Metsä Group
Annual Review 2020

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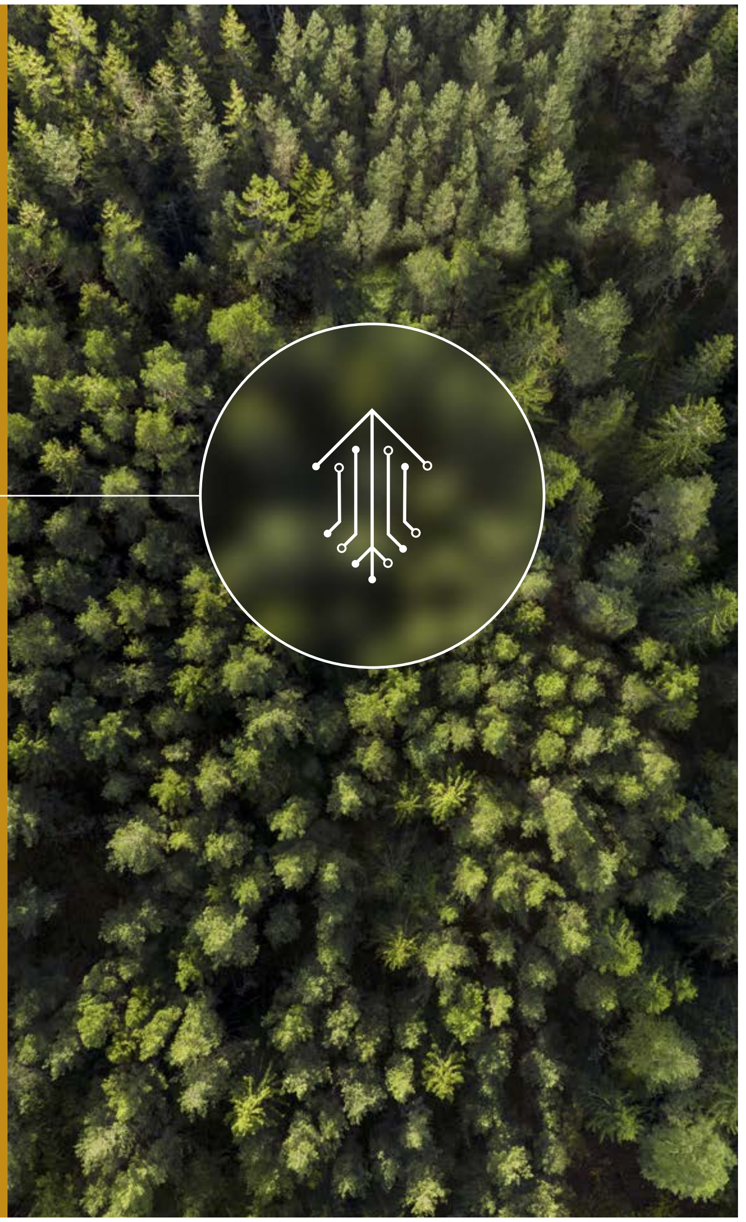
Your partner in sustainable growth

Metsä Group uses wood from northern forests to produce high quality recyclable and environmentally friendly products for everyday life.

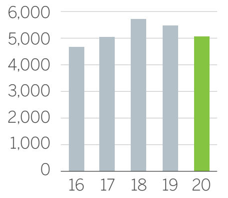
We focus on wood supply and forest services, wood products, pulp, paperboard as well as tissue and greaseproof papers.

In 2020, Metsä Group's sales totalled EUR 5.1 billion, and it employs approximately 9,200 people. Metsäliitto Cooperative is the parent company of Metsä Group and is owned by approximately 100,000 Finnish forest owners.



KEY FIGURES

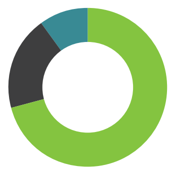
SALES
EUR Million



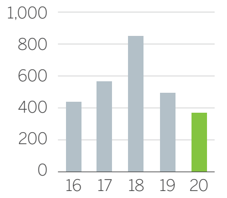
SALES BY MARKET AREA
%

EMEA*	71
APAC**	19
Americas	10

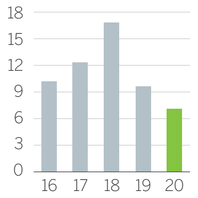
* Europe, the Middle East and Africa
** Asia-Pacific



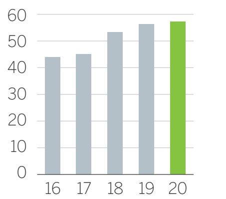
COMPARABLE OPEARTING RESULT
EUR Million



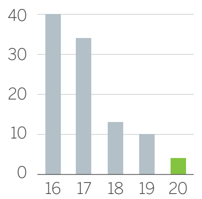
COMPARABLE ROCE
%



EQUITY RATIO
%



NET GEARING RATIO
%



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*part of the Report of the Board of Directors

PUBLISHER
Metsä Group

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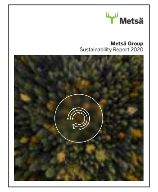
Metsä Group Brochure 2020


Metsä Group Annual Review 2020


Metsä Group Sustainability Report 2020


Metsä Board Annual Report 2020

The cover of this Annual Review is MetsäBoard Prime FBB Bright folding boxboard. The pure fresh fibre used in our lightweight premium paperboards is a renewable raw material, fully traceable to sustainably managed northern forests.

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Safety and business continuity important in exceptional circumstances

For Metsä Group, as for the world economy in general, the year 2020 marked a period of exceptional circumstances and uncertainty. In Finland, the year began with widespread forest industry strikes in February and once the strikes were over, we quickly found ourselves in the midst of a pandemic. Metsä Group decided to base decision-making on the safety of the company's personnel and partners, business continuity and participation in the prevention of the pandemic as a member of society. While the pandemic is still topical, I am able to note that we tackled the changes in 2020 fairly successfully.

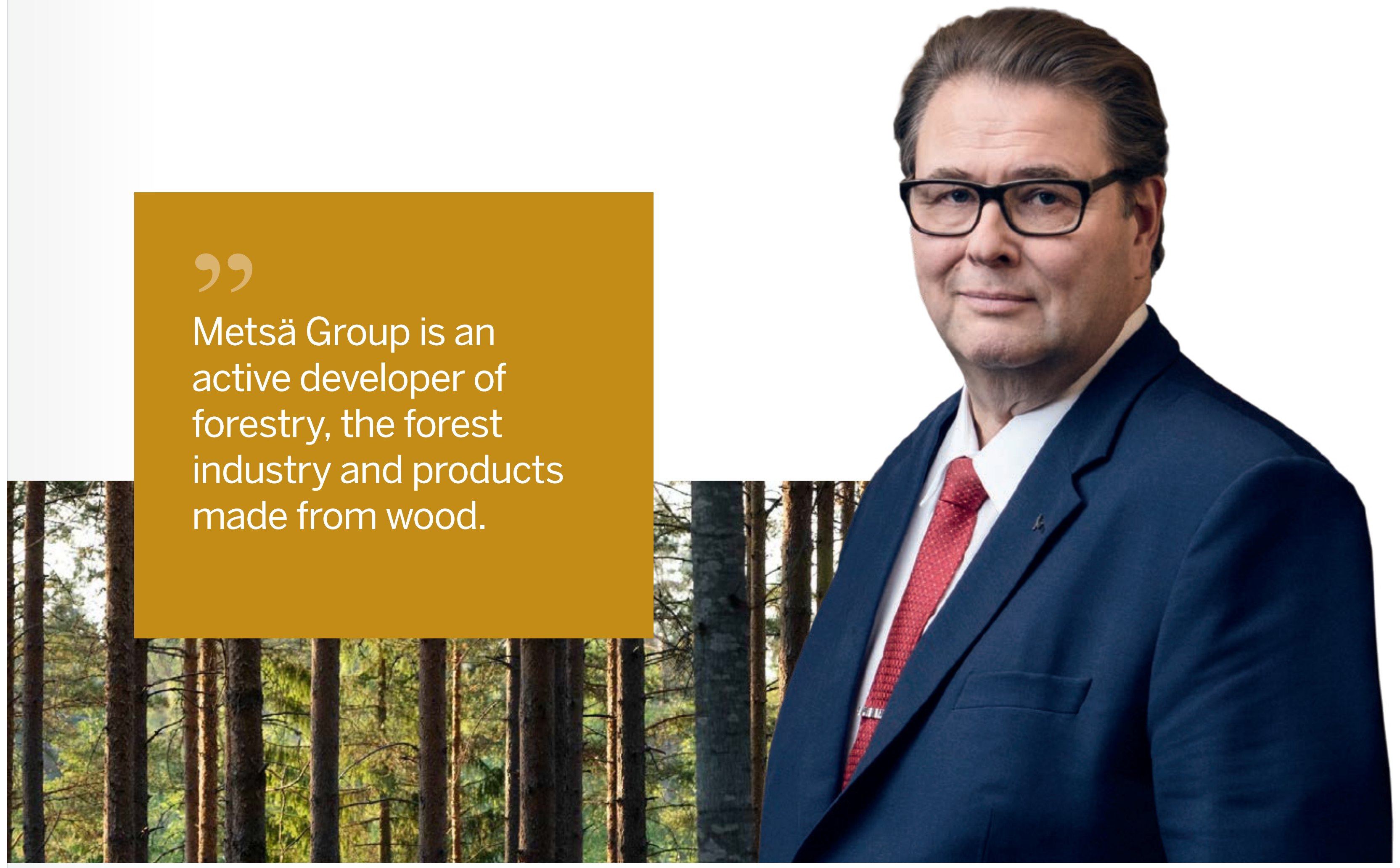
The pandemic was visible in a variety of ways in our business areas and impacted the market situation in various directions. Demand for tissue papers overheated in the spring as consumers prepared for limitations in the availability of products. The market for consumer products remained strong throughout the year. The lockdown measures in respect of travel and the restaurant industry were apparent as a cut in the demand of corporate customers, but we were able to shift our tissue paper supply more to consumer products. The market for folding boxboard and linerboard was strong in both Europe and the United States as the market share of paperboard packaging grew and the pandemic increased food packaging. The pulp market was weak at the beginning of the year in terms of price, and China's short-lived recession early in the year and the sharp decline in the use of European printing papers kept pulp prices low until the latter part of the year. The clear rise in the price of softwood pulp on the Chinese market began in November. Economic restrictions in the spring and summer reduced demand for sawn timber and engineered wood products in Europe. The global market for construction materials picked up during the second half of the year, driven by the recovery in construction activities in the United States.

The basic factors driving demand for our and the entire forest industry's products remain unchanged. The success of Finnish forestry and forest industry is based on the increasing demand for renewable raw materials and the consumer products made from them in economically strengthening market areas with growing populations. Particularly in Europe, the impact that EU regulation has on guiding demand accelerates the transition to renewable materials. On the other hand, the regulation creates uncertainty on what products in various end uses are desirable from a legislative perspective. Even after two years, the directive restricting the use of single-use plastics, for example, lacks a definition on which materials are counted as plastic.

The guiding principle in the development of products and business must be the circular economy, in which the key objective is the efficient use of resources. The product functionalities required by consumers must be achieved while keeping the consumption of raw materials and other commodities such as energy at a minimum. This principle is fulfilled in all our products. For one thing, we develop LVL products for construction and support design solutions that achieve the strength properties needed by buildings with structures that are as lightweight as possible. In packaging, we are correspondingly developing the strength of products to increase lightness. We also engage in active cooperation with our customers in packaging design. In both packaging and construction, we can simultaneously replace fossil-based materials with renewable wood. The challenges and requirements of all three aspects of sustainability – economic, social and ecological sustainability – must be accounted for in equal measure and with a continuously improving level of performance. Diverse development projects and investments are the most important elements for achieving these goals. From the perspective of social and ecological sustainability, the development of our product portfolio is of primary importance. Renewal based on the long-range planning of production units creates a foundation for both economic and ecological sustainability.

Metsä Group is an active developer of forestry, the forest industry and products made from wood. In 2020, we started the renewal of the recovery boiler and turbine generator at Metsä Board's Husum pulp mill. This will improve the mill's energy efficiency to a material degree. We also began the construction of a next-generation sawmill next to Metsä Fibre's pulp mill in Rauma and continued investment preparations in terms of Metsä Fibre's bioproduct mill at Kemi, for which we obtained an environmental permit in December. The investment decision was made in February 2021. Metsä Board opened an Excellence Centre at Äänekoski to accelerate the development of paperboards and packaging in cooperation with customers. Metsä Tissue decided to renew one of the tissue paper machines at the Mänttä mill to improve product quality and energy efficiency. In addition, we implemented tens of development investments in all our business areas. Step by step, these investments take us closer to our 2030 sustainability objectives.

Through our innovation company Metsä Spring, we have invested in three new products so far. The pilot plant for a new textile fibre was started up in Äänekoski, and the development of the process towards an industrial-scale operation continues. Woodio Oy, which produces bathroom furniture from the screening portion of chips, has begun to use our side streams, and we have joined Woodio's growth phase as an investor. In August, we decided to build a pilot plant for new 3D fibre packaging product at Äänekoski with Valmet Corporation. The search for new products and development companies continues. In 2020, our team studied more than 200 potential projects making a wide range of products from wood. This is one demonstration of how versatile and interesting raw material wood is.



> ” Metsä Group is an active developer of forestry, the forest industry and products made from wood.

EVERYTHING STARTS FROM THE FOREST AND RELIES ON SUSTAINABLE FOREST MANAGEMENT

Finnish forest management, with its strong traditions of family forestry, is a textbook example of sustainability work. The social, ecological and economic perspectives of sustainability are realised every day in the work carried out at the forest estates of our members. Metsä Group's mission is to provide the members of our cooperative with services and the know-how of our personnel so that they can take care of their forest assets in accordance with their goals.

Metsäliitto was established in 1934 to increase the value of its owners' forests. This mission still guides our work in Metsä Group. The means required to implement this mission have expanded over the decades. Finnish wood is needed on the markets and, in addition to its properties, it must meet the development goals related to the environment, forests and climate.

In 2020, the forest industry's need for wood in Finland was lower than usual, due to the strikes and the coronavirus pandemic. Conditions in Finland for harvesting and transport were normal. Harvesting of winter stands did not get underway before December. The prices of wood remained stable for the first half of the year, but began to rise in the fourth quarter, especially in terms of log wood. The wood market situation in the Baltic Sea region regained balance following the strong demand in the previous year. Insect damages brought wood from Germany and Southern Sweden to the market.

The customer experience of forest owners developed strongly, reaching a record high level, and we made many new forest asset management agreements. Growth in the sale of forest management services was 20% in 2020. A total of 50% of the wood purchased from private forests was bought through digital means. In the sale of forest management services, the percentage was even higher. The pandemic highlighted the benefits of digital transactions.

METSÄ GROUP FACES THE FUTURE AS A STRONG COMPANY

The Group emerged from the unusual year in an even stronger and stable shape than before. Our business model and competitiveness are on a level that allows us to secure the continuity of business operations even under difficult circumstances. Our financial position enables the implementation of large-scale investments. We renew and are renewed, and we look forward at what the future expects from us, but also remembering where we came from. Metsä Group's personnel – composed of more than 9,000 committed professionals – are ready to work and renew.

Ilkka Hämälä
President and CEO

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SALES AND RESULT

EUR million	2020	2019	2018
Sales	5,054.9	5,473.4	5,709.1
EBITDA	679.3	789.7	1,127.8
- comparable EBITDA	670.9	799.0	1,133.4
Operating result	375.8	374.3	843.0
- comparable operating result	367.7	494.9	848.5
% of sales	7.3	9.0	14.9
Result before tax	330.1	315.7	769.1
Result for the period	262.2	238.9	612.7

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

The comparable operating result was EUR 367.7 million (494.9), or 7.3% (9.0) of sales. The decrease in the operating result is attributable, among other things, to a decline in the sales prices of pulp and the strikes in Finland in early 2020, which are estimated to have had a negative impact of around EUR 50 million on the operating result. Exchange rate fluctuations after hedging had a positive effect of around EUR 51 million on the operating result in the review period, compared with the previous year.

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

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

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

The result before taxes was EUR 330.1 million (315.7), and taxes including changes in deferred tax liabilities totalled EUR 67.9 million (76.8). The Group's effective tax rate was 20.6% (24.3). The result for the review period was EUR 262.2 million (238.9).

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

%	2020	2019	2018
Return on capital employed	7.2	7.3	16.6
- comparable ROCE	7.1	9.6	16.8
Return on equity	6.8	6.4	18.5
- comparable ROE	6.6	9.7	18.7

BALANCE SHEET AND FINANCING

	2020	2019	2018
Equity ratio, %	57.2	56.2	53.1
Net gearing, %	4	10	13
Net interest bearing liabilities, EUR million	168	374	463

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

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

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

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

At the end of December, the equity ratio of the parent company Metsäliitto Cooperative was 88.9%, and the net gearing was 23% (31 December 2019: 88.7% and -21%, respectively).

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

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

PERSONNEL

	2020	2019	2018
Personnel, average	9,392	9,624	9,464
Personnel expenses, EUR million	615.0	630.4	634.7
Personnel at end of year	9,213	9,265	9,310
- of whom in Finland	5,055	4,929	4,834

Metsä Group employed an average of 9,392 people in 2020 (9,624). At the end of December, the Group had 9,213 employees (9,265), of whom 5,055 (4,929) were based in Finland and 4,158 (4,336) were based abroad. The turnover of permanent employees was 6.2% (8.3), and the average duration of employment for the whole personnel was 15.8 years (16.3). Personnel expenses totalled EUR 615.0 million (630.4), of which paid salaries and remuneration, including share-based payments, were EUR 416.1 million (431.0).

The parent company Metsäliitto Cooperative employed 1,973 people at the end of December (1,926). The parent company paid EUR 89.1 million in salaries and remuneration (90.0).

Future retirements are being prepared for with retirement forecasts and resource plans based on the forecasts. When necessary, Metsä Group initiates apprenticeships and invests in on-the-job learning.

The section Report on non-financial key figures contains further information about personnel development and safety at work.

MEMBERS

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

INVESTMENTS

EUR million	2020	2019	2018
Total investments	400.5	259.6	271.9
% of sales	7.9	4.7	4.8
Total investments in Finland	226.1	178.2	172.3

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

Metsä Fibre's total investments were EUR 135.2 million (90.1) in January–December. In Metsä Fibre's mill in Joutseno, the extension of the debarking department was completed in the summer of 2020, increasing the mill's softwood debarking capacity. In 2020, a new manufacturing execution system for sawmills was introduced at the Renko and Lappeenranta sawmills. The system will also be deployed to other Metsä Fibre sawmills during 2021.

Metsä Board's total investments amounted to EUR 166.4 million (98.9). Of these total investments, maintenance investments accounted for approximately 32 per cent and development investment for approximately 68 per cent. The investment in the first phase of the pulp mill in 2020 for Husum accounted for approximately EUR 103 million.

The most significant investment projects are covered in more detail under section "Business Development".

BUSINESS DEVELOPMENT

In 2020, Metsä Group's innovation company Metsä Spring started a pilot plant in the Äänekoski mill area, and it produced the first batches of our new wood-based textile fibre during the year. In addition, the company started building a pilot plant for a 3D fibre product in Äänekoski. The pilot plant will be completed in 2021, and a new type of manufacturing method for packaging will be tested and developed there. This wood-based fibre product could replace packaging made of plastic and aluminium.

