

METSÄ GROUP

INTERIM REPORT

JANUARY–MARCH 2020



METSÄ GROUP'S COMPARABLE OPERATING RESULT IN JANUARY–MARCH 2020 WAS EUR 62 MILLION

JANUARY–MARCH 2020 (1–3/2019)

- Sales were EUR 1,253 million (1,438).
- Operating result was EUR 61 million (183). Comparable operating result was EUR 62 million (180).
- Result before taxes was EUR 46 million (167). Comparable result before taxes was EUR 48 million (163).
- Comparable return on capital employed was 4.9% (13.8).
- Cash flow from operations was EUR 49 million (41).

EVENTS DURING THE FIRST QUARTER OF 2020

- The average dollar-denominated market price of long-fibre pulp remained stable and that of short-fibre pulp decreased slightly compared to the previous quarter. The prices were nevertheless clearly lower than in the corresponding period last year.
- The strikes in Finland which concerned all of Metsä Group's business areas had a negative impact on the operating result.
- Paperboard deliveries were on a higher level than in the corresponding period last year. The average price of white kraftliner in Europe was slightly lower than a year ago and the average price of folding boxboard was unchanged.
- The coronavirus pandemic increased demand for tissue papers, folding boxboard and white kraftliner.
- Metsä Fibre made the decision to build the most modern sawmill in the world in Rauma. The value of the investment is approximately EUR 200 million.
- The pre-engineering project of the Kemi bioproduct mill continues. The Lapland Centre for Economic Development, Transport and the Environment (ELY Centre) issued its reasoned conclusion on the EIA report, concluding the environmental impact assessment. The readiness to make an investment decision will be reached in the autumn of 2020, at earliest.
- Metsä Board received permission to begin the construction of Husum's new recovery boiler. The final investment decision will be made when the environmental permit has been secured.

EVENTS AFTER THE REVIEW PERIOD

In late April, Metsä Fibre agreed on the main equipment purchases for the new sawmill to be constructed in Rauma and for the planned Kemi bioproduct mill. The

total value of the agreements is roughly EUR 500 million and their degree of Finnish content is 70%.

THE CORONAVIRUS PANDEMIC

Metsä Group follows and complies with the guidelines issued by authorities with regard to the coronavirus. The most important precautionary measure is physical distancing among the entire personnel. To prepare for the eventuality of any further spread of the epidemic, Metsä Group's various functions have drawn up precautionary measures in advance, so that they will be able to ensure the personnel's safety and business continuity. The Group's resources have remained normal throughout the coronavirus pandemic. Production and deliveries have run normally, with the exception of Metsä Wood's units in the UK as well as the Metsä Svir sawmill and wood supply operations in Russia, which have been operating at only partial capacity.

RESULT GUIDANCE FOR APRIL–JUNE 2020

Metsä Group's comparable operating result is in Q2 2020 expected to improve from Q1 2020.

President and CEO Ilkka Hämmälä:

"As anticipated, Metsä Group's result in the first quarter of 2020 remained below that of the previous quarter. The lengthy strikes which concerned all of our business areas weakened our profit-making ability. The spread of the coronavirus disease COVID-19, which developed into a pandemic, did not have a negative impact on the demand for our products during the first quarter, with the exception of the sawn timber market, particularly in Europe, and Metsä Wood's upgrading business in the UK.

The development of the pulp market in the beginning of the year has been modestly positive. The impact of the pandemic is visible in diverging ways in different customer segments, as the demand for pulp used in tissue papers has increased and as the consumption of pulp used in printing papers has decreased. Market pulp producers across the world have announced production curtailments attributable to either orders issued by authorities or other effects of the pandemic. Metsä Group's pulp mills have operated at full capacity after the February strikes in Finland.

The pandemic has increased overall demand for the folding boxboard and kraftliner products. In terms of folding boxboard, the demand has focused particularly on food packaging.

Demand for tissue papers is strong, especially in consumer products and towels used for hand hygiene. We have responded to the increased demand by adjusting our product portfolio which has, in turn, allowed us to increase production volumes.

Metsä Group is proceeding with the development projects according to planned schedules, which the pandemic may naturally impact, should it draw out. During the quarter, we made a decision to invest in a next-generation sawmill in Rauma. The investment concerning the modernisation of the Husum pulp mill continues with the first-phase construction work. In the environmental impact assessment (EIA) process of the Kemi bioproduct mill, we received the reasoned conclusion. This will

be used as a basis for the further development of the mill's technical concept, and for updating the environmental permit application to correspond with the EIA statement.

In terms of its balance sheet, business structure and organisation, Metsä Group's position is strong and we are ready to weather the serious crisis of the global economy initiated by the pandemic. In this situation, our priorities are the safety of our personnel and partners, preventing any further spread of the pandemic as part of society and ensuring our business continuity. Metsä Group converts Finnish wood into products that bring some EUR 4 billion worth of export earnings to Finland every year. The role that these export industry cash flows play in terms of the national economy is becoming increasingly important for the recovery following the exceptional situation."

KEY FIGURES

	2020	2019	2019
Condensed income statement, EUR million	1–3	1–3	1–12
Sales	1 253.0	1 437.7	5 473.4
Other operating income	6.4	17.1	59.2
Operating expenses	-1 118.0	-1 198.6	-4 742.9
Depreciation and impairment losses	-80.4	-73.2	-415.5
Operating result	61.1	183.0	374.3
Share of results from associated companies and joint ventures	0.5	-0.4	3.3
Exchange gains and losses	-0.3	-2.6	-6.4
Other net financial items	-15.1	-13.4	-55.4
Result before income tax	46.2	166.6	315.7
Income tax	-11.1	-33.9	-76.8
Result for the period	35.1	132.7	238.9

	2020	2019	2019
Profitability	1–3	1–3	1–12
Operating result, EUR million	61.1	183.0	374.3
Comparable operating result	62.4	179.7	494.9
% of sales	5.0	12.5	9.0
Return on capital employed, %	4.8	14.1	7.3
Comparable return on capital employed	4.9	13.8	9.6
Return on equity, %	3.8	14.5	6.4
Comparable return on equity	3.9	14.1	9.7

	2020	2019	2019
Financial position	31.3.	31.3.	31.12.
Equity ratio, %	56.2	53.3	56.2
Net gearing ratio, %	12	18	10
Interest-bearing net liabilities, EUR million	449	646	374

SEGMENTS

Sales and Operating result 1–3/2020, EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paperboard Industry	Tissue and Greaseproof Papers
Sales	430.6	87.3	411.5	472.1	292.7
Other operating income	1.0	0.3	2.8	2.2	2.8
Operating expenses	-425.8	-86.1	-401.2	-414.9	-245.6
Depreciation and impairment losses	-2.4	-4.9	-34.5	-25.6	-10.7
Operating result	3.4	-3.3	-21.3	33.8	39.1
Items affecting comparability	0.0	0.0	0.0	0.0	1.3
Comparable operating result	3.4	-3.3	-21.3	33.8	40.5
% of sales	0.8	-3.8	-5.2	7.2	13.8

THIS INTERIM REPORT IS UNAUDITED

INTERIM REPORT 1 JANUARY–31 MARCH 2020

SALES AND RESULT

Metsä Group's sales in the first quarter of 2020 were EUR 1,253.0 million (1–3/2019: 1,437.7).

