

**Metsä Board Corporation's operating result excluding non-recurring items was EUR 5 million in January–March****Result for January–March**

- Sales were EUR 545 million (Q4/2011: 524).
- The operating result excluding non-recurring items was EUR 5 million (-22). The operating result including non-recurring items was EUR -4 million (-215).
- The result before taxes excluding non-recurring items was EUR -9 million (-33). The result before taxes including non-recurring items was EUR -18 million (-230).
- Earnings per share from continuing operations excluding non-recurring items were EUR -0.02 (-0.04) and including non-recurring items EUR -0.05 (-0.63).

**Events in the first quarter of 2012**

- The Premium Paper operations of the Reflex mill were sold to Hahnemühle FineArt GmbH and Hahnemühle's private shareholders. After the closing of the transaction, Metsä Board no longer has operations in Reflex.
- The company's management and reporting structure was renewed. As of the first quarter of 2012, the reporting segments are Paperboard, and Paper and Pulp. Pasi Piiparinens started as the head of Paperboard business area on 20 March 2012.
- The unprofitable operations of the Gohrsmühle mill in Germany were discontinued and the Alizay mill in France was shut down.
- The Annual General Meeting that convened on 28 March 2012 resolved to change the company's business name from M-real Corporation to Metsä Board Corporation.

**Events after the period**

- Metsä Board agreed to sell approximately 7.3 percentage points of its holding in Metsä Fibre to Japanese Itochu Corporation for EUR 138 million.
- Metsä Board sold approximately 0.5 percentage points of its holding in Pohjolan Voima Oy to Metsä Fibre for EUR 64 million.
- Metsä Board signed an agreement on the refinancing of its EUR 500 million bond maturing on 1 April 2013.

*“Our profitability improved as expected in the first quarter of 2012. The result was, however, still on an unsatisfactory level. Cartonboard order books have normalised and utilisation rates have clearly improved from the turn of the year level.*

*Our restructuring process from a paper company to a leading cartonboard company has been completed. Our strong cartonboard business together with the paper and pulp integrate in Husum provides a good foundation for further profitability improvement.*

*Metsä Board is Europe's leading producer of fresh forest fibre cartonboards, the world's leading manufacturer of coated white-top kraftliners, and a major paper supplier. It offers premium solutions for consumer and retail packaging, graphics and office end-uses. The company's sales network serves brand owners, carton printers, corrugated packaging manufacturers, printers, merchants and office suppliers. Metsä Board is part of Metsä Group and is listed on the NASDAQ OMX Helsinki. In 2011, Metsä Board's sales totalled EUR 2.5 billion. Metsä Board has approximately 3,800 employees.*

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*A programme to increase our annual folding boxboard capacity by 150,000 tonnes was completed as planned with the completion of the investment to increase the capacity of the folding boxboard machine in Äänekoski in early May.*

*Our measures to eliminate the unprofitable paper businesses are almost complete, and the losses of our paper business are in the second quarter clearly smaller than in the first quarter.”*

***Mikko Helander, CEO***

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KEY FIGURES	2012	2011	2011	2011	2011	2011
	Q1	Q4	Q3	Q2	Q1	Q1-Q4
Sales, EUR million	545	524	616	660	685	2,485
EBITDA, EUR million	25	-172	24	48	77	-23
excl. non-recurring items, EUR million	34	8	36	62	74	180
EBITDA, %	4.6	-32.8	3.9	7.3	11.2	-0.9
excl. non-recurring items, %	6.2	1.5	5.8	9.4	10.8	7.2
Operating result, EUR million	-4	-215	-13	-32	46	-214
excl. non-recurring items, EUR million	5	-22	6	32	43	59
EBIT, %	-0.7	-41.0	-2.1	-4.8	6.7	-8.6
excl. non-recurring items, %	0.9	-4.2	1.0	4.8	6.3	2.4
Result before taxes, EUR million	-18	-230	-29	-53	31	-281
excl. non-recurring items, EUR million	-9	-33	-11	16	28	0
Result for the period, EUR million	-15	-209	-33	-59	28	-273
excl. non-recurring items, EUR million	-6	-12	-15	10	25	8
Result per share, EUR	-0.05	-0.63	-0.11	-0.17	0.08	-0.83
excl. non-recurring items, EUR	-0.02	-0.04	-0.05	0.04	0.07	0.02
Return on equity, %	-8.4	-100.4	-14.1	-23.5	10.8	-31.5
excl. non-recurring items, %	-3.1	-5.4	-6.3	4.2	9.5	0.9
Return on capital employed, %	-0.4	-43.3	-1.5	-6.1	8.4	-9.9
excl. non-recurring items, %	1.7	-3.7	2.0	6.4	7.8	3.4
Equity ratio at end of period, %	27.8	27.4	32.7	33.9	33.6	27.4
Gearing ratio at end of period, %	154	154	128	120	125	154
Net gearing ratio at end of period, %	104	106	83	84	78	106
Shareholders' equity per share at end of period, EUR	2.21	2.23	2.81	2.92	3.11	2.23
Interest-bearing net liabilities, EUR million	758	783	772	809	799	783
Gross investments, EUR million	10	35	17	31	12	95
Deliveries, 1 000 tonnes						
Paperboard	295	290	346	365	387	1,388
Paper	185	190	222	236	260	908
Personnel at the end of period	3,818	4,070	4,163	4,699	4,515	4,070

Deliveries are not fully comparable due to structural changes.

EBITDA = Earnings before interest, taxes, depreciation and impairment charges

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#### Result for January–March compared with the previous quarter

Metsä Board's sales amounted to EUR 545 million (Q4/2011: 524). Comparable sales were up 5.7 per cent. The operating result was EUR -4 million (-215), and operating result excluding non-recurring items was EUR 5 million (-22).

A net total of EUR -10 million was recognised as non-recurring items in the operating result for January–March, the most significant of them being:

- A EUR 8 million cost provision under "Other operations" related to the cleaning expenses of a land area in Tampere.
- EUR 2 million of additional cost provisions in the Paper and Pulp business area related to the decision to shut down the Alizay paper mill.

The non-recurring items for the previous quarter totalled EUR -194 million net.

Operating result excluding non-recurring items, compared to the previous period, was improved by the higher delivery volumes of cartonboard and pulp and production costs that decreased due to better utilisation rates. The losses from the units to be shut down and restructured burdened the operating result excluding non-recurring items further by approximately EUR 16 million in the first quarter.

The total paper business delivery volume was 185,000 tonnes in January–March (190,000). Deliveries by the Paperboard business area totalled 295,000 tonnes (290,000). The delivery volumes are not completely comparable due to the changes in the company's structure.

Financial income and expenses in the period totalled EUR -14 million (-12). Foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging were EUR 2 million (0). Net interest and other financial income and expenses amounted to EUR -16 million (-12). Other financial income and expenses include EUR 0 million of valuation gains on interest rate derivatives (a valuation gain of 4).