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

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

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

The investment decision for Metsä Fibre's Kemi bioproduct plant was made in February. More information about the project can be found in the "Events after the period" section of this review.

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

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

BUSINESS AREAS

WOOD SUPPLY AND FOREST SERVICES

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

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Wood Supply and Forest Services	2020	2019
Sales, EUR million	1,819.9	1,972.9
EBITDA, EUR million	32.6	35.7
- comparable EBITDA	32.6	35.7
Operating result, EUR million	22.4	27.4
- comparable operating result	22.4	27.4
% of sales	1.2	1.4
Comparable ROCE, %	12.8	16.3
Total investments, EUR million	16.9	22.9
Personnel at end of period	842	838

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

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

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

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

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

WOOD PRODUCTS INDUSTRY

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

Wood Products Industry	2020	2019
Sales, EUR million	429.1	434.2
EBITDA, EUR million	30.1	27.9
- comparable EBITDA	30.1	25.9
Operating result, EUR million	9.3	9.2
- comparable operating result	9.3	7.2
% of sales	2.2	1.7
Comparable ROCE, %	3.1	2.6
Total investments, EUR million	21.7	32.6
Personnel at end of period	1,551	1,510

Metsä Wood's sales in January–December declined slightly from the previous year. The sales of veneer products declined by 2%, but the euro-denominated sales of the UK business increased by 2%. The delivery volumes of Kerto® LVL and spruce plywood products declined slightly from the comparison period, but the delivery volumes of birch plywood products increased. The delivery volumes of veneer products were impacted by the four-week strike early in the year and the coronavirus pandemic. Average sales prices decreased in all product categories.

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

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

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

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

PULP AND SAWN TIMBER INDUSTRY

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

Pulp and Sawn Timber Industry	2020	2019
Sales, EUR million	1,826.5	2,236.0
EBITDA, EUR million	128.2	372.1
- comparable EBITDA	128.2	372.1
Operating result, EUR million	3.9	248.6
- comparable operating result	3.9	248.6
% of sales	0.2	11.1
Comparable ROCE, %	0.2	12.3
Total investments, EUR million	135.2	90.1
Personnel at end of period	1,331	1,279

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

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

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

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

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

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

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

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

PAPERBOARD INDUSTRY

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

Paperboard Industry	2020	2019
Sales, EUR million	1,889.5	1,931.8
EBITDA, EUR million	321.8	294.5
- comparable EBITDA	315.8	279.0
Operating result, EUR million	227.3	180.8
- comparable operating result	221.2	184.4
% of sales	11.7	9.5
Comparable ROCE, %	12.2	10.4
Total investments, EUR million	166.4	98.9
Personnel at the end of period	2,370	2,351

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

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

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

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

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

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

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

TISSUE AND GREASEPROOF PAPERS

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

Tissue and Greaseproof Papers	2020	2019
Sales, EUR million	1,011.9	1,060.0
EBITDA, EUR million	160.1	101.0
- comparable EBITDA	157.8	118.9
Operating result, EUR million	115.9	-63.4
- comparable operating result	113.8	73.4
% of sales	11.2	6.9
Comparable ROCE, %	19.8	12.3
Total investments, EUR million	53.1	29.6
Personnel at end of period	2,504	2,702

Demand for tissue paper products for consumers and professional customers increased rapidly with the outbreak of the coronavirus pandemic during the first months of the year. Following the strong growth, demand took a downward turn, but picked up again towards the end of the year. Sales in the professional customer side improved as of late autumn due to the increased focus on hand hygiene, even though the restrictions related to the coronavirus pandemic reduced the number of people in public spaces. Demand for greaseproof papers continued to be good. The pandemic did not have a significant impact on the company's production and delivery capacity.

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

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

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

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

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

RESEARCH AND DEVELOPMENT

Metsä Group's research, development and innovation activities are focused on resource efficiency, the potential of renewable raw materials and on increasing the value of products.

In 2020, the Group's research and development expenses were EUR 24.8 million (25.5), corresponding to 0.5% of sales (0.5).

In addition, research and development expenses of Metsä Spring's and Itochu's joint venture MI Demo Oy totaled EUR 9.6 million. The pilot plant, owned by MI Demo, produces wood-based textile fibre using a direct dissolution which uses a novel solvent for the pulp dissolution stage and is more environmentally-friendly than the textile fibre production technologies currently in use.

In 2020, the reporting of research and development expenses has been clarified and the figures for the comparison year have been adjusted accordingly. Research and development expenses include capital expenditures and direct costs without depreciation.

EUR million	2020	2019
R&D expenses	24.8	25.5
% of sales	0.5	0.5

The research and development work aims to create new products and services, exploit new technologies and ensure the competitiveness of Metsä Group's business operations. Our customers are at the centre of all development work, and the customer feedback is taken advantage of in the continuous improvement of operations. Research and development also plays a significant role in achieving Metsä Group's sustainability objectives.

Metsä Group engages in active cooperation with universities, research institutes, the suppliers of technical solutions and high-growth companies. The partnership agreements with the University of Oulu and the University of Helsinki aim at long-term research cooperation, which is carried out in a coordinated manner as separate projects. Metsä Group also operates in the EU's research and development networks. Innovations and development programmes play a central role in the development process of new products.

Metsä Spring Oy, the innovation company of Metsä Group, is tasked with finding and developing new forest-based bioeconomy and circular economy business concepts in cooperation with partners. Through Metsä Spring, Metsä Group invests expertise and funds in business ideas which renew the Group's ecosystem in the long term.

Metsä Spring began the construction of the 3D fibre product pilot plant in Äänekoski. The pilot plant is scheduled to start operations in 2021 and it enables testing and further development of the novel process for producing of a new type of packaging solution. Wood-based fibre product could replace packaging solutions made from plastic and aluminium.

In June, Metsä Group and Fortum announced an approximately EUR 50 million ExpandFibre cooperation to promote the circular bioeconomy. The cooperation is also funded by Business Finland. The purpose of the cooperation is to develop technologies and business concepts that can be used to produce textile fibres and other new bioproducts from straw and wood pulp.

METSÄ FOREST

Metsä Forest has developed technological applications that boost operational efficiency and improve the customer experience, and has actively participated in the industry's joint development projects.

During the year, Metsä Forest updated the Metsäverkko service portal for forest owners and the measurement certificate that concludes a wood trade. Additionally, the new FSC® nature site service was developed and introduced to owner-members. Metsä Forest participated in a project called "Towards sustainable peatland forestry," coordinated by the Natural Resources Institute Finland, which seeks to improve the ecological and commercial sustainability of peatland, as well as a project, which studies and develops the management of mixed forests. The guidelines for managing peatland were updated in line with new research data, personnel received training in the new guidelines, and the updates were also communicated to the owner-members.

Metsä Forest actively participated in developing new logistics concepts for transporting wood, as well as the launch of a joint project in Northern Finland called Winter Premium, which is examining the feasibility of having weight restrictions for transporting wood that change according to the weather conditions. New driver training concepts and student recruitment models also continued development in cooperation with schools and the authorities.

METSÄ WOOD

The major themes in Metsä Wood's product development in 2020 for both plywood and Kerto LVL products were surveying and testing new raw materials that support the sustainability strategy, in particular, for bio-based glues and coatings. In addition, the most important themes included finding solutions to make the usage of wood material more efficient. For Metsä Wood's plywood products, the focus was on developing durable surface solutions for customers in the construction and transport industries. New concrete placement products and transport industry panels were also launched. Research into producing biologically sustainable, environmentally friendly and fireproof products also continued. The development of Kerto LVL products focused on new products that meet requirements for higher strength and biological sustainability. There was also an emphasis on developing products used in modular wood structures for different purposes.

Development of Metsä Wood's digital solutions has continued actively. In 2020, development of the Open Source Wood platform – a forum for freely sharing information about construction with wood and promoting a culture of innovation in the industry – focused particularly on tools and design materials intended for designers and engineers. The development of hybrid construction has been a focus area in this development work, and Metsä Wood has been involved in developing new hybrid elements that combine wood and concrete. An example of this is replacing the core of a concrete sandwich wall element with a Kerto LVL panel. Doing this reduces the carbon footprint of construction without requiring any changes to the current construction method. In addition to the ecological aspect, these hybrid elements allow efficient industrial prefabrication, as the lightness of the elements makes logistics and lifting the elements easier. The hybrid elements are expected to increase wood construction in urban areas, for example, in high-rise buildings.

METSÄ FIBRE

The development of future technology concepts continued in 2020, with a special focus on developing a future sawmill concept and boosting the chemical efficiency of pulp mills. Regarding the objectives of sustainability, the milestones for fossil free energy production in all production plants were described and the utilization of green liquor sludge in geopolymers was studied in cooperation with the University of Oulu. Regarding the bioproduct concept, Metsä Fibre worked with Veolia Nordic to evaluate methods for refining methanol from raw methanol from pulp mills.

Work to develop a quality indicator for sawn timber continued with customers. In Expand Fibre cooperation Metsä Fibre's goal is to develop new fibre-based products for both existing and new applications and value chains. The research makes use of new chemistry and technologies.

METSÄ BOARD

The central goals of Metsä Board's research and development activities for consumer packaging boards are to produce more lightweight folding boxboards, and to develop new products for food packaging and food service packaging. In white kraftliners, the objective is to maintain and develop competitiveness in terms of strength and printing quality.

Metsä Board opened an Excellence Centre in Äänekoski, Finland, in September 2020. The Excellence Centre allows us to collaborate more closely with customers in development work and helps us focus the work to better meet customers' needs. During the autumn, the Centre held several virtual workshops for customers and partners from around the world. It brings together the in-depth knowledge of Metsä Board's experts in fibre-based packaging solutions and the competences of our partners, such as material and technology suppliers, startup companies, universities and research companies.

Working together with packaging manufacturers and brand owners, Metsä Board's packaging design team also developed several packaging solutions. One good example of an excellent collaboration model is Metsä Board's success in the AIMCAL Awards in North America and the ScanStar Nordic packaging competition.

Metsä Board's objectives in Expand Fibre cooperation are innovative packaging solutions – particularly food packaging in general and barrier solutions for grease and moisture resistance. Metsä Board also joined the 4evergreen project, which seeks to safeguard and develop the circular economy for fibre-based packaging.

METSÄ TISSUE

In 2020, Metsä Tissue focused on developing its product portfolio and evaluating new technology choices. An important part of the work to develop the portfolio was the renewal of the Lambi brand, together with improved quality of products and harmonised recipes for producing them. To achieve Metsä Group's sustainability objectives, development actions were launched to enable introduction of alternative packaging materials (such as bio-based or recycled plastics) and to evaluate fossil free solutions. Due to the weakening quality and availability of recycled fibre, Metsä Tissue started to develop a new fibre recipe to ensure the quality and availability of products in the long term. New technology choices were also evaluated to develop efficiency and quality, focusing on new tissue paper manufacturing and processing technology.

STATEMENT ON NON-FINANCIAL INFORMATION

BUSINESS MODEL

Metsä Group consists of Metsäliitto Cooperative, its two businesses Metsä Forest and Metsä Wood, and the cooperative's subsidiaries Metsä Fibre, Metsä Board and Metsä Tissue. At the end of 2020, Metsäliitto Cooperative held 48.2% of the listed company Metsä Board's shares and 67.4% of the votes. Metsäliitto Cooperative's holding in Metsä Fibre's shares totals 50.1%. Metsä Tissue is a fully-owned subsidiary of Metsäliitto Cooperative. Owned by some 100,000 forest owners, Metsäliitto Cooperative is the parent company of Metsä Group.

Through the owner-members, Metsä Group has access to a considerable reserve of premium-quality raw material, providing operations with a stable, long-term foundation. Metsä Group's business operations focus on wood supply and forest services, wood products, pulp, fresh fibre paperboards, and tissue and greaseproof papers. Metsä Group's mills are located in Finland, Sweden, Estonia, Russia, Poland, Slovakia, the United Kingdom and Germany. The Group's main market area is Europe and it pursues growth especially in North America, Asia and Oceania. Approximately 71% of sales derived from the EMEA region, while 19% of sales derived from the APAC region and 10% from the Americas. Metsä Group employs approximately 9,200 persons in some 30 countries.

Metsä Group is committed to promoting sustainability and mitigating climate change. Metsä Group operates resource-wisely, according to the principles of the circular bioeconomy. Sustainability is a strategic part of the management of the Group's and its business areas' operations and their continuous improvement. Metsä Group's values and Code of Conduct guide its sustainability management and help ensure that its business is conducted ethically. The Code of Conduct covers, among other things, matters related to its personnel and social responsibility, respecting human rights and the company's anti-corruption and anti-bribery activities, the prevention of misconduct, sustainable forest management as well as relevant environmental matters.

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The cooperative's Board of Directors is the highest governing body in the administrative structure managing sustainability. The Board of Directors approves the policies and long-term strategic sustainability objectives steering the company's operations and internal control. The President and CEO is responsible for the strategic management of sustainability as a whole. The Group's Executive Management Team is in charge of sustainability matters business area-specifically. The sustainability process management team is responsible for the implementation of sustainability measures and their monitoring within business areas and support functions. The Group's Sustainability Report contains an extensive account of its sustainability management, development and results.

The Group's strategic sustainability objectives extending up to 2030 are aligned with Metsä Group's material sustainability topics and support the UN's Sustainable Development Goals. To achieve these ambitious objectives, Metsä Group needs to make substantial investments, develop and harmonise operations, and adopt new solutions. We operate according to the principles of a sustainable circular bioeconomy.

The sustainability of suppliers is managed and monitored with the help of risk analyses, background checks, audits and self-evaluations, as well as suppliers' commitment to Metsä Group's Supplier Code of Conduct. These account for matters related the environment, corruption, the use of child labour and human rights violations, among others. The goal is for the supplier chain to be 100% sustainable and for the origin of our raw materials to be known with a 100% accuracy by 2030. In 2020, 94% (92) of the Group's suppliers, based on purchase volume, were committed to Metsä Group's Supplier Code of Conduct, and Metsä Group knew the origin, at minimum the manufacturing country, of 91% (87) of the total purchases of raw materials and packaging materials.

In 2020, we renewed Metsä Group's Supplier Code of Conduct. The purpose was to ensure that the minimum requirements related to ethics we set for our suppliers are in line with the requirements we have set for our own operations, and to account for our objectives in terms of the supply chain's sustainability. The new version is taken into use as of the beginning of 2021. We have also developed our assessment and auditing process with regard to suppliers and organised a number of training sessions for sourcing and logistics personnel.

THE ENVIRONMENT

Policies and management systems:

- Metsä Group's Code of Conduct
- Metsä Group's Supplier Code of Conduct
- Metsä Groups Environmental Policy
- ISO 14001
- ISO 50001
- FSC
- PEFC
- UN Global Compact

Climate change impacts Metsä Group's operations and development as well as the development of its operating environment. Metsä Group considers the importance of climate change mitigation at every stage of the value chain – in forests, production units and products.

MAIN SUSTAINABILITY FIGURES	2020	2019	2018
Non-financial key figures			
Employees and management			
Code of Conduct training's coverage among the entire personnel, %	96	95	95
Ethics barometer %; target 100%	84.4	-	-
Lost-time accident frequency rate (LTA1) per million hours worked	5.1	5.9	6.4
TRIF	8.7	17.0	19.8
Fatal occupational accidents	0	1	1
Forest; carbon storage and biodiversity, %			
Increasing the amount of carbon stored in forests in 2018–2030	+0		
Increase of area subject to regeneration; target +30%	-11	+0	-
Increase of area subject to pre-commercial thinning; target +30%	+14	+0	-
Increasing the amount of carbon stored in products in 2018–2030	-8.9	-4.3	
High stumps left on thinning and regeneration sites; target 90%	84	79	71
Retention trees on harvesting sites; target 100%	94	94	-
Share of certified wood	87	85	88
Production units, %			
Share of fossil free fuels in production; target 100%	90	90	90
Utilisation of production side streams; target 100%	93	91	94
Improving use of process water; target -25% per product tonne in 2018–2030	+1	-2	-
Products and delivery chain, %			
Fossil free raw materials and packaging materials, target 100%	99.6	99.7	99.7**
Responsible suppliers; target 100%			
Commitment to the Supplier Code of Conduct	94	93***	92***
Compliance analysed	78	71	-
Responsibility analysed	48	48	-
Traceability of raw materials; target 100%	91	87*	-

*) Actual 2019 outcome has been specified after the reporting period.
**) Figure corrected.
***) Calculation method changed in terms of suppliers' target figures during 2020. The new calculation method is more precise, because it is based on monthly development instead of actual figures received at the end of the year.

One of Metsä Group's sustainability objectives is to increase the amount of carbon stored in forests and products by 30% compared to 2018. The Group supports the strong growth of forests with sustainable forest management measures. In 2020, the Group carried out forest and seedling management on a total of 32,284 hectares, which is roughly on par with the reference year. Metsä Group has set itself the goal of increasing the amount of carbon-storing wood products with a long life span. In 2020, these products stored 1,505,510 tonnes of carbon (1,582,729). The strikes at the Finnish mills early in the year and the coronavirus pandemic had a negative impact on the production and sales volumes of the products in question in 2020. The Group also aims to account for the biodiversity of forests, which is supported by a clear increase in the amount of decaying wood in forests.

The wood used by Metsä Group always comes from sustainably managed forests and its origin is always known in full. Of the wood used in 2020, 87% (85) was either PEFC™ or FSC® certified.

High stumps were left, at the forest owner's permission, in more than 84% (79) of regeneration and thinning sites. Retention trees were left in 94% (94) of regeneration sites, and they are left in all regeneration sites that fall under forest certification. In the long term, high stumps and retention trees increase the volume of standing and fallen decayed wood in forests and support the biodiversity of forest nature by providing a habitat for a wide range of organisms and animal species.

In production, Metsä Group is aiming for fossil free mills by 2030. As the use of fossil fuels in production is discontinued, fossil-based carbon dioxide emissions will also fall to zero (Scope 1). Resource efficiency is important to Metsä Group. The Group aims to make full use of production side streams. In terms of process water, our target is a 25% reduction per tonne produced from the 2018 level. The use of process water increased in 2020 by 0.5% per tonne produced from the 2018 level. This was partly influenced by the strikes early in the year, which had a negative impact on water consumption. In 2020, 90% (90) of the fuels used by Metsä Group were bio-based (Scope 1). In 2020, production's fossil-based CO_2 emissions were 676,000 (717,000*) tonnes, while the biogenic CO_2 emissions were 9,550,810 (9,980,000) tonnes (Scope 1).

In 2020, 93% (92) of production side streams were utilised. Side streams are used primarily as materials and secondarily in energy production. Metsä Group continues its work to reduce the proportion of waste delivered to landfills, not fit for recovery.

Some environmental permit limits were exceeded at the Group's production units in 2020. There were no deviations resulting in notable environmental impact. All of the Group's production units have an ISO 9001 quality system and an ISO 14001 environmental system in place, as well as a Chain of Custody system enabling reliable verification of the amount of certified wood in the products. In addition, the ISO 50001 energy efficiency system is in place in several of the Group's production units.

Sustainability and aiming to become increasingly fossil-free also guide Metsä Group's product development. Our goal is that the Group will not use any raw materials or packaging materials based on fossil oil by 2030. Of the raw materials and packaging materials used by the end of 2020, 99.6% (99.7) were fossil free. The fossil free solutions pursued would replace, among other things, the oil-based latex used in paperboards and the phenol-based glues used in wood products.