The comparable operating result was EUR 62.4 million (179.7), or 5.0% (12.5) of sales. The decrease in the operating result is mainly attributable to a decline in the sales prices of pulp and the strikes in Finland, which is estimated to have a negative impact of roughly EUR 50 million on the operating result, some EUR 45 million of which concerns the first quarter.

Exchange rate fluctuations after hedging had a positive effect of around EUR 17 million on the operating result in the review period, compared to the corresponding period in the previous year. The effect was mainly due to the US dollar growing stronger against the euro by approximately 3%.

Items affecting comparability amounted to EUR -1.3 million (3.3). The items were related to the sale of Metsä Tissue's napkin business.

Metsä Group's operating result (IFRS) was EUR 61.1 million (183.0). The share of the results of associated companies and joint ventures was EUR 0.5 million (-0.4), financial income was EUR 0.8 million (1.5), exchange rate differences in financing were EUR -0.3 million (-2.6), and financial expenses totalled EUR 15.8 million (14.9).

The result before taxes was EUR 46.2 million (166.6), and taxes including changes in deferred tax liabilities totalled EUR 11.1 million (33.9). The Group's effective tax rate was 23.9% (20.4). The result for the review period was EUR 35.1 million (132.7).

The return on capital employed was 4.8% (14.1), and the return on equity was 3.8% (14.5). The comparable

return on capital employed was 4.9% (13.8), and the comparable return on equity was 3.9% (14.1).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity has remained strong. Total liquidity at the end of March was EUR 1,604.8 million (31 December 2019: 1,690.0). This consisted of EUR 1,004.8 million (1,090.0) in liquid assets and investments, and EUR 600.0 million (600.0) in off-balance sheet committed credit facility agreements. Undrawn pension premium (TyEL) funds are no longer included in available liquidity.

The Group's liquidity reserve is complemented by both uncommitted commercial paper programmes and credit facilities amounting to EUR 161.4 million (31 December 2019: 161.5) and by undrawn pension premium (TyEL) funds in the amount of EUR 332.2 million (31 December 2019: 332.2).

Cash flow from operations was EUR 49.4 million (40.6). EUR 93.7 million was tied up in working capital (210.0). The addition of EUR 82.6 million in trade and other receivables as well as the reduction of EUR 40.2 million in trade and other payables increased working capital. A reduction of EUR 29.1 million in inventories reduced working capital.

The Group's equity ratio at the end of March was 56.2% and net gearing was 12% (31 December 2019: 56.2 and 10, respectively). Net interest-bearing liabilities were EUR 449 million (31 December 2019: 374).

At the end of March, the equity ratio of the parent company Metsäliitto Cooperative was 88.4%, and its net gearing was -19% (31 December 2019: 88.7 and -21, respectively).

In January–March, 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. The number of shares totalled 9,972,300, and the average price was EUR 5.03 per share. Following the share acquisition, Metsäliitto Cooperative holds 48.17% of Metsä Board's shares and 67.15% of the voting rights conferred by shares.

During the first quarter, Metsäliitto Cooperative's members' capital increased by a total of EUR 31.8 million (45.6). The value of participation shares grew by EUR 4.1 million (2.6), that of the additional shares A by EUR 24.9 million (37.8), and that of the additional shares B by EUR 2.9 million (5.2).

PERSONNEL

In January–March, Metsä Group had an average of 9,179 employees (9,465). Personnel expenses were EUR 145.5 million (154.1). At the end of March, the Group employed 9,154 people (31 December 2019: 9,265), of whom 5,022 (4,996) were based in Finland and 4,132 (4,496) abroad. The parent company Metsäliitto Cooperative employed 1,942 people at the end of March (31 December 2019: 1,926).

MEMBERS

At the end of March, Metsäliitto Cooperative had 103,315 members (31 December 2019: 103,618). During January–March, 839 new members joined the Cooperative, and 1,142 members cancelled their membership. At the end of March 2020, the forest area owned by the members totalled 5.466 million hectares (31 December 2019: 5.421).

INVESTMENTS

Metsä Group's investments totalled EUR 61.8 million (50.1), of which investments in owned property, plant and equipment were EUR 52.7 million (47.7) and investments in leased property, plant and equipment were EUR 9.1 million (2.4).

In March, Metsä Fibre made the decision to build the most modern sawmill in the world in Rauma. The value of the investment is approximately EUR 200 million, and the annual capacity is approximately 750,000 tonnes of pine sawn timber. The sawmill will employ around 100 people directly and around 500 people across its direct value chain in Finland. The employment impact during the sawmill's construction phase is estimated to be around 1,500 person-years. The construction work will start in the spring of 2020, and production is set to begin during the third quarter of 2022. The development of the coronavirus pandemic may have an effect on the construction schedule. The new production will be sold primarily to Europe and Asia.

In March, the Lapland ELY Centre issued its reasoned conclusion on the EIA report of Metsä Fibre's Kemi bi-product mill, thereby concluding the environmental impact assessment. The pre-engineering project concerning the Kemi bioproduct mill continues, and the readiness to make the investment decision on this roughly EUR 1.5 billion mill is expected to be reached in the autumn of 2020. The project's financing negotiations have proceeded. In March 2020, Finnvera guaranteed a EUR 500 million credit with 80% liability, conditional upon a decision to invest. Financing negotiations with the European Investment Bank (EIB) and a group of commercial banks continue.

The Kemi bioproduct mill would produce some 1.5 million tonnes of softwood and hardwood pulp a year as well as numerous other bioproducts. It would employ around 250 people directly and a total of some 2,500 people in its direct value chain in Finland. The mill would use roughly 7.6 million cubic metres of pulpwood a year. Most of this would be purchased from Finland. The employment impact of the Kemi bioproduct mill during its construction phase is estimated to be nearly 10,000 person-years, of which more than 50% will be completed in Kemi. The company estimates the total number of workers during the construction phase to be around 15,000.

Investments in the first phase of the modernisation of Metsä Board's Husum pulp mill in January–March amounted to EUR 24 million. The total value of the investment's first phase is approximately EUR 320 million.

In January, Metsä Tissue announced an investment in a new production line for tissue paper products intended for professional use at its Raubach mill in Germany. The total value of the investment is around EUR 10 million.

In September 2019, Metsä Tissue initiated an environmental permit procedure and a prefeasibility study which would enable the doubling of tissue paper production in two phases at the Mariestad mill in Sweden. In February, BHM Ingenieure (BHM Engineering) was selected as the company's partner for the investment project's preliminary technical planning. The preliminary technical planning is set to be completed by the end of 2020, and it aims to enable the investment decision, which will be made during the second quarter of 2021, at earliest.

BUSINESS AREAS

Wood Supply and Forest Services

Sales from Wood Supply and Forest Services, i.e. from Metsä Forest, totalled EUR 430.6 million (1–3/2019: 525.8), and the operating result was EUR 3.4 million (11.3).

In Finland, wood supply during the review period was more moderate than during the corresponding period

the year before. The prices of both logs and pulpwood were stable during the review period. The strikes which took place during the review period, and concerned the industry in Finland, reduced wood supply in the entire Baltic Sea region. The volume of purchased wood was markedly lower than in the corresponding period the year before.