The result before taxes for the period was EUR -18 million (-230). The comparison period result included an impairment loss of EUR 3 million, related to the associated companies in China and Hungary, reported as a non-recurring item in "Share of results from associated companies". The result before taxes excluding non-recurring items totalled EUR -9 million (-33). Income taxes, including the change in deferred tax liabilities, were EUR +3 million (+21).

Earnings per share were EUR -0.05 (-0.63). Earnings per share excluding non-recurring items were EUR -0.02 (-0.04). Return on equity was -8.4 per cent (-100.4); excluding non-recurring items it was -3.1 per cent (-5.4). The return on capital employed was -0.4 per cent (-43.3); 1.7 per cent (-3.7) excluding non-recurring items.

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### Result for January–March compared to the corresponding period last year

Metsä Board's sales amounted to EUR 545 million (685). Comparable sales were down 16.4 per cent. The operating result was EUR -4 million (46), and the operating result excluding non-recurring items was EUR 5 million (43).

The net total of non-recurring items for January–March was EUR -10 million. The total non-recurring items recognised in the operating result of the corresponding period in the previous year were EUR 3 million positive related to a real estate sale in Jyväskylä, Finland.

The operating profit excluding non-recurring items compared to the previous year was weakened by the lower delivery volumes of cartonboard and the decreased price of office paper and pulp. The result was improved slightly by the decline in production costs and the strengthening of the US dollar and the British pound.

The total paper business delivery volume was 185,000 tonnes in January–March (Q1/2011: 260,000). Deliveries in the Paperboard business area totalled 295,000 tonnes (387,000). The delivery volumes are not completely comparable due to the changes in the company's structure.

Financial income and expenses totalled EUR -14 million (-15). Foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging were EUR 2 million (+2). Net interest and other financial income and expenses amounted to EUR -16 million (-17). Other financial income and expenses included EUR 0 million of valuation gains on interest rate hedges (valuation gain of 0).

The result before taxes for the period under review was EUR -18 million (31). The result before taxes and excluding non-recurring items was EUR -9 million (28). The impact of income taxes, including the change in deferred tax liabilities, was EUR +3 million (-3).

Earnings per share were EUR -0.05 (0.08). Earnings per share excluding non-recurring items were EUR -0.02 (0.07). Return on equity was -8.4 per cent (10.8), and -3.1 per cent (9.5) excluding non-recurring items. The return on capital employed was -0.4 per cent (8.4); +1.7 per cent (7.8) excluding non-recurring items.

### **Personnel**

The number of personnel was 3,818 at the end of March (31 December 2011: 4,070), of whom 1,645 (1,648) people worked in Finland. During the period, Metsä Board employed an average of 3,893 people (2011: 4,428).

### **Investments**

Gross investments in January–March totalled EUR 10 million (Q1/2011: 12).

### **Structural changes**

M-real Corporation's Annual General Meeting held on 28 March 2012 resolved to change the company's business name to Metsä Board Corporation and amended the company's line of business to correspond to its current business operations more accurately.

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Metsä Board's structural change from a paper company into a cartonboard company has progressed according to the strategy. The focus of the operations has increasingly shifted from restructuring to development, as demonstrated by the paperboard investments in the Simpele, Äänekoski, Kyro and Kemi mills in 2011–2012.

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

Metsä Board continues the Chromolux specialty paper and paperboard business operations and launches folding boxboard sheeting operations at the Gohrsmühle mill. Measures to create a business park concept in Gohrsmühle continue in collaboration with employee representatives in order to create new jobs in the mill site.

The launch of a voluntary reindustrialisation project in Alizay is being planned. The project is being implemented in collaboration between Metsä Board, employee representatives and local authorities. The objective of the project is to create new jobs and business operations in the Alizay mill site.

## **Financing**

Metsä Board's equity ratio at the end of March was 27.8 per cent (31 December 2011: 27.4) and gearing ratio was 154 per cent (154). The net gearing ratio was 104 per cent (106). Some of Metsä Board's loan agreements set a 120 per cent limit on the company's net gearing ratio and a 30 per cent limit on equity ratio. Calculated as defined in the loan agreements, the gearing ratio at the end of March was approximately 74 per cent (76) and equity ratio approximately 34 per cent (33).

During the period under review, the change in the fair value of investments available for sale was approximately EUR 5 million, mainly due to the increase in the fair value of Pohjolan Voima Oy's shares.

Net interest-bearing liabilities amounted to EUR 758 million at the end of March (783). Foreign-currency-denominated loans accounted for 6 per cent; 61 per cent were floating-rate, and the rest were fixed-rate. At the end of March, the average interest rate on loans was 6.1 per cent and the average maturity of long-term loans 1.6 years. The interest rate maturity of loans was 12.4 months at the end of March. During the period, the interest rate maturity varied between 12 and 15 months.

Cash flow from operations amounted to EUR 6 million (Q1–Q4/2011: 108). Working capital decreased by EUR 23 million (81). In the cash flow statement, the net financial expenses for the period include a dividend of EUR 33 million paid by Metsä Fibre.

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At the end of the period under review, an average of 4.7 months of the net foreign currency exposure was hedged. The degree of hedging varied between four and five months during the period. Approximately 3 per cent of the non-euro-denominated equity was hedged at the end of the period under review.

Liquidity continues at a good level. At the end of the period under review, liquidity was EUR 288 million, of which EUR 20 million consisted of undrawn pension premium (TyEL) loans and EUR 268 million of liquid assets and investments. At the end of March, EUR 101 million of the liquid assets and investments are assets deposited by other Metsä Group businesses in Metsä Finance. In addition, the Group had other interest-bearing receivables totalling EUR 97 million. To meet its short-term financing needs, the Group also had at its disposal uncommitted domestic and foreign commercial paper programmes and credit facilities amounting to EUR 519 million.

## **Shares**

In January–March, the highest price for Metsä Board's A share on NASDAQ OMX Helsinki Ltd. was EUR 2.58, the lowest EUR 1.52, and the average price EUR 2.23. At the end of March, the price of the A share was EUR 2.20. At the end of 2011, the price of the A share was EUR 1.50, while the average price in 2011 was EUR 2.87.

In January–March 2011, the highest price of Metsä Board's B share was EUR 2.27, the lowest EUR 1.33, and the average price EUR 1.91. At the end of the March, the price of the B share was EUR 2.10. At the end of 2011, the price of the B share was EUR 1.33, while the average price in 2011 was EUR 2.18.

The trading volume of the A share was EUR 0.5 million, or 1 per cent of the share capital. The trading volume of the B share was EUR 107 million, or 19 per cent of the share capital. The market value of the A and B shares at the end of March totalled EUR 694 million.

