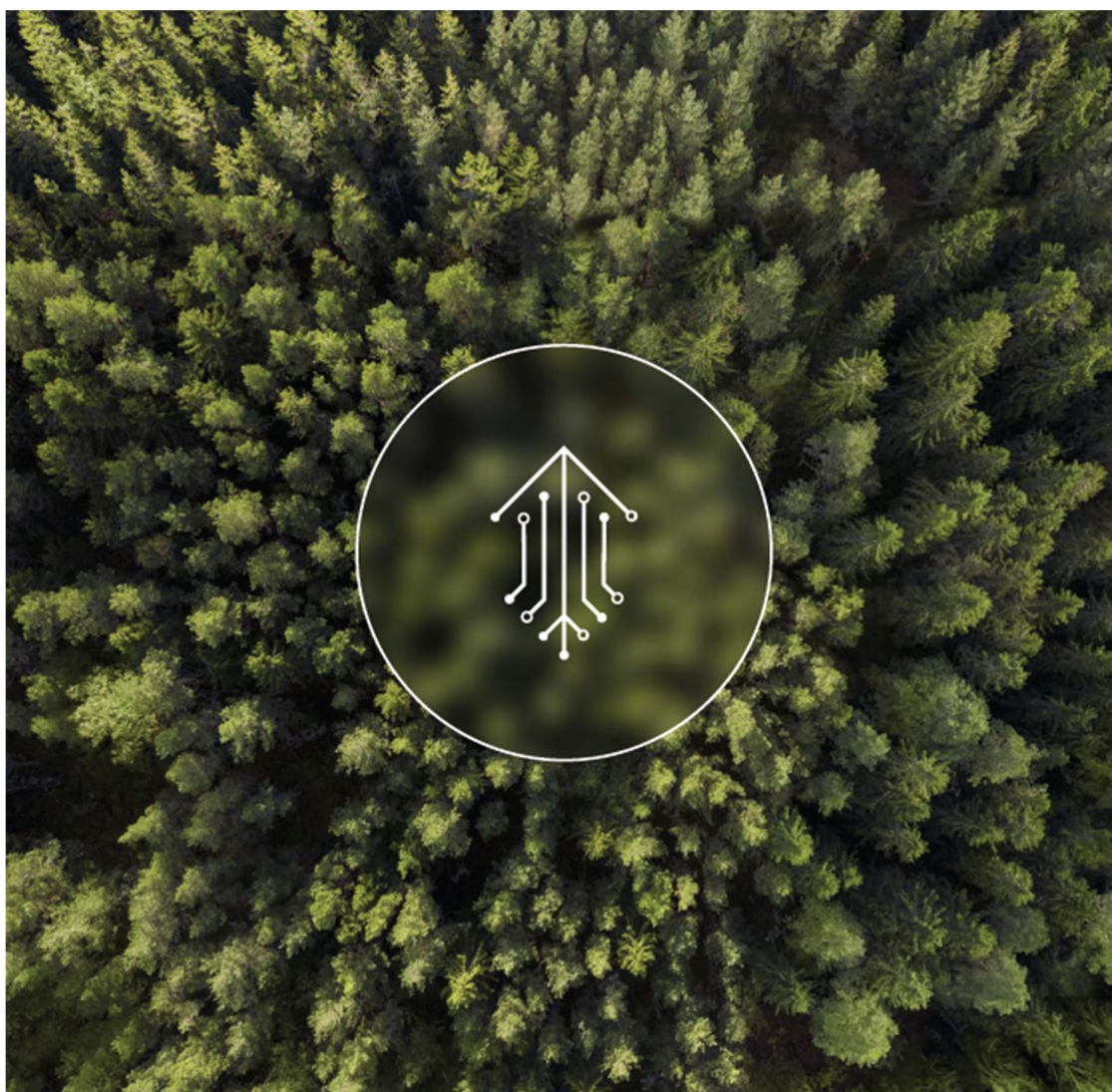


METSÄ GROUP

INTERIM REPORT

JANUARY–MARCH 2021



METSÄ GROUP'S COMPARABLE OPERATING RESULT IN JANUARY–MARCH 2021 WAS EUR 174 MILLION

JANUARY–MARCH 2021 (1–3/2020)

- Sales were EUR 1,400 million (1,253).
- Operating result was EUR 136 million (61). Comparable operating result was EUR 174 million (62).
- Result before taxes was EUR 121 million (46). Comparable result before taxes was EUR 160 million (48).
- Comparable return on capital employed was 12.6% (4.9).
- Net cash flow from operations was EUR 95 million (36).

EVENTS DURING THE FIRST QUARTER OF 2021

- The dollar-denominated average market prices of long-fibre and short-fibre pulp increased compared to the previous quarter.
- The delivery volumes of paperboards were record high and demand remained strong.
- Metsä Fibre made an investment decision on the construction of Kemi's new bioproduct mill. The investment's value is approximately EUR 1.6 billion.
- Metsä Board initiated pre-engineering related to an increase of Husum mill's annual folding boxboard production capacity by approximately 200,000 tonnes.
- Metsä Board sold a 30% share of the Husum pulp mill to Norra Skog.
- Metsä Group kicked off a EUR 150 million project to renew its ERP system.
- Metsä Spring launched the textile fibre brand Kuura.

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 combating 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, barring a few exceptions.

EVENTS AFTER THE REVIEW PERIOD

Sari Pajari-Sederholm was appointed Metsä Group's EVP, Strategy as of 1 May 2021.

RESULT GUIDANCE FOR APRIL–JUNE 2021

Metsä Group's comparable operating result is in April–June 2021 expected to improve from January–March 2021.

President and CEO Ilkka Hämmälä:

As expected, Metsä Group's result in the first quarter of 2021 was stronger than that of the previous quarter.

The rise in pulp prices which began in Chinese markets in late 2020 continued throughout the first quarter and was exceptionally strong. Europe's market prices began to increase in Asia's footsteps. The market situation in the paperboard business, which remained good throughout 2020, grew even stronger, and prices were on the rise both in folding boxboard and linerboards.

Construction in Europe picked up, driving demand in the mechanical forest industry, while the level of activity in the construction industry in the United States reflected globally on the demand for construction materials. Demand among professional customers in the tissue paper business was not on a normal level, given the low level of activity in the restaurant and travel sectors and due to widespread remote working. Household purchases were likewise down compared to the previous year, due to which tissue paper production did not run at full capacity.

The pandemic did not show signs of easing in the countries in which we operate during the first quarter. Protective measures were continued, and the remote working model was in wide use. Regular mass testing was carried out at our locations with the aim of locating possible asymptomatic carriers of the virus. Special attention was paid to health security on the sites of our large-scale investments and to preventing any possible spread of the virus to the surrounding communities.

A decision on the Kemi bioproduct mill investment was made in February. It is Europe's biggest forest industry investment of all time and a sign of Metsä Group's strong confidence in the forest industry's responsible development. The investment in modernising the recovery boiler and turbine generator of the Husum pulp mill is proceeding according to schedule, now that the environmental permit has been secured. The Rauma sawmill project has progressed to the equipment installation phase. Main events in the projects of our innovation company Metsä Spring included the launch of the new textile brand Kuura during Japan fashion week and the construction work of the demo plant for 3D fibre packaging reaching the topping-out phase.

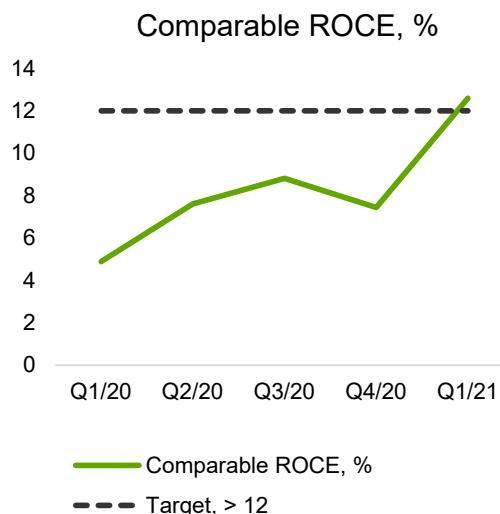
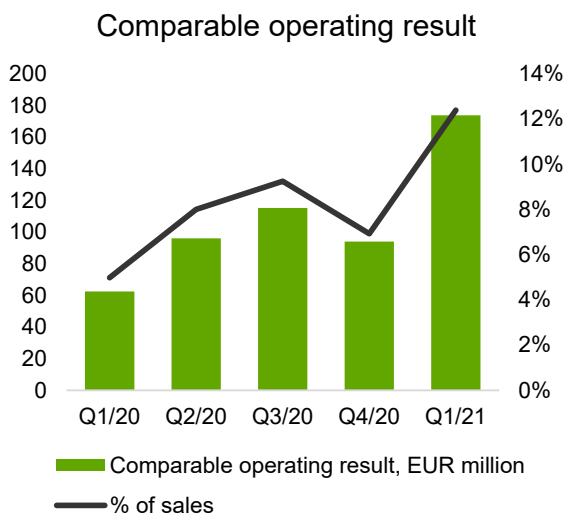
Forests and the use of forests are a topic of active discussion and subject to legislative work both in Finland and the EU in general. The objectives cover both the

mitigation of climate change and safeguarding biodiversity. At the same time, consumers' daily needs require an increasing amount of products made from renewable raw materials to execute the transition from the fossil economy to the circular economy of renewable materials.