Due to the warm and wet winter, harvesting and transport conditions remained challenging in the entire Baltic Sea region throughout the review period. The exception to this was northern Sweden, where winter conditions were normal. The insect damage in Central Europe was still visible in the supply of softwood pulp.

During the review period, Metsä Forest bought all timber grades through both standing and delivery sales throughout Finland. The volume of purchased wood was slightly lower than in the corresponding period the year before. Demand focused particularly on stands to be harvested when the ground is unfrozen and under thaw conditions. The purchasing of energy wood continued to focus on crown wood. The majority of wood in Finland was purchased from members of Metsäliitto Cooperative.

In early February, Metsä Forest suspended the harvesting and transport of wood for a week in Finland, given that the labour disputes concerning the forest industry reduced the use of wood in production units. In other respects, wood was harvested according to the targets, and deliveries to customers' production units were carried out according to plan. In January–March 2020, Metsä Forest delivered a total of approximately 7.9 million cubic metres (9.4) of wood to its customers. Approximately 83% of this amount went to the Finnish industrial sector.

In January–March, 55% of wood acquired by Metsä Forest from private forest owners was purchased through digital means. In the sales of forest management services, the figure was 57%.

Members of Metsäliitto Cooperative will receive 80% in advance funding for regeneration felling in terms of wood trades carried out between 1 February and 30 April 2020.

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

Wood Products Industry

The sales of the Wood Products Industry, i.e. Metsä Wood, were EUR 87.3 million (1–3/2019: 111.3), and the operating result was EUR -3.3 million (1.8).

The sales of engineered wood products declined by 30%, and the euro-denominated sales of the UK business decreased by 7%. The delivery volumes of engineered wood products declined in all product categories due to the Industrial Union's four-week strike, which targeted the mechanical forest industry and brought production to a halt at all Finnish mills. The average sales

prices of spruce plywood and Kerto LVL products remained on the previous year's level, whereas the prices of birch plywood declined.

The delivery volumes of the UK business declined from the previous year's level as the UK's lockdown measures attributable to the coronavirus pandemic resulted in a significant drop in demand. In Finland and Estonia, the coronavirus pandemic has not had a significant impact on production or the delivery chain so far.

The profitability declined from previous year primarily due to the strikes at Finnish mills. The profitability of the UK business improved from the comparison period.

Production at Metsä Wood's UK units has been at a standstill since 24 March, and most of the personnel have been laid off until the end of May. This is due to the coronavirus lockdown, which has closed local stores and construction sites.

Pulp and Sawn Timber Industry

The sales of the Pulp and Sawn Timber Industry, i.e. Metsä Fibre, totalled EUR 411.5 million (1–3/2019: 622.8), and the operating result was EUR -21.3 million (122.4).

The reasons for the negative operating result are lower pulp sales prices and the strikes which took place in the chemical and mechanical forest industry in Finland early in the year. The shutdowns of mills impacted by the strikes resulted in significant production losses and expenses. The US dollar, which grew stronger against the euro by around 3% compared to the corresponding period in the previous year, had a positive impact on the operating result. The coronavirus pandemic did not have an impact on Metsä Fibre's operations during the first quarter.

The sales volume of pulp during the first quarter of the year was 661,200 tonnes, which is more than 14% less than its sales volume during the corresponding period in the previous year. The lower delivery volumes were impacted by the two-week strike in the chemical forest industry in Finland. In Europe, the currency-denominated average market prices of long-fibre and short-fibre pulp in January–March were approximately 28% and 32% lower, respectively, than in the corresponding period in the previous year.

In China, the average market prices of long-fibre pulp were roughly 19% and those of short-fibre pulp roughly 31% lower than in the corresponding period in the previous year.

The delivery volumes of sawn timber were 301,000 cubic metres, which is approximately 29% lower than in the corresponding period in the previous year. The strike in the mechanical forest industry, which began in Finland at the end of January and brought the production of sawn timber to a halt for a month, had a material effect on the lower delivery volumes of sawn timber. While the demand for sawn timber in the main markets has been reasonable, the average market

prices in January–March decreased by approximately 11% compared to the corresponding period in the previous year.

In January, the average price of long-fibre pulp in Europe was USD 820 per tonne, as opposed to USD 840 per tonne at the end of the review period. The average price of short-fibre pulp in Europe was USD 680 both at the beginning and end of the review period.

Global demand for softwood pulp this year has grown compared to the corresponding period in the previous year. The consumption of particularly tissue papers, paperboard and hygiene products has increased during the coronavirus pandemic, but demand for printing papers has taken a downturn in both China and Europe.

Paperboard Industry

The sales of the Paperboard Industry, i.e. Metsä Board, were EUR 472.1 million (1–3/2019: 487.1), and the comparable operating result was EUR 33.8 million (61.8). Folding boxboard accounted for 58% of sales, while 26% of sales derived from white kraftliner, 12% from market pulp and 4% from other operations.

The comparable operating result was weakened by the lower prices of market pulp. The negative impact on results was reduced by lower pulp costs in the paperboard business. Associated company Metsä Fibre's share of the result, accounting for the overall impact that the cheaper pulp had on Metsä Board profitability, was nevertheless clearly negative.

The strike which took place in Finland's chemical forest industry had an approximately EUR 15 million negative impact on Metsä Board's result. The prices of wood and energy declined slightly from the comparison period, decreasing the production costs of paperboard and pulp.

Metsä Board's share of the result of its associated company Metsä Fibre was EUR -4.2 million (22.8).

Total deliveries of paperboard were 450,000 (440,000) tonnes, of which deliveries of folding boxboard accounted for 298,000 tonnes (302,000) and deliveries of white kraftliner for 152,000 tonnes (138,000). The coronavirus pandemic has temporarily increased demand for folding boxboard and white kraftliner.

Metsä Board's comparable return on capital employed was 7.6% (14.4), and its comparable earnings per share were EUR 0.06 (0.14).

The equity ratio at the end of March was 59% and net gearing was 20% (31 December 2019: 59 and 23, respectively).

Tissue and greaseproof papers

The sales of tissue and greaseproof papers, i.e. Metsä Tissue, totalled EUR 292.7 million (1–3/2019: 267.3). Demand and sales increased substantially as a result of the coronavirus pandemic.

Metsä Tissue's comparable operating result for the first quarter was EUR 40.5 million (10.5). The result improved mainly due to increased demand, the implemented efficiency measures and lower raw material costs.

Demand for toilet papers and hand towels increased rapidly in March among both consumers and professional customers as a result of the coronavirus pandemic. Metsä Tissue's delivery volumes increased significantly in March. The pandemic has not had a significant impact on the company's production and delivery capacity.

In December 2019, Metsä Tissue announced that it had agreed to sell its napkin business to Keeeper Group, part of Mutares Group. The transaction covers the properties, machinery, equipment and inventories of the Stotzheim mill, located in Germany, as well as the Fasana and Mondial brands. The transaction was finalised in February 2020, and it supports Metsä Tissue's strategy, allowing the company to focus on its core business: the production of high-quality tissue and greaseproof papers close to its customers. An expense affecting comparability was recognised in relation to the transaction during the first quarter, once the overall effect of the transaction had been clarified.

