes (2,948,000). The annual production of pulp reduced by 176,000 tonnes due to the strike in the Finnish chemical forest industry early in the year.

Sales and operating result declined compared to the previous year due to the decline in the sales prices and volumes of pulp and sawn timber. The weaker US dollar also contributed to the decline in sales and operating result. A decline in the prices of raw materials and energy, on the other hand, had a positive effect on the operating result.

Global demand for market pulps grew compared to the previous year. The growth occurred in hardwood pulp and particularly China; the consumption of softwood market pulp declined compared to the previous year. The consumption of softwood market pulp has grown in tissue paper and fluff pulp, while the demand for printing and writing paper production in Europe has declined significantly due to the coronavirus pandemic.

Paper and paperboard production in China was strong during the second half of the year. Many mills postponed annual maintenance shutdowns scheduled for the spring until the second half of the year. The supply of softwood pulp late in the year was limited by scheduled and unscheduled maintenance shutdowns; in 2020, unscheduled maintenance shutdowns reduced global demand by a total of EUR 1.2 million tonnes. At the end of the year, inventories were on a normal level.

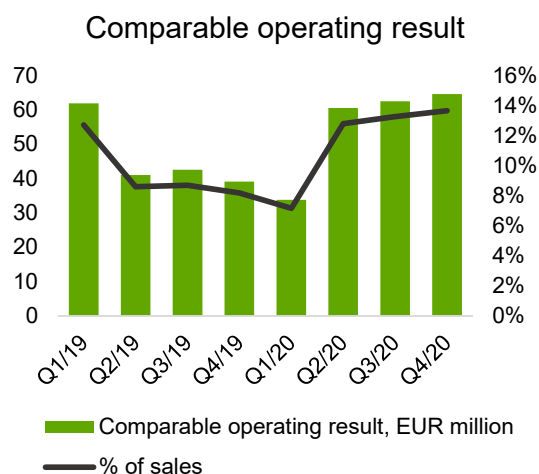
The total delivery volume of Metsä Fibre's sawmills was 1,583,000 cubic metres (1,812,000).

The halt in construction in Central Europe in early spring, as well as the stalling of the entire value chain, caused a decrease in the demand for sawn timber. Demand rebounded during the summer and grew stronger towards the turn of the year, in all of the main markets. The inventory levels of both spruce and pine sawn timber declined towards the turn of the year. This reduced the supply and thereby had an impact on the price increases late in the year as demand began to grow.

The average prices of pine sawn timber for the entire year rose by 1% compared to the previous year, while the prices of spruce sawn timber declined by 2%.

Paperboard industry

	2020	2019	2020	2019
Paperboard Industry	1–12	1–12	10–12	10–12
Sales, EUR million	1,889.5	1,931.8	473.1	478.4
EBITDA, EUR million	321.8	294.5	85.2	59.5
Comparable EBITDA, EUR million	315.8	279.0	85.2	59.4
Operating result, EUR million	227.3	180.8	64.5	20.0
Comparable operating result, EUR million	221.2	184.4	64.5	39.1
% of sales	11.7	9.5	13.6	8.2
Comparable ROCE, %	12.2	10.4	14.3	8.9
Total investments, EUR million	166.4	98.9	48.9	56.7
Personnel at end of period	2,370	2,351	2,370	2,351
Folding boxboard deliveries, 1,000 t	1,223	1,207	297	300
White kraftliner deliveries, 1,000 t	587	584	144	139
Market pulp deliveries, 1,000 t	521	460	158	137



The sales of the Paperboard Industry, i.e. Metsä Board, in January–December were EUR 1,889.5 million (1–12/2019: 1,931.8). Folding boxboard accounted for 59% of sales, while 25% of sales derived from white kraftliner, 12% from market pulp and 5% from other operations. The comparable operating result was EUR 221.2 million (184.4).

Metsä Board's sales in the fourth quarter were EUR 473.1 million (10–12/2019: 478.4), and the comparable operating result was EUR 64.5 million (39.1).

Total deliveries of paperboard in January–December were 1,810,000 tonnes (1,791,000), of which 68% was delivered to the EMEA region, 27% to the Americas, and 5% to the APAC region. Metsä Board's market pulp deliveries were 521,000 (460,000) tonnes.

The production volume of Metsä Board's paperboards in January–December totalled 1,840,000 tonnes (1,816,000), while the combined production volume of pulp and high-yield pulp amounted to 1,371,000 tonnes (1,373,000). Production in the first half of the year was limited by the paper industry's strike, which lasted for more than two weeks and concerned all of Metsä Board's paperboard and high-yield pulp mills in Finland.

The lower production costs of pulp and particularly paperboard improved the comparable result of the review period. In Sweden, the price of imported wood decreased, and lower market prices of oil products caused energy costs to decline. The prices of other raw materials also declined. The cheaper pulp improved the profitability of the paperboard business. Accounting for the surplus in Metsä Board's pulp position, however, pulp's total impact on the comparable operating result was neutral.

Exchange rate fluctuations, including hedges, had a positive impact of around EUR 31 million on the operating result compared to the comparison period.

The associated company Metsä Fibre's share of Metsä Board's comparable operating result in 2020 was EUR -2.4 million (45.3).

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

Metsä Board's comparable return on capital employed was 12.2% (10.4), and its comparable earnings per share were EUR 0.46 (0.41). The equity ratio at the end of September was 60% and net gearing was 17% (31 December 2019: 59 and 23, respectively).