The Group's subsidiaries are subject to environmental responsibilities related to former industrial activities at sites that have since been closed, sold or leased, and from decommissioned landfill sites. Financial provisions for the costs of land rehabilitation work have been made in cases where it has been possible to measure the Group's liability for land contamination.

SOCIAL RESPONSIBILITY, METSÄ GROUP EMPLOYEES, HUMAN RIGHTS

Policies and management systems:

- Metsä Group's Code of Conduct
- Metsä Group's Supplier Code of Conduct
- Equality Policy
- HR policy
- Guidelines for wellbeing and safety at work
- ISO 45001/OHSAS 18001
- Metsä Group Modern Slavery Act Transparency Statement
- UN Global Compact

Metsä Group respects internationally recognised human rights in accordance with the UN's Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We are committed to operating according to the UN's principles concerning business operations and human rights, and we expect the same from our business partners. We are also committed to ensuring that there are no occurrences child labour, forced labour, human trafficking or any other form of modern slavery in our business operations and delivery chain. In 2017, we initiated a study on the human rights risks related to our operations. We have continued to develop our operations on the basis of the results so that we can prevent negative human rights effects linked to our delivery chain and own operations increasingly efficiently and promote the realisation of human rights within our own sphere of influence.

As a responsible employer, Metsä Group promotes management practices based on values, and leadership that supports growth. Taking care of the personnel's wellbeing, health and working capacity throughout their careers plays a key role, and performance at work is supported with a wide range of measures. At Metsä Group, everyone has the opportunity to both develop their own know-how and participate in development work.

Metsä Group pays special attention to ethics and the promotion of a culture of doing things right. Of the Group's personnel, 96% (95) have completed an online course on the Code of Conduct, which also includes central perspectives pertaining to human rights and social responsibility. In addition, more than 2,700 employees participated in classroom training complementing the online course during 2019 and 2020.

A responsible corporate culture is one of Metsä Group's strategic sustainability goals. In 2020, Metsä Group conducted its first large-scale ethics barometer aimed at the entire personnel with the aim of gauging the personnel's perceptions of how the Code of Conduct works in practice and how well they identify compliance-related risks. Based on the results, awareness of the requirements related to the ethics of operations is at a very good level. Employees furthermore find the subject, and the company conducting its business ethically, important. According to the results, there is room for improvement in some areas of leadership, in the equal treatment of personnel, and in fostering a culture in which employees have the courage to report unethical activities and in which shortcomings are also addressed. Metsä Group will carry out development measures that were identified on the basis of the results to promote an increasingly ethical way of working. The target set for the ethical index resulting from the barometer is 100% by 2030. The

*) Calculation method changed from last year

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result of the first survey was 84.4%. In the future, the ethics barometer and the Organisation Functionality Survey will be organised in alternate years.

The unusual circumstances resulting from the coronavirus pandemic impacted the competence development of personnel. A majority of training sessions were carried out virtually, in contrast to earlier practice. Managers and supervisors were supported with coaching on remote management, for example. Bulletins aimed at the entire personnel sought to support working capacity and mental wellbeing. Coaching in change management was commenced linked to the internal programme aiming to harmonise business processes. Early-support discussions and the measures agreed to during such discussions were used to support any employees having difficulty coping with their work at a stage as early as possible.

Metsä Group invests in a high-quality recruitment process which aims to ensure that the best talent in the industry seeks employment in the Group. The systematic development of the Group's employer image and collaboration with educational institutions continues. In addition to sponsored classes and school collaboration, young people are offered the opportunity to visit the Group's production units or felling sites through 4H cooperation. The Group also supports entrepreneurship training provided to young people. Metsä Group continued its active involvement in the "Mahdollisuuksien metsä" school campaign, for example.

The coronavirus pandemic was accounted for in a variety ways in the Group. All in all, Metsä Group performed nearly 2,000 coronavirus tests in connection with the annual maintenance shutdowns. At the onset of the pandemic, the Group shifted to remote working in all jobs that allowed for it. The mills and offices have followed strict special arrangements which minimise close contact along passageways, in cafeterias and staff facilities and at workstations. Employees have been provided with detailed instructions on hygiene and the use of masks. The special arrangements also apply to suppliers visiting the mills.

In 2020, the voluntary turnover rate of permanent personnel was 2.7% (3.9). Metsä Group adheres to an equality policy, the principles of which apply to recruitment, career opportunities, training and remuneration, for example. In 2020, Metsä Group defined equality goals which aim to promote equality, diversity and inclusion.

Systematic efforts in safety at work support the continuous development of operations and the achievement of the Group's objectives. High-quality proactive safety work, risk identification, intervention in unsafe working and the importance of personal risk assessments play a key role. The long-term objective is zero accidents by 2030. In 2020, the total recordable incident frequency was 8.7 (17.0) and the lost-time accident frequency declined by 14% from the previous year to 5.1 (5.9). Absences due to illness within the Group amounted to 4.0% (4.4) of the theoretical regular working hours. The target in terms of sickness absenteeism is less than 3%.

Many of the Group's production units have the certified occupational safety system OHSAS 18001 in place. Metsä Tissue's Mänttä mill follows the ISO 45001 occupational safety system.

All our products are produced according to good and safe production practices. All of Metsä Fibre's pulp mills and Metsä Board's mills as well as nearly all of Metsä Tissue's mills have either ISO 22000, FSSC 22000, BRC or IFS as their certified food safety system.

ANTI-CORRUPTION AND ANTI-BRIBERY

Policies and management systems:

- Metsä Group's Code of Conduct
- Metsä Group's Supplier Code of Conduct
- UN Global Compact

Metsä Group's Code of Conduct prohibits corruption and bribery. Metsä Group is committed to anti-corruption and bribery measures in both is own operations and in relation to its partners. Metsä Group's Supplier Code of Conduct also includes a corresponding prohibition. The work against corruption and bribery contributes to Metsä Group's 2030 sustainability objectives on a responsible corporate culture and sustainable supply chain. Reviewing anti-corruption and bribery principles is an essential part of the company's Code of Conduct training which is mandatory for the entire personnel.

In 2020, we continued to develop processes related to the identification of suppliers and customers as well as the requirements of trade compliance (Know Your Business Partner), which allow for the more efficient identification and management of risks related to sustainability of the supply chain and based on changes in trade policy.

The backgrounds of partners are checked using a centralised service model which allows for identifying risks related to business transactions – such as trade sanctions, money laundering and information related to human rights violations – in advance and, on the other hand, reacting to any changes and negative findings as effectively as possible.

COMPLIANCE AND ETHICS CHANNEL

Our personnel and stakeholders can report any shortcomings that they observe via the company's Compliance and Ethic Channel, which is available in ten different languages. The reports can be submitted anonymously. Every breach or violation, and suspected breach or violation, which the company becomes aware of is investigated. The investigation will be led by the Compliance Committee, also charged with ensuring that the consequences dictated by the outcome of each investigation are commensurate in cases of similar severity and that the corrective measures are adequate. Any detected illegal activities are reported to the authorities. In 2020, a total of 52 (49) incidents were brought to the attention of the Compliance Committee. The cases involved suspected misconduct, conflicts of interest, privacy violations and a variety of personnel-related events.

RISK DESCRIPTIONS

The risks related to the environmental, human and social issues, respect for human rights as well as the anti-corruption and anti-bribery activities reviewed above are described in more detail in the Board of Directors' Report under the section "Risk management and risks".

RISK MANAGEMENT AND RISKS

Metsä Group's risk management is systematic and proactive, and it assesses and manages business-related risks, threats and opportunities. Risk management is governed by the risk management policy confirmed by the Board of Directors of Metsä Group's parent company Metsäliitto Cooperative, and by Metsä Group's corporate governance system.

Metsä Group assesses strategic, operational, financial and liability risks as part of its continuing operations, and carries out risk assessments in connection with the annual planning and strategy processes. The risk assessment in the annual planning process reviews profitability-related risks involving sales, expenses, the operating environment, and development projects, as well as liability and damage risks. In the risk assessment that is part of the strategy process, the business areas review risks related to the implementation of their business strategies. In addition, the Group's Executive Management Team reviews the most significant risks as part of its executive management work.

Metsä Group prepares for risks by appointing the people in charge of key risk management measures. Risks that exceed the Group's risk-bearing capacity have been transferred with insurance, derivatives and other contracts to insurance companies, banks and other counterparties. Significant damage risks are covered with the Group's property, interruption, liability, transport damage, cyber and credit insurance policies.

The results of the risk management process are reported to the Board of Directors and the Board's Audit Committee on a regular basis. The risk assessments conducted in 2020 identified the following risks and uncertainties that have a potential impact on Metsä Group's business operations and profitability:

UNCERTAINTY IN THE WORLD ECONOMY DUE TO THE CORONAVIRUS PANDEMIC

The coronavirus pandemic causes significant uncertainty in the world economy and Metsä Group's operating environment also in 2021. This is impacted by the increase of infection rates in many countries, restriction and lock-down measures taken in different countries, and the uncertainty regarding the effectiveness of the coronavirus vaccine and the duration of the pandemic. If the pandemic is prolonged, it might subdue economic recovery or even weaken the world economy further and reduce consumers' purchasing power in all Metsä Group's market areas, which would lead to reduced demand for the Group's products. The pandemic could also cause disruptions in different areas of the business and threaten the continuity of business operations. Also the weaker cash position or slower payment behaviour of the Group's customers may impact Metsä Group's cash flow and lead to credit losses. The final impacts of the pandemic on the world economy and Metsä Group's business operations will become apparent in the long run.

Apart from the pandemic and its development, the world economy in 2021 will be impacted by continuing tensions between the United States and China and their trade war, internal political tensions in the United States after the presidential elections, and possible changes in the accommodative monetary policy of central banks. In addition, the impacts of the new trade agreement between the UK and the EU may be seen in international trade flows.

RESTRICTIONS ON INTERNATIONAL TRADE

Any changes in the industrial and trade policies of leading industrialised countries may lead to wider trade restrictions, and thereby slow down the recovery of the world economy after the pandemic or subdue later growth and even reduce global trade flows. Any new protectionist measures may have an effect on the demand for forest industry products and thereby the results of Metsä Group.

GEOPOLITICAL RISKS

There are a lot of geopolitical risks and crises around the world, and they are very difficult to predict and may cause changes that are fast or that take longer to develop. International sanctions used to manage these crises may have a direct or indirect impact on the demand for forest industry products and, therefore, on Metsä Group's result.

SUSTAINABILITY

Promoting sustainability supports Metsä Group's business and its development, but climate change and the loss of biodiversity, in particular, also involve risks. Climate risks can be divided into transitional risks and physical risks. Transitional risks are caused by the transition to a low-carbon economy, and physical risks relate to changes in temperatures and rainfall, for example. In Metsä Group's business operations, these climate risks relate to forests and the use of energy and water, in particular.

Climate change mitigation and the transition to low-carbon economy are emphasised in Metsä Group's sustainability objectives. Transitioning to fully fossil-free energy in production, abandoning fossil-based raw materials and using energy and water more efficiently are at the core of these objectives. The measures taken to reach these objectives help Metsä Group to control climate risks. At the same time, they open up new possibilities for Metsä Group in a changed operating environment.

In addition, safeguarding the biodiversity of forest nature with increasing regulations causes risks for using forests. All wood sourced by Metsä Group comes from sustainably managed forests, and this is verified by certification or controlled in some other way. In 2020, Metsä Group has also implemented a new ecological sustainability programme which supports maintaining biodiversity and safeguarding waterways.

RISKS ASSOCIATED WITH THE AVAILABILITY OF FINANCING

At Metsä Group, the main financial risks in business operations are primarily related to currencies, interest rates, liquidity, counterparty risks and the use of derivative instruments. Financial risks are governed according to the financial policy confirmed by the Board of Directors of Metsäliitto Cooperative. The goal is to secure sales margins, reduce uncertainty, improve predictability, balance the cash flow and give business units time to adjust their operations to the changed circumstances.

Access to capital and the price of capital are largely dependent on the conditions prevailing in the financial market and the Group's own financial situation. Metsä Group's good financial situation and the stable situation in the financial market have kept the availability and price of financing at a good level. Should access to financing grow weaker or were its price to increase significantly, it could also have a negative impact on the cost and availability of the external capital needed by the Group.

Metsä Group prepares for the refinancing risk by utilising a variety of financing sources, by scheduling loans to have a balanced maturity profile and by starting refinancing processes well before the loans mature. The Group's liquidity is strong. At the end of 2020, Metsä Group had undrawn committed credit facilities of approximately EUR 790 million available.

CHANGES IN MEMBERS' CAPITAL AND ADDITIONAL MEMBERS' CAPITAL

A member of Metsäliitto Cooperative who wishes to cancel their membership is entitled to receive a refund of their participation share payment and the additional contribution payment. The member may also receive a refund of the additional contributions based on a written claim. Based on the Cooperative's rules, the amount of members' participation share payments and additional contributions that can be refunded is equivalent to one third of the distributable equity in accordance with the most recent balance sheet adopted by the Annual General Meeting. Refunds of members' capital that are larger than usual may have an adverse effect on Metsä Group's financial position.

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COMPETITIVE ENVIRONMENT

In the global market for forest industry products, the balance of supply and demand has a significant impact on the market prices of products. Changes in the economic situation, an increase in the capacity of competitors and competition over market shares may reduce the market prices of products. Product prices may increase as a result of cuts in capacity or industry consolidation. Significant currency fluctuations also have an impact on the market balance of forest industry products and companies' competitiveness.

PULP'S MARKET SITUATION

The result of the pulp business has a significant impact on the profitability of Metsä Group as a whole. Metsä Fibre's pulp production capacity is more than 3 million tonnes of bleached softwood and hardwood pulp per year. In addition, Metsä Board produces pulp in Husum both for internal use and the market. In global pulp market, structural changes in how customers use pulp, constantly growing competition and new production capacity may have a negative impact on delivery volumes and market prices of pulp, and thus on Metsä Group's business and results.

CREDIT RISKS AND OTHER COUNTERPARTY RISKS

The management of credit risks related to commercial activities is the responsibility of the business areas and Metsä Group's centralised credit control. Credit control defines the internal credit limits set for customers and the payment terms together with the management of business operations. The majority of credit risks are covered by insurance contracts made with credit insurance companies. Metsä Group's customer credit risk was at a normal level in 2020. Credit risks were reduced with enhanced credit control measures and processes.

The main principles of credit control are defined in the credit guidelines of the risk management policy confirmed by the Board of Directors of Metsä Group's parent company, Metsäliitto Cooperative. The operational management of the Group and the business operations participate in the assessment of credit risks and in making final decisions on credit, if needed.

In money market investments, derivatives and loans, only counterparties that have been defined in the Group's financial policy, meet the creditworthiness criteria or have been separately designated by a Board decision are approved.

BUSINESS DEVELOPMENT

Metsä Group's business operations are developed, for instance, through customer segmentation, technical product development, the modernisation of product portfolios, value-added services offered to customers and new sales channels. The objectives of business development projects and investments include growing the business, expanding the product portfolio and strengthening the market position of the company. Should the completion of the development projects and investments be delayed or should production-related or commercial targets not be reached, the impact could be adverse on the result of the business in question and the whole Group.

Metsä Group has established the venture capital company Metsä Spring Ltd., which has the role of finding and developing new business ideas that could function as part of Metsä Group's business ecosystem in the future. Metsä Spring invests in the further development of the Group's own ideas and in external startups that are aiming to introduce new products to the market. Investments are made in high-risk ventures that may require the construction of a demo plant, such as the textile fibre demo plant built in 2020 in Äänekoski. If the development projects invested in are not technically or commercially successful, there may be a risk of the write-down of the investment.

COST AND AVAILABILITY RISKS OF PRODUCTION INPUTS

Significant or unforeseen changes in the cost of Metsä Group's most important production inputs, such as wood, energy and chemicals, and problems with their availability, may reduce profitability, threaten the continuity of operations and the implementation of planned development investments. In addition, the availability of transportation capacity and a steep increase in other logistics costs may negatively affect Metsä Group's profitability. If planned development investments take place, there are particular risks involved in the availability of cost-competitive wood raw material. Changes in exchange rates may have an effect on the costs of some production inputs. The Group aims to hedge against these risks by making long-term supply agreements and related derivatives contracts.

Changes in legislation or regulations, such as the EU's climate and environmental policy, single-use plastics directive and increasing new requirements to limit carbon dioxide or other emissions, may increase production costs and weaken the profitability of the Group.

LIABILITY RISKS

The business involves liability risks, such as contractual, environmental and product liability risks. Liability risks are mitigated by way of unified business processes, contract training, management practices, quality control and transparent operations.

CONTINUITY RISKS

The continuity of mills' production may be impacted by, for instance, large-scale fires, significant equipment malfunctions, serious accidents, extreme weather phenomena and environmental damage. Employees falling ill due to infectious diseases, any persisting malfunctions in IT systems, labour disputes, delivery problems and availability issues of the most important raw materials and disruptions in the logistics chain may furthermore suspend the entire business or parts thereof. In terms of risks to property and continuity, the Group engages in active risk management work with insurance companies, including regular risk assessments conducted at mills and in the supply chain.

Interruptions in production or the supply chain may have an effect on the continuity of customer service and on delivery reliability. If such interruptions continue for a long period of time, the resulting financial losses may be very substantial and result in the permanent loss of customers. The business areas, mills and Group services have drawn up continuity and recovery plans in preparation for the realisation of these risks. Metsä Group's crisis management plan guides management in crisis situations within the Group, business areas and mills.

CORPORATE SECURITY RISKS

Risks to corporate security include defects and neglect in personal and occupational safety and the management of financial misconduct, any negative information manipulation and cyber threats, threats affecting the supply chains, and the adequacy of internal control. Operating processes related to corporate security and the guidelines, training and internal control related to the management of threat factors are developed continuously, and exercises on the management of crisis situations are organised on a regular basis.

PERSONNEL RISKS

Metsä Group pays attention to ensuring the availability and retention of qualified personnel. The Group prepares for risks related to generational shifts and other personnel risks by means of management coaching, personnel development programmes, successor plans and the development of its employer image. The maintenance of working capacity, successor planning and having multiskilled employees are also part of the management of personnel risks.

GOVERNANCE

Metsäliitto Cooperative is a Finnish cooperative and the parent company of Metsä Group. It is owned by 95,449 forest-owner members. On 31 December 2020, the combined forest area owned by the members totalled 5,257,000 hectares.

Metsäliitto Cooperative's governing bodies are the Representative Council, the Supervisory Board, the Board of Directors and the CEO, who acts as the President and CEO of Metsä Group. The members of Metsäliitto Cooperative elect the members of the Representative Council in an election held every four years. The members of the Supervisory Board are elected by the Representative Council. The Supervisory Board elects the members of Metsäliitto Cooperative's Board of Directors, and the Board of Directors appoints the CEO of Metsäliitto Cooperative and the President and CEO of Metsä Group.

The Representative Council uses the supreme decision-making power belonging to the members of Metsäliitto Cooperative in matters it is responsible for pursuant to the law and the rules of Metsäliitto Cooperative. The rules of Metsäliitto Cooperative specify the tasks of the Supervisory Board. Its main task is to ensure that Metsäliitto Cooperative is managed in accordance with the rules and the decisions of the Representative Council and the Supervisory Board.