At the end of March, Metsäliitto Cooperative owned 39.6 per cent of the shares and the voting rights conferred by these shares was 60.8 per cent. International investors held 9 per cent of the shares.

The company does not hold any treasury shares.

The Annual General Meeting of 28 March 2012 resolved in accordance with the Board of Directors' proposal that no dividend be paid for 2011.

The Annual General Meeting authorised the Board of Directors to decide on the issuance of new shares or special rights, as specified in section 1 of Chapter 10 of the Limited Liability Companies Act, entitling to shares. By virtue of the authorisation, the Board is entitled to issue up to 70,000,000 new B series shares. Correspondingly, the Board of Directors is authorised to issue special rights entitling to such shares such that the maximum number of new shares issued directly on the basis of special rights does not exceed 70,000,000 B shares. The special rights entitle their holders to receive new B series shares against the payment of a subscription price or by setting off a receivable

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against the subscription price (“Convertible Bond”). The new shares may be issued against a payment or without payment. The authorisation replaces the authorisation previously in effect and is effective until 28 March 2017.

### **Management changes**

Pasi Piiparinen started as the head of Paperboard business area and as a member of the Corporate Management Team in March 2012. Jani Suomalainen, Senior Vice President, Purchasing, was appointed a member of the Corporate Management Team. The other members of the Corporate Management Team are Mikko Helander, CEO; Matti Mörsky, CFO; Senior Vice Presidents Seppo Puotinen, Paper and Pulp; Sari Pajari, Supply Chain and Business Development; and Mika Paljakka, Human Resources.

### **Board of Directors and auditors**

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

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

Authorised Public Accountants KPMG Oy Ab was elected as the company's auditor with APA Raija-Leena Hankonen as the principal auditor. The term of office of the auditor expires at the end of the next Annual General Meeting. The Annual General Meeting resolved that the fee of the auditor be paid according to invoice as approved by the company.

### **Events after the period**

Metsä Board agreed to sell approximately 7.3 percentage points of its holding in Metsä Fibre to Japanese Itochu Corporation for EUR 138 million and approximately 0.5 percentage points of its holding in Pohjolan Voima Oy to Metsä Fibre for EUR 64 million. The completion of the sales of Metsä Board's 7.3 percentage point holding in Metsä Fibre is contingent on approval by the German competition authorities. The arrangement is estimated to be closed in early May 2012. Once the announced plans to change Metsä Fibre's ownership structure have been completed, Metsä Board will own 24.9 per cent, Metsäliitto Cooperative 50.2 per cent and Itochu Corporation 24.9 per cent of the company. Metsä Board will sell the 7.3 percentage point holding in Metsä Fibre in order to reduce its pulp surplus as well as to further strengthen Metsä Fibre's operations in the growing Asian market, in particular. After the completion of the arrangement, Metsä Board's annual self-sufficiency surplus will decrease from approximately 0.5 million tonnes to 0.3 million tonnes. After the sales of the 0.5 percentage point holding in Pohjolan Voima,

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completed on 11 April 2012, Metsä Board owns approximately 2 per cent of the company. In the second quarter of 2012, Metsä Board will recognise a non-recurring sales gain of approximately EUR 86 million related to Metsä Fibre's shares to be sold under "Other operations". In addition, the operating result of "Other operations" in the second quarter of 2012 will include, as a positive non-recurring item, the realised fair value and sales gain recognition of approximately EUR 45 million related to Pohjolan Voima's shares to be sold, which will not have an impact on the company's equity. These divestments will have a negative impact of approximately EUR 15 million on the company's annual operating result compared to the actual figures of 2011. Compared to the situation at the end of the first quarter 2012 the divestments have a positive impact of approximately 40 percentage points in Metsä Board's net gearing ratio as well as an over 2 percentage points positive impact on the equity ratio, assuming that the proceeds are held as cash and are not applied for debt repayments.

Metsä Board signed a new term loan and revolving credit facility agreement totalling EUR 600 million. The facility will be utilized to refinance the EUR 500 million bond maturing 1 April 2013 and it enhances Metsä Board's liquidity position further. The facilities consist of EUR 100 million revolving credit facility that is available for drawdown immediately and in total of EUR 500 million term loans, which are available for drawdown as of late March 2013. The revolving credit facility has a maturity of three years, while EUR 150 million (bridge financing) part of the term loans matures on 30 June 2014 and EUR 350 million part on 31 March 2016. The facilities are unsecured until the utilization of the term loans. The average financing cost of the facilities calculated for the entire loan period, including all related fees, is approximately 6.5 per cent per annum.

### **Near-term outlook**

Cartonboard order books have normalised and utilisation rates have clearly improved from the level of the turn of the year. Cartonboard delivery volumes are estimated to improve in the second quarter, compared to the first quarter. The cartonboard price levels are not expected to change materially in the coming months. The extensive production downtime relating to the capacity expansion at the Äänekoski folding boxboard mill will have a negative impact on the profitability of the Paperboard business area in the second quarter.

Delivery volumes of paper products and pulp are not expected to change significantly in the second quarter. The price of uncoated fine paper, which has declined slightly at the beginning of the year, is estimated to increase somewhat in the second quarter. The average coated paper price is estimated to remain stable in the near future. The price of pulp is expected to increase slightly in the coming months.

Production costs are not estimated to change materially in the coming months.

The first quarter operating losses of approximately EUR 16 million in the paper units being restructured are estimated to decrease considerably in the second quarter. The Äänekoski paper mill has been shut down and the operations of the Reflex mill have been sold or shut down. Negotiations on shutting down the Alizay mill and restructuring the Gohrsmühle mill have been completed and the measures are progressing as planned.

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

### **Near-term business risks**

The risk of economic growth in the euro zone slowing down considerably or coming to a halt and, in particular, demand for paper products weakening more than currently estimated is still high. Significantly weakened demand for Metsä Board's main products will create a risk of declining prices for paper products and pulp, in particular.

Because the forward-looking estimates and statements of this interim report are based on current plans and estimates, they contain risks and other uncertainties that may cause the results to differ from the statements concerning them. In the short term, Metsä Board's result will be particularly affected by the price of and demand for finished products, raw material costs, the price of energy, and the exchange rate development of the euro. More information on longer-term risk factors can be found on pages 29 and 30 of Metsä Board's 2011 Annual Report.

## **METSÄ BOARD CORPORATION**

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More information will be available starting from 1 p.m. on 3 May 2012. A conference call held in English for investors and analysts starts at 3 p.m. (EET). Conference call participants are requested to dial in and register a few minutes prior to the start of the conference call on the following numbers:

Europe: +44 (0)20 7162 0025

US: +1 334 323 6201

The conference ID is 915653.