We at Metsä Group believe that all these objectives can be promoted side by side. This requires the consideration of the overall impact of different sectors and the identification of the real economy's opportunities and need.

KEY FIGURES

	2021	2020	2020
	1-3	1-3	1-12
Sales, EUR million	1,399.6	1,253.0	5,054.9
EBITDA, EUR million	253.8	141.5	679.3
Comparable, EUR million	253.8	142.8	670.9
% of sales	18.1	11.4	13.3
Operating result, EUR million	135.8	61.1	375.8
Comparable, EUR million	173.9	62.4	367.7
% of sales	12.4	5.0	7.3
Result before income tax, EUR million	121.4	46.2	330.1
Comparable, EUR million	159.6	47.5	322.0
Result for the period, EUR million	98.0	35.1	262.2
Return on capital employed, %	9.8	4.8	7.2
Comparable, %	12.6	4.9	7.1
Return on equity, %	9.7	3.8	6.8
Comparable, %	12.7	3.9	6.6
Equity ratio, %	57.6	56.2	57.2
Net gearing ratio, %	-1.6	12.1	4.3
Interest-bearing net liabilities, EUR million	-67.5	448.8	167.7
Total investments, EUR million	173.6	61.8	400.5
Net cash flow from operations, EUR million	94.9	35.7	667.4
Personnel at the end of the period	9,412	9,154	9,213



Sales and Operating result 1–3/2021, EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paperboard Industry	Tissue and Greaseproof Papers
Sales	516.5	140.7	561.1	493.7	223.6
Other operating income	1.1	0.2	3.2	2.2	1.7
Operating expenses	-506.6	-128.8	-457.1	-390.3	-198.3
Depreciation and impairment losses	-2.6	-5.1	-69.6	-23.6	-10.6
Operating result	8.4	7.0	37.6	82.0	16.4
Items affecting comparability	0.0	0.0	34.5	6.9	0.0
Comparable operating result	8.4	7.0	72.1	88.8	16.4
% of sales	1.6	5.0	12.8	18.0	7.4

INTERIM REPORT 1 JANUARY – 31 MARCH 2021

SALES AND RESULT

Metsä Group's sales in January–March 2021 were EUR 1,399.6 million (1–3/2020: 1,253.0). Sales increased due to the higher sales prices of pulp compared with the previous year, among other factors.

The comparable operating result was EUR 173.9 million (62.4), or 12.4% (5.0) of sales. The increase in the operating result is explained by the rise in the sales prices of pulp, for example. The comparable operating result of the comparison period, January–March 2020, was weakened by the strikes in Finland, which had a negative impact of roughly EUR 50 million.

Exchange rate fluctuations after hedging had a negative effect of approximately EUR 20 million on the operating

result of the review period compared to the previous year.

Items affecting the comparability of the operating result in January–March totalled EUR 38.2 million (-1.3). The items related to the impairments of the existing Kemi pulp mill.

Metsä Group's operating result (IFRS) was EUR 135.8 million (61.1). The share of the results of associated companies and joint ventures was EUR -2.7 million (0.5), financial income was EUR 0.1 million (0.8), exchange rate differences in financing were EUR -0.3 million (-0.3), and financial expenses totalled EUR 11.5 million (15.8).

The result before taxes was EUR 121.4 million (46.2), and taxes including changes in deferred tax liabilities

totalled EUR 23.4 million (11.1). The Group's effective tax rate was 19.2% (23.9). The result for the review period was EUR 98.0 million (35.1).

The return on capital employed was 9.8% (4.8), and the return on equity was 9.7% (3.8). The comparable return on capital employed was 12.6% (4.9), and the comparable return on equity was 12.7% (3.9).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity has remained strong. Total liquidity at the end of March was EUR 3,240.7 million (31 December 2020: 2,004.7). This consisted of EUR 1,448.9 million (1,212.9) in liquid assets and investments, and EUR 1,791.8 million (791.8) 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 2020: 161.5) and by undrawn pension premium (TyEL) funds in the amount of EUR 356.9 million (31 December 2020: 356.9).

The EUR 1,000 million debt financing of Metsä Fibre's Kemi investment is composed of a EUR 500 million 10-year loan of which 80% is guaranteed by Finnvera; a EUR 200 million 10-year loan of which 95% is guaranteed by the Swedish Export Credit Agency EKN; a EUR 200 million 15-year loan granted by the EIB; and a EUR 100 million five-year green loan agreed on with eight banks.

Net cash flow from operations was EUR 94.9 million (35.7). A total of EUR 144.4 million in working capital was tied up (93.7). The addition of EUR 156.6 million in trade and other receivables as well as the addition of EUR 53.1 million in inventories increased working capital. The addition of EUR 65.3 million in trade payables and other liabilities decreased working capital.

The Group's equity ratio at the end of March was 57.6% and net gearing was -2% (31 December 2020: 57.2 and 4, respectively). Net interest-bearing liabilities were EUR -68 million (31 December 2020: 168).

At the end of March, the equity ratio of the parent company Metsäliitto Cooperative was 88.8%, and its net gearing was -24% (31 December 2020: 88.9 and -23, respectively).

In January–March, Metsäliitto Cooperative's members' capital increased by a total of EUR 37.3 million (31.8). The value of participation shares grew by EUR 1.9 million (4.1), that of the additional shares A by EUR 33.6 million (24.9), and that of the additional shares B by EUR 1.8 million (2.9).

PERSONNEL

In January–March, Metsä Group had an average of 9,367 employees (9,179). Personnel expenses were EUR 167.8 million (145.5). At the end of March, the Group employed 9,412 people (31 December 2020:

9,213), of whom 5,201 (5,055) were based in Finland and 4,211 (4,158) abroad. The parent company Metsäliitto Cooperative employed 2,035 people at the end of March (31 December 2020: 1,973).

MEMBERS

At the end of March, Metsäliitto Cooperative had 95,623 members (31 December 2020: 95,449). During January–March, 925 new members joined the Cooperative, and 751 members cancelled their membership. At the end of March, the forest area owned by the members totalled 5.292 million hectares (31 December 2020: 5.257).

INVESTMENTS

Metsä Group's investments in January–March totalled EUR 173.6 million (61.8), of which investments in owned property, plant and equipment were EUR 170.7 million (52.7) and investments in leased property, plant and equipment were EUR 2.9 million (9.1).

In 2019, Metsä Board announced that it would begin the modernisation of the Husum pulp mill in phases. The cost estimate of the first phase, consisting of the modernisation of the recovery boiler and turbine, has been increased from EUR 320 million to EUR 360 million. The scope of the project's planning has grown, and the final investment decision was delayed due to a drawing out 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. According to estimates, the new recovery boiler and turbine will 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 modernisation project will enable the long-term development and growth of competitive paperboard business 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.

During the review period, Metsä Board initiated the development programme of its Kemi paperboard mill, which produces white kraftliner. The programme's investment cost is approximately EUR 67 million, and the mill's annual production capacity will increase by around 40,000 tonnes. The programme includes modernisation and bottleneck investments in the linerboard 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 a year. The investments will take place in 2021–2023, with an emphasis on 2023. The development programme represents a significant step towards the 2030 sustainability targets set by the company.

The construction work of Metsä Fibre's new pine sawmill in Rauma began in May 2020 and the sawmill's foundation stone was laid in the sawline's foundations in March 2021. The sawmill's planning and construction have progressed according to schedule, and production is set to begin during the third quarter of 2022. The value of the investment is approximately EUR 200 million, and the new unit's annual production capacity is approximately 750,000 cubic metres of pine sawn timber. Its annual use of logs sourced in Finland will amount to 1.5 million cubic metres. The new sawn timber production will be sold primarily to Europe and Asia.