According to the rules of Metsäliitto Cooperative and in accordance with legislation, the Board of Directors is charged with ensuring that Metsäliitto Cooperative and Metsä Group's operations and governance are appropriately arranged. The Board of Directors has authority over strategic and other decisions with far-reaching consequences. In the 2020 financial period, Metsäliitto Cooperative's Board of Directors was composed of eight members until 21 October 2020, and thereafter seven members. According to the overall assessment by the Board of Directors, all members of the Board were independent of Metsäliitto Cooperative. The Board of Directors convened 24 times in 2020, and the percentage of attendance in the meetings by Board members was 97%. Metsäliitto Cooperative has a CEO, who also acts as the President and CEO of Metsä Group, unless otherwise decided by the Supervisory Board. The President and CEO is charged with the management of the operations of Metsä Group in accordance with the law and the rules of the Cooperative, as well as the decisions and instructions of the administrative bodies. The President and CEO is assisted by the Group's Executive Management Team.

Metsäliitto Cooperative's Board of Directors has determined the principles applicable to the diversity of the Board. According to the principles, the successful management of the tasks of the Board of Directors requires a diverse composition, diverse competence and experience. It is Metsäliitto Cooperative's goal that both genders be represented on the Board of Directors.

The Supervisory Board's Nomination Committee observes the principles concerning diversity when preparing proposals for the Supervisory Board on the composition of the Board of Directors. The realisation of the principles is reported on yearly in the Corporate Governance Statement.

A separate Corporate Governance Statement has been issued and published simultaneously with the financial statements and this Report of the Board of Directors.

THE CORONAVIRUS PANDEMIC

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

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

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

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

EVENTS AFTER THE PERIOD

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

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

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

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

KEMI BIOPRODUCT MILL

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

The Kemi bioproduct mill will increase the annual value of Finland's exports by approximately EUR 0.5 billion, and the positive income effect in Finland from wood sales and domestic purchases will also be approximately EUR 0.5 billion. The new bioproduct mill will secure the 250 jobs in the existing pulp mill in Kemi for decades to come. The Kemi bioproduct mill will create around 1,500 new jobs across its entire direct value chain in Finland, most of them in wood sourcing. All in all, around 2,500 people will work in the direct value chain of the Kemi bioproduct mill in Finland. The Finnish companies have been competitive, and the Kemi bioproduct mill project's degree of Finnish origin is estimated to be very high, approximately 70%. During the construction phase, the employment impact will be nearly 10,000 person-years, more than half of it will be located in Kemi. The number of individual persons working in the mill area during the construction phase is estimated to be around 15,000.

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

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

NEAR-TERM OUTLOOK

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

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

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

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

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

Uncertainty about the impact that the coronavirus pandemic will have on the short-term demand for products is still great in the countries in which Metsä Tissue operates. Demand for tissue paper products is expected to increase once the restrictions resulting from the pandemic can start to be eased. Demand for greaseproof papers is expected to continue to grow slightly. The company is preparing for increases in the costs of raw materials and other costs and steers its pricing actively to ensure profitable operations.

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

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	1–12/2020	1–12/2019
Sales	2.1, 2.2	5,054.9	5,473.4
Change in stocks of finished goods and work in progress		-31.1	-17.4
Other operating income	2.1, 2.3	57.3	59.2
Materials and services	2.1, 2.4	-3,440.1	-3,733.3
Employee costs	2.1, 3	-615.0	-630.4
Depreciation, amortisation and impairment charges	2.1, 4.1, 4.2	-303.5	-415.5
Other operating expenses	2.1, 2.4	-346.7	-361.9
Operating result		375.8	374.3
Share of results from associated companies and joint ventures	7.1	3.1	3.3
Net exchange gains/losses	5.2	-2.3	-6.4
Other financial income	5.2	3.2	5.3
Interest and other financial expenses	5.2	-49.7	-60.8
Result before tax		330.1	315.7
Income taxes	6	-67.9	-76.8
Result for the period		262.2	238.9
Other comprehensive income	5.1, 6		
Items that will not be reclassified to profit and loss			
Items relating to adjustments of defined benefit plans		-8.9	-15.7
Fair value of financial assets through other comprehensive income		-68.1	-13.5
Income tax relating to items that will not be reclassified		15.6	5.1
Total		-61.4	-24.0
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges		23.9	-17.8
Currency translation differences		-5.5	3.1
Other items			0.0
Income tax relating to items that may be reclassified		-4.6	3.7
Total		13.7	-11.0
Other comprehensive income, net of tax		-47.7	-35.0
Total comprehensive income for the period		214.5	203.9
Result attributable to:			
Members of parent company		177.5	111.4
Non-controlling interest		84.7	127.5
		262.2	238.9
Total comprehensive income attributable to:			
Members of parent company		149.1	90.0
Non-controlling interest		65.3	113.9
		214.5	203.9

The notes are an integral part of these financial statements.

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CONSOLIDATED BALANCE SHEET

EUR million	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Goodwill	4.1	434.1	429.4
Other intangible assets	4.1	221.0	228.1
Tangible assets	4.2	2,920.7	2,817.0
Biological assets	4.3	3.2	2.9
Investments in associated companies and joint ventures	7.1	69.3	68.3
Other investments	4.4	205.5	271.1
Other non-current financial assets	5.3	17.7	20.5
Deferred tax receivables	6	27.1	27.7
Derivative finacial instruments	5.7		2.0
		3,898.6	3,867.1
Current assets			
Inventories	4.5	965.9	979.6
Accounts receivables and other receivables	4.6	680.4	720.6
Tax receivables based on the taxable income for the period		2.4	8.7
Derivative finacial instruments	5.7	58.7	28.7
Cash and cash equivalent	5.4	1,212.9	1,090.0
		2,920.4	2,827.6
Assets classified as held for sale	7.2	32.3	32.3
Total assets		6,851.3	6,727.0
MEMBERS' FUNDS AND LIABILITIES			
Equity attributable to members of parent company			
Members' capital	5.1	1,322.4	1,199.0
Translation differences	5.1	-35.9	-30.7
Fair value and other reserves	5.1	711.3	728.7
Retained earnings		1,093.7	1,029.8
		3,091.5	2,926.8
Non-controlling interest	7.1	822.7	848.5
Total members' funds		3,914.2	3,775.3
Non-current liabilities			
Deferred tax liabilities	6	289.9	296.1
Post employment benefit obligations	3.5	85.5	81.8
Provisions	4.9	15.8	17.7
Borrowings	5.5	1,098.3	1,142.7
Other liabilities	4.7	2.3	2.3
Derivative financial instruments	5.7	22.8	20.8
		1,514.7	1,561.4
Current liabilities			
Provisions	4.9	2.8	4.1
Current borrowings	5.5	272.9	312.3
Accounts payable and other liabilities	4.8	1,103.8	1,034.8
Tax liabilities based on the taxable income for the period		6.3	7.4
Derivative financial instruments	5.7	18.9	16.9
		1,404.7	1,375.4
Liabilities classified as held for sale	7.2	17.7	14.9
Total liabilities		2,937.1	2,951.7
Total members' funds and liabilities		6,851.3	6,727.0

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS

		Equity attributable to members of parent company						
EUR million	**Note**	**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					111.4	111.4	127.5	238.9
Other comprehensive income, net after tax	5.1, 6		4.1	-14.4	-11.1	-21.4	-13.6	-35.0
Total comprehensive income			4.1	-14.4	100.4	90.0	113.9	203.9
Transactions with owners								
Interest on members' capital and dividends paid	5.1				-64.4	-64.4	-84.5	-148.9
Change in members' capital reserve for invested unrestricted equity	5.1	204.3			-9.1	195.2		195.2
Transfer from retained earnings to the	5.1	0.0		250.0	-250.0	0.0	-39.9	-39.9
Share based payments	3.3				-9.3	-9.3	-1.4	-10.7
Acquired shares from non-controlling interest, which did not change the controlling right	7.1			0.4	-34.9	-34.5	-47.6	-82.2
Sold shares from non-controlling interest, which did not change the controlling right	7.1			0.0	-0.6	-0.7	3.1	2.4
Members' funds 31.12.2019		1,199.0	-30.7	728.7	1,029.8	2,926.8	848.5	3,775.3
Members' funds 1.1.2020		1,199.0	-30.7	728.7	1,029.8	2,926.8	848.5	3,775.3
Result for the period					177.5	177.5	84.7	262.2
Other comprehensive income, net after tax	5.1, 6		-5.3	-17.7	-5.4	-28.4	-19.3	-47.7
Total comprehensive income			-5.3	-17.7	172.1	149.1	65.3	214.5
Transactions with owners								
Interest on members' capital and dividends paid	5.1				-63.5	-63.5	-40.3	-103.8
Change in members' capital	5.1	123.4			-12.5	111.0		111.0
Transfer from retained earnings to the reserve for invested unrestricted equity	5.1	0.0		0.0		0.0	-25.8	-25.8
Share based payments	3.3				-8.4	-8.4	-1.0	-9.5
Acquired shares from non-controlling interest, which did not change the controlling right	7.1			0.2	-23.4	-23.2	-27.1	-50.3
Sold shares from non-controlling interest, which did not change the controlling right	7.1			0.0	-0.4	-0.4	3.1	2.7
Members' funds 31.12.2020		1,322.4	-35.9	711.3	1,093.7	3,091.5	822.7	3,914.2

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CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	1–12/2020	1–12/2019
Cash flow from operating activities			
Result for the period		262.2	238.9
Adjustments to the result [1]		405.2	531.8
Interest received		2.9	4.8
Interest paid		-37.3	-45.2
Dividends received		3.1	3.1
Other financial items, net		-9.1	-13.3
Income taxes paid		-59.9	-122.4
Change in working capital [2]		100.3	-112.9
Net cash flow from operating activities		667.4	484.8
Cash flow arising from investing activities			
Acquisition of shares in subsidiaries, net of cash	7.1	-0.1	-6.0
Acquisition of associated companies and joint ventures		-1.1	-3.5
Acquisition of other shares		-3.0	0.0
Investments in tangible and intangible assets		-364.8	-216.1
Proceeds from disposal of shares in subsidiaries, net of cash	7.1	-3.4	0.6
Proceeds from disposal of shares in associated companies and joint ventures		0.0	0.2
Proceeds from disposal of other shares		0.2	3.8
Return of capital			1.0
Proceeds from sale of tangible and intangible assets		16.0	23.4
Change in non-current receivables, net		-1.0	-2.1
Net cash flow arising from investing activities		-357.2	-198.7
Cash flow arising from financing activities			
Change in members' capital		107.2	137.4
Non-controlling interest acquired	7.2	-50.4	-82.6
Increase in non-current liabilities	5.5	33.2	150.6
Decrease in non-current liabilities	5.5	-134.7	-275.4
Change in current liabilities, net	5.5	-3.1	-11.1
Change in current interest-bearing receivables, net	5.5	-0.5	-0.5
Return of capital		-25.8	-39.9
Interest on members' capital and dividends paid		-112.2	-158.6
Net cash flow arising from financing activities		-186.4	-280.2
Change in cash and cash equivalents		123.8	5.9
Cash and cash equivalents at beginning of period		1,090.0	1,083.9
Translation differences		-1.8	0.6
Change in cash and cash equivalents		123.8	5.9
Value adjustments of investment funds included in cash and cash equivalents.		0.9	
Cash and cash equivalents of assets classified as held for sale		0.0	-0.3
Cash and cash equivalents at end of period	5.4	1,212.9	1,090.0

EUR million	1–12/2020	1–12/2019
NOTES TO CONSOLIDATED CASH FLOW STATEMENT		
[1] Adjustments to the result		
Taxes	67.9	76.8
Depreciation, amortisation and impairment charges	303.5	415.5
Biological assets	-0.3	0.1
Share of profit from associated companies and joint ventures	-3.1	-3.3
Gains and losses on sale of non-current financial assets	-12.8	-24.4
Finance costs, net	48.8	61.9
Pension liabilities and provisions	-5.1	-4.9
Other adjustments	6.4	10.1
Total	405.2	531.8
[2] Change in working capital		
Change in inventories	7.1	14.3
Change in accounts receivables and other receivables	-1.0	27.4
Change in accounts payable and other liabilities	94.2	-154.5
Total	100.3	-112.9

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

MAIN OPERATIONS

Metsäliitto Cooperative and its subsidiaries comprise a Group ("Metsä Group" or "Group") in which operations are organised into five business segments: Wood Supply and Forest Services, Wood Products Industry, Pulp and Sawn Timber Industry, Paperboard Industry, and Tissue and Greaseproof Papers.

The Group's parent company is Metsäliitto Cooperative. The parent company is domiciled in Helsinki, and its registered address is Revontulenpuisto 2, 02100 Espoo, Finland. A copy of the consolidated financial statements can be obtained from the website www.metsagroup.com or the parent company's head office at Revontulenpuisto 2, 02100 Espoo, Finland.

These financial statements were authorised for issue by Metsäliitto Cooperative's Board of Directors on 11 February 2021. According to the Finnish Co-operatives Act, the Representative Council has the right to accept, reject or decide to amend the financial statements at the Annual General Meeting after their date of publication.

ACCOUNTING PRINCIPLES

Metsä Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), applying the standards and interpretations that had been approved by the EU and were effective on 31 December 2020. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and Community legislation supplementing the IFRS rules.

The consolidated financial statements are presented in millions of euros.

The consolidated financial statements have been prepared based on original acquisition costs, excluding financial assets recognised at fair value, hedged items in fair value hedging, biological assets, assets and obligations related to defined benefit plans and share-based payments measured at fair value.

THE CORONAVIRUS PANDEMIC

The impact of the coronavirus pandemic on business operations is discussed in the Board of Directors' report. The impact of the pandemic on the determination of sales receivables and cash impairments is described in note 5.6, Financial risk management, counterparty risk.

AMENDMENTS TO STANDARDS APPLIED DURING THE 2020 FINANCIAL PERIOD

The amendments to standards that entered into force at the beginning of 2020 have no material impacts on the consolidated financial statements.

NEW AND AMENDED STANDARDS TO BE APPLIED DURING FUTURE FINANCIAL PERIODS

Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use* (to be applied during the financial periods beginning on 1 January 2022 or thereafter). The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, are recognised in profit or loss. The amendments will impact the definition of the acquisition cost of the Group's tangible assets and the notes to be presented.

Other standard amendments will not have a material impact on the consolidated financial statements.

TRANSACTIONS IN FOREIGN CURRENCY

The items included in the financial statements of Group companies are presented in the currency that is used in each company's primary operating environment. The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Business transactions denominated in foreign currencies are recognised in the operating currency using the exchange rate on the transaction date. At the end of the financial period, open receivables and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate on the balance sheet date. Any gains or losses resulting from transactions in foreign currencies and from the translation of monetary items are recognised in financial income and expenses.

More information about currency hedging is provided in Note 5.6 (Management of financial risks).

The income statements of Group companies whose functional currency is not the euro are translated into euros using the average exchange rates of the financial period, and their balance sheets are translated using the exchange rates on the balance sheet date. Changes in translation differences arising from the translation of Group companies' income statements and balance sheets and from the translation of net investments in foreign entities are recognised in the consolidated comprehensive income statement. In conjunction with divestments of Group companies, either by selling or by dissolving, translation differences accumulated by the time of the divestment are recognised in the income statement as part of the gain or loss from the divestment.

OTHER ACCOUNTING PRINCIPLES

Other accounting principles are presented as part of the relevant notes.

* = This has not been approved for application in the EU by 31 December 2020.

KEY ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of the management's estimates, assumptions and judgement-based decisions that affect the amount of assets and liabilities, the presentation of contingent assets and liabilities in the financial statements, and the amount of income and expenses. Even though such estimates and assumptions are based on the management's best knowledge at the time they were made, it is possible that the actual values differ from those used in the financial statements. In terms of the financial statements, the key areas that involve the management's estimates and judgement-based decisions are presented in the following notes:

Key estimates and judgements	Note
Pension obligations	3.5 Pension obligations
Impairment of intangible and tangible assets	4.1 Tangible assets 4.2 Property, plant and equipment
Leases	4.2 Property, plant and equipment
Valuation of growing trees	4.3 Biological assets
Financial instruments measured at fair value	4.4 Other investments
Valuation of inventories	4.5 Inventories
Valuation of accounts receivables	4.6 Accounts receivables and other receivables
Provisions	4.9 Provisions
Income taxes	6 Income taxes
Contingent liabilities from legal disputes and claims	8.1 Commitments and contingencies

2. PROFITABILITY

2.1 SEGMENT INFORMATION

ACCOUNTING PRINCIPLES

OPERATING SEGMENTS

Metsä Group's operating segments are comprised of the Group's business areas. The operating segments are reported consistently, with the internal reports submitted to the President and CEO. The President and CEO is in charge of allocating resources to the operating segments and evaluating their performance.

The segments report in line with the same accounting principles as the Group. All intra-segment transactions are based on market prices and are eliminated on consolidation.

COMPARABLE KEY FIGURES

Extraordinary and material items not included in ordinary business operations have been eliminated in the comparable operating result. Typical items affecting comparability include material gains and losses on disposals of assets, impairment and impairment reversals in accordance with IAS 36 "Impairment of Assets", corporate divestments and acquisitions, adjustment measures and other restructuring measures and their adjustments, as well as items arising from legal proceedings.

WOOD SUPPLY AND FOREST SERVICES

Metsä Forest provides premium wood for Metsä Group's production units and its other industrial customers. It offers owner-members of the parent company, Metsäliitto Cooperative, comprehensive services in wood trade and forest and nature management. Metsä Forest invests in developing sustainable forest management methods and digital services providedfor forest owners.

WOOD PRODUCTS INDUSTRY

Metsä Wood produces high-quality and environmentally friendly birch and spruce plywood as well as Kerto® LVL products. Metsä Wood provides wood products for the construction and transport industries as well as for the needs of customers in the distribution business. Metsä Wood aims at industrial efficiency in all its operations. In terms of customer accounts, Metsä Wood emphasises first-rate customer service, reliability and high quality.

PULP AND SAWN TIMBER INDUSTRY

Metsä Fibre is a leading producer of bioproducts, biochemicals and bioenergy. Metsä Fibre is the world's leading producer of bleached softwood pulp and a major producer of sawn timber. Metsä Fibre's bleached softwood and birch pulps have been developed for the manufacture of paperboards, tissue and printing paper as well as speciality paper. Spruce sawn timber and pine sawn timber are used primarily in the construction industry. The company also develops and continuously expands the range of bioproducts produced from the side streams of pulp production.

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PAPERBOARD INDUSTRY

Metsä Board is a leading European producer of premium and lightweight fresh fibre paperboard. The company's folding boxboard and food service boards as well as white kraftliners offer sustainable, recyclable and safe solutions for consumer goods, retail-ready and food service packaging. All of the wood raw material used by Metsä Board comes from sustainably managed northern forests, which guarantees the high and consistent quality of the fibre. The global sales network provides services to customers worldwide, including brand owners, converters and merchants.

TISSUE AND GREASEPROOF PAPERS

Metsä Tissue innovates tissue paper products and services that make everyday life cleaner, easier and more hygienic, in an environmentally sustainable manner. Metsä Tissue is one of the leading tissue paper suppliers in Europe to households and professionals and one of the leading greaseproof paper suppliers globally. The company's brands are Lambi, Serla, Tento, Mola, Katrin and SAGA.

OTHER OPERATIONS

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 in Metsätapiola's real estates.