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## BUSINESS AREAS AND MARKET TRENDS

**Paperboard business area**

Paperboard	2012	2011	2011	2011	2011	2010	2011	2010
	Q1	Q4	Q3	Q2	Q1	Q4	Q1-Q4	Q1-Q4
Sales, EUR million	281	275	322	338	359	351	1,294	1,384
EBITDA, EUR million	40	-28	38	44	61	46	114	187
excl. non-recurring items	40	23	38	50	61	49	172	195
Operating result, EUR million	26	-57	24	17	46	-9	30	82
excl. non-recurring items	26	8	24	36	46	32	114	129
excl. non-recurring items, %	9.3	2.9	7.4	10.7	12.8	9.1	8.8	9.4
Return on capital employed, %	15.8	-31.0	12.2	8.5	23.5	-4.7	4.2	10.6
excl. non-recurring items, %	16.0	4.3	12.2	18.3	23.5	16.1	15.8	16.7
Deliveries, 1,000 tonnes	295	290	346	365	387	387	1,388	1,586
Production, 1,000 tonnes	282	295	342	367	399	404	1,403	1,605
Personnel at the end of period	2,002	2,034	2,082	2,325	2,145	2,128	2,034	2,128

Delivery and production figures not fully comparable due to structural changes.

Result for January–March compared to the previous quarter

Operating result excluding non-recurring items for the Paperboard business area improved from the previous quarter and was EUR 26 million (Q4/2011: 8). The result was improved mainly by the increased delivery volume of cartonboard and the declined production costs due to improved utilisation rates.

The result of the previous quarter included non-recurring items totalling EUR -65 million, of which EUR -26 million were impairments, write-downs and cost provisions related to the restructuring measures at the Äänekoski mill including the shutdown of paper machine 2 and EUR -39 million related to the decision to discontinue the unprofitable operations at the Gohrsmühle mill.

The deliveries of European folding boxboard producers were 10 per cent higher than in the previous quarter. Deliveries of Paperboard's folding boxboard increased by 16 per cent.

Result for January–March compared to the corresponding period last year

Operating result excluding non-recurring items for Paperboard weakened compared to the corresponding period last year and totalled EUR 26 million (Q1/11: 46). The most significant factors weakening the result included the lower delivery volume of cartonboard and the lower utilisation rates.

The result for the corresponding period last year did not include non-recurring items.

The deliveries of European folding boxboard producers fell by 8 per cent compared with the corresponding period last year. Paperboard's folding boxboard deliveries decreased by 11 per cent.

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**Paper and Pulp business area**

<b>Paper and Pulp</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q1-Q4</b>	<b>Q1-Q4</b>
Sales, EUR million	245	238	282	297	314	307	1,132	1,141
EBITDA, EUR million	-2	-136	-4	-5	9	27	-135	108
excl. non-recurring items	2	-8	5	11	9	21	17	108
Operating result, EUR million	-15	-149	-27	-56	-6	7	-237	45
excl. non-recurring items	-12	-20	-10	-4	-6	7	-39	48
excl. non-recurring items, %	-5.1	-8.4	-3.5	-1.3	-1.9	2.3	-3.4	4.2
Return on capital employed, %	-10.2	-91.0	-14.1	-27.9	-2.6	3.3	-32.8	5.7
excl. non-recurring items, %	-8.1	-13.8	-5.1	-2.0	-2.6	3.2	-5.7	6.1
Deliveries, Paper 1,000 tonnes	185	190	222	236	260	267	908	994
Deliveries, Pulp 1,000 tonnes	218	169	181	195	174	168	719	686
Production, Paper 1,000 tonnes	181	161	233	240	248	256	882	994
Production, Metsä Board Pulp 1,000 tonnes	313	235	309	325	340	327	1,210	1,295
Personnel at the end of period	1,253	1,471	1,514	1,778	1,779	1,815	1,471	1,815

Delivery and production figures not fully comparable due to structural changes.

**Result for January–March compared to the previous quarter**

Operating result excluding non-recurring items for the Paper and Pulp business area improved from the previous quarter and was EUR -12 million (Q4/2011: -20). The result was improved by the increased deliveries of pulp and the discontinuation of the unprofitable production in Reflex.

The result included the following non-recurring items:

- EUR 2 million of additional cost provisions in the Paper and Pulp business area related to the decision to shut down the Alizay paper mill.
- EUR 1 million of additional cost provisions in the Paper and Pulp business area related to the discontinuation of production in Reflex.

The result of the previous quarter included non-recurring items of EUR -129 million, of which the most significant ones were:

- EUR 105 million in cost provisions and write-downs connected to the plan to shut down the Alizay pulp mill.
- EUR 19 million of cost provisions and write-downs connected to the plans to discontinue the unprofitable operations in Reflex.
- EUR 5 million net of additional cost provisions and sales price adjustments connected to the divestments of the Hallein pulp mill.

Total deliveries by European uncoated fine paper producers were up by 6 per cent compared to the previous quarter. Paper and Pulp's delivery volume of uncoated fine paper decreased by 2 per cent.

**Result for January–March compared to the corresponding period last year**

Operating result excluding non-recurring items for Paper and Pulp weakened compared to the corresponding period last year and totalled EUR -12 million (Q1/2011: -6). The result

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was weakened by the decline in the prices of pulp and office papers. The result was improved by the moderate decline in raw material costs.

The result for the corresponding period last year did not include non-recurring items.

Total deliveries by European uncoated fine paper producers decreased by 4 per cent compared to the corresponding period last year. Paper and Pulp's delivery volume of uncoated fine paper decreased by 29 per cent.

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**Sales and result by segment**