Tissue and Greaseproof Papers

	2020	2019	2020	2019
Tissue and Greaseproof Papers	1–12	1–12	10–12	10–12
Sales, EUR million	1,011.9	1,060.0	257.8	263.5
EBITDA, EUR million	160.1	101.0	41.9	28.7
Comparable EBITDA, EUR million	157.8	118.9	38.8	38.8
Operating result, EUR million	115.9	-63.4	29.9	0.2
Comparable operating result, EUR million	113.8	73.4	27.1	26.6
% of sales	11.2	6.9	10.5	10.1
Comparable ROCE, %	19.8	12.3	18.7	19.8
Total investments, EUR million	53.1	29.6	28.5	16.6
Personnel at end of period	2,504	2,702	2,504	2,702
Tissue paper deliveries, 1,000 t	553	565	145	139

Comparable operating result


The sales of tissue and greaseproof papers, i.e. Metsä Tissue, in January–December totalled EUR 1,011.9 million (1–12/2019: 1,060.0). Metsä Tissue's comparable operating result was EUR 113.8 million (73.4). The operating result was clearly better than in the previous year mainly due to efficiency measures and lower variable costs.

Metsä Tissue's sales in the fourth quarter were EUR 257.8 million (10–12/2019: 263.5), and the comparable operating result was EUR 27.1 million (26.6).

Demand for tissue paper products for consumers and professional customers increased rapidly with the outbreak of the coronavirus pandemic during the first months of the year. Following the strong growth, demand took a downward turn, but picked up again towards the end of the year. Sales for the professional customers improved as of late autumn due to the increased focus on hand hygiene, even though the restrictions related to the coronavirus pandemic reduced the number of people in public spaces. Demand for

greaseproof papers continued to be good. The pandemic did not have a significant impact on the company's production and delivery capacity.

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

The divestment of Metsä Tissue's napkin business to keeper Group, part of Mutares Group, was finalized on 29 February 2020. The transaction covered the properties, machinery, equipment and inventories of the Stotzheim mill, located in Germany, as well as the Fasana and Mondial brands. A non-recurring expense of EUR 1.3 million was recognised in relation to the transaction in 2020. The company also reported a total of EUR 3.3 million in non-recurring profit in its Polish unit. These related to the unit's divestment of fixed assets and the insurance indemnity paid to it.

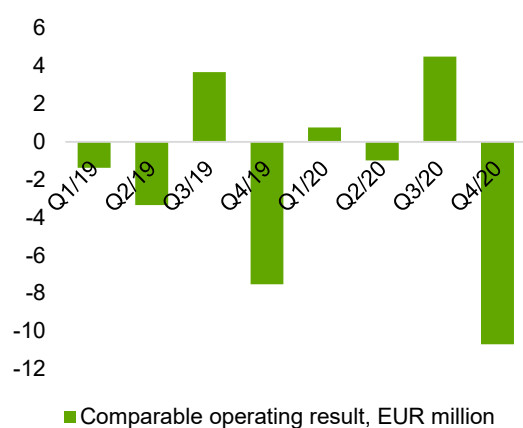
Metsä Tissue renewed its product portfolio in 2020. This involved a review of each brand's role as part of Metsä Tissue's strategy. As a result of this work, the marketing messages of the brands aimed at customers and consumers will follow the new concepts as of 2021.

Product portfolios were also developed by harmonising the product range and the products' properties to correspond with the renewed target positions. Late in the year, Metsä Tissue introduced an improved, increasingly soft grade of Lambi toilet papers to the Finnish market. The company aims to provide its customers with increasingly high-quality products better able to meet the needs of customers.

The implementation of the Future Mill programme continued in 2020 as well, with the aim of improving production efficiency and environmental performance. As part of this programme, the Mänttä mill rolled out a common manufacturing execution system. Following the successful roll-out, the system will also be rolled out in phases at other Metsä Tissue mills during 2021.

Other operations

	2020	2019	2020	2019
Other operations	1–12	1–12	10–12	10–12
Sales, EUR million	8.5	9.7	2.0	3.1
EBITDA, EUR million	-1.1	-3.7	-8.8	-6.4
Comparable EBITDA, EUR million	-0.5	-2.9	-8.8	-5.6
Operating result, EUR million	-7.1	-9.3	-10.7	-8.3
Comparable operating result, EUR million	-6.5	-8.6	-10.7	-7.5
Total investments, EUR million	7.3	7.2	4.5	4.0
Personnel at end of period	614	584	614	584

Comparable operating result


The sales of other operations in January–December 2020 were EUR 8.5 million (1–12/2019: 9.7), and the comparable operating result was EUR -6.5 million (-8.6).

Sales in the fourth quarter amounted to EUR 2.0 million (10–12/2019: 3.1), and the comparable operating result was EUR -10.7 million (-7.5).

Other operations include the Group Services of Metsä Group, Metsäliitto Cooperative's holding operations, Metsä Group Treasury Oy, Metsä Spring as well as a share of Metsätapiola's properties.