RISKS AND UNCERTAINTIES

The coronavirus pandemic will increase uncertainty in the global economy to a highly significant degree during the rest of the year. The measures imposed by different governments to prevent the spread of the virus will weaken the economy and consumer demand in all of Metsä Group's market areas. The development and protraction of the pandemic may weaken the demand for some of Metsä Group's products. The pandemic may also cause significant disruption in various segments of our operations, thereby threatening the continuity of business and customer services. In addition, Metsä Group is exposed to risks related to the liquidity situation and payment delays of its customers, which may impact Metsä Group's cash flow or lead to credit losses. The ultimate impact on the world economy and on Metsä Group's business operations will become apparent only as the pandemic unfolds and over a longer period.

Metsä Group has initiated continuous monitoring of the development of the coronavirus pandemic and its business impact, as well as measures aimed at securing business continuity. The restrictions and recommendations issued by the authorities, their impact and the development of the pandemic in various countries are monitored continuously. The effect that the pandemic has on employees' absence rates is monitored at our mills and in Metsä Group's other operations. To protect employees from infection and thereby secure business continuity, the Group has implemented a number of measures, such as testing arrangements and the provi-

sion of operational guidelines. Should employees' absence rates during the pandemic reach a high level, they could affect the continuity of production and other operations.

While the pandemic's impact on the Group's sourcing operations and logistics has not been significant so far, we expect the availability of container capacity in exports to weaken. This may cause delays in deliveries. Should the effects of the pandemic begin to have a stronger impact on global procurement and delivery chains, it could have a considerable impact on the availability of raw materials, for instance. This, in turn, could affect Metsä Group's production and deliveries.

In 2020, expectations for the global economy were uncertain and growth expectations low even before the coronavirus pandemic. The reasons for these expectations include particularly trade policy tensions, protectionist measures, the deceleration of economic growth in China and the undefined trade deal situation following the UK's exit from the EU.

The estimates and statements in this report 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 by the price of and demand for end products, the availability and costs of raw materials, energy prices and the exchange rate development of the euro.

The risks related to the Group's business have been explained in more detail in Metsä Group's 2019 Annual Report, published in February 2020.

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.

EVENTS AFTER THE PERIOD

In late April, Metsä Fibre agreed on the main equipment purchases for the new sawmill to be constructed in Rauma and for the planned Kemi bioproduct mill. The total value of the agreements is roughly EUR 500 million and their degree of Finnish content is 70%.

The delivery of Rauma's sawline, which will run at a speed of more than 200 metres per minute, has been agreed on with Veisto Oy. The log sorting as well as the sawmill's feed and bark processing equipment will be

delivered by Nordautomation. The dry sorting and packaging equipment will be delivered by C. Gunnarssons Verkstads AB, and the two green sorting lines as well as the sticking and stacking line by Renholmen AB. The speed on all processing and sorting lines is more than 200 pieces per minute. Heinolan Sahakoneet Oy is supplying the equipment for the kiln drying department. All load transfers in the kiln drying area will be fully automated. The total value of these equipment deliveries is roughly EUR 100 million and the degree of Finnish content is 70%. An agreement on the engineering of the sawmill's construction phase has been made with AFRY and on the actual construction with A-Insinöörit. An agreement on the earthmoving works has been made with LM-Suomiset Oy. The sawmill's excavation work is entering its final stages and construction will get underway in May.

A preliminary agreement on the delivery of the key technology and automation for all of the main production lines of the bioproduct mill to be built in Kemi has been signed with Valmet, conditional to the final investment decision. The value of the deliveries totals EUR 350-400 million and the employment impact of the main equipment production is approximately 800 person-years, of which more than 500 will be carried out in Finland. A preliminary agreement on the engineering of the mill's construction phase has been signed with AFRY and on the actual construction with Fimpec. The readiness to make the final investment decision on the roughly EUR 1.5 billion Kemi bioproduct mill is expected to be reached in the autumn of 2020, as the environmental permit process is completed.

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 outbreak and is updating its policies and instructions on the basis of the guidelines issued by the authorities.

Metsä Group adopted, in line with official recommendations, a model in which all of its employees who can do so work from home. 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. The most important of these include thorough hand washing, staying at home when exhibiting any symptoms, maintaining a physical distance as well as effective cleaning. No one who is the slightest degree ill may come to work. For as long the state of emergency is in effect, Metsä Group's employees will not travel or invite visitors to the Group's locations.

Metsä Group's products include e.g. pulp, paperboard and tissue papers, which 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. Production and deliveries have run normally, with a few exceptions. Production at Metsä Wood's UK units has been suspended and most of the personnel have been laid off for no longer until the end of May, given that local stores and construction sites are closed. In Russia, the Metsä Svir sawmill and Metsä Forest's wood supply have relied on only partial operations in April.

NEAR-TERM OUTLOOK

Wood demand will focus on thinning sites to be harvested when the ground is unfrozen and, in terms of energy wood, on crown wood. The demand for forest management services will remain stable. The decline in demand for sawn timber attributable to the coronavirus pandemic will reduce harvesting in the Baltic Sea region.

Supported by the production shortfall attributable to the strikes early in the year, the order books for wood products in all product categories are at a higher level than in the corresponding period last year. Even so, the coronavirus pandemic will have a weakening impact on the order stock.

The demand outlook in Kerto LVL products is uncertain as the number of new construction sites declines. The demand for spruce plywood in the main markets will remain good. The demand outlook in birch plywood is unstable.

Demand for long-fibre market pulp has increased as a result of both the significant increase in demand for tissue paper and hygiene products and the weaker availability of recycled paper. At the same time, production curtailments attributable to the availability of wood raw material, particularly in Canada, have reduced the supply of long-fibre market pulp. These factors are expected to keep supply and demand in balance despite the declining demand for printing and writing papers as well as maintenance shutdowns at many mills being postponed until the second half of the year.

Espoo, 29 April 2020

BOARD OF DIRECTORS

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Metsä Group will publish its financial reports in 2020 as follows:

Half-Year Financial Report for January–June 2020
Interim Report for January–September 2020

The demand for sawn timber is expected to remain at the current level in the main markets. Demand for sawn timber has declined markedly in Europe and North Africa as a result of the coronavirus pandemic. Demand in China has improved since the beginning of the year. The coronavirus pandemic is increasing uncertainty in the pulp and sawn timber markets.

Metsä Board's paperboard deliveries in the second quarter are expected to be roughly at the same level as in the first quarter of the year. The market prices of folding boxboard in local currencies are expected to remain stable.

The demand for tissue papers which grew strongly during the beginning of the year is expected to level off in the near future. Due to the restrictions on movement imposed to prevent the spread of the coronavirus, demand in the short-term will be more focused on consumer products in both tissue and greaseproof papers. The increased awareness of hygiene resulting from the coronavirus pandemic is expected to increase demand for tissue papers among both consumer and professional customers.

RESULT GUIDANCE FOR APRIL–JUNE 2020

Metsä Group's comparable operating result is in Q2 2020 expected to improve from Q1 2020.