EUR million	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2011 Q1-Q4	2010 Q1-Q4
Paperboard	281	275	322	338	359	351	1,294	1,384
Paper and Pulp	245	238	282	297	314	307	1,132	1,141
Other operations	89	75	89	104	97	92	365	352
Internal sales	-70	-64	-77	-79	-86	-85	-305	-273
<b>Sales</b>	<b>545</b>	<b>524</b>	<b>616</b>	<b>660</b>	<b>685</b>	<b>665</b>	<b>2,485</b>	<b>2,605</b>
Paperboard	40	-28	38	44	61	46	114	187
Paper and Pulp	-2	-136	-4	-5	9	27	-135	108
Other operations	-13	-9	-9	8	7	1	-2	16
<b>EBITDA</b>	<b>25</b>	<b>-172</b>	<b>24</b>	<b>48</b>	<b>77</b>	<b>74</b>	<b>-23</b>	<b>312</b>
% of sales	4.6	-32.8	3.9	7.3	11.2	11.1	-0.9	12.0
Paperboard	26	-57	24	17	46	-9	30	82
Paper and Pulp	-15	-149	-27	-56	-6	7	-237	45
Other operations	-15	-10	-10	7	6	-1	-6	19
<b>Operating result</b>	<b>-4</b>	<b>-215</b>	<b>-13</b>	<b>-32</b>	<b>46</b>	<b>-4</b>	<b>-214</b>	<b>146</b>
% of sales	-0.7	-41.0	-2.1	-4.8	6.7	-0.6	-8.6	5.6
<b>Non-recurring items in operating result</b>								
Paperboard	0	-65	0	-19	0	42	-84	-47
Paper and Pulp	3	-129	-17	-52	0	0	-198	-4
Other operations	6	0	-2	7	3	0	9	23
<b>Group</b>	<b>10</b>	<b>-193</b>	<b>-18</b>	<b>-64</b>	<b>3</b>	<b>41</b>	<b>-274</b>	<b>-27</b>
Paperboard	40	23	38	50	61	49	172	195
Paper and Pulp	2	-8	5	11	9	21	17	108
Other operations	-7	-9	-7	1	4	1	-11	1
<b>EBITDA, excl. non-recurring items</b>	<b>34</b>	<b>8</b>	<b>36</b>	<b>62</b>	<b>74</b>	<b>70</b>	<b>180</b>	<b>305</b>
% of sales	6.2	1.5	5.8	9.4	10.8	10.6	7.2	11.7
Paperboard	26	8	24	36	46	32	114	129
Paper and Pulp	-12	-20	-10	-4	-6	7	-39	48
Other operations	-9	-9	-8	0	3	-1	-15	-4
<b>Operating result, excl. non-recurring items</b>	<b>5</b>	<b>-22</b>	<b>6</b>	<b>32</b>	<b>43</b>	<b>38</b>	<b>59</b>	<b>173</b>
% of sales	0.9	-4.2	1.0	4.8	6.3	5.7	2.4	6.6
<b>Operating result, excl. non-recurring items, % of sales</b>								
Paperboard	9.4	2.9	7.5	10.7	12.8	9.3	8.8	9.3
Paper and Pulp	-5.1	-8.4	-3.5	-1.3	-1.9	2.2	-3.4	4.2
<b>Group</b>	<b>0.9</b>	<b>-4.2</b>	<b>1.0</b>	<b>4.8</b>	<b>6.3</b>	<b>5.7</b>	<b>2.4</b>	<b>6.6</b>

Metsä Fibre's net result is included in operating result at row "Share of results from associated companies" from 8.12.2009 on, before that Metsä Fibre was consolidated on proportionate basis line by line.

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**Return on capital employed %**

Paperboard	15.8	-31.0	12.2	8.5	23.5	-4.7	4.2	10.6
Paper and Pulp	-10.2	-91.0	-14.1	-27.9	-2.6	3.3	-32.8	5.7
<b>Group</b>	<b>-0.4</b>	<b>-43.3</b>	<b>-1.5</b>	<b>-6.1</b>	<b>8.4</b>	<b>3.8</b>	<b>-9.9</b>	<b>5.7</b>

**Capital employed, EUR million**

Paperboard	656	676	785	781	795	770	676	770
Paper and Pulp	615	614	724	775	840	852	614	852
Unallocated and eliminations	587	583	605	593	673	727	584	727
<b>Group</b>	<b>1,858</b>	<b>1,873</b>	<b>2,114</b>	<b>2,149</b>	<b>2,308</b>	<b>2,349</b>	<b>1,873</b>	<b>2,349</b>

The capital employed for a segment includes its assets: goodwill, other intangible assets, tangible assets, biological assets, investments in associates, inventories, accounts receivables, prepayments and accrued income (excluding interest and taxes), less the segment's liabilities (accounts payable, advance payments, accruals and deferred income (excluding interest and taxes)).

<b>Deliveries</b> <b>1,000 tonnes</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q1-Q4</b>	<b>Q1-Q4</b>
Paperboard	295	290	346	365	387	387	1,388	1,586
Paper	185	190	222	236	260	267	908	994
Market Pulp	218	169	181	195	174	168	719	686
<b>Production</b> <b>1,000 tonnes</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q1-Q4</b>	<b>Q1-Q4</b>
Paperboard	282	295	342	367	399	404	1,403	1,605
Paper	181	161	233	240	248	256	881	994
Metsä Fibre pulp <sup>1)</sup>	181	174	197	170	164	175	706	652
Metsä Board pulp	313	235	309	325	340	327	1,210	1,295

<sup>1)</sup> Corresponds to Metsä Board's ownership share of 32% in Metsä Fibre.

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<b>Calculation of key ratios</b>								
Return on equity (%)	=	(Result from continuing operations before tax - direct taxes) per (Shareholders' equity (average))						
Return on capital employed (%)	=	(Result from continuing operations before tax + interest expenses, net exchange gains/losses and other financial expenses) per (Shareholders' equity + interest-bearing borrowings (average))						
Equity ratio (%)	=	(Shareholders' equity) per (Total assets - advance payments received)						
Gearing ratio (%)	=	(Interest-bearing borrowings) per (Shareholders' equity)						
Net gearing ratio (%)	=	(Interest-bearing borrowings - liquid funds - interest-bearing receivables) per (Shareholders' equity)						
Earnings per share	=	(Profit attributable to shareholders of parent company) per (Adjusted number of shares (average))						
Shareholders' equity per share	=	(Equity attributable to shareholders of parent company) per (Adjusted number of shares at the end of period)						

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### Unaudited interim condensed consolidated statement of comprehensive income

EUR million	Note	Three months ended March 31		Year ended December 31
		2012	2011	2011
<b>Sales</b>	<b>2,7</b>	<b>545</b>	<b>685</b>	<b>2,485</b>
Change in stocks of finished goods and work in progress		-22	4	-16
Other operating income	7	12	22	66
Material and services	7	-391	-526	-1,940
Employee costs		-66	-78	-418
Share of profits from associated companies	7	10	21	60
Depreciation, amortization and impairment losses		-29	-31	-191
Other operating expenses		-63	-51	-260
<b>Operating result</b>	<b>2</b>	<b>-4</b>	<b>46</b>	<b>-214</b>
Share of profits from associated companies		0	0	-7
Net exchange gains and losses		2	2	3
Other net financial items	7	-16	-17	-63
<b>Result before income tax</b>		<b>-18</b>	<b>31</b>	<b>-281</b>
Income taxes	3	3	-3	8
<b>Result for the period</b>		<b>-15</b>	<b>28</b>	<b>-273</b>
<b>Other comprehensive income</b>				
Cash flow hedges		4	-3	-22
Available for sale financial assets		5	2	22
Translation differences		2	0	3
Share of profits from associated companies		1	0	0
Income tax relating to components of other comprehensive income		-2	0	4
<b>Other comprehensive income, net of tax</b>	<b>10</b>	<b>-1</b>	<b>7</b>	
<b>Total comprehensive income for the period</b>		<b>-5</b>	<b>27</b>	<b>-266</b>
<b>Result for the period attributable to</b>				
Shareholders of parent company		-15	28	-273
Non-controlling interests		0	0	0
<b>Total comprehensive income for the period attributable to</b>				
Shareholders of parent company		-5	27	-266
Non-controlling interests		0	0	0
<b>Total</b>		<b>-5</b>	<b>27</b>	<b>-266</b>
<b>Earnings per share for result attributable to shareholders of parent company (EUR/share)</b>		-0.05	0.08	-0.83