RECONCILIATION OF OPERATING RESULT AND EBITDA
Reconciliation by segment

EUR million	2020 1–12	2019 1–12	2020 10–12	2019 10–12
OPERATING RESULT (IFRS)	375.8	374.3	96.8	32.2
Depreciation and impairment charges	303.5	415.5	66.7	119.0
EBITDA	679.3	789.7	163.5	151.2
Items affecting comparability:				
Wood Products Industry		-2.0		
Paperboard Industry	-6.0	-15.5		
Tissue and Greaseproof Papers	-2.3	18.0	-3.1	10.2
Other operations	0.6	0.8		0.8
Elimination	-0.6	8.0		-0.8
Total	-8.4	9.2	-3.1	10.1
COMPARABLE EBITDA	670.9	799.0	160.4	161.3
Depreciation and impairment charges	-303.5	-415.5	-66.7	-119.0
Items affecting comparability:				
Depreciations				
Tissue and Greaseproof Papers	0.3		0.3	
Impairment charges and reversals				
Paperboard Industry		19.1		19.1
Tissue and Greaseproof Papers		118.7		16.3
Eliminations		-26.5		-1.2
COMPARABLE OPERATING RESULT	367.7	494.9	94.0	76.4

Reconciliation by expense or income

EUR million	2020 1–12	2019 1–12	2020 10–12	2019 10–12
OPERATING RESULT (IFRS)	375.8	374.3	96.8	32.2
Depreciation and impairment charges	303.5	415.5	66.7	119.0
EBITDA	679.3	789.7	163.5	151.2
Items affecting comparability:				
Other operating income	-11.8	-8.7	-3.8	
Change is inventories	0.3	6.3	0.1	6.3
Employee costs	0.1	7.5	0.0	0.7
Other operating expenses	3.0	4.2	0.6	3.2
Total	-8.4	9.2	-3.1	10.1
COMPARABLE EBITDA	670.9	799.0	160.4	161.3
Depreciation and impairment charges	-303.5	-415.5	-66.7	-119.0
Items affecting comparability:				
Depreciations	0.3		0.3	
Impairment charges		137.8		35.4
Eliminations		-26.5		-1.2
COMPARABLE OPERATING RESULT	367.7	494.9	94.0	76.4

Items with "+" sign = expenses affecting comparability

Items with "-" sign = income affecting comparability

Items affecting Metsä Group's comparability during the January–December 2020 amounted to EUR 8.1 million (-120.6).

EUR -1.3 million are related to divestment of Metsä Tissue's napkin business and EUR 6.0 million to Metsä Board's disposal gains from sold non-business related land area. EUR 3.3 million are related to the insurance indemnity paid to Metsä Tissue's company in Poland and its divestment of fixed assets.

Metsä Group's items affecting comparability in 2019 totalled EUR -120.6 million.

QUARTERLY DATA

EUR million	2020 10–12	2020 7–9	2020 4–6	2020 1–3	2019 10–12	2019 7–9	2019 4–6	2019 1–3
Sales								
Wood Supply and Forest Services	469.0	449.5	470.8	430.6	464.9	473.9	508.3	525.8
Wood Products Industry	116.6	121.5	103.6	87.3	93.0	111.0	118.9	111.3
Pulp and Sawn Timber Industry	528.3	458.5	428.1	411.5	490.2	567.0	556.1	622.8
Paperboard Industry	473.1	471.2	473.1	472.1	478.4	489.2	477.1	487.1
Tissue and Greaseproof Papers	257.8	237.2	224.2	292.7	263.5	263.1	266.1	267.3
Other operations	2.0	2.2	1.8	2.6	3.1	2.3	2.3	2.0
Internal sales	-489.8	-495.2	-502.0	-443.7	-502.8	-532.8	-557.0	-578.6
Sales	1,357.2	1,245.0	1,199.7	1,253.0	1,290.3	1,373.7	1,371.7	1,437.7
Operating result								
Wood Supply and Forest Services	8.9	6.2	3.9	3.4	5.6	5.0	5.6	11.3
Wood Products Industry	4.7	6.6	1.3	-3.3	-1.1	3.1	5.3	1.8
Pulp and Sawn Timber Industry	-8.0	17.1	16.0	-21.3	9.9	33.2	83.1	122.4
Paperboard Industry	64.5	62.5	66.5	33.8	20.0	42.5	46.4	71.9
Tissue and Greaseproof Papers	29.9	23.3	23.6	39.1	0.2	22.7	-96.8	10.5
Other operations	-10.7	4.5	-1.0	0.1	-8.3	3.7	-3.3	-1.4
Eliminations	7.5	-4.3	-8.3	9.3	5.8	0.1	8.5	-33.6
Operating result	96.8	115.9	102.1	61.1	32.2	110.3	48.8	183.0
% of sales	7.1	9.3	8.5	4.9	2.5	8.0	3.6	12.7
Share of results from associated companies and joint ventures	3.3	-1.9	1.2	0.5	0.7	0.2	2.8	-0.4
Exchange gains and losses	-1.4	0.4	-1.0	-0.3	-0.9	-1.1	-1.9	-2.6
Other net financial items	-10.4	-11.3	-9.8	-15.1	-14.4	-13.8	-13.9	-13.4
Result before income tax	88.3	103.1	92.5	46.2	17.6	95.6	35.9	166.6
Income tax	-16.1	-22.2	-18.5	-11.1	-1.9	-19.7	-21.3	-33.9
Result for the period	72.2	80.9	74.0	35.1	15.7	75.9	14.6	132.7
Comparable operating result								
Wood Supply and Forest Services	8.9	6.2	3.9	3.4	5.6	5.0	5.6	11.3
Wood Products Industry	4.7	6.6	1.3	-3.3	-1.1	3.1	3.3	1.8
Pulp and Sawn Timber Industry	-8.0	17.1	16.0	-21.3	9.9	33.2	83.1	122.4
Paperboard Industry	64.5	62.5	60.5	33.8	39.1	42.5	41.0	61.8
Tissue and Greaseproof Papers	27.1	22.7	23.6	40.5	26.6	22.8	13.5	10.5
Other operations and eliminations	-3.2	0.2	-9.3	9.4	-3.7	3.7	-18.0	-28.2
Comparable operating result	94.0	115.3	96.1	62.4	76.4	110.3	128.4	179.7
% of sales	6.9	9.3	8.0	5.0	5.9	8.0	9.4	12.5