In February, Metsä Fibre made the final investment decision on the construction of the Kemi bioproduct mill. The investment's value is approximately EUR 1.6 billion, and it is the biggest investment of all time made by the Finnish forest industry in Finland. The construction phase will take roughly two and a half years, and the mill should be completed during the third quarter of 2023. The mill will use approximately 7.6 million cubic metres of pulpwood a year, which is 4.5 million cubic metres more than the existing pulp mill in Kemi. The plan is for a majority of the wood raw material to be sourced from Finland. The Kemi bioproduct mill will produce some 1.5 million tonnes of softwood and hardwood pulp a year as well as numerous other bioproducts. The new mill will replace Kemi's existing mill, which has reached the end of its lifecycle. An impairment of approximately EUR 38 million was recognised in the assets of the existing pulp mill in Kemi as an item affecting comparability during the first quarter of 2021.

In May 2020, Metsä Tissue filed an environmental permit application with the Vänersborg Land and Environment Court pertaining to an increase of the production of fresh fibre-based tissue papers at the Mariestad mill in Sweden. The expansion would double the annual tissue paper production capacity from the current 70,000 tonnes to 145,000 tonnes. In early 2021, the company entered into an agreement on the engineering services of the mill's expansion with the Austrian BHM Engineering. The Mariestad investment project is progressing as planned, even though the environmental permit has been delayed. The company expects to obtain the environmental permit during the first quarter of 2022, after which the project's feasibility can be assessed and a possible investment decisions made.

In January 2021, Metsä Tissue announced its intention to modernise one of the the tissue paper machines at its Mänttä mill as an investment in fresh fibre-based tissue papers aimed at the local markets. The modernisation will improve the mill's energy and production efficiency considerably, and increase its production capacity. In addition, the modernisation will allow product quality to be developed, particularly along the lines of the expectations of consumer customers.

RISKS AND UNCERTAINTIES

The uncertainty in the world economy and the Group's operating environment caused by the coronavirus pandemic continues. Signs of development in a better direction have nevertheless been detectable in the global situation early this year. The plans of different countries on lifting and easing restrictions and lockdowns and opening economies, and the rapid progress of vaccinations in many countries have improved the growth expectations of consumers and businesses. On the other hand, the large-scale expansionary fiscal policy measures of central banks and the positive economic impact of the evolution of the pandemic situation may lead to an overheating of the economy. The unwinding of the situation may have rapid weakening effects on the world economy and thereby on the demand for the Group's products and profitability.

Any drawing out of the pandemic could also cause disruptions in the Group's business operations and threaten their continuity. In addition, customers' weaker cash position or slower payment behaviour could have an impact on Metsä Group's cash flow and lead to credit losses. The pandemic's long-term effects on the world economy and the Group's business will only become visible over a longer period of time.

The Group's resource situation and business operations have remained almost normal during the pandemic. The Group continues to monitor changes in the number of infections, restrictions imposed by the authorities and employees' absences. The Group is also reviewing the pandemic's business impact and business continuity, and carrying out measures aiming to ensure the progress of development investments. Should employees' absence rates during the continued pandemic reach a high level, they could affect the continuity of production and other operations.

The pandemic's impact on the Group's sourcing operations and logistics has not been significant so far. The availability of raw materials continues to be on a relatively good level, but a scarcity of raw materials and an increase in demand will change the market situation and raise prices. The Group's container shipments have experienced extensive delays due to the weaker availability of containers and slower port operations. The recent suspension of traffic in the Suez Canal is also expected to have a delayed effect on container traffic and possibly delivery times as well.

Besides the coronavirus pandemic, the world economy in 2021 will be impacted by the continuing tensions and trade war between the United States and China, tensions in the internal affairs of the United States, and by any changes to the accommodative monetary policies of central banks and the return of the Chinese economy's growth forecasts to pre-pandemic levels. 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 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.

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.

When the work allows it, Metsä Group's employees work remotely, in accordance with authorities' recommendations. 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 thorough hand washing, staying at home when exhibiting any symptoms, 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 of the investment projects and of the locations in areas where the virus is spreading are tested regularly. All external employees are tested before the work at the mills 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.

Metsä Group's resources have remained normal throughout the coronavirus pandemic. Our production and deliveries have also run normally, barring a few exceptions.

NEAR-TERM OUTLOOK

The demand for wood focuses on stands to be harvested when the ground is unfrozen. Both crown wood and energy wood trunks are purchased as energy wood. The demand for forest management services remains good.

Demand is expected to remain very good in all of Metsä Wood's product categories across all of the main markets. The demand outlook of Kerto® LVL products is expected to remain strong in all of the main markets, in line with the robust construction activities. Demand in the main markets for spruce plywood is expected to remain very good due to the limited availability of substitute products. Demand for birch plywood and for the products manufactured in the UK production units is expected to remain strong over the next few months.

The annual maintenance shutdown of Metsä Fibre's Rauma pulp mill will take place during the second quarter. Pulp producers' maintenance shutdowns during the spring will translate into a seasonal decline in the supply of pulp. The demand for softwood pulp is expected to remain high in relation to the supply. The market for sawn timber is expected to remain strong across all of the main markets, partly even exceeding supply.

Metsä Board's paperboard delivery volumes in April–June 2021 are expected to grow from the first quarter (491,000 tonnes). The prices of folding boxboard and white kraftliners in local currencies are expected to rise. Compared to the first quarter, more scheduled maintenance shutdowns will take place during the second quarter.

Uncertainty about the impact of the pandemic on the short-term demand will continue to remain great in the countries in which Metsä Tissue operates. Demand for tissue papers is expected to increase once the restrictions resulting from the pandemic can be eased. Demand for greaseproof papers is expected to continue to grow slightly. To ensure profitability, Metsä Tissue is responding to a rise in the costs of raw materials and other costs through the active steering of its pricing.

Most significant scheduled 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	Metsä Fibre's pulp mill and Metsä Board's paperboard mill in Kemi
Q4/2021	Metsä Fibre's Äänekoski bioproduct mill Metsä Board's Husum mills and Kyro paperboard mill

EVENTS AFTER THE REVIEW PERIOD

Sari Pajari-Sederholm was appointed Metsä Group's EVP, Strategy as of 1 May 2021. She has worked within Metsä Group since 2007 e.g. as the Metsä Group's CIO and in various management positions in the paperboard business, Metsä Board. Pajari-Sederholm moves to her new role from the position of Metsä Board's SVP, Sales and Marketing.

In her new position Pajari-Sederholm is responsible for the planning, preparation and implementation support of Metsä Group's strategy, as well as various business development programmes.

RESULT GUIDANCE FOR APRIL–JUNE 2021

Metsä Group's comparable operating result is in April–June 2021 expected to improve from January–March 2021.

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

Metsäliitto Cooperative's Board of Directors proposes to the Representative Council set to convene on 28 April 2021 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).

Espoo, 28 April 2021

BOARD OF DIRECTORS**Further information:**

Vesa-Pekka Takala, EVP, CFO Metsä Group, tel. +358 10 465 4260

Juha Laine, Senior Vice President, Communications, Metsä Group, tel. +358 10 465 4541

Metsä Group will publish the following financial reports in 2021:

Half-Year Financial Report for January–June 2021

28 July 2021

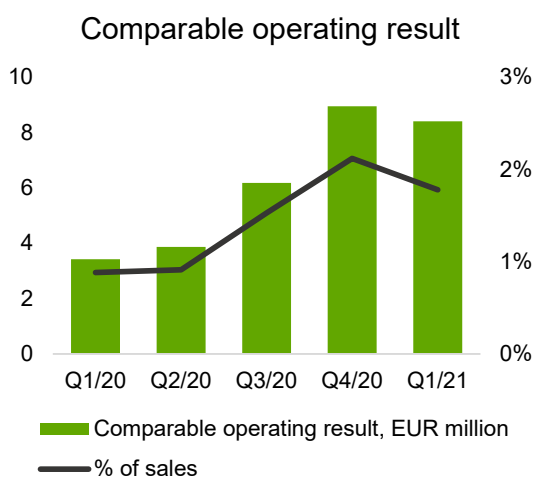
Interim Report for January–September 2021

27 October 2021

BUSINESS AREAS

Wood Supply and Forest Services

	2021	2020	2020
Wood Supply and Forest Services	1–3	1–3	1–12
Sales, EUR million	516.5	430.6	1,819.9
EBITDA, EUR million	11.0	5.8	32.6
Comparable EBITDA, EUR million	11.0	5.8	32.6
Operating result, EUR million	8.4	3.4	22.4
Comparable operating result, EUR million	8.4	3.4	22.4
% of sales	1.6	0.8	1.2
Comparable ROCE, %	19.9	8.5	12.8
Total investments, EUR million	1.5	7.6	16.9
Personnel at end of period	834	840	842
Wood deliveries, 1,000 m ³	9,565	7,935	32,737



The sales of Wood Supply and Forest Services, i.e. from Metsä Forest, in January–March totalled EUR 516.5 million (1–3/2020: 430.6), and the comparable operating result was EUR 8.4 million (3.4).