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

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**Unaudited condensed consolidated balance sheet As of March 31 As of December 31**

EUR million	Note	2012	2011	2011
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		13	13	13
Other intangible assets		17	35	14
Tangible assets	4	924	1,047	941
Investments in associated companies		188	240	262
Available for sale investments		283	317	341
Other non-current financial assets	7	26	11	23
Deferred tax receivables		6	4	4
		<b>1,457</b>	<b>1,667</b>	<b>1,598</b>
<b>Current assets</b>				
Inventories		301	391	335
Accounts receivables and other receivables	7	490	582	443
Cash and cash equivalents		268	418	305
		<b>1,059</b>	<b>1,391</b>	<b>1,083</b>
Assets classified as held for sale	5	116		7
<b>Total assets</b>		<b>2,632</b>	<b>3,058</b>	<b>2,688</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Equity attributable				
to shareholders of parent company		727	1,021	732
Non-controlling interests		5	5	5
<b>Total equity</b>		<b>732</b>	<b>1,026</b>	<b>737</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities		140	180	154
Post-employment benefit obligations		78	85	81
Provisions	6	35	15	31
Borrowings		849	1,009	858
Other liabilities		27	22	28
		<b>1,129</b>	<b>1,311</b>	<b>1,152</b>
<b>Current liabilities</b>				
Provisions	6	110	21	140
Current borrowings	7	275	273	279
Accounts payable and other liabilities	7	372	427	380
		<b>757</b>	<b>721</b>	<b>799</b>
Liabilities classified as held for sale	5	14		
<b>Total liabilities</b>		<b>1,900</b>	<b>2,032</b>	<b>1,951</b>
<b>Total shareholders' equity and liabilities</b>		<b>2,632</b>	<b>3,058</b>	<b>2,688</b>

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

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**Unaudited consolidated statement of changes in  
shareholders' equity**

**Equity attributable to shareholders of parent company**

EUR million	Note	Share capital	Share premium account	Trans-lation differ-ences	Fair value and other reserves	Reserve for invested unstricted equity	Retained earnings	Non-control-ling inter-ests		Total
								Total	Total	
Shareholders' equity, 1 January 2011		558	667	23	223		-476	994	5	999
<b>Comprehensive income for the period</b>										
Result for the period							28	28	0	28
Other comprehensive income										
Cash flow hedges						-3			-3	-3
Available for sale investments						2			2	2
Translation differences					0			0	0	0
Share of other comprehensive income of associated companies					0	0			0	0
Income tax relating to components of other comprehensive income					0	0		0	0	0
Other comprehensive income total					0	-1	0	-1	0	-1
<b>Comprehensive income total</b>					<b>0</b>	<b>-1</b>	<b>28</b>	<b>27</b>	<b>0</b>	<b>27</b>
<b>Related party transactions</b>										
Dividends paid									0	0
<b>Shareholders' equity, 31 March 2011</b>		<b>558</b>	<b>667</b>	<b>23</b>	<b>222</b>		<b>-448</b>	<b>1,021</b>	<b>5</b>	<b>1,026</b>

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**Equity attributable to shareholders of parent company**

EUR million	Note	Share	Trans-	Fair	Reserve	Non-			
		capital	pre- mium	lation	value and other		control- ling inter- ests	Total	
Shareholders' equity, 1 January 2012		558	0	25	228	285	-363	732	5 737
<b>Comprehensive income for the period</b>									
Result for the period						-15	-15	0	-15
Other comprehensive income									
Cash flow hedges					4			4	4
Available for sale investments					5			5	5
Translation differences				2				2	2
Share of other comprehensive income of associated companies			1	0				1	1
Income tax relating to components of other comprehensive income			0	-2			-2		-2
Other comprehensive income total			3	7		0	10		10
<b>Comprehensive income total</b>			3	7		-15	-5	0	-5
<b>Related party transactions</b>									
Dividends paid								0	0
<b>Shareholders' equity, 31 March 2012</b>									
		558	0	28	235	285	-378	727	5 732

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**Unaudited condensed consolidated cash flow statement**

EUR million	Note	Three months ended		Year ended	Three months ended
		March 31		31	December
		2012	2011	2011	2011
Result for the period		-15	27	-273	-209
Total adjustments	8	-2	19	300	154
Change in working capital		23	-36	81	86
<b>Cash flow from operations</b>		<b>6</b>	<b>10</b>	<b>108</b>	<b>31</b>
Net financial items	8	23	27	-20	-21
Income taxes paid		-1	-2	-5	3
<b>Net cash flow from operating activities</b>		<b>28</b>	<b>35</b>	<b>83</b>	<b>13</b>
Acquisition of other shares		0	0	-5	-5
Investments in intangible and tangible assets		-10	-12	-90	-30
Disposals and other items	8	5	54	106	11
<b>Net cash flow from investing activities</b>		<b>-5</b>	<b>42</b>	<b>11</b>	<b>-24</b>
Other changes in equity				4	4
Changes in non-current loans and in other financial items		-60	-67	-201	-33
Dividends paid		0	0	0	0
<b>Net cash flow from financing activities</b>		<b>-60</b>	<b>-67</b>	<b>-197</b>	<b>-29</b>
<b>Changes in cash and cash equivalents</b>		<b>-37</b>	<b>10</b>	<b>-103</b>	<b>-40</b>
Cash and cash equivalents at beginning of period		305	408	408	345
Translation difference in cash and cash equivalents		0	0	0	0
Changes in cash and cash equivalents		-37	10	-103	-40
<b>Cash and cash equivalents at end of period</b>		<b>268</b>	<b>418</b>	<b>305</b>	<b>305</b>

The accompanying notes are an integral part of these unaudited condensed financial statements.

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## **NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

### **Note 1 – Background and basis of presentation**

Metsä Board Corporation and its subsidiaries comprise a forest industry group whose main product areas are paperboards, office papers, speciality papers and pulp. Metsä Board Corporation, the parent company, is domiciled in Helsinki and the registered address of the company is Revontulentie 6, 02100 Espoo, Finland. Metsä Board's ultimate parent company is Metsäliitto Cooperative.

These unaudited interim statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and the same accounting policies have been applied as in the 2011 annual consolidated financial statements.

This interim report is unaudited.

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

This interim report was authorized for issue by the Board of Directors of Metsä Board on 3 May 2012.