OPERATING SEGMENTS 2020

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paperboard Industry	Tissue and Greaseproof Papers	Other operations	Eliminations	Group total
External sales	441.8	412.6	1,374.9	1,814.1	1,011.2	0.3		5,054.9
Internal sales	1,378.1	16.5	451.6	75.4	0.7	8.2	-1,930.6	0.0
Sales total	1,819.9	429.1	1,826.5	1,889.5	1,011.9	8.5	-1,930.6	5,054.9
Operating result	22.4	9.3	3.9	227.3	115.9	-7.1	4.2	375.8
Items affecting comparability				6.0	2.0	-0.6	0.6	8.1
Comparable operating result	22.4	9.3	3.9	221.2	113.8	-6.5	3.6	367.7
Share of results from associated companies and joint ventures								3.1
Finance costs, net								-48.8
Income taxes								-67.9
Result for the period								262.2
Assets	321.9	358.3	1,996.5	2,076.8	784.1	244.0	-260.5	5,521.2
Assets classified as held for sale						32.3		32.3
Unallocated assets								1,297.8
Total assets								6,851.3
Liabilities	217.4	69.4	418.5	366.5	294.5	134.6	-260.5	1,240.4
Liabilities classified as held for sale						17.7		17.7
Unallocated liabilities								1,678.9
Total liabilities								2,937.1
Total investments	16.9	21.7	135.2	166.4	53.1	7.3	-0.1	400.5
Depreciation	10.2	20.8	124.3	94.5	44.3	6.0	3.4	303.5
Personnel, average	859	1,543	1,375	2,455	2,558	604		9,392

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

ITEMS AFFECTING COMPARABILITY IN OPERATING RESULT

2020 EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paperboard Industry	Tissue and Greaseproof Papers	Other operations	Eliminations	Group total
Other operating income				6.0	5.7			11.8
Changes in invetories					-0.3			-0.3
Employee costs					-0.1			-0.1
Depreciations					-0.3			-0.3
Other operating expenses					-3.0	-0.6	0.6	-3.0
Total	0.0	0.0	0.0	6.0	2.0	-0.6	0.6	8.1

Other operating income of the **Paperboard Industry segment** includes EUR 6.0 million disposal gains from sold non-business related land area.

The Tissue and Greaseproof papers operating result includes EUR -1.3 million of items related to divestment of Metsä Tissue's napkin business. EUR 3.3 million are related to the insurance indemnity paid to Metsä Tissue's company in Poland and its divestment of fixed assets.

OPERATING SEGMENTS 2019

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paperboard Industry	Tissue and Greaseproof Papers	Other operations	Eliminations	Group total
External sales	498.2	411.1	1,674.2	1,830.7	1,059.1	0.1		5,473.4
Internal sales	1,474.7	23.1	561.8	101.1	0.9	9.6	-2,171.2	0.0
Sales total	1,972.9	434.2	2,236.0	1,931.8	1,060.0	9.7	-2,171.2	5,473.4
Operating result	27.4	9.2	248.6	180.8	-63.4	-9.3	-19.2	374.3
Items affecting comparability		2.0		-3.6	-136.7	-0.8	18.5	-120.6
Comparable operating result	27.4	7.2	248.6	184.4	73.4	-8.6	-37.6	494.9
Share of results from associated companies and joint ventures								3.3
Finance costs, net								-61.9
Income taxes								-76.8
Result for the period								238.9
Assets	308.6	336.0	1,976.3	2,124.4	785.1	212.5	-198.2	5,544.7
Assets classified as held for sale						32.3		32.3
Unallocated assets								1,150.0
Total assets								6,727.0
Liabilities	185.4	51.6	361.9	375.5	287.3	106.4	-198.2	1,169.9
Liabilities classified as held for sale						14.9		14.9
Unallocated liabilities								1,767.0
Total liabilities								2,951.7
Total investments	22.9	32.6	90.1	98.9	29.6	7.2	-21.9	259.6
Depreciation	8.3	18.7	123.4	94.6	45.6	5.7	7.9	304.1
Impairments				19.1	118.7		-26.5	111.4
Personnel, average	861	1,584	1,331	2,433	2,834	580		9,624

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

ITEMS AFFECTING COMPARABILITY IN OPERATING RESULT

2019 EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paperboard Industry	Tissue and Greaseproof Papers	Other operations	Eliminations	Group total
Other operating income		2.0		17.8			-11.0	8.7
Changes in invetories					-6.3			-6.3
Employee costs					-7.5			-7.5
Share of profit from associated companies and joint ventures				-2.2			2.2	0.0
Impairments				-19.1	-118.7		26.5	-111.4
Other operating expenses					-4.2	-0.8	0.8	-4.2
Total	0.0	2.0	0.0	-3.6	-136.7	-0.8	18.5	-120.6

The other operating income of the **Wood Products segment** includes Metsä Wood's EUR 2.0 million gain on the sale of a property to Metsä Fibre.

Other operating income of the **Paperboard Industry segment** includes the capital gain of EUR 3.3 million from the sale of Metsä Board's non-operating investments in shares, the capital gain of EUR 5.5 million from the sale of Metsä Board's land area not related to business operations, and the capital gain totalling EUR 6.8 million recognised by Metsä Board from the sale of Äänevoima Oy shares (other operating income EUR 9.0 million and the share of the results from associated companies and joint ventures, EUR -2.2 million).

Impairments include a EUR -19.1 million impairment related to the modernisation of Metsä Board's Husum pulp mill.

The Tissue and Greaseproof papers segment's Inventory changes include a EUR -6.3 million impairment related to the future divestment of Metsä Tissue's napkin business.

Employee costs include EUR 6.6 million cost provision related to Metsä Tissue's ongoing efficiency improvement program. Employee costs also include EUR 0.6 million cost provision related to future divestment of Metsä Tissue's napkin business.

Metsä Tissues items also include an impairment of EUR -102.5 million concerning Metsä Tissue's goodwill and intangible rights. In addition, the impairments include impairments of EUR -10.9 million, EUR -3.9 million and EUR -1.4 million, related, respectively, to the future divestment of

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Metsä Tissue's napkin business, 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.

Other operating expenses include EUR 1.0 million cost provision related to Metsä Tissue's ongoing efficiency improvement program and EUR 3.2 million cost provision related to Metsä Tissue's future divestment of napkin business.

ELIMINATIONS

Other operating income includes the elimination of EUR -2.0 million of the capital gain from the sale of Metsä Wood's real estate property to Metsä Fibre, the total elimination of EUR -6.8 million of the capital gain from the sale of Äänevoima Oy shares by Metsä Board to Metsä Fibre (other operating income EUR -9.0 million and the share of the results from associated companies and joint ventures, EUR 2.2 million).

The impairments include the elimination of EUR 25.2 of the impairment related to Tissue's goodwill and intangible assets, as well as the elimination of EUR 1.2 million of the impairment related to the divestment of Metsä Tissue's napkin business.

GEOGRAPHICAL SEGMENTS

The sales of geographical segments are presented based on the location of the customer. Segment assets and total investments are presented based on geographical location of the assets.

	Sales		Non-current assets		Total investments	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Finland	880.7	947.6	3,002.0	3,051.8	226.1	178.2
Germany	511.1	523.1	154.2	152.8	17.5	11.6
Great Britain	321.5	351.5	25.9	29.2	3.6	0.7
Italy	159.8	193.4	0.9	0.5	0.5	0.0
Sweden	195.7	217.2	506.2	398.9	138.7	50.0
France	145.0	198.2	0.5	0.6	0.0	0.2
Poland	128.4	153.4	63.1	72.8	4.2	4.0
Other EU countries	649.2	749.3	100.3	105.1	7.2	6.4
Turkey	153.8	168.7				
Norway	106.6	144.3	0.4	1.0	0.5	0.2
Other Europe	173.4	170.3	15.4	21.5	1.7	8.0
Europe total	3,425.4	3,816.9	3,868.9	3,834.2	399.9	259.1
China	749.0	757.7	1.3	1.6	0.5	0.4
USA	413.1	344.6	1.2	1.5	0.1	0.1
Other countries	467.4	554.2	0.1	0.1	0.0	0.0
Total	5,054.9	5,473.4	3,871.5	3,837.4	400.5	259.6

PERSONNEL AT YEAR END

	2020	**2019**
Finland	5,055	4,929
Sweden	1,225	1,195
Germany	959	1,166
Poland	440	464
Great Britain	442	407
Slovaki	313	311
Russia	309	305
Baltic countries	217	227
Other Europe	146	153
Europe total	9,105	9,157
Other countries	108	108
Total	9,213	9,265

INFORMATION ON MOST IMPORTANT CUSTOMERS

Approximately EUR 695.7 million (828.9) of sales is from one external customer. That part belongs to pulp and sawn timber industry and paperboard industry segments.

2.2 SALES

ACCOUNTING PRINCIPLES

Performance obligations arising from the Group's sales contracts are mainly order-driven customer deliveries related to the sale of forest industry goods. Services mostly have an ancillary role in the Group's business operations, or they complement deliveries of goods.

The transaction price is the amount that the Group expects to receive in exchange for a fulfilled performance obligation. This amount, less sales-based value added taxes and sales taxes, is presented as the Group's sales. The prices received by the Group are divided into a fixed part and a variable part. The variable part consists of various discounts based on, among other things, payment terms and purchased quantities, and is allocated by the Group as deductions from sales revenue in line with estimates of the extent of the discount the customer is deemed to be entitled to. The Group's sales contracts mostly include obligations solely related to deliveries of goods, to which the allocation of the transaction price is uncomplicated. The terms of payment applied in the Group's sales invoices vary to some extent geographically and in different business areas, but the payment time provided is nonetheless always clearly less than a year, when the financing component does not need to be separated.

The Group recognises revenue from the sale of goods in the period during which the control of the delivered products passes to the customer, i.e. when the risks and benefits related to the sold products transfer to the customer. Services are recognised as income over time.

Control to products transfers at the point of time when the products have been delivered in accordance with the agreed term of delivery. The Incoterms 2010 delivery terms most commonly applied by the Group and the corresponding times of sales income recognition are:

D-terms: Delivery of goods to the buyer at the agreed destination at the agreed time.

C-terms: Handing over the goods to be transported to the agreed destination by a carrier arranged for by the seller.

F-terms: Handing over the goods to a carrier arranged for by the buyer.

It is the management's view that groupings pursuant to operating segments and geographical distribution best describe the nature, amount and timing of sales income as well as the uncertainty related to the said income. The sales of operating segments and geographic areas pursuant to the location of customers is presented in Note 2.1, Segment information.

SALES BY MARKET AREA

EUR million	**2020**	**2019**
EMEA		
Finland	880.7	947.6
Other EU	2,110.8	2,386.0
Other Europe	433.9	483.3
Middle East and Africa	159.6	178.5
EMEA total	3,585.0	3,995.4
APAC	969.6	1,031.0
Americas	500.3	447.1
Sales total	5,054.9	5,473.4

2.3 OTHER OPERATING INCOME

EUR million	**2020**	**2019**
Gains on disposals	15.6	27.2
Rental income	2.5	2.8
Service revenue	4.1	5.4
Government grants	21.7	7.8
Sales of scrap and waste	1.0	1.2
Others	12.4	14.9
Total	57.3	59.2

EUR million	**2020**	**2019**
Metsä Board's non-operative equity investment		3.3
Metsä Board's land area not related to business operations	6.0	5.5
Metsä Board's emission allowances	6.2	14.1
Metsä Board Sverige's electricity certificates		1.3
Metsä Wood's emission allowances	0.3	1.7
Other	3.0	1.3
Total	15.6	27.2

The government grants and compensation relate to the compensation for training, healthcare and research costs, insurance indemnities and energy aid.

In 2020, government grants and allowances included EUR 13.0 million in emissions trading compensation (5.3). In addition, in 2020, public grants and compensation included EUR 3.9 million in insurance compensation received by Metsä Tissue's Polish company and compensation related to the coronavirus pandemic.

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2.4 OPERATING EXPENSES

EUR million	2020	2019
Materials and services		
Materials, consumables and goods		
Purchases	2,291.1	2,572.0
Change in inventories	24.6	-17.9
External services		
Logistics expenses	715.3	759.0
Other external services	409.1	420.2
Materials and services, total	3,440.1	3,733.3
Employee costs	615.0	630.4
Depreciations and impairment charges	303.5	415.5
Other operating expenses		
Rents and other property costs	31.6	29.8
Purchased services	209.3	199.9
Losses on fixed asset disposals	0.4	0.7
Other operating expenses	105.4	131.5
Other operating expenses, total	346.7	361.9

Information on personnel costs is presented in Note 3.1 and information on depreciations and impairment charges in Notes 4.1 and 4.2.

Among other operating expenses are energy costs, marketing and advertising costs and administrative expenses.

Other operating expenses include an expense of EUR 2.1 million related to the sale of Metsä Tissue's napkin business in 2020 and an expense of EUR 0.8 million related to insurance indemnity of Metsä Tissue's Polish company.

Other operating expenses in 2019 include Metsä Tissue's cost provision of EUR 1 million related to the ongoing efficiency improvement programme and a cost provision of EUR 3.2 million related to the future sale of Metsä Tissue's napkin business.

The Group's R&D expenses recorded as an expense in 2020 were EUR 19.7 million (17.6). In 2020, the reporting of R&D expenditure has been further specified and the figures for the comparison year have been adjusted accordingly.

PRINCIPAL AUDITOR'S FEES

The Group's auditor is KPMG Oy Ab.

FEES OF PRINCIPAL AUDITOR

EUR million	2020	2019
Audit	1.2	1.2
Auditors' opinions	0.0	0.0
Tax services	0.0	0.0
Other services	0.1	0.3
Total	1.3	1.5

In 2020 fees paid to other auditors than KPMG were EUR 2.1 million (3.2).

3. REMUNERATION

3.1 EMPLOYEE COSTS

EUR million	2020	2019
Wages and salaries	409.8	419.7
Share-based payments	6.3	11.3
Other long-term remuneration		
Social security costs		
Pension costs		
Defined benefit plans	2.4	2.2
Defined contribution plans	52.0	59.0
Other employee costs	144.4	138.3
Social security costs total	198.9	199.4
Employee costs total	615.0	630.4

The personnel expenses in 2019 include a EUR 6.6 million cost provision related to Metsä Tissue's efficiency improvement program and a cost provision of EUR 0.6 million related to the future sale of Metsä Tissue's napkin business.

3.2 THE MANAGEMENT'S SALARIES, REMUNERATION AND PENSION COSTS

Top management consists of the members of the Supervisory Board, Board of Directors and Group Executive Management Team including the President and CEO.

REMUNERATION PAID TO TOP MANAGEMENT

EUR million	2020	2019
Salaries and fees	4.4	5.2
Share-based payments	5.2	6.8
Pension costs		
Defined benefit plans	2.9	2.3
Defined contribution plans	0.6	0.8
Total	13.2	15.1

REMUNERATION PAID TO MEMBERS OF THE SUPERVISORY BOARD AND PENSION BENEFITS

	Salaries and fees		Pension benefits	
EUR	2020	2019	2020	2019
Paajanen Juha, chairman	78,300	68,850	10,884	10,782
Siponen Ahti, vice chairman	33,600	36,950	4,682	5,786
Members total	146,800	167,100		
Total	258,700	272,900	15,566	16,568

REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS AND PENSION BENEFITS

	Salaries and fees		Pension benefits	
EUR	2020	2019	2020	2019
Linnaranta Jussi, chairman as of 1.1.2020	163,940	72,950	25,369	12,518
Saukkonen Timo, vice chairman as of 1.1.2020	83,800	64,450	11,699	10,093
Björkenheim Johan, until 31.12.2020	68,300	59,900	9,506	10,216
Hiltunen Arto	86,600	77,800	12,078	12,183
Mäkimattila Mikko, as of 1.1.2020	68,400		10,527	
Mörttinen Leena, until 21.10.2020	57,100	58,450	8,255	10,030
Parpala Juha	68,700	59,550	9,979	10,219
Salonen Ilkka	83,900	73,200	11,704	11,463
Total	680,740	466,300	99,117	76,722
Former members of the Board of Directors				
Asunta Martti, until 31.12.2019	1,400	105,990	242	18,079
Total	682,140	572,290	99,358	94,801

SALARIES AND REMUNERATION PAID TO THE PRESIDENT AND CEO AND OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT TEAM AND PENSION BENEFITS

	2020	2019	2020	2019
EUR	President and CEO Ilkka Hämälä	President and CEO Ilkka Hämälä	Other Executive Manage-ment Team	Other Executive Manage-ment Team
Salaries and remuneration				
Base salary including fringe benefits 1)	821,984	821,512	1,999,959	1,983,984
Remuneration paid by other Group companies	131,860	129,060		
Short-term incentives 2)	208,406	573,300	340,242	804,409
Long-term incentives 3)	1,127,271	1,016,706	2,186,152	2,449,450
Deferred long-term incentives 4), 5)		825,927	1,901,905	2,550,440
Total	2,289,521	3,366,505	6,428,257	7,788,283
Pension costs				
Supplementary defined benefit pension plan	1,896,529	1,201,421	1,034,308	1,105,694
Contribution-based statutory arrangement	162,690	234,391	318,108	425,206
Total	2,059,220	1,435,812	1,352,416	1,530,900
Salaries and remuneration as well as pension costs in total	4,348,741	4,802,316	7,780,673	9,319,183

1) Base salary paid by Metsäliitto Cooperative which includes a housing benefit, company phone and car benefit, extended healthcare, travel and accident insurance as well as other minor fringe benefits.

2) The 2020 payment concerns performance in 2019; the 2019 payment concerns performance in 2018.

3) 2020: performance period 2017–2019; 2019: performance period 2016–2018. Ilkka Hämälä: the remuneration paid includes the rewards earned from his previous position as CEO of Metsä Fibre Oy

4) Ilkka Hämälä: in addition to long-term incentives paid in 2018, EUR 746,948 of reward was deferred. Deferred long-term incentives were paid in 2019 in accordance with the decision of the Board of Directors. The payment also includes long-term incentives deferred in 2017.

5) In addition to long-term incentives paid to members of the Executive Management Team in 2018, EUR 3,179,172 of incentives were deferred. In 2019, deferred long-term incentives in the amount of EUR 2,550,440 were paid in accordance with the terms and conditions of the share ownership plan and the decision by the Board of Directors. In 2020 the respective amount was EUR 1,901,905.

The Board of Directors may decide to pay a short-term incentive based on defined financial criteria and strategic targets over an earning period of 12 months to the President and CEO. For 2018, the President and CEO had the opportunity to earn a figure equivalent to no more than 75% of his fixed annual salary as a short-term incentive. In 2019, the reward potential offered by the short-term incentive system to the President and CEO was a target level of 37.5% of his fixed annual salary and a maximum level of 93.75%.

The Board of Directors may decide to pay a short-term incentive based on defined financial criteria and strategic targets over an earning period of 12 months to the members of Metsä Group's Executive Management Team. For 2018, the members of the Executive Management Team had the opportunity to earn a figure equivalent to no more than 58.33% of their fixed annual salary as a short-term incentive. In 2019, the reward potential for the members of Metsä Group's Executive Management Team was a target level of 30% of fixed annual salary and a maximum level of 75%.

The term of notice of Ilkka Hämälä is 12 months. When the contract of the President and CEO is terminated by the Board, The President and CEO is entitled to a severance pay corresponding to 12 months' total salary. No severance compensation is paid if the contract is terminated by the President and CEO. The terms of notice of other members of the Group Executive Management Team is six months. For other members of the Group Executive Management Team, the period of additional severance compensation varies from six to twelve months in case of severance due to other reasons than member related.