In Finland, wood trade by private forest owners during the review period was markedly stronger than during the corresponding period the year before. The price of logs was on a clearly higher level than in the previous year, and also the price of pulpwood rose slightly.

Harvesting and transportation conditions were good throughout the review period. Frost heave began to complicate harvesting and transport in the Baltic countries towards the end of the review period. In Russia, demand for log wood was strong and its price was on the rise, but the market situation of pulpwood was stable. In the Baltic countries, the supply and demand of

pulpwood were in balance. In Sweden, the supply of softwood pulp was normal, considering the time of the year.

During the review period, Metsä Forest bought all timber grades through both standing and delivery sales throughout Finland. Metsä Forest's wood purchases clearly exceeded wood purchases in the corresponding period the year before. Demand focused particularly on stands to be harvested when the ground is unfrozen, given that some winter stands were still to be harvested following the previous winter, during which harvesting conditions were poor. The purchasing of energy wood continued to focus on crown wood. The majority of wood in Finland was purchased from members of Metsäliitto Cooperative. The sales of forest services were at good level.

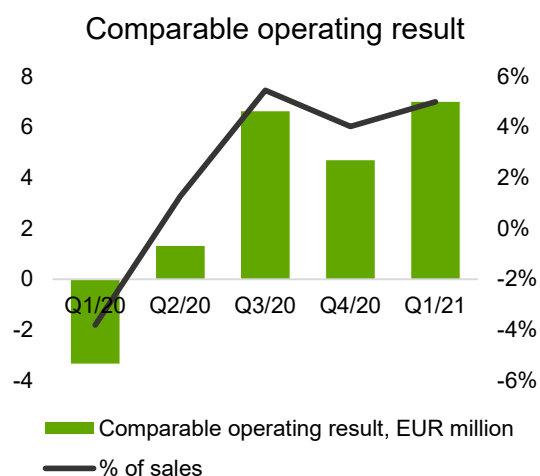
Harvesting and deliveries to customers' production units were carried out according to plan. In January–March 2021, Metsä Forest delivered a total of approximately 9.6 million cubic metres (7.9) of wood to its customers. Around 84% of this amount went to the Finnish industrial sector. Delivery volumes returned to their normal levels. The volumes of the comparison period were impacted by the strikes in Finland and a weak market situation.

The coronavirus pandemic did not have a significant impact on Metsä Forest's business during the review period.

In January–March, 53% of the wood acquired by Metsä Forest from private forest owners was purchased digitally. In the sales of forest management services, the figure was 59%.

Wood Products Industry

	2021	2020	2020
Wood Products Industry	1–3	1–3	1–12
Sales, EUR million	140.7	87.3	429.1
EBITDA, EUR million	12.1	1.6	30.1
Comparable EBITDA, EUR million	12.1	1.6	30.1
Operating result, EUR million	7.0	-3.3	9.3
Comparable operating result, EUR million	7.0	-3.3	9.3
% of sales	5.0	-3.8	2.2
Comparable ROCE, %	8.9	-4.4	3.1
Total investments, EUR million	4.1	4.6	21.7
Personnel at end of period	1,651	1,517	1,551
Engineered wood product deliveries, 1,000 m ³	138	80	446



The sales of the Wood Products Industry, i.e. Metsä Wood, in January–March were EUR 140.7 million (1–3/2020: 87.3), and the comparable operating result was EUR 7.0 million (-3.3).

Metsä Wood's sales improved clearly from the comparison period. The sales of engineered wood products increased by 70%, and the euro-denominated sales of the UK business increased by 57%.

The delivery volumes of engineered wood products increased across all product categories. The sales prices of spruce plywood rose, while the sales prices of Kerto LVL and birch plywood were nearly on the level of the previous year. The delivery volumes of the UK business increased markedly from the previous year.

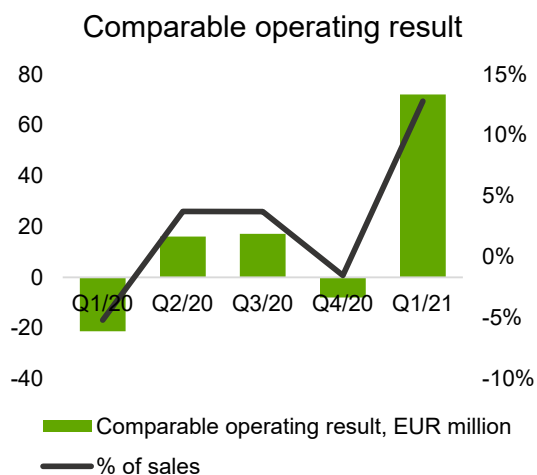
The profitability of business operations improved significantly from the comparison period, thanks to strong demand in all product categories and across the main markets. The profitability of the comparison period was weakened by the labour market action at Finnish mills and the coronavirus pandemic.

Brexit and the free trade agreement between the UK and the EU which took effect as a result did not cause disruptions in the UK business. The coronavirus pandemic did not have a notable impact on production or the supply chain during the review period.

The continuous running time of Kerto LVL mills which began in January has proceeded smoothly, supported by 53 recruitments. In March, total production volumes hit new record-high levels at the Punkaharju Kerto LVL mill and the plywood mill in Pärnu and the veneer mills in Äänekoski.

Pulp and Sawn Timber Industry

	2021	2020	2020
Pulp and Sawn Timber Industry	1–3	1–3	1–12
Sales, EUR million	561.1	411.5	1,826.5
EBITDA, EUR million	107.2	13.2	128.2
Comparable EBITDA, EUR million	107.2	13.2	128.2
Operating result, EUR million	37.6	-21.3	3.9
Comparable operating result, EUR million	72.1	-21.3	3.9
% of sales	12.8	-5.2	0.2
Comparable ROCE, %	16.1	-4.5	0.2
Total investments, EUR million	128.1	14.2	135.2
Personnel at end of period	1,383	1,328	1,331
Pulp deliveries, 1,000 t	787	661	2,796
Sawn timber deliveries, 1,000 m ³	410	301	1,583



The sales of the Pulp and Sawn Timber Industry, i.e. Metsä Fibre, in January–March totalled EUR 561.1 million (1–3/2020: 411.5), and the comparable operating result was EUR 72.1 million (-21.3).

The sales volume of pulp in January–March was 787,000 tonnes, which is 19% higher than in the corresponding period in the previous year. In Europe, the currency-denominated average market prices of long-fibre and short-fibre pulp were approximately 16% and 12% higher, respectively, than in the corresponding period in the previous year. In China, the average market prices of long-fibre pulp were roughly 46% and those of short-fibre pulp roughly 34% higher than in January–March 2020.

The comparable operating result of the comparison period was weakened by the strikes in Finland's chemical and mechanical forest industry. The weakening of the US dollar by about 6% against the euro compared to the corresponding period in the previous year had a negative impact on the operating result.

Global demand for softwood pulp has increased, particularly in China, and its consumption in Europe has also increased. The pulp producers' longer-than-usual scheduled maintenance shutdowns, unplanned production losses and global problems in the availability of containers have tightened the market situation further.

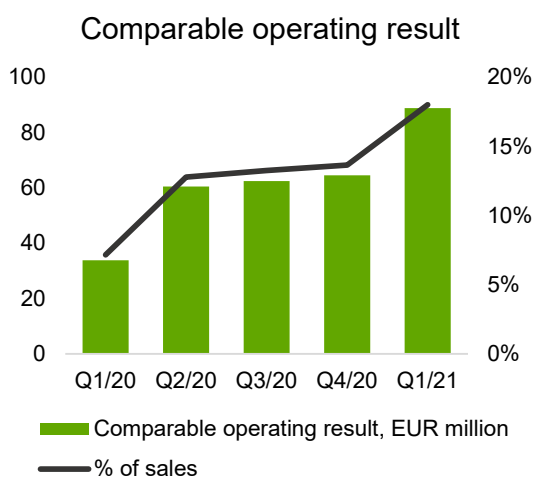
In January, the average price of long-fibre pulp in Europe was USD 902, and at the end of the review period, it was USD 1,018. In January, the average price of short-fibre pulp in Europe was USD 692, and at the end of the review period, it was USD 833. The price difference between long and short-fibre pulp at the beginning of the year was USD 210, but at the end of the quarter, the difference was only USD 185.