### **Note 2 – Segment information**

The Corporate Management Team is the chief operational decision-maker, which monitors the business operations based on the operating segments. Metsä Board, part of Metsä Group, announced on 19 January 2012 the renewal of its management and reporting structure to better reflect the company's strategy and focus on fresh forest fibre cartonboard. The company operates through two business areas that are also the company's reporting segments from the first quarter of 2012 onwards: Paperboard and Paper and Pulp.

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

Accounting for the 32 percent ownership in Metsä Fibre (formerly Metsä-Botnia) will remain unchanged. The associated company result of Metsä Fibre will continue to be allocated to business segments based on their respective pulp consumption and is reported in EBITDA. Roughly two thirds of the result impact of Metsä Fibre ownership is expected to be included in the Paperboard business area and the rest in the Paper and Pulp business area.

The sales of the reporting segments are mainly generated by sales of board and paper, but the sales of the Paper and Pulp operating segment includes sales of pulp to external customers.

The accounting principles for the segment information are equal to those of the Group and all inter-segment sales are based on market prices.

### **Sales by operating segments**

	Three months ended			Three months ended		
	March 31, 2012			March 31, 2011		
	External	Internal	Total	External	Internal	Total
Paperboard	281	0	281	348	11	359
Paper and Pulp	245	0	245	313	1	314
Other operations	19	70	89	23	74	97
Elimination		-70	-70		-86	-86
Total sales	545	0	545	685	0	685

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	Year ended December 31, 2011		
	External	Internal	Total
Paperboard	1,266	28	1,294
Paper and Pulp	1,132	0	1,132
Other operations	88	277	365
Elimination		-305	-305
<b>Total sales</b>	<b>2,485</b>	<b>0</b>	<b>2,485</b>

### Operating result by operating segments

EUR million	Three months ended		Year ended	
	March 31,		December 31,	
	2012	2011	2011	2011
Paperboard	26	46	30	
Paper and Pulp	-15	-6	-237	
Other operations	-15	6	-6	
Operating result total	-4	46	-214	
Share of profit from associated companies	0	0	-7	
Finance costs, net	-14	-15	-60	
Income taxes	3	-3	8	
<b>Result for the period</b>	<b>-15</b>	<b>28</b>	<b>-273</b>	

Operating result for the three months ended 31 March 2012 includes in the Paper and Pulp business area EUR 2 million in additional cost provisions related to the decision to close the Alizay mill and EUR one million in additional cost provisions related to the plans to close unprofitable operations at Reflex. Other Operations includes a EUR 8 million cost provisions related to soil contamination clean-up at Niemenranta in Tampere and a EUR one million cost provision reversal related to logistics agreements and the sale of graphic papers business.

### Assets by operating segments

EUR million	Three months ended		Year ended	
	March 31,		December 31	
	2012	2011	2011	2011
Paperboard	933	1,056	965	
Paper and Pulp	849	1,043	869	
Other operations	536	508	540	
Elimination	-90	-79	-75	
Unallocated	404	530	389	
<b>Total</b>	<b>2,632</b>	<b>3,058</b>	<b>2,688</b>	

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

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**Note 3 – Income taxes**

Tax expense in the interim condensed combined income statement is comprised of the current tax and deferred taxes. Income taxes for the three months ended 31 March 2012 and 2011 and for the year ended 31 December 2011 are as follows:

EUR million	Three months ended March 31		Year ended December 31
	2012	2011	2011
Taxes for the current period	2	4	16
Taxes for the prior periods	0	-1	-4
Change in deferred taxes	-5	0	-20
<b>Total income taxes</b>	<b>-3</b>	<b>3</b>	<b>-8</b>

**Note 4 – Changes in property, plant and equipment**

The following shows the components of changes in property, plant and equipment for the three months ended 31 March 2012 and 2011 and for the year ended 31 December 2011:

<b>Changes in property, plant and equipment</b>	Three months ended March 31		Year ended December 31
	<b>2012</b>	<b>2011</b>	<b>2011</b>
EUR million			
Carrying value at beginning of period	941	1,063	1,063
Capital expenditure	10	12	92
Decreases	0	0	-1
Asset classified as held for sale	0	0	-30
Depreciation, amortization and impairment losses	-28	-29	-185
Translation difference	1	1	2
<b>Carrying value at end of period</b>	<b>924</b>	<b>1,047</b>	<b>941</b>

M-real Hallein was classified according to IFRS 5, Non-current assets held of sale and discontinued operations, in June 2011 as assets held for sale and was sold in September 2011. Disposals for the year ended 31 December 2011 include M-real Hallein's assets.

**Note 5 – Assets held for sale**

Metsä Board announced on 11 April 2012 that Metsä Board Corporation, a part of Metsä Group, has agreed to divest 7.3 percentage points of its shareholding in Metsä Fibre Oy to the Japan-based Itochu Corporation for EUR 138 million and approximately 0.5 percentage points of its holding in Pohjolan Voima Oy to Metsä Fibre for EUR 64 million. The closing of Metsä Board's divestment of the 7.3 percentage point shareholding in Metsä Fibre is subject to approval from the German competition authority and is expected to take effect by the end of the second quarter in 2012. Metsä Board has classified these non-current assets according to IFRS 5, Non-current assets held of sale and discontinued operations, as assets held for sale. The cumulative income recognized in the comprehensive income statement relating to these assets is EUR 46 million.

**Note 6 – Provisions**

The following is a summary of Metsä Board's provisions made for the three months ended 31 March 2012 and for the year ended 31 December 2011.

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EUR million	Restructuring	Environmental obligations	Other provisions	Total
<b>At 1 January 2012</b>	<b>109</b>	<b>18</b>	<b>44</b>	<b>171</b>
Translation differences	0	0	0	0
Increases	11	8	3	22
Utilized during the year	-18	0	-15	-33
Unused amounts reversed	-6	-5	-4	-15
<b>At 31 March 2012</b>	<b>96</b>	<b>21</b>	<b>28</b>	<b>145</b>
<b>At 1 January 2011</b>	<b>24</b>	<b>2</b>	<b>16</b>	<b>42</b>
Translation differences	0	0	0	0
Increases	107	16	41	164
Utilized during the year	-21	0	-10	-31
Unused amounts reversed	-1	0	-3	-4
<b>At December 31 2011</b>	<b>109</b>	<b>18</b>	<b>44</b>	<b>171</b>

The most significant increase in provisions in 2012 was a EUR 8 million environmental provision in Other Operations related to the soil contamination clean-up at Niemenranta in Tampere. In Paper and Pulp there was a net increase of EUR 2 million in cost provisions related to the closure of the Alizay paper mill (restructuring provision was increased by EUR 11 million, EUR 5 million reversal of an environmental provision and EUR 4 million reversal of other cost provisions). In Paperboard, related to plans to close unprofitable operations in Gohrsmühle, there was a EUR 5 million reversal of a restructuring provision related to personnel costs and other provisions were increased by EUR 3 million related to logistics arrangements. In Other Operations there was a reversal of a EUR one million logistics provision, made in 2008 related to the sale of graphic papers business.