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF THE PROFIT

Metsäliitto Cooperative's Board of Directors proposes to the Representative Council covering on 29 April 2020 that an interest of 6.5% for 2019 be paid on the statutory capital invested by members (7.5 for 2018), 6.0% (7.0) on additional members' capital A and 2.0% (2.5) on additional members' capital B. In total, the proposed distribution of profit would amount to around EUR 72 million (74.1).

30 July 2020
29 October 2020

SEGMENTS

	2020	2019	2019
	1–3	1–3	1–12
Wood Supply and Forest Services			
Sales, EUR million	430.6	525.8	1 972.9
EBITDA, EUR million	5.8	13.3	35.7
Comparable EBITDA, EUR million	5.8	13.3	35.7
Operating result, EUR million	3.4	11.3	27.4
Comparable operating result, EUR million	3.4	11.3	27.4
% of sales	0.8	2.1	1.4
Comparable ROCE, %	8.5	28.6	16.3
Total investments, EUR million	7.6	3.1	22.9
Personnel at end of period	840	837	838

	2020	2019	2019
	1–3	1–3	1–12
Wood Products Industry			
Sales, EUR million	87.3	111.3	434.2
EBITDA, EUR million	1.6	6.0	27.9
Comparable EBITDA, EUR million	1.6	6.0	25.9
Operating result, EUR million	-3.3	1.8	9.2
Comparable operating result, EUR million	-3.3	1.8	7.2
% of sales	-3.8	1.7	1.7
Comparable ROCE, %	-4.4	2.6	2.6
Total investments, EUR million	4.6	11.6	32.6
Personnel at end of period	1 517	1 571	1 510

	2020	2019	2019
	1–3	1–3	1–12
Pulp and Sawn Timber Industry			
Sales, EUR million	411.5	622.8	2 236.0
EBITDA, EUR million	13.2	147.6	372.1
Comparable EBITDA, EUR million	13.2	147.6	372.1
Operating result, EUR million	-21.3	122.4	248.6
Comparable operating result, EUR million	-21.3	122.4	248.6
% of sales	-5.2	19.7	11.1
Comparable ROCE, %	-4.5	24.4	12.3
Total investments, EUR million	14.2	42.5	90.1
Personnel at end of period	1 328	1 277	1 279

	2020	2019	2019
	1–3	1–3	1–12
Paperboard Industry			
Sales, EUR million	472.1	487.1	1 931.8
EBITDA, EUR million	59.3	99.3	294.5
Comparable EBITDA, EUR million	59.3	89.3	279.0
Operating result, EUR million	33.8	71.9	180.8
Comparable operating result, EUR million	33.8	61.8	184.4
% of sales	7.2	12.7	9.5
Comparable ROCE, %	7.6	14.4	10.4
Total investments, EUR million	29.8	6.4	98.9
Personnel at end of period	2 376	2 382	2 351

	2020	2019	2019
	1–3	1–3	1–12
Tissue and Greaseproof Papers			
Sales, EUR million	292.7	267.3	1 060.0
EBITDA, EUR million	49.8	21.7	101.0
Comparable EBITDA, EUR million	51.2	21.7	118.9
Operating result, EUR million	39.1	10.5	-63.4
Comparable operating result, EUR million	40.5	10.5	73.4
% of sales	13.8	3.9	6.9
Comparable ROCE, %	29.6	6.6	12.3
Total investments, EUR million	5.3	4.0	29.6
Personnel at end of period	2 500	2 856	2 702

	2020	2019	2019
	1–3	1–3	1–12
Other operations			
Sales, EUR million	2.6	2.0	9.7
EBITDA, EUR million	1.4	-0.2	-3.7
Comparable EBITDA, EUR million	2.1	-0.2	-2.9
Operating result, EUR million	0.1	-1.4	-9.3
Comparable operating result, EUR million	0.8	-1.4	-8.6
Total investments, EUR million	0.5	1.1	7.2
Personnel at end of period	592	570	584

Other operations include Metsä Group head office functions, the companies Metsä Group Treasury Oy and Metsä Spring Ltd. and the holding function of Metsäliitto Cooperative as well as a share of Metsätapiola's real estates.

	2020	2019	2019
	1–3	1–3	1–12
Internal sales and eliminations			
Sales, EUR million	443.7	578.6	2 171.2
EBITDA, EUR million	10.3	-31.5	-37.8
Comparable EBITDA, EUR million	9.6	-24.7	-29.8
Operating result, EUR million	9.3	-33.6	-19.2
Comparable operating result, EUR million	8.6	-26.8	-37.6
Total investments, EUR million	-0.1	-18.7	-21.9

	2020	2019	2019
	1–3	1–3	1–12
Metsä Group			
Sales, EUR million	1 253.0	1 437.7	5 473.4
EBITDA, EUR million	141.5	256.2	789.7
Comparable EBITDA, EUR million	142.8	253.0	799.0
Operating result, EUR million	61.1	183.0	374.3
Comparable operating result, EUR million	62.4	179.7	494.9
% of sales	5.0	12.5	9.0
Comparable ROCE, %	4.9	13.8	9.6
Total investments, EUR million	61.8	50.1	259.6
Personnel at end of period	9 154	9 492	9 265

RECONCILIATION OF OPERATING RESULT AND EBITDA

EUR million	2020 1–3	2019 1–3	2019 1–12
OPERATING RESULT (IFRS)	61.1	183.0	374.3
Depreciation and impairment charges	80.4	73.2	415.5
EBITDA	141.5	256.2	789.7
Items affecting comparability:			
Wood products industry			-2.0
Paperboard Industry		-10.0	-15.5
Tissue and Greaseproof Papers	1.3		18.0
Other operations	0.6		0.8
Elimination	-0.6	6.8	8.0
Total	1.3	-3.3	9.2
COMPARABLE EBITDA	142.8	253.0	799.0
Depreciation and impairment charges	-80.4	-73.2	-415.5
Items affecting comparability:			
Depreciation			
Impairment charges and reversals			
Paperboard industry			19.1
Tissue and Greaseproof Papers			118.7
Eliminations			-26.5
COMPARABLE OPERATING RESULT	62.4	179.7	494.9

EUR million	2020 1–3	2019 1–3	2019 1–12
OPERATING RESULT (IFRS)	61.1	183.0	374.3
Depreciation and impairment charges	80.4	73.2	415.5
EBITDA	141.5	256.2	789.7
Items affecting comparability:			
Other operating income	-1.4	-3.3	-8.7
Change in inventories	0.3		6.3
Employee costs	0.1		7.5
Other operating expenses	2.4		4.2
Total	1.3	-3.3	9.2
COMPARABLE EBITDA	142.8	253.0	799.0
Depreciation and impairment charges	-80.4	-73.2	-415.5
Items affecting comparability:			
Depreciation			
Impairment charges			137.8
Eliminations			-26.5
COMPARABLE OPERATING RESULT	62.4	179.7	494.9

Items with “+” sign = expenses affecting comparability

Items with “-” sign = income affecting comparability

Items affecting comparability during the first quarter of 2020 amounted to EUR -1.3 million (3.3). Items are related to divestment of Metsä Tissue’s napkin business.

Items affecting comparability during the first quarter of 2019 amounted to EUR 3.3 million (0.0). The item comprises the capital gain on the shares in Liaison Technologies Inc., included in Metsä Board’s non-operative investments in shares. The EUR 6.8 million sales gain recognized by Metsä Board from the disposal of the Äänevoima Oy shares to Metsä Fibre has been eliminated as an internal item from Metsä Group’s figures.