CALCULATION OF KEY RATIOS

Return on capital employed (%) ROCE	=	(Result before tax + exchange gains/losses and other net financial expenses) per (Balance total – non-interest-bearing liabilities) (average))
Return on equity (%) ROE	=	(Result before tax – income tax) per (Members' funds (average))
Equity ratio (%)	=	(Members' funds) per (Balance total – advance payments received)
Net gearing ratio (%)	=	(Interest-bearing net liabilities) per (Members' funds)
Interest-bearing net liabilities	=	Interest-bearing liabilities – cash and cash equivalents and interest-bearing receivables
EBITDA	=	Operating result before depreciation, amortisation and impairment losses
Operating result	=	Result before income tax, financial income and -expenses, exchange gains and losses and share of results from associated companies and joint ventures
Total investments	=	Investments in owned and leased fixed assets and investments in business combinations

COMPARABLE KEY RATIOS

European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures define alternative performance measures as a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined in the applicable financial reporting framework, in Metsä Group's case International Financial Reporting Standards as adopted in the EU pursuant to Regulation (EC) No 1606/2002. Performance measures presented in this report qualify as alternative performance measures under the ESMA guidelines.

Metsä Group sees the presentation of alternative performance measures as providing users of financial statements with an improved view of the company's financial performance and position, including among other things the efficiency of its capital utilization, operational profitability and debt servicing capabilities.

Reconciliation of operating result under IFRS and comparable operating result as well as EBITDA and comparative EBITDA is presented in this report. Comparable return on capital employed has been calculated using the same adjustments as the comparable operating result, and it has been further adjusted with financial items affecting comparability when applicable. Metsä Group considers the key figures derived in this manner to improve the comparability between 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 with the same names. Typical items affecting comparability include material gains and losses on disposals of assets, impairments and impairment reversals in accordance with IAS 36 Impairment of Assets, restructuring costs and their adjustments as well as items arising from legal proceedings. In Metsä Group's view, comparable performance measures better reflect the underlying operational performance of the company by eliminating the result effect arising from items and transactions outside ordinary course of business.

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	2020 1–12	2019 1–12	Change	2020 10–12	2019 10–12
Sales	2, 3	5,054.9	5,473.4	-418.6	1,357.2	1,290.3
Change in stocks of finished goods and work in progress		-31.1	-17.4	-13.7	-89.6	-17.7
Other operating income		57.3	59.2	-1.9	30.6	23.2
Material and services		-3,440.1	-3,733.3	293.1	-872.4	-891.3
Employee costs		-615.0	-630.4	15.5	-163.6	-156.4
Depreciation and impairment losses		-303.5	-415.5	112.0	-66.7	-119.0
Other operating expenses		-346.7	-361.9	15.2	-98.6	-97.0
Operating result	2	375.8	374.3	1.6	96.8	32.2
Share of results from associated companies and joint ventures		3.1	3.3	-0.2	3.3	0.7
Exchange gains and losses		-2.3	-6.4	4.1	-1.4	-0.9
Other net financial items	2	-46.5	-55.4	8.9	-10.4	-14.4
Result before income tax		330.1	315.7	14.4	88.3	17.6
Income tax	4	-67.9	-76.8	8.9	-16.1	-1.9
Result for the period		262.2	238.9	23.3	72.2	15.7
Other comprehensive income						
Items that will not be reclassified to profit and loss						
Items relating to adjustments of defined benefit plans		-8.9	-15.7	6.8	-9.9	13.0
Fair value of financial assets through other comprehensive income		-68.1	-13.5	-54.6	-4.1	-4.4
Income tax relating to items that will not be reclassified		15.6	5.1	10.4	2.9	-2.8
Total		-61.4	-24.0	-37.4	-11.1	5.8
Items that may be reclassified subsequently to profit and loss						
Cash flow hedges		23.9	-17.8	41.6	18.1	34.5
Currency translation differences		-5.5	3.1	-8.6	25.5	13.8
Other items						
Income tax relating to items that may be reclassified		-4.6	3.7	-8.4	-3.6	-6.9
Total		13.7	-11.0	24.7	40.0	41.4
Other comprehensive income, net of tax		-47.7	-35.0	-12.7	29.0	47.2
Total comprehensive income for the period		214.5	203.9	10.6	101.2	62.9
Result for the period attributable to:						
Members of parent company		177.5	111.4	66.1	49.4	6.4
Non-controlling interests		84.7	127.5	-42.8	22.8	9.3
Total		262.2	238.9	23.3	72.2	15.7
Total comprehensive income attributable to:						
Members of parent company		149.1	90.0	59.1	65.6	36.9
Non-controlling interests		65.3	113.9	-48.6	35.6	26.0
Total		214.5	203.9	10.6	101.2	62.9

The notes are an integral part of this report.