Ilkka Hämälä's retirement age is according to the Employees' Pension Act. Hämälä also belongs to Metsä Group's pension insurance for Group management. The President and CEO's level of pension is 60% of the total salary under the Employees' Pension Act calculated on the basis of the five-year period preceeding retirement. If the employment relationship with Metsä Group ends before retirement age, the President and CEO is entitled to a paid-up policy.

Some of the members of the Executive Management Team have a separate benefit-based pension agreement with a retirement age of 62. The level of pension is 60% of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceding retirement. If the employment relationship with Metsä Group ends before retirement age, the member is entitled to a paid-up policy. At the end of 2020 a benefit-based pension agreement was for 4 members of the Executive Management Team.

There are no loan receivables, guarantees or other liabilities from the members of the Group Executive Management Team.

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3.3 SHARE-BASED PAYMENTS

ACCOUNTING PRINCIPLES

Share ownership programmes in which the payments are made as equity instruments and cash have been established for the company's top executives. The Group's share ownership plans are treated in full as arrangements settled in shares. The incentives granted are measured at fair value on the granting date, and recognised as expenses in the income statement and equity evenly over the vesting period.

The effect of the arrangements on profit is presented under personnel expenses.

The company had four share-based incentive schemes in place during the period under review. These are the share plan for 2014, which the Board of Directors decided to introduce on 6 February 2014, the performance- and share-based incentive scheme for the 2017–2021 period, the binding share-based incentive scheme which the company's Board of Directors decided to introduce on 10 January 2017, and the performance- and share-based incentive scheme for the 2020–2024 period, which the Board of Directors decided to introduce on 12 December 2019 as part of the incentive and engagement scheme for key employees of the company. The impact of the share-based incentive schemes on the result for the financial period 2020 was EUR 6.3 million (11.3).

SHARE-BASED INCENTIVE SCHEME 2014, PERFORMANCE- AND SHARE-BASED INCENTIVE SCHEME 2017–2021 AND PERFORMANCE- AND SHARE-BASED INCENTIVE SCHEME 2020–2024

The schemes offer the target group the opportunity to receive as an incentive Metsä Board series B shares for three three-calendar-year performance periods for achieving the targets set for their earnings criteria. The reporting periods are the calendar years 2014–2016, 2015–2017, 2016–2018, 2017–2019, 2018–2020, 2019–2021, 2020–2022, 2021–2023 and 2022–2024. The amount of remuneration earned for the performance period for the share-based incentive scheme 2014 and the performance- and share-based incentive scheme 2017–2021 will be paid on the basis of the achievement of the earnings criteria after the end of the earnings period in March. In addition to the shares, the reward includes a cash portion, which covers the taxes and tax-like charges resulting from the reward to the key employees. The total number of shares allocated under the performance- and share-based incentive scheme 2020–2024 includes both a share portion and a cash portion. Similarly, the remuneration is paid in shares and partly in cash, and the aim is for the cash contribution to cover taxes and tax-like charges at the time of payment. The reward will not be paid if the person's employment ended before the end of the earnings period. In addition, the scheme includes a two-year commitment period. If the employment relationship of a key employee ends during the commitment period, the key employee should, as a rule, return the transferred shares to the company without consideration.

Based on the realisation of the criteria of the earnings period 2017–2019, 1,126,419 Metsä Board series B shares and a cash portion to cover the taxes and tax-like charges incurred from the bonus were paid at the time of the transfer of the shares.

In 2016, the Group changed the terms and conditions of the arrangement by setting a maximum limit for the reward to be paid for the earning periods 2014–2016 and 2015–2017 that is proportionate to the employees' salaries. The payment of the portion of the reward earned that exceeds the maximum limit will be paid fully in cash when the maximum limit allows its payment in future years. Beginning with the 2016–2018 earning period, a maximum limit proportionate to the salary is used, and the portion exceeding the maximum limit will be cut and will not be paid. At the time of reporting, the liability for the 2014–2016 and 2015–2017 earning periods consists of delayed bonuses and interest which will be paid when the limit allows payment in future years.

COMMITMENT-BASED SHARE INCENTIVE SCHEME 2017–2021

The arrangement offers the target group an opportunity to receive Metsä Board Corporation's B shares if the key person has an employment or service contract and the work continues until the end of the commitment period. The scheme has commitment periods of 12–36 months. The incentive is not paid if the key person's employment is terminated during the commitment period.

The basic information and events of the share-based incentive scheme for 2014, the performance- and share-based incentive scheme and commitment-building share-based incentive scheme for 2017–2021, and the performance- and share-based incentive scheme for 2020–2024 are summarised in the following table.

2020	Share incentive scheme 2014	Share incentive schemes 2017–2021	Share incentive schemes 2020–2024
Maximum number of shares	6,098,750	4,257,773	590,788
Criterias	Equity ratio, ROCE, EBIT-factor/EBIT	Equity ratio, ROCE, EBIT	Equity ratio, ROCE, EBIT
Number of persons (31 December 2020)	14	92	25
Share price at grant date, EUR [1]	0.00	5.20	4.55
Fair value at end of financial period, EUR million	0.0	26.1	0.5
Expense 2020, share-based payment, recognised as equity, EUR million	1.7	4.4	0.1
Liabilities, share-based payment, at the end of financial period, EUR million	3.1	6.0	0.5
Amounts 1 January, 2020 [2]			
Outstanding at the beginning of period	799,239	3,861,942	0
Changes during the period			
Shares granted	0	1,980	590,788
Shares forfeited	0	35,752	0
Shares exercised	799,239	164,869	0
Shares expired	0	78,185	0
Amounts 31 December, 2020			
Outstanding at the end of period	0	3,585,116	590,788

1) The fair value of the share-based payment at the time of transfer was the market price of Metsä Board Corporation's B share less the amount of dividend to be distributed before the payment of the reward in accordance with the consensus estimates. The fair value of the share-based payment is recognised as an amount based on the best possible estimate of the amount of the reward to which a right is expected to be established.

2) The amounts of share rewards shown in the table are net amounts for the share-based incentive scheme 2014 and the share-based incentive scheme 2017–2021. That is, they reflect the number of shares earned or granted on the basis of share bonuses. In addition to these, the remuneration includes a cash portion to cover taxes and tax-like charges at the time of payment of the remuneration. For the share-based incentive scheme 2020–2024, the amounts of share bonuses shown in the table are gross amounts, i.e. they reflect the total number of shares and cash shares to be issued on the basis of share bonuses. The remuneration is paid partly in shares and partly in cash. The cash contribution aims to cover taxes and tax-like charges at the time of payment of the fee.

3.4. OTHER LONG-TERM REMUNERATION

ACCOUNTING PRINCIPLES

Other long-term remuneration is treated in the Group in the same manner as the bonuses included in other long-term fringe benefits.

The long-term remuneration scheme of Metsä Group for 2020–2024 is based on three-year earning periods (2020–2022, 2021–2023 and 2022–2024), each followed by a two-year restriction period. The earning criteria, the targets set for them at the beginning of each earning period and the executives covered by the scheme are decided by the Board of Directors. The attainment of the targets established for an earning period determines the proportion of the remuneration to be paid to the executives. The Board is furthermore entitled to cut, partly or in full, the remuneration based on the system, provided that certain criteria related to the development of the Group's result and equity ratio are not met, or if the amount of remuneration would exceed the maximum remuneration specified for the executive concerned. In addition to meeting the earning criteria, rewarding is based on a synthetic share, whose value is calculated on the basis of the total value of Metsä Group. The possible remuneration is paid in cash after the restriction period, and it includes all statutory taxes and any other tax-like levies. If an executive's service or employment contract terminates during the earning or restriction period, the executive forfeits, as a rule, his/her right to the remuneration.

Metsä Group's long-term remuneration scheme for the 2020–2022 reporting period is based on the development of Metsä Group's return on investments (ROCE, %) as defined by the Board of Directors. Minimum levels have been set for the Group's operating result (EBIT) and equity ratio. The maximum remuneration level of the President and CEO is 250% of their fixed annual salary (cutter level 325% of fixed annual salary). The maximum remuneration level for the other members of Metsä Group's Management Team is 140% or 210% of their fixed annual salary (the cutter level is 180% or 270% of the fixed annual salary). During the 2020–2022 reporting period, Metsä Group's long-term remuneration scheme covers 66 people (December 2020), including all the members of Metsä Group's Management Team and other directors in key Group positions (excluding Metsä Board, which has its own share-based remuneration scheme). Based on the scheme, a total of 1,113,743 synthetic shares (gross) can be earned for the earnings period 2020–2022. The value of the remuneration includes taxes and other charges arising from the remuneration at the time of payment. Metsä Group's long-term remuneration scheme had an impact of EUR 0.0 million on the result for the financial period 2020.

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3.5. PENSION OBLIGATIONS

ACCOUNTING PRINCIPLES

The Group's arrangements concerning benefits following the termination of employment are either defined benefit pension plans or defined contribution pension plans. A defined contribution plan is a pension arrangement in which fixed contributions are made to a separate unit, and the Group does not have legal or constructive obligations to make additional contributions if the fund has insufficient funds to pay all benefits to all employees in accordance with its obligations in the future. All arrangements that do not meet these requirements are considered to be defined benefit plans. A defined benefit plan defines the pension benefit that the employee will receive upon retiring, the amount of which depends on factors including the employee's age, years of service and salary level, for example.

With defined benefit plans, the current value of the obligations on the end date of the reporting period, less the fair value of the assets included in the arrangement, is recognised on the balance sheet as a liability. The amount of the obligation arising from the plan is based on annual calculations by independent actuaries using the projected unit credit method. The current value of the obligation is determined using the interest rate equalling the interest rate of high-quality bonds issued by the companies as the discount rate for the estimated future cash flows. The bonds used in determining the interest rate have been issued in the same currency as the benefits to be paid, and their maturity is approximately the same as that of the corresponding pension obligation.

Actuarial gains and losses from experience verifications and changes in actuarial assumptions are recognised through items of other comprehensive income as a reimbursement or charge in equity for the period during which they have been incurred. Past service costs are recognised immediately through profit and loss.

Apart from contributions related to pension insurance, the Group does not have any other payment obligations in defined contribution plans. Obligation-based payments are allocated as expenses in accordance with accrual accounting.

KEY ESTIMATES AND JUDGEMENTS

The determination of the current value of pension obligations arising from defined benefit plans and the obligation items to be recognised as expenses during the financial period is based on the use of actuarial assumptions, which involves the management's judgement. The actuarial assumptions used may differ significantly from the actual results, due to changes in economic conditions or the employment relationships of the people covered by the arrangements. Significant differences between the assumptions and actual results may affect the amount of the pension liability and the number of items to be recognised as expenses.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

EUR million	2020	2019
Liabilities in balance sheet		
Defined benefit pension plans	84.5	80.8
Defined contribution pension plans	1.0	1.1
Total	85.5	81.8
Surplus of funded plans in assets (Note 5.3)	-13.1	-15.8

DEFINED BENEFIT PENSION PLANS

The Group's most significant defined benefit pension plans are in Germany, Great Britain, Finland and Sweden.

The Group has several additional defined benefit pension plans in Germany. The arrangements grant old-age pensions, disability pensions and family pensions exceeding the statutory pension security to eligible employees, officials, senior management and former owners of the local company. The retirement age is usually 65 years, and the amount of pension depends on the length of service. Officials and senior management are required to have a service history of 25 to 30 years to receive a full pension. With employees, all service years after the age of 18 are taken into consideration. Some of the pension arrangements are closed. The defined benefit plans in Germany are unfunded.

The defined benefits plans in Great Britain guarantee participants of the plan a pension the amount of which is based on the length of service and the salary in the most recent working years. The arrangement is closed to new members. The assets in the arrangement have been invested in funds that are managed in accordance with local guidelines and practice. Funds administered by third parties pay the benefits to the eligible recipients. The Group actively participates in the operations of the foundation's investment committee.

In Finland, the Group has additional pension arrangements that are regarded as benefit plans. Depending on the date on which their contract began, some members of Metsä Group's Executive Management Team have separate, defined benefit-based supplementary pension insurance policies, with a retirement age of 62. The level of the pension is a maximum of 60% of the total salary pursuant to the Employees Pensions Act, calculated on the basis of the five-year period preceding retirement. If their employment relationship with Metsä Group ends before retirement age, members of the Executive Management Team are entitled to a paid-up policy.

The defined benefit pension plan in Sweden concerns officials born 1978 or earlier. The arrangement grant old-age pensions, family pensions and disability pensions. The amount of pension depends on the salary in which the future salary increases, length of service, promotions and other important factors like changes on the labour market are considered. The defined benefit plans in Sweden are unfunded. The obligation has a guarantee liability.

The Group has also defined benefit plans in Belgium, Italy, Norway and Slovakia.

AMOUNTS RECOGNISED IN BALANCE SHEET

EUR million	2020	2019
Present value of funded obligations	182.4	177.9
Fair value of plan assets	-181.8	-181.3
Deficit (+) / surplus (-)	0.5	-3.4
Present value of unfunded obligations	70.9	68.3
Net liabilities (+) / net assets (-) of defined benefit plans	71.4	64.9
Defined benefit-based pension liabilities on the balance sheet, net	84.5	80.8
Defined benefit-based pension assets on the balance sheet, net	-13.1	-15.8

CHANGES IN DEFINED BENEFIT OBLIGATIONS DURING 2020

EUR million	Present value	Fair value of plan assets	Total
1 January 2020	246.3	-181.3	64.9
Current service cost	2.5		2.5
Interest expense (+) or interest income (-)	3.4	-2.8	0.6
Income (-) and losses from settlement	-0.1		-0.1
Total amount recognised in profit and loss	5.8	-2.8	3.0
Remeasurements in other comprehensive income			
The return on plan assets, excl. amounts included in interest		-5.9	-5.9
Gains (-) and losses (+) from change in demographic assumptions	-2.2		-2.2
Gains (-) and losses (+) from change in financial assumptions	21.0		21.0
Experience gains and losses	-3.8		-3.8
Total remeasuments in other comprehensive income	15.0	-5.9	9.1
Translation differences	-4.8	6.7	1.9
Contribution			
From employers		-3.9	-3.9
From plan participants	0.0	0.0	0.0
Payments from plans			
Benefit payments	-8.5	5.5	-3.1
Acquired / sold businesses	-0.5		-0.5
31 December 2020	253.2	-181.8	71.4

CHANGES IN DEFINED BENEFIT OBLIGATIONS DURING 2019

EUR million	Present value	Fair value of plan assets	Total
1 January 2019	212.0	-159.2	52.8
Current service cost	2.2		2.2
Administrative costs		0.0	0.0
Interest expense (+) or interest income (-)	5.0	-4.3	0.7
Income (-) and losses from settlement	0.0		0.0
Total amount recognised in profit and loss	7.1	-4.2	2.8
Remeasurements in other comprehensive income			
The return on plan assets, excl. amounts included in interest		-17.2	-17.2
Gains (-) and losses (+) from change in demographic assumptions	-1.5		-1.5
Gains (-) and losses (+) from change in financial assumptions	29.7		29.7
Experience gains and losses	4.9		4.9
Total remeasuments in other comprehensive income	33.1	-17.2	15.9
Translation differences	3.9	-5.4	-1.5
Contribution			
From employers		-2.1	-2.1
From plan participants	0.0	0.0	0.0
Payments from plans			
Benefit payments	-9.9	6.9	-3.1
31 December 2019	246.3	-181.3	64.9

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DEFINED BENEFIT PENSION PLANS AND PLAN ASSETS BY COUNTRY IN 2020

EUR million	Germany	Great Britain	Finland	Sweden	Other countries	Total
Present value of obligations	35.8	105.6	65.5	33.8	12.6	253.2
Fair value of plan assets		-116.8	-57.4		-7.6	-181.8
Total	35.8	-11.2	8.1	33.8	4.9	71.4

DEFINED BENEFIT PENSION PLANS AND PLAN ASSETS BY COUNTRY IN 2019

EUR million	Germany	Great Britain	Finland	Sweden	Other countries	Total
Present value of obligations	37.9	104.2	63.1	29.0	12.0	246.3
Fair value of plan assets		-118.8	-55.2		-7.4	-181.3
Total	37.9	-14.6	8.0	29.0	4.7	64.9

SIGNIFICANT ACTUARIAL ASSUMPTIONS 2020

	Germany	Great Britain	Finland	Sweden	Other countries
Discount rate, %	0.2–1.1	1.2	-0.1–0.8	1.0	1.5
Salary growth rate, %	3.0	2.3	2.0	3.0	2.0
Pension growth rate, %	1.7–1.8	2.9–3.5	1.4–1.6	1.5	1.8

SIGNIFICANT ACTUARIAL ASSUMPTIONS 2019

	Germany	Great Britain	Finland	Sweden	Other countries
Discount rate, %	0.6–1.1	2.0	0.1–1.0	1.7	1.5–1.8
Salary growth rate, %	3.0	2.1	0.0–2.0	3.0	1.0–2.3
Pension growth rate, %	1.8	2.9–3.5	1.4–1.6	1.7	1.5–2.0

SENSITIVITY OF BENEFIT OBLIGATION TO CHANGES IN ESSENTIAL WEIGTED ASSUMPTIONS 2020

		Impact on benefit obligation	
	Change of assumption	Increase	Decrease
Discount rate, %	0.5	6.3% decrease	6.7% increase
Salary growth rate, %	0.5	1.0% increase	0.9% decrease
Pension growth rate, %	0.5	6.2% increase	5.9% decrease
		Increase in assumption in one year	Decrease in assumption in one year
Life expectancy		3.8% increase	3.7% decrease

The aforementioned sensitivity analyses are based on a situation where all other assumptions remain unchanged when one assumption changes. The sensitivity of a defined benefit obligation to changes in significant actuarial assumptions has been calculated using the same method as is used in calculating the pension obligation entered in the balance sheet.

PLAN ASSETS

EUR million	2020	%	2019	%
Qualifying insurance policies	2.1	1	1.9	1
Cash and cash equivalents	0.5	0	0.4	0
Investments funds	121.9	67	123.9	68
Funds in insurance companies	57.4	32	55.2	30
Total	181.8	100	181.3	100

Defined benefit plans expose the Group to several different risks, the most considerable being as follows:

VOLATILITY OF ASSETS

The Group works to reduce investment risk by diversifying the assets in the arrangement to different asset types, such as shares, properties and government and corporate bonds. A considerable portion of the assets included in the arrangement in Great Britain consists of shares that are expected to provide a better long-term return than corporate bonds, although in the short-term they generate volatility and risks.

CHANGES IN THE RETURN ON BONDS

Liabilities arising from the arrangements have been calculated using a discount rate based on the return on high-quality bonds issued by the companies. A decline in the discount rate increases the arrangement's liabilities.

INFLATION RISK

The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation.

LIFE EXPECTANCY

The majority of the arrangement obligations is related to producing lifetime benefits for members, so the expected increase in life expectancy will increase the arrangement obligations.

The contribution made to defined benefit plans following the termination of employment is expected to be EUR 8.5 million in the 2021 financial period.

The weighted average duration of the defined benefit obligation is 15.9 years (16.3).

4. CAPITAL EMPLOYED

4.1. INTANGIBLE ASSETS

ACCOUNTING PRINCIPLES

GOODWILL

Goodwill arising from the merging of business operations is recognised as the amount by which the sum of the consideration paid, the non-controlling interests' share in the object of the acquisition and the previous holding exceed the fair value of the acquired net assets.

Depreciation of goodwill is not recognised. Instead, it is tested annually for impairment and always when there is an indication of a decrease in value. Goodwill is therefore allocated to cash-generating units for impairment testing. Goodwill is recognised at original acquisition cost less accumulated impairment losses.