The non-current portion of provisions was some EUR 35 million and the current portion some EUR 110 million, total provisions being EUR 145 million. The non-current portion is estimated to be paid by the end of the year 2013.

#### Note 7 – Related party transactions

Metsä Board's Board of Directors, the Corporate Management Team, Metsäliitto Cooperative and its subsidiaries and Metsä Board's associated companies are considered related parties. Metsä Board enters into a significant number of transactions with related parties for the purchases of inventory, sale of goods, corporate services as well as financial transactions. Product and service transfers and interest between Metsä Board and the related parties have been made at arm's length prices.

Transactions between Metsä Board and related parties for the three months ended 31 March 2012 and 2011 and for the year ended 31 December 2011 are as follows:

#### Related party transactions

#### Transactions and balances with parent and sister companies

EUR million	Three months ended		Year ended
	2012	2011	December 31
Sales	15	16	61
Other operating income	1	1	6
Purchases	171	214	770
Share of profit from associated companies	10	21	60
Interest income	1	1	5

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Interest expenses	0	1	2
Non-current receivables	5	4	4
Current receivables	115	74	72
Non-current liabilities	0	0	0
Current liabilities	157	233	151

Metsä Fibre's net result is included within operating result line item "Share of profits from associated companies" and transactions with Metsä Fibre are included in transactions with sister companies beginning from 8 December 2009. Metsä Fibre paid during the three months ended 31 March 2012 a dividend of EUR 33 million.

#### Transactions with associated companies

EUR million	Three months ended March 31		Year ended December 31
	2012	2011	2011
Sales	0	0	0
Purchases	2	2	7
Non-current receivables	0	0	0
Current receivables	0	8	0
Current liabilities	3	3	3

#### Note 8 – Notes to condensed consolidated cash flow statement

Adjustments to the result for the period

EUR million	Three months ended March 31		Year ended December 31
	2012	2011	2011
Taxes	-3	3	-8
Depreciation, amortization and impairment charges	29	31	191
Share of results in associated companies	-11	-21	-53
Gains and losses on sale of fixed assets	-2	-4	-19
Finance costs, net	14	16	60
Provisions	-29	-6	129
Total	-2	19	300

#### Net financial items

Net financial items in consolidated cash flow statement for three months ended 31 March 2012 include dividend of EUR 33 million paid by Metsä Fibre.

#### Disposals and other items

Three months ended 31 March 2012 include EUR 7 million a disposal of associated company Plastiroll Oy's shares, a negative EUR 3 million related to the disposal of Reflex business and some EUR one million in other disposals.

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### Note 9 – Commitments and contingencies

#### Securities and guarantees

The following shows securities and guarantees for the three months ended 31 March 2012 and 2011 and for the year ended 31 December 2011:

#### Securities and guarantees

EUR million	Three months ended March 31		Year ended December 31
	2012	2011	2011
For own liabilities	196	191	194
On behalf of associated companies	0	0	0
On behalf of Group companies	13	14	13
On behalf of others	2	3	3
<b>Total</b>	<b>211</b>	<b>208</b>	<b>210</b>

Securities and guarantees include pledges, real estate mortgages, chattel mortgages and guarantee liabilities.

Metsä Board holds operating leases for certain vehicles and equipment. Leasing liabilities are part of table above.

Non-cancellable purchase agreements concerning property, plant and equipment were EUR 0 million and EUR 2 million for the three months ended 31 March 2012 and 2011, respectively and EUR 0 million for the year ended 31 December 2011. The liability disappeared as a result of M-real Hallein's disposal.

#### Open derivative contracts

EUR million	Three months ended March 31		Year ended December 31
	2012	2011	2011
Interest rate derivatives	1,347	1,305	1,349
Currency derivatives	1,669	1,939	1,578
Other derivatives	124	77	124
<b>Total</b>	<b>3,140</b>	<b>3,321</b>	<b>3,051</b>

The fair value of open derivative contracts calculated at market value at the end of the review period was EUR -33.0 million (EUR -37.8 million 31 December 2011 and EUR -0.1 million 31 March 2011)

### Note 10 – Subsequent events

Metsä Board agreed to sell approximately 7.3 percentage points of its holding in Metsä Fibre to Japanese Itochu Corporation for EUR 138 million and approximately 0.5 percentage points of its holding in Pohjolan Voima Oy to Metsä Fibre for EUR 64 million. The completion of the sales of Metsä Board's 7.3 percentage point holding in Metsä Fibre is contingent on approval by the German competition authorities. The arrangement is estimated to be closed in early May 2012. Once the announced plans to change Metsä Fibre's ownership structure have been completed, Metsä Board will own 24.9 per cent, Metsäliitto Cooperative 50.2 per cent and Itochu Corporation 24.9 per cent of the company. Metsä Board will sell the 7.3 percentage point holding in Metsä Fibre in order to reduce its pulp surplus as well as to further

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strengthen Metsä Fibre's operations in the growing Asian market, in particular. After the completion of the arrangement, Metsä Board's annual self-sufficiency surplus will decrease from approximately 0.5 million tonnes to 0.3 million tonnes. After the sales of the 0.5 percentage point holding in Pohjolan Voima, completed on 11 April 2012, Metsä Board owns approximately 2 per cent of the company. In the second quarter of 2012, Metsä Board will recognise a non-recurring sales gain of approximately EUR 86 million related to Metsä Fibre's shares to be sold under "Other operations". In addition, the operating result of "Other operations" in the second quarter of 2012 will include, as a positive non-recurring item, the realised fair value and sales gain recognition of approximately EUR 45 million related to Pohjolan Voima's shares to be sold, which will not have an impact on the company's equity. These divestments will have a negative impact of approximately EUR 15 million on the company's annual operating result compared to the actual figures of 2011. Compared to the situation at the end of the first quarter 2012 the divestments have a positive impact of approximately 40 percentage points in Metsä Board's net gearing ratio as well as an over 2 percentage points positive impact on the equity ratio, assuming that the proceeds are held as cash and are not applied for debt repayments.

Metsä Board signed a new term loan and revolving credit facility agreement totalling EUR 600 million. The facility will be utilized to refinance the EUR 500 million bond maturing 1 April 2013 and it enhances Metsä Board's liquidity position further. The facilities consist of EUR 100 million revolving credit facility that is available for drawdown immediately and in total of EUR 500 million term loans, which are available for drawdown as of late March 2013. The revolving credit facility has a maturity of three years, while EUR 150 million (bridge financing) part of the term loans matures on 30 June 2014 and EUR 350 million part on 31 March 2016. The facilities are unsecured until the utilization of the term loans. The average financing cost of the facilities calculated for the entire loan period, including all related fees, is approximately 6.5 per cent per annum.