CONSOLIDATED BALANCE SHEET

EUR million	Note	2020 31.12.	2019 31.12.
ASSETS			
Non-current assets			
Goodwill		434.1	429.4
Other intangible assets		221.0	228.1
Tangible assets	5	2,920.7	2,817.0
Biological assets		3.2	2.9
Investments in associated companies and joint ventures		69.3	68.3
Other investments	9	205.5	271.1
Other non-current financial assets	9	17.7	22.6
Deferred tax receivables		27.1	27.7
		3,898.6	3,867.1
Current assets			
Inventories		965.9	979.6
Accounts receivables and other receivables		739.1	749.3
Tax receivables based on the taxable income for the period		2.4	8.7
Cash and cash equivalents	9	1,212.9	1,090.0
		2,920.4	2,827.6
Assets classified as held for sale		32.3	32.3
Total assets		6,851.3	6,727.0
MEMBERS' FUNDS AND LIABILITIES			
Members' funds			
Members' funds		3,091.5	2,926.8
Non-controlling interests		822.7	848.5
		3,914.2	3,775.3
Non-current liabilities			
Deferred tax liabilities		289.9	296.1
Post-employment benefit obligations		85.5	81.8
Provisions	6	15.8	17.7
Borrowings	9	1,098.3	1,142.7
Other liabilities		25.1	23.1
		1,514.7	1,561.4
Current liabilities			
Provisions	6	2.8	4.1
Current borrowings	9	272.9	312.3
Accounts payable and other liabilities		1,122.7	1,051.7
Tax liabilities based on the taxable income for the period		6.3	7.4
		1,404.7	1,375.4
Liabilities classified as held for sale		17.7	14.9
Total liabilities		2,937.1	2,951.7
Total members' funds and liabilities		6,851.3	6,727.0

The notes are an integral part of this report.

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS

EUR million	Equity attributable to members of parent company						Non-controlling interest	Total
	Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total			
Members' funds 1.1.2019	994.7	-34.8	492.8	1,297.8	2,750.5	905.0	3,655.6	
Result for the period				111.4	111.4	127.5	238.9	
Other comprehensive income, net after tax		4.1	-14.4	-11.1	-21.4	-13.6	-35.0	
Total comprehensive income		4.1	-14.4	100.4	90.0	113.9	203.9	
Transactions with owners:								
Dividends paid				-64.4	-64.4	-84.5	-148.9	
Change in members' capital	204.3		0.0	-9.1	195.2		195.2	
Change in the reserve for invested unrestricted equity	0.0		250.0	-250.0	0.0	-39.9	-39.9	
Share based payments			0.0	-9.3	-9.3	-1.4	-10.7	
Acquired shares from non-controlling interests, which did not change the controlling right			0.4	-34.9	-34.5	-47.6	-82.2	
Sold shares from non-controlling interests, which did not change the controlling right			0.0	-0.6	-0.7	3.1	2.4	
Members' funds 31.12.2019	1,199.0	-30.7	728.7	1,029.8	2,926.8	848.5	3,775.3	

EUR million	Equity attributable to members of parent company						Non-controlling interest	Total
	Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total			
Members' funds 1.1.2020	1,199.0	-30.7	728.7	1,029.8	2,926.8	848.5	3,775.3	
Result for the period				177.5	177.5	84.7	262.2	
Other comprehensive income, net after tax		-5.3	-17.7	-5.4	28.4	-19.3	-47.7	
Total comprehensive income		-5.3	-17.7	172.1	149.1	65.3	214.5	
Transactions with owners:								
Dividends paid				-63.5	-63.5	-40.3	-103.8	
Change in members' capital	123.4		0.0	-12.5	111.0		111.0	
Change in the reserve for invested unrestricted equity	0.0		0.0		0.0	-25.8	-25.8	
Share based payments			0.0	-8.4	-8.4	-1.0	-9.5	
Acquired shares from non-controlling interests, which did not change the controlling right			0.2	-23.4	-23.2	-27.1	-50.3	
Sold shares from non-controlling interests, which did not change the controlling right			0.0	-0.4	-0.4	3.1	2.7	
Members' funds 31.12.2020	1,322.4	-35.9	711.3	1,093.7	3,091.5	822.7	3,914.2	

The notes are an integral part of this report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2020	2019
		1–12	1–12
Result for the period	8	262.2	238.9
Total adjustments	8	405.2	531.8
Change in working capital		100.3	-112.9
Cash flow from operations		767.7	657.8
Net financial items		-40.4	-50.7
Income taxes paid		-59.9	-122.4
Net cash flow from operating activities		667.4	484.8
Acquisitions		-4.3	-9.6
Investments in tangible and intangible assets		-364.8	-216.1
Disposals and other items	8	11.9	27.0
Net cash flow from investing activities		-357.2	-198.7
Change in members' funds		107.2	137.4
Change in non-controlling interest		-50.4	-82.6
Change in long-term loans and other financial items		-105.2	-136.5
Capital distribution		-25.8	-39.9
Dividends paid		-112.2	-158.6
Net cash flow from financing activities		-186.4	-280.2
Change in cash and cash equivalents		123.8	5.9
Cash and cash equivalents at beginning of period		1,090.0	1,083.9
Translation difference		-1.8	0.6
Change in cash and cash equivalents		123.8	5.9
Value adjustments of investment funds included in cash and cash equivalents.		0.9	
Cash and cash equivalents of assets classified as held for sale		0.0	-0.3
Cash and cash equivalents at end of period		1,212.9	1,090.0

The notes are an integral part of this report.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – BACKGROUND AND ACCOUNTING POLICIES

Metsäliitto Cooperative and its subsidiaries comprise a forest industry group (“Metsä Group” or “Group”), which operations are organized into five business segments: Wood Supply and Forest Services, Wood Products Industry, Pulp and Sawn Timber Industry, Paperboard Industry and Tissue and Greaseproof Papers. Metsä Group’s parent company is Metsäliitto Cooperative. The parent company is domiciled in Helsinki and the registered address is Revontulenpuisto 2, 02100 Espoo, Finland.