Metsä Fibre's delivery volumes of sawn timber were 410,000 cubic metres, which is 36% more than in the corresponding period previous year. Demand for sawn timber in all the main markets has been good, and the average market prices in January–March increased by 21% compared to the corresponding period the year before.

Demand for sawn timber was good in all of the main markets. The global problems in the availability of containers has also constrained the market for sawn timber. Prices increased in all markets compared to the corresponding period the year before.

Paperboard industry

	2021	2020	2020
Paperboard Industry	1–3	1–3	1–12
Sales, EUR million	493.7	472.1	1,889.5
EBITDA, EUR million	105.6	59.3	321.8
Comparable EBITDA, EUR million	112.5	59.3	315.8
Operating result, EUR million	82.0	33.8	227.3
Comparable operating result, EUR million	88.8	33.8	221.2
% of sales	18.0	7.2	11.7
Comparable ROCE, %	18.3	7.6	12.2
Total investments, EUR million	35.0	29.8	166.4
Personnel at end of period	2,390	2,376	2,370
Folding boxboard deliveries, 1,000 t	329	298	1,223
White kraftliner deliveries, 1,000 t	162	152	587
Market pulp deliveries, 1,000 t	116	130	521



The sales of the Paperboard Industry, i.e. Metsä Board, in January–March were EUR 493.7 million (1–3/2020: 472.1). Folding boxboard accounted for 59% (58) of sales, while 25% (26) of sales derived from white kraftliner, 10% (12) from market pulp and 6% (4) from other operations. The comparable operating result was EUR 88.8 million (33.8).

The comparable operating result improved due to the record high delivery volumes of paperboard and a

strong price increase in market pulp. Energy costs during the review period increased, particularly due to the higher price of electricity.

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

Total deliveries of paperboards were 491,000 (450,000) tonnes, 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).

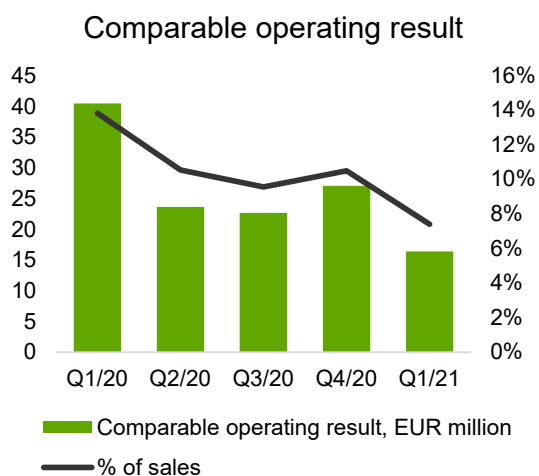
The associated company Metsä Fibre's share of Metsä Board's comparable operating result in January–March was EUR 13.2 million (-4.2).

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.

Metsä Board's 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).

Tissue and Greaseproof Papers

Tissue and Greaseproof Papers	2021	2020	2020
	1–3	1–3	1–12
Sales, EUR million	223.6	292.7	1,011.9
EBITDA, EUR million	27.1	49.8	160.1
Comparable EBITDA, EUR million	27.1	51.2	157.8
Operating result, EUR million	16.4	39.1	115.9
Comparable operating result, EUR million	16.4	40.5	113.8
% of sales	7.4	13.8	11.2
Comparable ROCE, %	11.1	29.6	19.8
Total investments, EUR million	5.5	5.3	53.1
Personnel at end of period	2,513	2,500	2,504
Tissue paper deliveries, 1,000 t	124	158	553



The sales of Tissue and Greaseproof Papers, i.e. Metsä Tissue, in January–March were EUR 223.6 million (1–3/2020: 292.7). Metsä Tissue's comparable operating result was EUR 16.4 million (40.5).

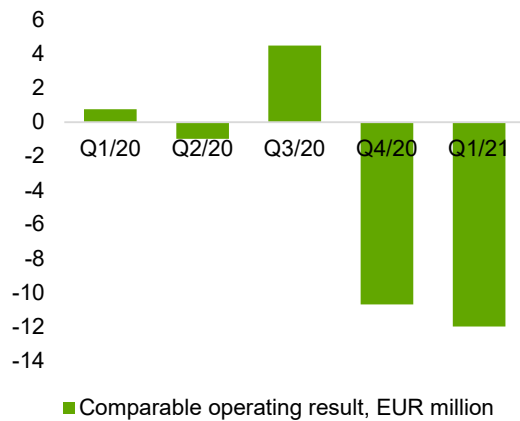
The operating result, which was lower than in the previous year, is largely attributable to considerably lower sales volumes as well as higher costs of raw materials.

A highly exceptional peak in demand attributable to the coronavirus pandemic took place during the first quarter of 2020. Consumer demand during the review period normalised, while demand among professional customers declined due to tighter restrictions on mobility. The decline in demand originates primarily from Central Europe, while sales in Finland and the other Nordic countries have remained stable. Demand for greaseproof papers has remained stable. Measures aiming to curb the pandemic have been further intensified and the pandemic has not had a significant impact on the company's production and delivery capability.

Metsä Tissue's own strong brands play an important role in its strategy. In early 2021, the company launched new marketing concepts for the Lambi, Serla and Tento consumer brands and the updated marketing concept for the Katrin brand, aimed at professionals.

Other operations

	2021	2020	2020
Other operations	1-3	1-3	1-12
Sales, EUR million	2.2	2.6	8.5
EBITDA, EUR million	-6.2	1.4	-1.1
Comparable EBITDA, EUR million	-10.4	2.1	-0.5
Operating result, EUR million	-7.7	0.1	-7.1
Comparable operating result, EUR million	-12.0	0.8	-6.5
Total investments, EUR million	17.5	0.5	7.3
Personnel at end of period	641	592	614

Comparable operating result


The sales of other operations in January–March were EUR 2.2 million (1–3/2020: 2.6), and the comparable operating result was EUR -12.0 million (0.8).

Other operations include the service unit operations of Metsä Group, Metsäliitto Cooperative's holding operations, Metsä Group Treasury Oy and Metsä Spring Oy.

RECONCILIATION OF ITEMS AFFECTING COMPARABILITY
Reconciliation by segment

	2021	2020	2020
EUR million	1-3	1-3	1-12
Operating result (IFRS)	135.8	61.1	375.8
Depreciation and impairment charges	118.0	80.4	303.5
EBITDA	253.8	141.5	679.3
Items affecting comparability:			
Paperboard Industry	6.9		-6.0
Tissue and Greaseproof Papers		1.3	-2.3
Other operations and eliminations	-6.9		
Total	0.0	1.3	-8.4
Comparable EBITDA	253.8	142.8	670.9
Depreciation and impairment charges	-118.0	-80.4	-303.5
Items affecting comparability:			
Depreciations			
Tissue and Greaseproof Papers			0.3
Impairment charges and reversals			
Pulp and sawn timber industry	34.5		
Other operations and eliminations	3.7		
Comparable Operating result	173.9	62.4	367.7
Share of results from associated companies and joint ventures	-2.7	0.5	3.1
Financial costs, net	-11.7	-15.4	-48.8
Items affecting comparability			
Comparable Result before income tax	159.6	47.5	322.0
Income tax	-23.4	-11.0	-67.9
Items affecting comparability:			
Paperboard Industry			1.2
Tissue and Greaseproof Papers			0.2
Pulp and sawn timber industry	-6.9		
Other operations and eliminations	-0.7		
Comparable Result for the period	128.6	36.5	255.5

Reconciliation by expense or income

	2021	2020	2020
EUR million	1-3	1-3	1-12
Operating result (IFRS)	135.8	61.1	375.8
Depreciation and impairment charges	118.0	80.4	303.5
EBITDA	253.8	141.5	679.3
Items affecting comparability:			
Other operating income		-1.4	-11.8
Change in inventories		0.3	0.3
Employee costs		0.1	0.1
Other operating expenses		2.4	3.0
Total	0.0	1.3	-8.4
Comparable EBITDA	253.8	142.8	670.9
Depreciation and impairment charges	-118.0	-80.4	-303.5
Items affecting comparability:			
Depreciations			0.3
Impairment charges	38.2		
Comparable Operating result	173.9	62.4	367.7
Share of results from associated companies and joint ventures	-2.7	0.5	3.1
Financial costs, net	-11.7	-15.4	-48.8
Items affecting comparability			
Comparable Result before income tax	159.6	47.5	322.0
Income tax	-23.4	-11.0	-67.9
Items affecting comparability	-7.6		1.4
Comparable Result for the period	128.6	36.5	255.5

Items with “+” sign = expenses affecting comparability
Items with “-” sign = income affecting comparability

Metsä Group's items affecting comparability in January–March 2021 totalled EUR 30.5 million (-1.3). The items are related to the impairments of Metsä Fibre's existing Kemi pulp mill.