Metsä Group’s items affecting comparability in 2019 totalled EUR -120.6 million. The items include a sales gain of EUR 3.3 million from the sales of shares in Liaison Technologies Inc., included in Metsä Board’s other investments, and a sales gain of EUR 5.6 million from the sale of Metsä Board’s plots in Niemenranta, Tampere. The items also include EUR 7.6 million in cost provisions related to Metsä Tissue’s ongoing efficiency programme as well as a total of EUR 3.8 million in cost provisions and a EUR 6.3 million inventory impairment related to the future divestment of Metsä Tissue’s napkin business. The items affecting comparability also include an impairment of EUR 102.5 million concerning Metsä Tissue’s goodwill and intangible rights, of which EUR 25.2 million has been eliminated as an internal item in Metsä Group. The items affecting comparability furthermore include a EUR 19.1 million impairment related to the modernisation of Metsä Board’s Husum pulp mill and impairments of EUR 10.9 million, EUR 3.9 million and EUR 1.4 million related,

respectively, to the future divestment of Metsä Tissue's napkin business, the closure of paper machine 6 at Metsä Tissue's Krapkowice mill in Poland and the development of the converting line at Metsä Tissue's Raubach mill in Germany. EUR 1.2 million of the impairment related to the future divestment of Metsä Tissue's napkin business has been eliminated as an internal item in Metsä Group.

QUARTERLY DATA

EUR million	2020 1–3	2019 10–12	2019 7–9	2019 4–6	2019 1–3
Sales					
Wood Supply and Forest Services	430.6	464.9	473.9	508.3	525.8
Wood Products Industry	87.3	93.0	111.0	118.9	111.3
Pulp and Sawn Timber Industry	411.5	490.2	567.0	556.1	622.8
Paperboard Industry	472.1	478.4	489.2	477.1	487.1
Tissue and Greaseproof Papers	292.7	263.5	263.1	266.1	267.3
Other operations	2.6	3.1	2.3	2.3	2.0
Internal sales	-443.7	-502.8	-532.8	-557.0	-578.6
Sales	1 253.0	1 290.3	1 373.7	1 371.7	1 437.7
Operating result					
Wood Supply and Forest Services	3.4	5.6	5.0	5.6	11.3
Wood Products Industry	-3.3	-1.1	3.1	5.3	1.8
Pulp and Sawn Timber Industry	-21.3	9.9	33.2	83.1	122.4
Paperboard Industry	33.8	20.0	42.5	46.4	71.9
Tissue and Greaseproof Papers	39.1	0.2	22.7	-96.8	10.5
Other operations	0.1	-8.3	3.7	-3.3	-1.4
Eliminations	9.3	5.8	0.1	8.5	-33.6
Operating result	61.1	32.2	110.3	48.8	183.0
% of sales	4.9	2.5	8.0	3.6	12.7
Share of results from associated companies and joint ventures	0.5	0.7	0.2	2.8	-0.4
Exchange gains and losses	-0.3	-0.9	-1.1	-1.9	-2.6
Other net financial items	-15.1	-14.4	-13.8	-13.9	-13.4
Result before income tax	46.2	17.6	95.6	35.9	166.6
Income tax	-11.1	-1.9	-19.7	-21.3	-33.9
Result for the period	35.1	15.7	75.9	14.6	132.7
Comparable operating result					
Wood Supply and Forest Services	3.4	5.6	5.0	5.6	11.3
Wood Products Industry	-3.3	-1.1	3.1	3.3	1.8
Pulp and Sawn Timber Industry	-21.3	9.9	33.2	83.1	122.4
Paperboard Industry	33.8	39.1	42.5	41.0	61.8
Tissue and Greaseproof Papers	40.5	26.6	22.8	13.5	10.5
Other operations and eliminations	9.4	-3.7	3.7	-18.0	-28.2
Comparable operating result	62.4	76.4	110.3	128.4	179.7
% of sales	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 borrowings – cash and cash equivalents – interest-bearing receivables) per (Members' funds)
EBITDA	=	Operating result before depreciation 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

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	2020 1–3	2019 1–3	Change	2019 1–12
Sales	2, 3	1 253.0	1 437.7	-184.7	5 473.4
Change in stocks of finished goods and work in progress		-57.5	2.4	-60.0	-17.4
Other operating income		6.4	17.1	-10.7	59.2
Material and services		-825.1	-957.0	131.9	-3 733.3
Employee costs		-145.5	-154.1	8.6	-630.4
Depreciation and impairment losses		-80.4	-73.2	-7.1	-415.5
Other operating expenses		-89.8	-89.9	0.1	-361.9
Operating result	2	61.1	183.0	-121.9	374.3
Share of results from associated companies and joint ventures		0.5	-0.4	0.9	3.3
Exchange gains and losses		-0.3	-2.6	2.3	-6.4
Other net financial items	2	-15.1	-13.4	-1.6	-55.4
Result before income tax		46.2	166.6	-120.4	315.7
Income tax	4	-11.1	-33.9	22.9	-76.8
Result for the period		35.1	132.7	-97.6	238.9
Other comprehensive income					
Items that will not be reclassified to profit and loss					
Items relating to adjustments of defined benefit plans		7.9	-4.4	12.3	-15.7
Fair value of financial assets through other comprehensive income		7.0	11.8	-4.8	-13.5
Income tax relating to items that will not be reclassified		-3.1	-1.4	-1.8	5.1
Total		11.8	6.1	5.8	-24.0
Items that may be reclassified subsequently to profit and loss					
Cash flow hedges		-38.9	-31.8	-7.1	-17.8
Currency translation differences		-41.6	1.6	-43.2	3.1
Other items		0.0	0.0	0.0	0.0
Income tax relating to items that may be reclassified		8.0	6.5	1.5	3.7
Total		-72.6	-23.8	-48.8	-11.0
Other comprehensive income, net of tax		-60.8	-17.7	-43.0	-35.0
Total comprehensive income for the period		-25.7	114.9	-140.6	203.9
Result for the period attributable to:					
Members of parent company		27.0	79.1	-52.2	111.4
Non-controlling interests		8.2	53.5	-45.4	127.5
Total		35.1	132.7	-97.6	238.9
Total comprehensive income attributable to:					
Members of parent company		-8.2	67.1	-75.4	90.0
Non-controlling interests		-17.4	47.8	-65.2	113.9
Total		-25.7	114.9	-140.6	203.9

The notes are an integral part of this report.