OTHER INTANGIBLE ASSETS

Intangible assets are initially recognised at their original acquisition cost on the balance sheet if the acquisition cost can be determined reliably and it is probable that the expected financial benefit from the asset will be to the benefit of the Group. Intangible assets with limited useful lives are recognised as expenses over their known or estimated useful lives, using the straight-line depreciation method. Intangible assets for which a useful life cannot be determined, such as brands acquired in the context of corporate acquisitions or trademarks, are not subject to depreciation, but tested annually for impairment.

The residual value of an asset, the useful life and depreciation method are checked at least annually, at the end of each financial period, and adjustments are made when necessary to reflect changes in the expected financial benefit of the asset.

RESEARCH AND DEVELOPMENT COSTS

Research costs are recognised as expenses at the time they are incurred. Development costs are capitalised and amortised over their useful lives if the research project is likely to generate financial benefits and the costs can be measured reliably. The research and development costs recognised as expenses are presented in Note 2.4, Operating expenses.

COMPUTER SOFTWARE

Costs related to developing and building significant new computer software are recognised as intangible assets on the balance sheet and depreciated on a straight-line basis over its estimated useful life, which is not to exceed seven years. Maintenance and operating costs related to computer software are recorded as expenses in the reporting period during which they have been incurred.

OTHER

The cost of patents, licences and trademarks with finite useful lives are capitalised on the balance sheet under intangible assets and depreciated on a straight-line basis over their useful lives, over 5–20 years.

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EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition cost, 1 Jan. 2020	429.4	553.7	9.1	992.2
Translation differences	4.8	-2.6		2.2
Increase		7.8	13.9	21.7
Acquisitions		0.1		0.1
Decrease		-41.6		-41.6
Transfers between items		3.3	-4.1	-0.9
Acquisition cost, 31 Dec. 2020	434.1	520.6	18.9	973.7
Accumulated depreciation and impairment charges, 1 Jan. 2020		-334.7	0.0	-334.7
Translation differences		2.1		2.1
Accumulated depreciation on deduction and transfers		36.3		36.3
Depreciation for the period		-22.3		-22.3
Accumulated depreciation and impairment charges, 31 Dec. 2020	0.0	-318.6	0.0	-318.6
Book value, 1 Jan. 2020	429.4	219.0	9.1	657.5
Book value, 31 Dec. 2020	434.1	202.1	18.9	655.1

EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition cost, 1 Jan. 2019	508.8	551.0	7.7	1,067.5
Translation differences	-2.2	1.2		-1.0
Increase		4.3	5.7	10.0
Acquisitions		0.2		0.2
Decrease		-6.5	-0.7	-7.2
Transfers between items		3.6	-3.6	0.0
Acquisition cost, 31 Dec. 2019	506.6	553.7	9.1	1,069.5
Accumulated depreciation and impairment charges, 1 Jan. 2019		-315.9	0.0	-315.9
Translation differences		-1.0		-1.0
Accumulated depreciation on deduction and transfers		6.7		6.7
Depreciation for the period		-24.6		-24.6
Impairments	-77.2			-77.2
Accumulated depreciation and impairment charges, 31 Dec. 2019	-77.2	-334.7	0.0	-412.0
Book value, 1 Jan. 2019	508.8	235.1	7.7	751.6
Book value, 31 Dec. 2019	429.4	219.0	9.1	657.5

Impairment losses include a EUR 94.2 million goodwill impairment related to Metsä Tissue's strategy update in 2019. EUR 17.0 million of this impairment has been eliminated as an internal item within Metsä Group.

In 2020, other intangible assets include EUR 140.7 million in brands and trademarks with an unlimited useful life (140.7). The most significant of these is the pulp brand Metsä, allocated to the Pulp and Sawn Timber Industry, whose carrying value was EUR 134.8 million in 2020 (134.8). In addition, Tissue and Greaseproof Papers include EUR 5.9 million in brands and trademarks with an unlimited useful life (5.9).

GOODWILL ALLOCATED TO SEGMENTS

EUR million	2020	2019
Wood Supply and Forest Services	2.4	2.4
Wood Products Industry	0.7	0.7
Pulp and Sawn Timber Industry	3.9	3.9
Paperboard Industry	12.4	12.4
Tissue and Greaseproof Papers	34.1	29.3
Other operations	390.4	390.4
Eliminations	-9.7	-9.7
Total	434.1	429.4

In 2019, Metsä Tissue recognised a EUR 94.2 million impairment of goodwill related to the update of its strategy. EUR 17.0 million of the impairment has been eliminated as an internal item in Metsä Group.

Other operations include goodwill of EUR 389.8 million related to the Metsä Fibre acquisition and EUR 0.6 million related to the acquisition of Metsä Tissue. In testing goodwill these amounts have been allocated to Pulp and Sawn Timber Industry and Tissue and Greaseproof Papers.

GOODWILL ALLOCATED IN IMPAIRMENT TESTING

EUR million	2020	2019
Wood Supply and Forest Services	2.4	2.4
Wood Products Industry	0.7	0.7
Pulp and Sawn Timber Industry	390.0	390.0
Paperboard Industry	12.4	12.4
Tissue and Greaseproof Papers	28.7	23.9
Total	434.1	429.4

EMISSION ALLOWANCES

ACCOUNTING PRINCIPLES

The Group has received emission allowances in accordance with the European Union Emissions Trading System. Allowances are treated as intangible assets and are measured at acquisition cost. The acquisition cost of emission allowances received without consideration is zero. Emission allowances are used simultaneously with the carbon dioxide emissions generated during their validity period. Earnings from emission allowances sold are recognised in other operating income. If the emission allowances received without consideration are not sufficient to cover the amount of the actual emissions, the Group purchases additional allowances from the market. The allowances purchased are recognised in intangible rights at the fair value on the acquisition date. The provision to fulfil the obligation to return the emission allowances is recognised at fair value on the closing date of the reporting period if the emission allowances received without consideration and purchased are not sufficient to cover the amount of the actual emissions.

In 2020 the Group received 1,040,000 tonnes of emission allowances free of charge (1,382,000). In addition the Group has purchased 20,000 tonnes of emission allowances from the market (8,000) and sold 242,000 tonnes to the market (641,000). At balance closing date the Group had emission allowances of 1,587,000 tonnes (1,492,000). Emissions during the reporting period were 700,000 tonnes (723,000).

In 2020 costs arising from emission allowances were EUR 0.5 million (1.1). At the end of the reporting period there were EUR 0.3 million (0.0) provisions due to emission allowances in the balance sheet. In 2020 Metsä Group sold emission allowances amounting to EUR 6.7 million (15.8).

IMPAIRMENT OF ASSETS

ACCOUNTING PRINCIPLES

Depreciation is not recognised for assets with indefinite useful lives. Instead, such assets are tested for impairment annually. Assets that are subject to depreciation are always tested for impairment when events or changes in conditions indicate that it is possible that the monetary amount corresponding to the book value of the assets might not be recoverable.

Cash-generating units are reporting segments or smaller units for which a utility value can be defined.

The recoverable amount is the higher of the fair value of an asset less the cost of sale, and its value in use. Value in use is the estimated future net cash flows, discounted to their present value, expected to be derived from asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of the asset is higher than its recoverable amount. If the impairment loss concerns a cash-generating unit, it is first allocated to decrease the goodwill of the cash-generating unit, and thereafter to decrease the other assets of the unit symmetrically. In connection with the recognition of the impairment loss, the useful life of the depreciated asset is re-evaluated. An impairment loss recognised for an asset other than goodwill is reversed if a change has taken place in the estimates used to determine the recoverable amount of the asset. However, the maximum reversal of an impairment loss amounts to no more than the carrying amount of the asset if no impairment loss had been recognised. An impairment loss recognised on goodwill is not reversed under any circumstances.

KEY ESTIMATES AND JUDGEMENTS

FUTURE CASH FLOWS

The recoverable amounts of cash-generating units are based on calculations of value in use. The management's key estimates in the calculations concern the product price developments, delivery volumes, currency exchange rates, capacity utilisation rates, and the development of costs related to key raw material costs and other costs, as well as the discount rate.

DISCOUNT RATE

The discount rate used is the weighted average cost of capital (WACC). When calculating WACC, the cost of debt takes into account the market-based view of the credit risk premium. Both future cash flows and the discount rate are calculated after tax, which means that the established discounted cash flows and utility values are before tax.

TESTING PRINCIPLES

Metsä Group carries out a full impairment test at least once a year, during the last quarter based on the situation of 30 September. In addition, a sensitivity analysis is made each quarter. Should the sensitivity analysis indicate impairment, a full test will be initiated. No indications of impairment were detected at the end of 2020.

The test results of goodwill and other intangible assets with unlimited economic impact periods are assessed by comparing the recoverable cash amount with the book value of the cash-generating unit.

Below is presented the most important testings of impairment of assets. In 2020 there we not any impairments based on testing. In the testing conducted in 2020, the reasonably likely change of any individual key assumption would not result in the book value exceeding the recoverable amount.

PULP AND SAWN TIMBER INDUSTRY

The Pulp and Sawn Timber Industry cash-generating unit consists of Metsä Fibre Group and the fair value allocations and goodwill made to it in Metsä Group.

The recoverable cash flows of the cash-generating unit being tested are based on five-year forecasts and the subsequent steadily increasing cash flows.

The main factors influencing the forecasts are the development of pulp market prices, exchange rates, delivery volumes and wood and energy prices. In addition, the utility value is significantly affected by the discount rate of interest on future cash flows used in the calculations.

A growth factor of 1.5% has been used in impairment testing in cash flows after the five-year forecast period.

Key assumptions, prices and variable costs of cash flows after the forecast period are based on the average value over the five-year forecast period. The value of the fifth year of the forecast period has been used for volumes and fixed costs.

For testing carried out on 30 September 2020, the WACC after taxes was 5.49% (5.54).

The goodwill and other intagible assets with unlimited useful lives allocated to the CGU Pulp and Sawn Timber Industry and the testing result as of 30 September 2019:

Cash Generating Unit	Goodwill (EUR million)	Brand (EUR million)
Pulp and Sawn Timber Industry	390.0	134.8

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PAPERBOARD INDUSTRY / METSÄ BOARD

In 2020 the cash generating units are Folding boxboard, Liner and Market Pulp. The units are the same as in 2019.

The cash flow that the CGUs under testing can accumulate is based on five-year forecasts and the evenly-growing cash flows that follows them.

The key factors affecting the projections are development of average board prices, delivery volumes, foreign exchange rates, and capacity utilisation rates, the cost development of key raw materials such as wood, pulp, chemicals and energy, the development of personnel costs and other fixed costs as well as the discount rate. The most significant key factors regarding the estimates are similar to those used in 2019 testing.

Metsä Board's share of Metsä Fibre's recoverable cash flow, book value and "interests in associate companies and joint ventures" of goodwill (EUR 45.2 million) and other intangible assets (brands) with an unlimited economic impact period for which depreciations are not entered (EUR 5.6 million), is allocated to cash-generating entities in relation to their pulp purchases.

In impairment testing, a growth factor of 1.5% was used for cash flows following the forecast period (1.5).

The starting point for key assumptions (prices, variable costs) for cash flows after the forecast period is the average value over the five-year forecast period, and the fifth year of the forecast period for fixed costs

For testing carried out on 30 September 2020, the WACC after taxes was 5.41% (5.56) and for Metsä Fibre 5.49% (5.54). Management's view is that the risk factors regarding future cash flows do not differ materially from one CGU to another.

The most important CGUs of Metsä Board, the goodwill and other intagible assets with unlimited useful lives allocated to them as well as their testing result as of 30 September 2020:

Cash Generating Unit	Goodwill (EUR million)	Brand (EUR million)
Folding boxboard [1]	29.8	2.5
Liner [1]	27.8	3.0
Market Pulp [1]		
Total	57.6	5.6

[1] The amount includes the goodwill from Metsä Board's holding in Metsä Fibre, EUR 45.2 million. The goodwill as well as other intangible assets with unlimited useful lives, EUR 5.6 million, are included in "Investments in associated companies and joint ventures" in the balance sheet

Of Metsä Board's goodwill EUR 45.2 million and of other intagible assets with unlimited useful lives EUR 5.6 million are eliminated as internal items in the financial statements of Metsä Group.

TISSUE AND GREASEPROOF PAPERS / METSÄ TISSUE

The recoverable amount determined in impairment testing is based on utility value. The calculation of utility value has been based on a five-year cash flow forecast that draws on market data and forecasts approved by the company's management. In addition to sales volumes and prices, significant factors affecting forecasts are the prices of fibre raw materials and energy. An average market growth of 1 to 2% has been used in the forecasts.

In 2019, Metsä Tissue renewed its strategy, resulting in the definition of cash-generating units used in impairment testing as follows: tissue paper, greaseproof paper and napkins. The napkin business was sold at the beginning of 2020, and the cash-generating units tested in the situation on 30 September 2020 are tissue paper and greaseproof papers.

Tissue papers are produced in a total of seven production units in Finland, Sweden, Germany, Poland and Slovakia. Greaseproof papers are manufactured in two production units, in Finland and Germany. The customer base for tissue papers are both retail chains selling consumer products to households, and companies and communities and the distributors serving them. Greaseproof papers are used for baking and food packaging and are sold to shops and distributors as well as distributors and for further processing.

For testing carried out on 30 September 2020 the WACC after taxes was 5.41% (5.56). Management's view is that the risk factors regarding future cash flows do not differ materially from one CGU to another.

The most important CGUs of Metsä Tissue, the goodwill and other intagible assets with unlimited useful lives allocated to them as well as their testing result as of 30 September 2020:

Cash Generating Unit	Goodwill (EUR million)	Brands (EUR million)
Tissue papers	24.8	122.7
Greaseproof Papers	3.1	
Total	27.9	122.7

Of Metsä Tissue's goodwill EUR 5.9 million and of other intagible assets with unlimited useful lives EUR 116.8 million are eliminated as internal items in the financial statements of Metsä Group.

4.2. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING PRINCIPLES

Property, plant and equipment are measured at acquisition cost less accumulated depreciation and impairment losses.

The acquisition cost includes costs that are directly incurred in the acquisition of an item of property, plant or equipment. External capital expenses resulting directly from the acquisition, construction or manufacture of an item of property, plant or equipment that meet the conditions are activated as part of the acquisition cost of property, plant and equipment.

If a piece of property, plant or equipment consists of several parts with differing useful lives, each part is handled as a separate item. In that case, the expenses related to replacing the part are capitalised, and any book value remaining at the time of replacement is derecognised on the balance sheet.

Spare parts, spare equipment and maintenance supplies are recognised in property, plant and equipment when they are in accordance with the definition of property, plant and equipment. Otherwise, such commodities are classified as inventories.

Significant investments in renovations and improvements are capitalised on the balance sheet and depreciated over the remaining useful life of the main commodity related to such investments. Repair and maintenance costs are recognised as expenses when they are realised.

Property, plant and equipment is depreciated on a straight-line basis over the following estimated useful lives. Owned land and water areas are not subject to depreciations.

Estimated useful lives:

Buildings and constructions	20–40 years
Machinery and equipment	
Heavy power plant machinery	20–40 years
Other heavy machinery	15–20 years
Lightweight machinery and equipment	5–15 years
Other tangible assets	3–10 years

The residual value of an asset, the financial useful life and depreciation method are checked at least annually, at the end of each financial period, and adjustments are made when necessary to reflect changes in the expected financial benefit of the asset.

Gains and losses arising from the sale and decommissioning of items of property, plant and equipment are recognised in other operating income and expenses. Sales gains or losses are calculated as the difference between the sales price and the remaining acquisition cost.

Public subsidies related to the acquisition of commodities are presented as adjustments of the acquisition cost on the balance sheet and recognised as income in the form of lower depreciation during the useful life of the asset.

LEASES

The Group has leased various land areas, properties, equipment and vehicles. When the leased asset is available for the Group's use, the right-of-use item and the corresponding liability of the lease is recognised. Paid rents are divided into liabilities and finance costs. The finance cost is included in profit or loss over the lease term in such a way that the interest rate of the remaining debt balance is the same during each period. The right-of-use asset is subject to straight-line depreciations over the asset's economic life or the lease term, depending on which of them is shorter.

Assets and liabilities arising from leases are initially measured at the present value. Lease liabilities include fixed payments, less any lease incentives receivable; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate. Right-of-use assets are measured at cost, which includes the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred; and any costs incurred by restoring the site on which it is located.

Some of the leases include options to extend or terminate, which are largely available only for the Group, not the lessor.

Payments related to short-term leases or leases where the value of the underlying asset is low are recognised as costs on a straight-line basis. A lease with a lease term of 12 months or less is considered a short-term lease. Assets of a low value include mainly ICT and office equipment.

KEY ESTIMATES AND JUDGMENTS

LEASES

the option to extend the lease, or not to exercise the option to terminate the lease. Options to extend the lease (or the time subsequent to an option to terminate) are accounted for in the lease term only if the extension of the lease (or the decision not to terminate the lease) is reasonably certain.

The possible future cash flows of EUR 52.6 million have not been included in the lease liability because the extension of the lease (or the decision not to terminate it) is not reasonably certain.

The Group will conduct a reassessment upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee and affects the assessment.