Items affecting comparability in January–March 2020 totalled to EUR -1.3 million (3.3). Items are related to divestment of Metsä Tissue's napkin business.

QUARTERLY DATA

EUR million	2021 1–3	2020 10–12	2020 7–9	2020 4–6	2020 1–3
Sales					
Wood Supply and Forest Services	516.5	469.0	449.5	470.8	430.6
Wood Products Industry	140.7	116.6	121.5	103.6	87.3
Pulp and Sawn Timber Industry	561.1	528.3	458.5	428.1	411.5
Paperboard Industry	493.7	473.1	471.2	473.1	472.1
Tissue and Greaseproof Papers	223.6	257.8	237.2	224.2	292.7
Other operations	2.2	2.0	2.2	1.8	2.6
Internal sales	-538.3	-489.8	-495.2	-502.0	-443.7
Sales	1,399.6	1,357.2	1,245.0	1,199.7	1,253.0
Operating result					
Wood Supply and Forest Services	8.4	8.9	6.2	3.9	3.4
Wood Products Industry	7.0	4.7	6.6	1.3	-3.3
Pulp and Sawn Timber Industry	37.6	-8.0	17.1	16.0	-21.3
Paperboard Industry	82.0	64.5	62.5	66.5	33.8
Tissue and Greaseproof Papers	16.4	29.9	23.3	23.6	39.1
Other operations	-7.7	-10.7	4.5	-1.0	0.1
Eliminations	-8.0	7.5	-4.3	-8.3	9.3
Operating result	135.8	96.8	115.9	102.1	61.1
% of sales	9.7	7.1	9.3	8.5	4.9
Share of results from associated companies and joint ventures	-2.7	3.3	-1.9	1.2	0.5
Exchange gains and losses	-0.3	-1.4	0.4	-1.0	-0.3
Other net financial items	-11.4	-10.4	-11.3	-9.8	-15.1
Result before income tax	121.4	88.3	103.1	92.5	46.2
Income tax	-23.4	-16.1	-22.2	-18.5	-11.1
Result for the period	98.0	72.2	80.9	74.0	35.1
Comparable operating result					
Wood Supply and Forest Services	8.4	8.9	6.2	3.9	3.4
Wood Products Industry	7.0	4.7	6.6	1.3	-3.3
Pulp and Sawn Timber Industry	72.1	-8.0	17.1	16.0	-21.3
Paperboard Industry	88.8	64.5	62.5	60.5	33.8
Tissue and Greaseproof Papers	16.4	27.1	22.7	23.6	40.5
Other operations and eliminations	-18.9	-3.2	0.2	-9.3	9.4
Comparable operating result	173.9	94.0	115.3	96.1	62.4
% of sales	12.4	6.9	9.3	8.0	5.0

CALCULATION OF KEY RATIOS

Return on capital employed (%)	=	(Result before tax + exchange gains/losses and other net financial expenses) per
ROCE		(Balance total – non-interest-bearing liabilities) (average))
Return on equity (%)	=	(Result before tax – income tax) per
ROE		(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
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	2021 1–3	2020 1–3	Muutos	2020 1–12
Sales	2, 3	1,399.6	1,253.0	146.6	5,054.9
Change in stocks of finished goods and work in progress		19.6	-57.5	77.1	-31.1
Other operating income		5.7	6.4	-0.7	57.3
Material and services		-926.8	-825.1	-101.7	-3,440.1
Employee costs		-167.8	-145.5	-22.3	-615.0
Depreciation and impairment losses		-118.0	-80.4	-37.6	-303.5
Other operating expenses		-76.5	-89.8	13.3	-346.7
Operating result	2	135.8	61.1	74.7	375.8
Share of results from associated companies and joint ventures		-2.7	0.5	-3.2	3.1
Exchange gains and losses		-0.3	-0.3	0.1	-2.3
Other net financial items	2	-11.4	-15.1	3.7	-46.5
Result before income tax		121.4	46.2	75.3	330.1
Income tax	4	-23.4	-11.1	-12.3	-67.9
Result for the period		98.0	35.1	62.9	262.2
Other comprehensive income					
Items that will not be reclassified to profit and loss					
Items relating to adjustments of defined benefit plans		13.4	7.9	5.4	-8.9
Fair value of financial assets through other comprehensive income		-7.7	7.0	-14.7	-68.1
Income tax relating to items that will not be reclassified		-1.2	-3.1	1.9	15.6
Total		4.5	11.8	-7.4	-61.4
Items that may be reclassified subsequently to profit and loss					
Cash flow hedges		-50.2	-38.9	-11.3	23.9
Currency translation differences		-6.6	-41.6	35.0	-5.5
Other items					
Income tax relating to items that may be reclassified		10.3	8.0	2.4	-4.6
Total		-46.5	-72.6	26.2	13.7
Other comprehensive income, net of tax		-42.0	-60.8	18.8	-47.7
Total comprehensive income for the period		56.1	-25.7	81.7	214.5
Result for the period attributable to:					
Members of parent company		59.5	27.0	32.6	177.5
Non-controlling interests		38.5	8.2	30.3	84.7
Total		98.0	35.1	62.9	262.2
Total comprehensive income attributable to:					
Members of parent company		41.9	-8.2	50.1	149.1
Non-controlling interests		14.2	-17.4	31.6	65.3
Total		56.1	-25.7	81.7	214.5

The notes are an integral part of this interim report.

UNAUDITED CONSOLIDATED BALANCE SHEET

EUR million	Note	2021 31.3.	2020 31.3.	2020 31.12.
ASSETS				
Non-current assets				
Goodwill		431.7	422.8	434.1
Other intangible assets		219.1	222.9	221.0
Tangible assets	5	2,982.0	2,771.4	2,920.7
Biological assets		3.2	3.0	3.2
Investments in associated companies and joint ventures		66.9	69.8	69.3
Other investments	9	197.8	278.0	205.5
Other non-current financial assets	9	27.5	19.3	17.7
Deferred tax receivables		29.2	25.3	27.1
		3,957.5	3,812.5	3,898.6
Current assets				
Inventories		1,021.2	940.7	965.9
Accounts receivables and other receivables		882.0	791.0	739.1
Tax receivables based on the taxable income for the period		11.9	16.3	2.4
Cash and cash equivalents	9	1,448.9	1,004.8	1,212.9
		3,363.9	2,752.8	2,920.4
Assets classified as held for sale		0.0	32.4	32.3
Total assets		7,321.4	6,597.6	6,851.3
MEMBERS' FUNDS AND LIABILITIES				
Members' funds				
Members' funds		3,226.9	2,918.5	3,091.5
Non-controlling interests		985.6	784.0	822.7
		4,212.5	3,702.5	3,914.2
Non-current liabilities				
Deferred tax liabilities		285.6	289.8	289.9
Post-employment benefit obligations		77.9	70.3	85.5
Provisions	6	15.3	17.5	15.8
Borrowings	9	1,115.1	1,140.5	1,098.3
Other liabilities		23.8	26.2	25.1
		1,517.6	1,544.5	1,514.7
Current liabilities				
Provisions	6	2.9	3.3	2.8
Current borrowings	9	274.4	304.0	272.9
Accounts payable and other liabilities		1,299.0	1,023.3	1,122.7
Tax liabilities based on the taxable income for the period		15.0	5.5	6.3
		1,591.3	1,336.1	1,404.7
Liabilities classified as held for sale		0.0	14.6	17.7
Total liabilities		3,108.9	2,895.1	2,937.1
Total members' funds and liabilities		7,321.4	6,597.6	6,851.3