UNAUDITED CONSOLIDATED BALANCE SHEET

EUR million	Note	2020 31.3.	2019 31.3.	2019 31.12.
ASSETS				
Non-current assets				
Goodwill		422.8	507.1	429.4
Other intangible assets		222.9	238.8	228.1
Tangible assets	5	2 771.4	2 899.1	2 817.0
Biological assets		3.0	2.9	2.9
Investments in associated companies and joint ventures		69.8	67.5	68.3
Other investments	9	278.0	296.9	271.1
Other non-current financial assets	9	19.3	34.1	22.6
Deferred tax receivables		25.3	28.1	27.7
		3 812.5	4 074.6	3 867.1
Current assets				
Inventories		940.7	1 062.7	979.6
Accounts receivables and other receivables		791.0	856.0	749.3
Tax receivables based on the taxable income for the period		16.3	8.6	8.7
Cash and cash equivalents	9	1 004.8	919.8	1 090.0
		2 752.8	2 847.2	2 827.6
Assets classified as held for sale		32.4	1.0	32.3
Total assets		6 597.6	6 922.8	6 727.0
MEMBERS' FUNDS AND LIABILITIES				
Members' funds				
Members' funds		2 918.5	2 856.6	2 926.8
Non-controlling interests		784.0	830.6	848.5
		3 702.5	3 687.1	3 775.3
Non-current liabilities				
Deferred tax liabilities		289.8	292.4	296.1
Post-employment benefit obligations		70.3	79.0	81.8
Provisions	6	17.5	16.4	17.7
Borrowings	9	1 140.5	1 114.1	1 142.7
Other liabilities		26.2	21.3	23.1
		1 544.5	1 523.2	1 561.4
Current liabilities				
Provisions	6	3.3	8.3	4.1
Current borrowings	9	304.0	456.1	312.3
Accounts payable and other liabilities		1 023.3	1 229.8	1 051.7
Tax liabilities based on the taxable income for the period		5.5	17.8	7.4
		1 336.1	1 712.0	1 375.4
Liabilities classified as held for sale		14.6	0.4	14.9
Total liabilities		2 895.1	3 235.7	2 951.7
Total members' funds and liabilities		6 597.6	6 922.8	6 727.0

The notes are an integral part of this report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS

Equity attributable to members of parent company							
EUR million	Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	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				79.1	79.1	53.5	132.7
Other comprehensive income, net after tax		2.1	-11.1	-3.0	-12.0	-5.8	-17.7
Total comprehensive income		2.1	-11.1	76.1	67.1	47.8	114.9
Transactions with owners:							
Dividends paid				3.6	3.6	-84.5	-81.0
Change in members' capital	45.6			-4.0	41.5		41.5
Change in the reserve for invested unrestricted equity					0.0	-39.9	-39.9
Share based payments				-5.6	-5.6	-0.9	-6.4
Sold shares from non-controlling interests, which did not change the controlling right				-0.6	-0.7	3.1	2.4
Members' funds 31.3.2019	1 040.3	-32.6	481.7	1 367.2	2 856.6	830.6	3 687.1

Equity attributable to members of parent company							
EUR million	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
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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2020 1–3	2019 1–3	2019 1–12
Result for the period	8	35.1	132.7	238.9
Total adjustments	8	108.0	117.9	531.8
Change in working capital		-93.7	-210.0	-112.9
Cash flow arising from operations		49.4	40.6	657.8
Net financial items		0.2	-3.4	-50.7
Income taxes paid		-14.0	-77.3	-122.4
Net cash flow arising from operating activities		35.7	-40.1	484.8
Acquisitions		-1.1	-7.5	-9.6
Investments in tangible and intangible assets		-53.7	-31.2	-216.1
Disposals and other items	8	-2.4	7.1	27.0
Net cash flow arising from investing activities		-57.2	-31.6	-198.7
Change in members' funds		28.4	41.5	137.4
Change in non-controlling interest		-50.4	0.0	-82.6
Change in long-term loans and other financial items		-15.4	-70.7	-136.5
Capital distribution		0.0	0.0	-39.9
Dividends paid		-21.9	-63.5	-158.6
Net cash flow arising from financing activities		-59.3	-92.7	-280.2
Change in cash and cash equivalents		-80.8	-164.4	5.9
Cash and cash equivalents at beginning of period		1 090.0	1 083.9	1 083.9
Translation difference		-1.1	0.4	0.6
Change in cash and cash equivalents		-80.8	-164.4	5.9
Value adjustments of investment funds included in cash and cash equivalents.		-3.1		
Cash and cash equivalents of assets classified as held for sale		-0.2		-0.3
Cash and cash equivalents at end of period		1 004.8	919.8	1 090.0

The notes are an integral part of this report.

NOTES TO THE UNAUDITED INTERIM REPORT

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

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

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

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 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.

This interim report was authorized for issue by the Board of Directors of Metsäliitto Cooperative on April 29, 2020.

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	1–3/2020	1–3/2020	1–3/2020	1–3/2019	1–3/2019	1–3/2019
	External	Internal	Total	External	Internal	Total
Wood Supply and Forest Services	108.7	321.9	430.6	137.8	388.0	525.8
Wood Products Industry	84.3	3.0	87.3	105.4	5.9	111.3
Pulp and Sawn Timber Industry	313.6	98.0	411.5	468.7	154.1	622.8
Paperboard Industry	453.9	18.1	472.1	458.7	28.4	487.1
Tissue and Greaseproof Papers	292.5	0.2	292.7	267.1	0.2	267.3
Other operations	0.0	2.5	2.6	0.0	2.0	2.0
Elimination of internal sales		-443.7	-443.7	-	-578.6	-578.6
Total sales	1 253.0	0.0	1 253.0	1 437.7	0.0	1 437.7

EUR million	1–12/2019	1–12/2019	1–12/2019
	External	Internal	Total
Wood Supply and Forest Services	498.2	1 474.7	1 972.9
Wood Products Industry	411.1	23.1	434.2
Pulp and Sawn Timber Industry	1 674.2	561.8	2 236.0
Paperboard Industry	1 830.7	101.1	1 931.8
Tissue and Greaseproof Papers	1 059.1	0.9	1 060.0
Other operations	0.1	9.6	9.7
Elimination of internal sales		-2 171.2	-2 171.2
Total sales	5 473.4	0.0	5 473.4

OPERATING RESULT BY SEGMENTS

EUR million	2020	2019	2019
	1–3	1–3	1–12
Wood Supply and Forest Services	3.4	11.3	27.4
Wood Products Industry	-3.3	1.8	9.2
Pulp and Sawn Timber Industry	-21.3	122.4	248.6
Paperboard Industry	33.8	71.9	180.8
Tissue and Greaseproof Papers	39.1	10.5	-63.4
Other operations	0.1	-1.4	-9.3
Eliminations	9.3	-33.6	-19.2
Operating result total	61.1	183.0	374.3
Share of results from associated companies and joint ventures	0.5	-0.4	3.3
Financial costs, net	-15.4	-16.0	-61.9
Income taxes	-11.1	-33.9	-76.8
Result for the period	35.1	132.7	238.9