This financial statements bulletin has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2019 IFRS financial statements. The effects of foreign exchange changes on review period operating result vs. comparison period 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 figures in this financial statements bulletin are based on the audited figures of the 2020 Financial Statements.

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

Depreciation of machinery and equipment during the financial year has been specified further between the quarters where applicable in order to correspond with the allocation of the use of the economic benefit of the asset.

The amendments to the standards that came into force at the beginning of 2020 will not have a material effect on the Group’s financial statements bulletin.

The impact of the coronavirus on Metsä Group’s business is described in more detailed in “Coronavirus pandemic” and “Risks and uncertainties” parts.

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

This financial statements bulletin was authorized for issue by the Board of Directors of Metsäliitto Cooperative on February 11, 2021.

NOTE 2 – SEGMENT INFORMATION

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 operational decision-maker.

The President and CEO has been appointed as the chief operational 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.

SALES BY SEGMENT

EUR million	1–12/2020	1–12/2020	1–12/2020	1–12/2019	1–12/2019	1–12/2019
	External	Internal	Total	External	Internal	Total
Wood Supply and Forest Services	441.8	1,378.1	1,819.9	498.2	1,474.7	1,972.9
Wood Products Industry	412.6	16.5	429.1	411.1	23.1	434.2
Pulp and Sawn Timber Industry	1,374.9	451.6	1,826.5	1,674.2	561.8	2,236.0
Paperboard Industry	1,814.1	75.4	1,889.5	1,830.7	101.1	1,931.8
Tissue and Greaseproof Papers	1,011.2	0.7	1,011.9	1,059.1	0.9	1,060.0
Other operations	0.3	8.2	8.5	0.1	9.6	9.7
Elimination of internal sales		-1,930.6	-1,930.6		-2,171.2	-2,171.2
Total sales	5,054.9	0.0	5,054.9	5,473.4	0.0	5,473.4

OPERATING RESULT BY SEGMENT

EUR million	2020	2019
	1–12	1–12
Wood Supply and Forest Services	22.4	27.4
Wood Products Industry	9.3	9.2
Pulp and Sawn Timber Industry	3.9	248.6
Paperboard Industry	227.3	180.8
Tissue and Greaseproof Papers	115.9	-63.4
Other operations	-7.1	-9.3
Eliminations	4.2	-19.2
Operating result total	375.8	374.3
Share of results from associated companies and joint ventures	3.1	3.3
Financial costs, net	-48.8	-61.9
Income taxes	-67.9	-76.8
Result for the period	262.2	238.9

ASSETS AND LIABILITIES BY SEGMENTS

Assets	2020	2019
EUR million	31.12.	31.12.
Wood Supply and Forest Services	321.9	308.6
Wood Products Industry	358.3	336.0
Pulp and Sawn Timber Industry	1,996.5	1,976.3
Paperboard Industry	2,076.8	2,124.4
Tissue and Greaseproof Papers	784.1	785.1
Other operations	244.0	212.5
Assets classified as held for sale	32.3	32.3
Eliminations	-260.5	-198.2
Unallocated assets	1,297.8	1,150.0
Total	6,851.3	6,727.0

Assets = intangible and tangible assets, investments in associated companies and joint ventures, inventories, accounts receivables and other non-interest-bearing receivables (excl. interest and tax items).

Liabilities	2020	2019
EUR million	31.12.	31.12.
Wood Supply and Forest Services	217.4	185.4
Wood Products Industry	69.4	51.6
Pulp and Sawn Timber Industry	418.5	361.9
Paperboard Industry	366.5	375.5
Tissue and Greaseproof Papers	294.5	287.3
Other operations	134.6	106.4
Liabilities classified as held for sale	17.7	14.9
Eliminations	-260.5	-198.2
Unallocated assets	1,678.9	1,767.0
Total	2,937.1	2,951.7

Liabilities = accounts payable, advance payments and other non-interest-bearing liabilities (excl. interest and tax items)

NOTE 3 – SALES BY MARKET AREA

EUR million	2020	2019
	1–12	1–12
EMEA	3,585.0	3,995.4
APAC	969.6	1,031.0
Americas	500.3	447.1
Total	5,054.9	5,473.4

NOTE 4 – INCOME TAX

Tax expense in the income statement is comprised of the current tax and deferred taxes.

EUR million	2020	2019
	1–12	1–12
Taxes for the period	64.9	61.4
Taxes for previous periods	0.1	1.4
Change in deferred taxes	2.9	14.1
Total income taxes	67.9	76.8

NOTE 5 – CHANGE IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2020	2019
	1–12	1–12
Book value at beginning of period	2,817.0	2,847.6
IFRS 16 change in accounting principles 1.1.2019		75.7
Acquired businesses	0.5	14.9
Investments in owned property, plant and equipment	346.1	208.8
Investments in leased property, plant and equipment	38.0	25.8
Decreases	-5.4	-3.5
Assets classified as held for sale	0.0	-31.4
Depreciation and impairment losses	-281.2	-314.5
Translation differences and other changes	5.6	-6.3
Book value at end of period	2,920.7	2,817.0

NOTE 6 – PROVISIONS

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2020	2.7	14.0	5.2	21.8
Translation differences	0.0	0.0	-0.3	-0.3
Increases	0.3	0.2	1.5	1.9
Utilised during the year	-1.5	-1.7	-1.5	-4.8
Unused amounts reversed	-0.1	-0.1		-0.1
Transfers between provision categories	-1.0	1.0		0.0
At 31 December 2020	0.3	13.4	4.8	18.6
Long term provisions				15.8
Short term provisions				2.8
Total				18.6

Restructuring provisions are mainly short-term. Environmental and other provisions are expected to be largely reversed by 2030.