The notes are an integral part of this interim report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS

EUR million	Equity attributable to members of parent company						
	Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	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				27.0	27.0	8.2	35.1
Other comprehensive income, net after tax		-29.8	-10.7	5.3	-35.2	-25.6	-60.8
Total comprehensive income		-29.8	-10.7	32.2	-8.2	-17.4	-25.7
Transactions with owners:							
Dividends paid				2.3	2.3	-21.9	-19.6
Change in members' capital	31.8		0.0	-3.4	28.4		28.4
Change in the reserve for invested unrestricted equity							
Share based payments			0.0	-7.2	-7.2	-1.1	-8.4
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 31.3.2020	1,230.8	-60.5	718.3	1,030.0	2,918.5	784.0	3,702.5

EUR million	Equity attributable to members of parent company						
	Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total
Members' funds 1.1.2021	1,322.4	-35.9	711.3	1,093.7	3,091.5	822.7	3,914.2
Result for the period				59.5	59.5	38.5	98.0
Other comprehensive income, net after tax		-2.6	-24.1	9.0	-17.7	-24.3	-42.0
Total comprehensive income		-2.6	-24.1	68.6	41.9	14.2	56.1
Transactions with owners:							
Dividends paid				1.9	1.9	-18.5	-16.5
Change in members' capital	37.3		0.0	-5.9	31.3		31.3
Change in the reserve for invested unrestricted equity	0.0		0.0		0.0	-29.6	-29.6
Share based payments			0.0	-4.0	-4.0	-0.6	-4.6
Sold shares from non-controlling interests, which did not change the controlling right			0.0	64.3	64.2	197.4	261.6
Members' funds 31.3.2021	1,359.6	-38.5	687.2	1,218.5	3,226.9	985.6	4,212.5

The notes are an integral part of this interim report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2021 1–3	2020 1–3	2020 1–12
Result for the period	8	98.0	35.1	262.2
Total adjustments	8	159.4	108.0	405.2
Change in working capital		-144.4	-93.7	100.3
Cash flow from operations		113.1	49.4	767.7
Net financial items		2.0	0.2	-40.4
Income taxes paid		-20.2	-14.0	-59.9
Net cash flow from operating activities		94.9	35.7	667.4
Acquisitions		-0.4	-1.1	-4.3
Investments in tangible and intangible assets		-171.0	-53.7	-364.8
Disposals and other items	8	24.7	-2.4	11.9
Net cash flow from investing activities		-146.7	-57.2	-357.2
Change in members' funds		31.3	28.4	107.2
Change in non-controlling interest		261.2	-50.4	-50.4
Change in long-term loans and other financial items		-5.6	-15.4	-105.2
Capital distribution		0.0	0.0	-25.8
Dividends paid		0.0	-21.9	-112.2
Net cash flow from financing activities		286.9	-59.3	-186.4
Change in cash and cash equivalents		235.1	-80.8	123.8
Cash and cash equivalents at beginning of period		1,212.9	1,090.0	1,090.0
Translation difference		0.4	-1.1	-1.8
Change in cash and cash equivalents		235.1	-80.8	123.8
Value adjustments of investment funds included in cash and cash equivalents.		0.5	-3.1	0.9
Cash and cash equivalents of assets classified as held for sale		0.0	-0.2	0.0
Cash and cash equivalents at end of period		1,448.9	1,004.8	1,212.9

The notes are an integral part of this interim report.

NOTES TO UNAUDITED 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 unaudited interim 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 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 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 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 2021 will not have a material effect on the Group’s interim report.

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 interim report was authorized for issue by the Board of Directors of Metsäliitto Cooperative on April 28, 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	1–3/2021	1–3/2021	1–3/2021	1–3/2020	1–3/2020	1–3/2020
	External	Internal	Total	External	Internal	Total
Wood Supply and Forest Services	126.0	390.4	516.5	108.7	321.9	430.6
Wood Products Industry	135.8	4.9	140.7	84.3	3.0	87.3
Pulp and Sawn Timber Industry	442.5	118.7	561.1	313.6	98.0	411.5
Paperboard Industry	471.9	21.9	493.7	453.9	18.1	472.1
Tissue and Greaseproof Papers	223.4	0.2	223.6	292.5	0.2	292.7
Other operations	0.0	2.2	2.2	0.0	2.5	2.6
Elimination of internal sales		-538.3	-538.3		-443.7	-443.7
Total sales	1,399.6	0.0	1,399.6	1,253.0	0.0	1,253.0

EUR million	1–12/2020	1–12/2020	1–12/2020
	External	Internal	Total
Wood Supply and Forest Services	441.8	1,378.1	1,819.9
Wood Products Industry	412.6	16.5	429.1
Pulp and Sawn Timber Industry	1,374.9	451.6	1,826.5
Paperboard Industry	1,814.1	75.4	1,889.5
Tissue and Greaseproof Papers	1,011.2	0.7	1,011.9
Other operations	0.3	8.2	8.5
Elimination of internal sales		-1,930.6	-1,930.6
Total sales	5,054.9	0.0	5,054.9

OPERATING RESULT BY SEGMENT

EUR million	2021	2020	2020
	1–3	1–3	1–12
Wood Supply and Forest Services	8.4	3.4	22.4
Wood Products Industry	7.0	-3.3	9.3
Pulp and Sawn Timber Industry	37.6	-21.3	3.9
Paperboard Industry	82.0	33.8	227.3
Tissue and Greaseproof Papers	16.4	39.1	115.9
Other operations	-7.7	0.1	-7.1
Eliminations	-8.0	9.3	4.2
Operating result total	135.8	61.1	375.8
Share of results from associated companies and joint ventures	-2.7	0.5	3.1
Financial costs, net	-11.7	-15.4	-48.8
Income taxes	-23.4	-11.1	-67.9
Result for the period	98.0	35.1	262.2

ASSETS AND LIABILITIES BY SEGMENTS

Assets	2021	2020	2020
EUR million	31.3.	31.3.	31.12.
Wood Supply and Forest Services	367.3	385.7	321.9
Wood Products Industry	386.7	347.0	358.3
Pulp and Sawn Timber Industry	2,131.8	1,922.5	1,996.5
Paperboard Industry	2,138.4	2,039.0	2,076.8
Tissue and Greaseproof Papers	790.5	798.3	784.1
Other operations	299.0	272.8	244.0
Assets classified as held for sale	0.0	32.4	32.3
Eliminations	-380.1	-305.3	-260.5
Unallocated assets	1,587.8	1,105.2	1,297.8
Total	7,321.4	6,597.6	6,851.3

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	2021	2020	2020
EUR million	31.3.	31.3.	31.12.
Wood Supply and Forest Services	276.9	250.5	217.4
Wood Products Industry	84.7	62.5	69.4
Pulp and Sawn Timber Industry	527.4	335.5	418.5
Paperboard Industry	471.0	364.9	366.5
Tissue and Greaseproof Papers	306.2	289.1	294.5
Other operations	112.8	130.4	134.6
Liabilities classified as held for sale	0.0	14.6	17.7
Eliminations	-380.1	-305.3	-260.5
Unallocated liabilities	1,710.0	1,752.9	1,678.9
Total	3,108.9	2,895.1	2,937.1

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

NOTE 3 – SALES BY MARKET AREA

EUR million	2021	2020	2020
	1–3	1–3	1–12
EMEA	961.7	908.0	3,585.0
APAC	300.0	221.1	969.6
Americas	137.9	123.8	500.3
Total	1,399.6	1,253.0	5,054.9

NOTE 4 – INCOME TAX

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

EUR million	2021	2020	2020
	1–3	1–3	1–12
Taxes for the period	18.3	3.5	64.9
Taxes for previous periods	1.0	1.0	0.1
Change in deferred taxes	4.1	6.6	2.9
Total income taxes	23.4	11.1	67.9

NOTE 5 – CHANGE IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2021 1–3	2020 1–3	2020 1–12
Book value at beginning of period	2,920.7	2,817.0	2,817.0
Acquired businesses			0.5
Investments in owned property, plant and equipment	167.4	51.8	346.1
Investments in leased property, plant and equipment	2.9	9.1	38.0
Decreases	-1.4	-1.8	-5.4
Assets classified as held for sale	0.0	0.0	0.0
Depreciation and impairment losses	-112.6	-74.8	-281.2
Translation differences and other changes	5.1	-29.9	5.6
Book value at end of period	2,982.0	2,771.4	2,920.7

A decision to build a new bioproduct mill in Kemi was made in February 2021. Metsä Group recognised a EUR 38,2 million impairment in the first quarter in relation to the assets of Kemi's existing pulp mill.