ASSETS AND LIABILITIES BY SEGMENTS

Assets	2020	2019	2019
EUR million	31.3.	31.3.	31.12.
Wood Supply and Forest Services	385.7	414.6	308.6
Wood Products Industry	347.0	362.3	336.0
Pulp and Sawn Timber Industry	1 922.5	2 096.2	1 976.3
Paperboard Industry	2 039.0	2 170.7	2 124.4
Tissue and Greaseproof Papers	798.3	943.0	785.1
Other operations	272.8	278.3	212.5
Assets classified as held for sale	32.4	1.0	32.3
Eliminations	-305.3	-342.4	-198.2
Unallocated assets	1 105.2	999.0	1 150.0
Total	6 597.6	6 922.8	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	2019
EUR million	31.3.	31.3.	31.12.
Wood Supply and Forest Services	250.5	275.0	185.4
Wood Products Industry	62.5	74.7	51.6
Pulp and Sawn Timber Industry	335.5	432.9	361.9
Paperboard Industry	364.9	499.0	375.5
Tissue and Greaseproof Papers	289.1	303.1	287.3
Other operations	130.4	96.2	106.4
Assets classified as held for sale	14.6	0.4	14.9
Eliminations	-305.3	-342.4	-198.2
Unallocated assets	1 752.9	1 896.7	1 767.0
Total	2 895.1	3 235.7	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	2019
	1–3	1–3	1–12
EMEA	908.0	1 054.2	3 995.4
APAC	221.1	270.4	1 031.0
Americas	123.8	113.1	447.1
Total	1 253.0	1 437.7	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	2019
	1–3	1–3	1–12
Taxes for the period	3.5	28.1	61.4
Taxes for previous periods	1.0	0.0	1.4
Change in deferred taxes	6.6	5.7	14.1
Total income taxes	11.1	33.9	76.8

NOTE 5 – CHANGE IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2020 1–3	2019 1–3	2019 1–12
Book value at beginning of period	2 817.0	2 847.6	2 847.6
IFRS 16 change in accounting principles 1.1.2019		75.7	75.7
Acquired businesses			14.9
Investments in owned property, plant and equipment	51.8	45.3	208.8
Investments in leased property, plant and equipment	9.1	2.4	25.8
Decreases	-1.8	-0.6	-3.5
Assets classified as held for sale	0.0	0.0	-31.4
Depreciation and impairment losses	-74.8	-68.1	-314.5
Translation differences and other changes	-29.9	-3.1	-6.3
Book value at end of period	2 771.4	2 899.1	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	-0.1	-0.0	-0.2	-0.4
Increases	0.2	0.0	0.1	0.3
Utilised during the year	0.0	-0.4	-0.5	-0.9
At 31 March 2020	2.7	13.6	4.5	20.9

Of the Metsä Group's total provisions of EUR 20.9 million, the non-current portion was EUR 17.5 million and the current portion EUR 3.3 million. Most of the non-current portion will be paid by the end of 2025.

NOTE 7 – TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2020 1–3	2019 1–3	2019 1–12
Sales	2.5	1.4	12.4
Purchases	21.3	24.8	108.0
Current receivables	2.9	2.1	4.1
Current liabilities	7.4	24.1	11.7

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

Milj. euroa	2020 1–3	2019 1–3	2019 1–12
Taxes	11.0	33.9	76.8
Depreciation and impairment charges	80.4	73.2	415.5
Biological assets	0.0	0.1	0.1
Share of results from associated companies	-0.5	0.4	-3.3
Gains and losses on sale of non-current financial assets	1.9	-6.1	-24.4
Financial costs, net	15.4	16.0	61.9
Pension liabilities and provisions	-1.2	-1.8	-4.9
Other adjustments	0.9	2.2	10.1
Total	108.0	117.9	531.8

Disposals and other items

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

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 – FAIR VALUES OF FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities and fair values.

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

Financial assets 31.3.2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Other non-current investments	7.2	287.9		296.9
Other non-current financial assets			26.6	26.6
Accounts receivables and others			842.6	842.6
Cash and cash equivalents	186.9		732.9	919.8
Derivative financial instruments	0.2	16.8		17.0
Total	194.3	306.5	1 602.2	2 102.9
Fair value total	194.3	306.5	1 602.2	2 102.9

Financial liabilities 31.3.2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Non-current interest-bearing liabilities			1 114.1	1 114.1
Other non-current liabilities			0.9	0.9
Current interest-bearing liabilities			456.1	456.1
Accounts payable and others			1 118.5	1 118.5
Derivative financial instruments	3.9	37.2		41.1
Liabilities classified as held for sale			0.4	0.4
Total	3.9	37.2	2 690.0	2 731.2
Fair value total	3.9	37.2	2 704.8	2 745.9

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

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

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other non-current investments	0.0		296.9	296.9
Current financial assets through profit and loss at fair value	186.9			186.9
Derivative financial assets	17.0	0.0		17.0
Financial liabilities measured at fair value				
Derivative financial liabilities		41.1		41.1
Financial assets not measured at fair value				
Financial assets		732.9		732.9
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1 128.2		1 128.2
Current interest-bearing liabilities		457.2		457.2

Financial assets measured at fair value based on level 3

EUR million	2020	2019
Opening balance 1 January	271.1	285.1
Gains and losses in income statement	0.0	3.3
Gains and losses in other comprehensive income	7.0	11.8
Settlements	-0.1	-3.3
Closing balance 31 March	278.0	296.9

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 oil and heavy fuel 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 item at fair value not traded on an open market is the investment in Pohjolan Voima Oyj shares, reported under available-for-sale financial assets. The valuation method is described in the 2019 Financial Statements. The average weighed capital cost applied in the calculation was 1.06% on 31 March 2020 and for the Olkiluoto 3 power plant under construction 2.06%. The acquisition cost of the Pohjolan Voima Oyj shares is EUR 42.0 million and their fair value is EUR 271.4 million.

The carrying amount of Pohjolan Voima Oyj as of 31 March 2020 is estimated to change by EUR 1.5 million lower should the rate used for discounting the cash flows change by 10% from the rate estimated by the management. The carrying amount of the shares is estimated to change by EUR 43.2 million should the energy prices applied in the fair value calculation differ by 10% from the rate estimated by the management.

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

Derivatives 31 March 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	556.3		18.7	-18.7	-1.2	-17.6
Total	556.3	0.0	18.7	-18.7	-1.2	-17.6
Currency forwards	2 447.2	0.0	21.7	-21.7	-2.8	-18.9
Currency options	801.0		0.7	-0.7		-0.7
Total	3 248.2	0.0	22.4	-22.4	-2.8	-19.6
Electricity derivatives	34.9	15.4		15.4		15.4
Oil derivatives	9.8	1.2		1.2		1.2
Commodity derivatives	6.4	0.4		0.4	0.2	0.2
Total	51.0	17.0	0.0	17.0	0.2	16.8
Derivatives total	3 855.5	17.0	41.1	-24.2	-3.8	-20.4

NOTE 10 – COMMITMENTS AND CONTINGENCIES

EUR million	31.3.2020	31.3.2019	31.12.2019
Own liabilities for which commitments granted	53.6	89.2	54.7
Pledges granted	87.3	76.2	88.1
Floating charges	2.8	2.8	2.8
Real estate mortgages	267.0	267.7	267.0
Chattels mortgage	0.0	4.0	0.0
Commitments for own liabilities, total	357.1	350.7	357.9
Rent commitments	8.2	7.8	7.9
Leases not yet commenced to which Metsä Group is committed	7.0		16.0
Other commitments on own behalf	25.1	31.7	27.2
On behalf of associated companies	0.5	0.7	0.5
On behalf of others	0.0	0.0	0.0
Total	397.9	390.9	409.5

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

COMMITMENTS RELATED TO INVESTMENTS

EUR million	31.3.2020	31.3.2019	31.12.2019
Payments due under 1 year	39.5	22.9	67.3
Payments due in subsequent years			
Total	39.5	22.9	67.3