NOTE 7 – RELATED PARTY TRANSACTIONS

Associated companies and joint ventures constituting the Group's related parties and, until 31 December 2019, Metsäliitto Employees' Pension Foundation. Related parties also include the members of the Board of Directors and Executive Management Team as well as their close family members. Related party transactions with related parties are based on market prices.

Transactions with associated companies and joint ventures

EUR million	2020 1–12	2019 1–12
Sales	16.5	12.4
Purchases	109.8	108.0
Current receivables and other receivables	3.0	4.1
Current liabilities and other liabilities	10.0	11.7

Metsäliitto Employees' Pension Foundation was a separate legal unit, which granted to some employees supplementary defined-benefit pension security and managed the foundation's assets. The insurance operations of Metsäliitto Employees' Pension Foundation was transferred to OP Life Assurance Company Ltd. on 31 December 2019

NOTE 8 – NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Adjustments to the result for the financial period

EUR million	2020 1–12	2019 1–12
Taxes	67.9	76.8
Depreciation and impairment charges	303.5	415.5
Biological assets	-0.3	0.1
Share of results from associated companies	-3.1	-3.3
Gains and losses on sale of non-current financial assets	-12.8	-24.4
Financial costs, net	48.8	61.9
Pension liabilities and provisions	-5.1	-4.9
Other adjustments	6.4	10.1
Total	405.2	531.8

Disposals and other items

Disposals and other items in January–December 2020 include an item of EUR -3.4 million related to divestment of Metsä Tissue's napkin business, sales of intangible and tangible assets of EUR 16.0 million and other items of EUR -0.8 million. The most significant item was Metsä Board's EUR 7.1 million sale of non-business related land area and EUR 6.2 million sale of Metsä Board's emission allowances.

Change in non-controlling interest

In January-March 2020, Metsäliitto Cooperative acquired from the market, based on an authorization by the Board of Directors, series B shares in Metsä Board corporation to the value of EUR 50.4 million, respectively, at an average price of EUR 5.03 per share.

NOTE 9 – FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities and fair values.

Financial assets 31.12.2020

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Other non-current investments	0.0	205.5		205.5
Other non-current financial assets	0.0		17.7	17.7
Accounts receivables and others	0.0		680.4	680.4
Cash and cash equivalents	246.8		966.1	1,212.9
Derivative financial instruments	2.4	56.3		58.7
Assets classified as held for sale			0.4	0.4
Total	249.3	261.8	1,664.5	2,175.6
Fair value total	249.3	261.8	1,664.5	2,175.6

Financial liabilities 31.12.2020

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Non-current interest-bearing liabilities			1,098.3	1,098.3
Other non-current liabilities			0.8	0.8
Accounts payable and others			272.9	272.9
Cash and cash equivalents			1,001.7	1,001.7
Derivative financial instruments	1.7	40.0		41.7
Liabilities classified as held for sale			17.5	17.5
Total	1.7	40.0	2,391.3	2,433.0
Fair value total	1.7	40.0	2,427.0	2,468.7

Financial assets 31.12.2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Other non-current investments	6.7	264.4		271.1
Other non-current financial assets			20.5	20.5
Accounts receivables and others	0.2		720.5	720.6
Cash and cash equivalents	167.7		922.4	1,090.0
Derivative financial instruments	2.6	28.1		30.7
Assets classified as held for sale			0.4	0.4
Total	177.1	292.5	1,663.8	2,133.4
Fair value total	177.1	292.5	1,663.8	2,133.4

Financial liabilities 31.12.2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Non-current interest-bearing liabilities			1,142.7	1,142.7
Other non-current liabilities			0.8	0.8
Current interest-bearing liabilities			312.3	312.3
Accounts payable and others			938.5	938.5
Derivative financial instruments	1.4	36.3		37.7
Liabilities classified as held for sale			14.7	14.7
Total	1.4	36.3	2,408.9	2,446.6
Fair value total	1.4	36.3	2,440.4	2,478.1

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 Group, 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 0.0 - 6.0% (0.0 - 6.0). The fair values of accounts and other non-interest bearing 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 31 December, 2020

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other non-current investments	0.0		205.5	205.5
Current financial assets through profit and loss at fair value	246.8	0.0		246.8
Derivative financial assets	2.8	55.9		58.7
Financial liabilities measured at fair value				
Derivative financial liabilities	0.5	41.2		41.7
Financial assets not measured at fair value				
Financial assets		966.1		966.1
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1,133.5		1,133.5
Current interest-bearing liabilities		273.4		273.4

Fair value hierarchy of financial assets and liabilities 31 December, 2019

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other non-current investments	0.0		271.1	271.1
Current financial assets through profit and loss at fair value	167.7	0.2		167.8
Derivative financial assets	9.7	21.0		30.7
Financial liabilities measured at fair value				
Derivative financial liabilities	2.3	35.3		37.7
Financial assets not measured at fair value				
Financial assets		922.4		922.4
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1,188.0		1,188.0
Current interest-bearing liabilities		313.1		313.1

Financial assets measured at fair value based on level 3

EUR million	2020 1–12	2019 1–12
Opening balance	271.1	285.1
Gains and losses in income statement	-0.2	3.2
Gains and losses in other comprehensive income	-68.1	-13.5
Acquisitions	3.0	
Settlements	-0.3	-3.8
Closing balance	205.5	271.0

Fair value of financial assets and liabilities 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 based on inputs observable for the asset either directly or indirectly.