The Nordic real estate investment company NREP bought Metsä Group's head office in Tapiola, Espoo, in January 2021. In connection with the transaction, Metsäliitto Cooperative concluded a long-term lease agreement for the site. The head office property was classified as an asset held for sale on 31 December 2020.

NOTE 6 – PROVISIONS

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2021	0.3	13.4	4.8	18.6
Translation differences	0.0	0.0	0.1	0.0
Increases		0.1	0.3	0.4
Utilised during the year		-0.2	-0.6	-0.8
At 31 March 2021	0.3	13.3	4.6	18.2
Long term provisions				15.3
Short term provisions				2.9
Total				18.2

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

NOTE 7 – RELATED PARTY TRANSACTIONS

The Group's related parties include its associated companies and joint ventures. 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	2021 1–3	2020 1–3	2020 1–12
Sales	3.3	2.5	16.5
Purchases	25.5	21.3	109.8
Current receivables and other receivables	1.5	2.9	3.0
Current liabilities and other liabilities	5.8	7.4	10.0

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

EUR million	2021 1–3	2020 1–3	2020 1–12
Taxes	23.4	11.0	67.9
Depreciation and impairment charges	118.0	80.4	303.5
Biological assets	0.0	0.0	-0.3
Share of results from associated companies	2.7	-0.5	-3.1
Gains and losses on sale of non-current financial assets	1.8	1.9	-12.8
Financial costs, net	11.7	15.4	48.8
Pension liabilities and provisions	-1.7	-1.2	-5.1
Other adjustments	3.5	0.9	6.4
Total	159.4	108.0	405.2

Disposals and other items

Disposals and other items in January–March 2021 include the sale of Metsä Group's head office property located in Tapiola, Espoo, EUR 24.7 million.

Disposals and other items in January–March 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 0.9 million and other items of EUR 0.1 million.

Change in non-controlling interest

The changes in non-controlling interest in January–March 2021 include the sale of a 30% share in Metsä Board's Husum pulp mill to Norra Skog, EUR 261.2 million. The transaction was executed on 4 January 2021.

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 31.3.2021

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Other non-current investments	0.0	197.8		197.8
Other non-current financial assets	0.0		26.0	26.0
Accounts receivables and others	3.8		858.9	862.7
Cash and cash equivalents	368.7		1,080.2	1,448.9
Derivative financial instruments	1.1	19.8		20.8
Assets classified as held for sale			0.0	0.0
Total	373.6	217.6	1,965.0	2,556.1
Fair value total	373.6	217.6	1,965.0	2,556.1

Financial liabilities 31.3.2021

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Non-current interest-bearing liabilities			1,115.1	1,115.1
Other non-current liabilities			2.9	2.9
Accounts payable and others			274.4	274.4
Cash and cash equivalents			1,152.6	1,152.6
Derivative financial instruments	4.5	55.6		60.1
Liabilities classified as held for sale			0.0	0.0
Total	4.5	55.6	2,545.0	2,605.1
Fair value total	4.5	55.6	2,579.9	2,639.9

Financial assets 31.3.2020

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Other non-current investments	6.6	271.4		278.0
Other non-current financial assets			19.3	19.3
Accounts receivables and others	0.2		763.4	763.6
Cash and cash equivalents	164.9		840.0	1,004.8
Derivative financial instruments	4.7	22.7		27.4
Assets classified as held for sale			0.5	0.5
Total	176.3	294.1	1,623.2	2,093.6
Fair value total	176.3	294.1	1,623.2	2,093.6

Financial liabilities 31.3.2020

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Non-current interest-bearing liabilities			1,140.5	1,140.5
Other non-current liabilities			0.6	0.6
Current interest-bearing liabilities			304.0	304.0
Accounts payable and others			877.5	877.5
Derivative financial instruments	3.7	69.7		73.4
Liabilities classified as held for sale			14.4	14.4
Total	3.7	69.7	2,337.0	2,410.3
Fair value total	3.7	69.7	2,313.8	2,387.2

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 March, 2021

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other non-current investments			197.8	197.8
Current financial assets through profit and loss at fair value	372.5			372.5
Derivative financial assets	7.0	13.8		20.8
Financial liabilities measured at fair value				
Derivative financial liabilities	0.4	59.7		60.1
Financial assets not measured at fair value				
Financial assets		1,080.2		1,080.2
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1,149.5		1,149.5
Current interest-bearing liabilities		274.8		274.8

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

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other non-current investments	0.0		278.0	278.0
Current financial assets through profit and loss at fair value	164.9	0.2		165.0
Derivative financial assets	0.9	26.5		27.4
Financial liabilities measured at fair value				
Derivative financial liabilities	12.6	60.8		73.4
Financial assets not measured at fair value				
Financial assets		840.0		840.0
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1,131.1		1,131.1
Current interest-bearing liabilities		304.5		304.5

Financial assets measured at fair value based on level 3

EUR million	2021 1–3	2020 1–3	2020 1–12
Opening balance	205.5	271.1	271.1
Gains and losses in income statement		0.0	-0.2
Gains and losses in other comprehensive income	-7.7	7.0	-68.1
Acquisitions			3.0
Settlements	0.0	-0.1	-0.3
Closing balance	197.8	278.0	205.5

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.

The average weighed capital cost applied in the calculation was 3.26% on 31 March 2021 (31 December 2020: 2.87), and 4.26% (3.87) for the Olkiluoto 3 power plant under construction. The acquisition cost of the Pohjolan Voima Oy shares on 31 March 2021 is EUR 45.0 million (45.0) and their fair value is EUR 191.7 million (199.4).

The carrying amount of other long-term investments on 31 March 2021 is estimated to change by EUR -9.7 million, and by EUR 10.7 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 98.0 million should the energy prices applied in the fair value calculation differ by 10% from the rate estimated by the management.

Derivatives 31 March 2021

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	867.9	1.2	19.4	-18.2	0.0	-18.2
Total	867.9	1.2	19.4	-18.2	0.0	-18.2
Currency forwards	2,538.6	10.3	40.3	-30.1	-3.4	-26.6
Currency options	0.0	0.0	0.0	0.0	0.0	0.0
Total	2,538.6	10.3	40.3	-30.1	-3.4	-26.6
Electricity derivatives	9.9	2.0	0.3	1.7		1.7
Oil derivatives	17.2	3.5	0.0	3.5		3.5
Commodity derivatives	13.3	3.9	0.1	3.8		3.8
Total	40.4	9.3	0.4	9.0	0.0	9.0
Derivatives total	3,447.0	20.8	60.1	-39.3	-3.5	-35.8

Derivatives 31 March 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	512.0		22.6	-22.6	-0.1	-22.5
Total	512.0	0.0	22.6	-22.6	-0.1	-22.5
Currency forwards	2,274.4	24.5	33.4	-8.9	1.0	-9.9
Currency options	821.5	1.9	2.8	-0.9		-0.9
Total	3,095.9	26.5	36.2	-9.8	1.0	-10.8
Electricity derivatives	20.0	0.7	6.8	-6.0		-6.0
Oil derivatives	17.6	0.2	3.6	-3.4		-3.4
Commodity derivatives	13.1	0.0	4.2	-4.2		-4.2
Total	50.6	0.9	14.6	-13.7	0.0	-13.7
Derivatives total	3,658.5	27.4	73.4	-46.0	1.0	-47.0

NOTE 10 – COMMITMENTS AND CONTINGENCIES

EUR million	31.3.2021	31.3.2020	31.12.2020
Own liabilities for which commitments granted	15.1	53.6	29.5
Pledges granted	0.0	87.3	0.0
Floating charges	3.0	2.8	3.0
Real estate mortgages	8.7	267.0	227.9
Chattels mortgage			
Commitments for own liabilities, total	11.7	357.1	230.9
Leases not yet commenced to which Metsä Group is committed	0.0	7.0	0.0
Other commitments on own behalf	6.6	25.1	7.7
On behalf of associated companies	0.4	0.5	0.4
On behalf of others	0.0	0.0	0.0
Total	18.7	389.7	239.0

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

COMMITMENTS RELATED TO PROPERTY, PLANT AND EQUIPMENT

EUR million	31.3.2021	31.3.2020	31.12.2020
Payments due under 1 year	393.4	39.5	123.3
Payments due in subsequent years	436.5		42.0
Total	829.9	39.5	165.2