Level 3: Fair value is based on company estimates and not on market data.

The fair values of electric power, natural gas, propane, gas and oil derivatives are measured on the basis of publicly quoted market prices (Level 1). The fair values of currency forwards and options are determined on the basis of market prices at the closing date of the reporting period. The fair values of interest rate swaps are measured applying a method based on the present value of future cash flows, supported by market interest

rates at the closing date of the reporting period and other market inputs (Level 2). The fair value of financial instruments not traded in an active market is determined using various measurement methods. Discretion is used in choosing the methods and making assumptions based primarily on the market conditions prevailing at the closing date of the reporting period (Level 3).

The accounting policies applied in preparing the financial statements include a more detailed description of the recognition and measurement principles applied.

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 the investment is measured as the current value of discounted cash flows. Key factors affecting the current value include the price of electricity, inflation expectations and the discount rate. The energy prices for the

first six years are rolling 12-month averages of electricity futures prices. The prices for subsequent years are based on a long-term market price forecast. The greater-than-usual change in the fair value was mainly attributable to changes made to the valuation model during the second quarter. Metsä Group discontinued the use of previous benchmark transactions in Pohjolan Voima Oyj's shares as a valuation basis and increased the discount rates used in the valuation model based on projected cash flows to reflect the prevailing circumstances.

In November 2020, Metsä Group participated in Pohjolan Voima Oyj's shareholder loan with EUR 3 million, corresponding to its holding, to finance the conclusion of the Olkiluoto 3 power plant project. The loan will retain Metsä Group's portion of the OL3 electricity at its current level. The unsecured loan does not have a maturity date, its repayment and interest payments depend on a decision of the debtor company's Board of Directors, and the loan capital can be converted into 54,427 new B2-series shares of Pohjolan Voima Oyj. The loan capital is payable in the event of bankruptcy only with a

priority lesser than all other creditors. The shareholder loan is treated in Metsä Group's financial statements as an equity investment in Pohjolan Voima Oyj and recognised, in the same manner as shareholdings, at fair value through other items of comprehensive income

The average weighed capital cost applied in the calculation was 2.87% on 31 December 2020 (31 December 2019: 1.37), and 3.87% (2.37) for the Olkiluoto 3 power plant under construction. The acquisition cost of the Pohjolan Voima Oy shares on 31/12/2020 is EUR 45.0 million (42.0) and their fair value is EUR 199.4 million (264.4).

The carrying amount of other long-term investments on 31/12/2020 is estimated to change by EUR -10.4 million, and by EUR 11.5 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 amount of other long-term investments is estimated to change by EUR 96.5 million should the energy prices applied in the fair value calculation differ by 10 percentage points from the rate estimated by the management.

Derivatives 31 December 2020

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	487.6		22.7	-22.7	0.0	-22.7
Total	487.6	0.0	22.7	-22.7	0.0	-22.7
Currency forwards	2,464.8	53.9	18.5	35.5	0.8	34.7
Currency options	0.0	0.0	0.0	0.0	0.0	0.0
Total	2,464.8	53.9	18.5	35.5	0.8	34.7
Electricity derivatives	12.1	0.6	0.4	0.2		0.2
Oil derivatives	12.3	1.3	0.1	1.2		1.2
Commodity derivatives	10.9	2.9	0.0	2.8		2.8
Total	35.3	4.8	0.5	4.3	0.0	4.3
Derivatives total	2,987.7	58.7	41.7	17.0	0.7	16.3

Derivatives 31 December 2019

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	531.7		20.8	-20.8	-0.1	-20.7
Total	531.7	0.0	20.8	-20.8	-0.1	-20.7
Currency forwards	2,371.8	20.3	13.4	7.0	1.3	5.6
Currency options	801.7	0.6	0.2	0.4	0.0	0.4
Total	3,173.5	21.0	13.6	7.4	1.3	6.0
Electricity derivatives	21.0	9.1	1.4	7.7		7.7
Oil derivatives	7.6	0.5	0.5	0.0		0.0
Commodity derivatives	11.4	0.1	1.4	-1.2		-1.2
Total	40.0	9.7	3.3	6.4		6.4
Derivatives total	3,745.3	30.7	37.7	-7.0	1.2	-8.2

NOTE 10 – COMMITMENTS AND CONTINGENCIES

EUR million	31.12.2020	31.12.2019
Own liabilities for which commitments granted	29.5	54.7
Pledges granted	0.0	88.1
Floating charges	3.0	2.8
Real estate mortgages	227.9	267.0
Chattels mortgage	0.0	0.0
Commitments for own liabilities, total	230.9	357.9
Leases not yet commenced to which Metsä Group is committed	0.0	16.0
Other commitments on own behalf	7.7	27.2
On behalf of associated companies	0.4	0.5
On behalf of others	0.0	0.0
Total	239.0	401.6

Securities and guarantees include pledges, floating charges, real estate mortgages, chattels mortgage and guarantee liabilities.

COMMITMENTS RELATED TO PROPERTY, PLANT AND EQUIPMENT

EUR million	31.12.2020	31.12.2019
Payments due under 1 year	123.3	67.3
Payments due in subsequent years	42.0	-
Total	165.2	67.3