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	Land and water areas		Buildings and constructions		Machinery and equipment	
EUR million	**Owned**	**Leased**	**Owned**	**Leased**	**Owned**	**Leased**
Acquisition cost, 1 Jan. 2020	57.8	9.0	1,485.1	64.5	5,908.8	74.4
Translation differences	0.0	0.0	-1.9	-1.4	48.3	0.4
Additions	5.4	0.9	17.0	5.2	77.8	32.4
Acquisitions			0.2		0.5	
Decrease	-2.5	-0.6	-13.4	-13.9	-66.5	-6.7
Transfers between items	0.1		21.8	-8.3	50.0	-0.3
Assets classified as held for sale			0.0		0.0	
Acquisition cost, 31 Dec. 2020	60.7	9.2	1,508.8	46.1	6,018.7	100.1
Accumulated depreciation and impairment charges 1 Jan. 2020	-2.3	-0.7	-809.0	-19.4	-4,132.2	-17.4
Translation differences	0.0		0.3	0.3	-40.8	-0.2
Accumulated depreciation on deduction and transfers	2.0	0.4	13.1	12.3	66.8	5.9
Depreciation for the period	-0.3	-0.7	-46.3	-9.8	-198.5	-18.5
Accumulated depreciation and impairment charges 31 Dec. 2020	-0.5	-1.0	-842.0	-16.8	-4,304.7	-30.3
Book value, 1 Jan. 2020	55.5	8.3	676.1	45.0	1,776.6	56.9
Book value, 31 Dec. 2020	60.2	8.2	666.9	29.3	1,714.0	69.8

	Other tangible assets	Construction in progress	Total	Total	
EUR million	**Owned**	**Owned**	**Owned**	**Leased**	**Total**
Acquisition cost, 1 Jan. 2020	143.3	122.7	7,717.7	147.8	7,865.5
Translation differences	-1.1	6.0	51.2	-1.0	50.2
Additions	1.9	237.8	339.9	38.4	378.3
Acquisitions			0.7	0.0	0.7
Decrease	-4.2	-1.8	-88.4	-21.2	-109.6
Transfers between items	2.5	-64.8	9.5	-8.7	0.9
Assets classified as held for sale			0.0	0.0	0.0
Acquisition cost, 31 Dec. 2020	142.4	300.0	8,030.6	155.4	8,186.0
Accumulated depreciation and impairment charges 1 Jan. 2020	-67.5	0.0	-5,011.0	-37.5	-5,048.5
Translation differences	0.7		-39.9	0.1	-39.8
Accumulated depreciation on deduction and transfers	3.7		85.7	18.5	104.2
Depreciation for the period	-7.0		-252.1	-29.1	-281.2
Accumulated depreciation and impairment charges 31 Dec. 2020	-70.1	0.0	-5,217.3	-48.0	-5,265.3
Book value, 1 Jan. 2020	75.8	122.7	2,706.8	110.3	2,817.0
Book value, 31 Dec. 2020	72.3	300.0	2,813.3	107.4	2,920.7

	Land and water areas		Buildings and constructions		Machinery and equipment	
EUR million	**Owned**	**Leased**	**Owned**	**Leased**	**Owned**	**Leased**
Acquisition cost, 1 Jan. 2019	58.4		1,497.8		5,960.1	
Translation differences	0.2		1.2	0.1	-21.8	0.2
Adoption of IFRS 16 standard		8.9		43.4		23.4
Additions	3.0	0.0	12.9	5.4	77.6	20.4
Acquisitions			4.8		18.7	
Decrease	0.1		-8.6	-0.6	-143.6	-2.1
Transfers between items	-0.3		0.6	16.2	22.0	32.5
Assets classified as held for sale	-3.5		-23.6		-4.2	
Acquisition cost, 31 Dec. 2019	57.8	9.0	1,485.1	64.5	5,908.8	74.4
Accumulated depreciation and impairment charges 1 Jan. 2019	-0.5		-772.2		-4,070.3	
Translation differences	0.0		-0.4	0.0	15.4	-0.1
Accumulated depreciation on deduction and transfers			15.5	-10.2	149.7	-1.7
Depreciation for the period		-0.7	-46.3	-9.2	-200.5	-15.6
Impairments	-1.8		-5.6		-26.5	
Accumulated depreciation and impairment charges 31 Dec. 2019	-2.3	-0.7	-809.0	-19.4	-4,132.2	-17.4
Book value, 1 Jan. 2019	57.9	0.0	725.5	0.0	1,889.8	0.0
Book value, 31 Dec. 2019	55.5	8.3	676.1	45.0	1,776.6	56.9

	Other tangible assets	Construction in progress	Total	Total	
EUR million	**Owned**	**Owned**	**Owned**	**Leased**	**Total**
Acquisition cost, 1 Jan. 2019	141.7	92.4	7,750.4	0.0	7,750.4
Translation differences	0.5	0.5	-19.4	0.4	-19.0
Adoption of IFRS 16 standard			0.0	75.7	75.7
Additions	2.8	103.9	200.2	25.8	226.0
Acquisitions			23.5	0.0	23.5
Decrease	-4.3	-0.4	-156.9	-2.7	-159.5
Transfers between items	2.7	-73.6	-48.7	48.7	0.0
Assets classified as held for sale	-0.1		-31.4	0.0	-31.4
Acquisition cost, 31 Dec. 2019	143.3	122.7	7,717.7	147.8	7,865.5
Accumulated depreciation and impairment charges 1 Jan. 2019	-59.7	0.0	-4,902.8	0.0	-4,902.8
Translation differences	-0.3		14.6	-0.1	14.5
Accumulated depreciation on deduction and transfers	0.1		165.3	-11.9	153.4
Depreciation for the period	-7.3		-254.0	-25.5	-279.6
Impairments	-0.3		-34.1	0.0	-34.1
Accumulated depreciation and impairment charges 31 Dec. 2019	-67.5	0.0	-5,011.0	-37.5	-5,048.5
Book value, 1 Jan. 2019	82.0	92.4	2,847.6	0.0	2,847.6
Book value, 31 Dec. 2019	75.8	122.7	2,706.8	110.3	2,817.0

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The ownership of Äänevoima Oy, which operates in Metsä Group's Äänekoski mill area, transferred to Metsä Fibre on 28 February 2019. As a result of the share transaction, the Group's holding increased from 56.25% to 100%. Business operations acquired in 2019 recognise the effect of this arrangement on property, plant and equipment.

In 2019, the Board of Directors of Metsäliitto Cooperative initiated sales measures for the shares of Kiinteistö Oy Metsätapiola and Kiinteistö Oy Metsätapiolan Pysäköinti, which are part of the Other Operations segment, and the unsold parking spaces of Kiinteistö Oy Tapiolan Jalopuupysäköinti. The transaction was completed on 21 January 2021. Metsäliitto Cooperative signed a long-term lease agreement in connection with the transaction. The assets held for sale have been valued at book value on 31 December 2020 and 31 December 2019.

Metsä Board is investing in the modernisation of the Husum pulp mill in Sweden. The investment includes a new recovery boiler and turbine. As the investment is completed, part of the pulp mill's old machinery and equipment will be decommissioned. In 2019, Metsä Board recorded an impairment of EUR 19.1 million in decommissioned asset items in the financial statements.

Metsä Tissue has agreed on the sale of its napkin business to the keeper Group, part of Mutares Group. The transaction covers the property, machinery and equipment of the Stotzheim mill in Germany. The transaction took place in the first quarter of 2020. In 2019, Metsä Tissue entered in the financial statements an impairment of EUR 9.7 million related to sold asset items.

The impairment in 2019 also includes an impairment of EUR 3.9 million related to the shutdown of PM6 at Metsä Tissue's Krapkowice mill in Poland and an impairment of EUR 1.4 million related to the development of a converting line at Metsä Tissue's Raubach mill in Germany.

In 2020, current liability costs totalling EUR 0.7 million (0.4) were activated. The average interest rate used was 1.80% (3.38), which represented the costs of the loan used to finance the projects.

In 2019, Metsä Fibre Oy received EUR 5.2 million in energy support from the Finnish Ministry of Economic Affairs and Employment for the investment in the bioproduct mill completed in Äänekoski. Metsä Wood Eesti AS received EUR 2.0 million in aid from Enterprise Estonia for investment in the Pärnu birch plywood mill. Metsä Tissue GmbH received a bonus of EUR 1.6 million from KfW Development Bank for meeting the environmental targets set for the investment. The bonus was used to partially forgive the investment loan taken out from IKB Deutsche Industriebank AG. The grants were recognised in 2019 as a reduction in acquisition cost.

LEASES

EUR million	2020	2019
Costs related to short-term leases	2.9	4.6
Costs of leases in which the underlying asset is of low value	9.7	4.3
Interest expenses	3.5	3.3
Cash outflow for leases	31.9	26.2

Disclosures on lease liabilities are presented in Note 5.5 (Financial liabilities) and 5.6 (Management of financial risks) and disclosures on lease obligations in Note 8.1 (Commitments and contingencies).

4.3. BIOLOGICAL ASSETS

ACCOUNTING PRINCIPLES

Metsä Group's biological assets (growing trees) are measured at fair value less the estimated expenses from a sale. The fair value of a stand of trees is based on the current value of expected cash flows (income and expenses) and the change in fair value is recognised in operating result. Young trees are measured at acquisition cost. The measurement of the biological assets of Metsä Group's associated companies is in line with the Group's accounting principles. The fair value of biological assets is categorised at Level 3.

KEY ESTIMATES AND JUDGEMENTS

FAIR VALUE MEASUREMENT

The management's estimates of the growth, felling and price development of trees, as well as the discount rates applied, have a key effect on the measurement of the fair value of trees. The calculation of income from felling and silvicultural costs is based on the prevailing price level and the company's view of the future trend in prices and costs. The calculations also take account of limits related to environmental protection.

Metsä Group has long-term forest lease agreements in Russia and Latvia. The agreements have not been recognised in the balance sheet, because their price or fixed price determination basis is not defined in the agreements. The price is determined by the government usually once a year or, in some cases, more frequently. In practice, the price follows the auction prices for short-term felling rights. Long-term felling rights are primarily used for ensuring the availability of wood.

EUR million	2020	2019
At 1 Jan.	2.9	3.0
Purchases during the period	0.0	
Sales during the period	-0.1	
Harvested during the period	-0.1	-0.3
Gains/losses arising from changes in fair values	0.5	0.2
At 31 Dec.	3.2	2.9

The Group has two associated companies that own biological assets. The Group owns 19.8% of Finsilva Oyj, which in 2020 had forest assets to a fair value of EUR 405.8 million (375.8). The Group's share of this is EUR 80.2 million (74.3). The Group also owns 25% of Suomen Metsäsijoitus Oy, which had forest assets to a fair value of EUR 33.4 million (29.4). The Group's share of this is EUR 8.4 million (7.4).

4.4. OTHER INVESTMENTS

ACCOUNTING PRINCIPLES

Other investments consist of listed and unlisted equity investments. The most significant of these is the Group's holding in Pohjolan Voima. This investment is unlisted and strategic in nature, serving the Group's long-term energy sourcing needs. The Group classifies the shares in Pohjolan Voima Oyj as financial assets recognised at fair value in other comprehensive income. The changes in the fair value of these financial assets are presented in the fair value reserve, taking into account the tax impact. Changes in fair value are not transferred from equity to profit or loss.

The Group classifies its other equity financial assets as financial assets at fair value to be recognised as financial assets through profit and loss.

The fair values of publicly quoted shares are based on the share price on the balance sheet date. The fair values of shares other than publicly quoted shares are determined using various valuation models, such as the price levels or recent transactions and valuation methods based on the current value of discounted cash flows. As far as possible, the valuation methods are founded on market-based valuation factors.

KEY ESTIMATES AND JUDGEMENTS

FAIR VALUE MEASUREMENT

The application of valuation models to measuring fair value requires judgement concerning the selection of the method to be applied, as well as valuation factors required by the chosen method that are based on the price and interest levels prevailing in the market on the end date of each reporting period. The most significant investment measured with the measurement model is the Group's investment in the shares of Pohjolan Voima Oyj, classified under Other investments.

The value of these shares is measured as the current value of discounted cash flows. Key factors affecting cash flows include the price of electricity, inflation expectations and the discount rate. The energy prices for the first six years are rolling 12-month averages of electricity futures prices. The prices for subsequent years are based on a long-term market price forecast. The greater-than-usual change in the fair value in 2020 was mainly attributable to changes made to the valuation model during the second quarter. Metsä Group discontinued the use of previous benchmark transactions in Pohjolan Voima Oyj's shares as a valuation basis and increased the discount rates used in the valuation model based on projected cash flows to reflect the prevailing circumstances. The carrying amount of the Group's shares in Pohjolan Voima was EUR 199.4 million on the balance sheet on 31 December 2020. The carrying amount of these shares is estimated to change by EUR -10.4 million and EUR 11.5 million if the rate used for discounting the cash flows changes by 0.5 percentage points from the rate estimated by the management. The carrying amount of the shares is estimated to change by EUR 96.5 million if the energy prices applied in the fair value calculation differ by 10% from the rate estimated by the management.

EUR million	2020	2019
Quoted shares	0.0	0.0
Pohjolan Voima Oyj	199.4	264.4
Other non-quoted shares	6.1	6.7
Total	205.5	271.1

The most important shareholding of non-quoted companies consists of a 3.7% stake in Finnish energy company Pohjolan Voima Oy, that produces electricity and heat for its shareholders in Finland. Pohjolan Voima trades with its shareholders at prices based on production costs, which generally are lower than the market prices.

The Group's B shares and G10 shares in Pohjolan Voima entitle it to an approximately 5.2% share of the energy generated by the Olkiluoto Nuclear Power Plant (OL1 and OL2) and a 84.0% share of the energy generated by Hämeenkyrön Voima, respectively. The Group also has an approximately 2.0% share of Olkiluoto 3, currently under construction, through Pohjolan Voima's B2 shares.

In November 2020, Metsä Group participated in the shareholder loan of Pohjolan Voima Oyj with EUR 3.0 million, corresponding to its holding, to fund the completion of the Olkiluoto 3 project. The loan retains the current level of Metsä Group's portion of OL3 power. The unsecured loan does not have a maturity date, its repayment and interest payments depend on a decision of the debtor company's Board of Directors, and the loan capital can be converted into 54,427 new B2 series shares in Pohjolan Voima Oyj. The loan capital is repayable in the event of bankruptcy only with a priority poorer than that of all other creditors.

The shareholder loan is recognised in Metsä Group's financial statements as an equity investment in Pohjolan Voima Oyj and measured at fair value in the same manner as a shareholding through other comprehensive income.

The holding of Pohjolan Voima Oyj shares is recognised quarterly at fair value for each series of shares using the discounted cash flow method. The WACC used was 2.87% (1.37) and for the Olkiluoto 3 under construction 3.87% (2.37). The acquisition value of shares in Pohjolan Voima Oyj is EUR 45.0 million (42.0) and the fair value EUR 199.4 million (264.4). The fair value of nuclear power shares was EUR 175.9 million (243.1), hydroelectric power shares (A-shares) EUR 11.4 million (9.3) and G10-shares EUR 12.0 million (12.0).

The shareholder agreement of Pohjolan Voima prevents free selling of shares with others than shareholders.

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4.5 INVENTORIES

ACCOUNTING PRINCIPLES

Inventories are measured at the lower of acquisition cost or net realisable value. In measuring inventories, the FIFO principle is observed or, alternatively, the weighted average price method, depending on the nature of the inventories. The acquisition cost of finished products acquired comprises all purchase costs, including direct transport, handling and other expenses. The acquisition cost of finished and semi-finished products of own manufacture includes raw materials, direct production costs, and the systematically allocated portion of variable manufacturing overheads and fixed overheads at the normal level of operation. The cost of debt is not included in the acquisition cost.

Net realisable value is the estimated sales price in ordinary business operations less the estimated cost of production and the necessary sales costs.

KEY ESTIMATES AND JUDGEMENTS

The Group regularly reviews its inventories for situations where the inventories contain downgraded items or their market value falls below the acquisition cost. When necessary, the Group reduces the book value of the inventories accordingly. This review requires the management's estimates of the sales prices of products, the cost of completion and the costs necessary to make the sale. Any changes in these estimates might lead to an adjustment in the book value of the inventories in future periods.

EUR million	2020	2019
Raw materials and consumables	460.9	472.0
Work in progress	20.0	21.4
Finished goods and goods for sale	439.9	443.2
Advance payments	45.2	43.0
Total	965.9	979.6

In 2020, EUR 0.6 million (7.3) was recorded as a cost when the book value of inventories was reduced to match their net realisation value. EUR 6.3 million of the recognised expenses for 2019 is related to the forthcoming sale of Metsä Tissue's napkin business. In the income statement, the expenses are entered under materials and services.

4.6 ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

ACCOUNTING PRINCIPLES

Trade receivables are measured at the expected net realisable value, which is the original invoicing value less estimated impairment provisions on the receivables. The determination of the impairment of trade receivables is subject to the model based on expected credit losses. Provisions are furthermore set up on a case-by-case basis when there is a justifiable reason to assume that the Group will not receive payment for the invoiced amount according to the original terms.

KEY ESTIMATES AND JUDGEMENTS

The evaluation of the recognition criteria and the amount of impairment losses requires the management's judgement. If a customer's financial position weakens so that it affects their solvency, further impairment losses may need to be recognised for future periods. The impacts of the Covid-19 pandemic on determining the impairment of sales receivables is discussed in Note 5.6, Management of financial risks, counterparty risk.

EUR million	2020	2019
Investments in associated companies and joint ventures	1.9	3.5
Trade receivables from others		
Trade receivables	563.9	602.7
Impairment	-4.1	-2.9
Total	559.8	599.8
Loan receivables	3.8	1.2
Other receivables	64.8	69.2
Accrued income	50.1	47.0
Trade receivables and other receivables, total	680.4	720.6

DOUBTFUL ACCOUNTS RECEIVABLES

Case-specific impairments and impairments determined by applying the model based on expected credit losses deducted from accounts receivables.

EUR million	2020	2019
At 1 Jan.	2.9	1.7
Increases	5.0	1.7
Decreases	-3.8	-0.5
At 31 Dec.	4.1	2.9

The Group has recognised EUR 1.3 million (1.0) of impairment losses from accounts receivables in 2020.

AGE DISTRIBUTIONS OF ACCOUNTS RECEIVABLES LESS IMPAIRMENTS

EUR million	2020	2019
Not overdue	533.0	540.1
Overdue		
less than 30 days	27.5	55.1
between 31–60 days	1.2	2.2
between 61–90 days	0.3	0.7
between 91–180 days	-1.3	0.6
more than 180 days	-0.9	1.0
At 31 Dec.	559.8	599.8

4.7 OTHER NON-CURRENT LIABILITIES

EUR million	2020	2019
Advance payments	1.5	1.5
Other non-current liabilities	0.1	
Accruals and deferred income	0.7	0.8
Total	2.3	2.3

4.8 ACCOUNTS PAYABLE AND OTHER LIABILITIES

EUR million	2020	2019
Advance payments received	9.2	9.3
Accounts payable, Supply Chain Finance schemes	239.8	246.1
Other accounts payable	417.7	370.8
Other liabilities	52.3	50.2
Accrued expenses		
Customer discounts	58.8	57.9
Purchase-related items	162.8	136.4
Employee costs	92.8	87.0
Other accrued expenses	70.5	77.0
Total	1,103.8	1,034.8

With financing banks, Metsä Group has established Supply Chain Finance (SCF) schemes aimed at a few key suppliers. In the schemes, the suppliers are offered the option of selling their Metsä Group receivables to a bank providing the SCF scheme. The SCF schemes partly replace the earlier advance payment arrangements, and their aim is not to cause a significant deviation from Metsä Group's normal payment terms.

4.9 PROVISIONS

ACCOUNTING PRINCIPLES

A provision is recognised when, as a result of an earlier event, the Group has a legal or actual obligation, the realisation of a payment obligation is likely, and the amount of the obligation can be reliably estimated. Any reimbursement from a third party is presented as an asset separate from the provision if it is practically certain that reimbursement will be received.

RESTRUCTURING

A restructuring provision is recorded when the Group has incurred a legal or constructive obligation to make a payment. Termination payments are recorded when a detailed plan has been made for the restructuring and the Group has raised valid expectations in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. If the Group makes an offer to employees concerning voluntary resignation against benefits determined in the offer, the liability arising from this is recorded when the Group can no longer withdraw its offer. The liability arising from such an offer is based on the number of employees that the Group expects to accept the offer. Benefits falling due in twelve months' time or later are measured at their current value.

ENVIRONMENTAL OBLIGATIONS

Costs arising from environmental remediation that do not increase present or future revenue are recorded as expenses. Environmental liabilities are measured at current value in accordance with current environmental protection regulations when it is probable that an obligation has arisen and its amount can be estimated reasonably.

OTHER PROVISIONS

Other provisions include mainly warranty provisions, liabilities resulting from disputes and employment affairs as well as other contractual obligations.

KEY ESTIMATES AND JUDGEMENTS

The determination of the amount of provisions and the criteria for their recognition involves the management's judgement.

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

EUR million	Restructuring	Environmental obligations	Other provisions	Total
1 January 2019	5.0	16.1	5.4	26.6
Translation differences	-0.1	0.0	0.1	0.1
Increases	4.2	0.3	1.3	5.8
Utilised during the year	-3.2	-0.4	-1.5	-5.1
Unused amounts reversed	-0.1	-2.0		-2.1
Transfers to accrued income	-3.1			-3.1
Transfers to assets held for sale			-0.2	-0.2
31 December 2019	2.7	14.0	5.2	21.8

In 2019, Metsä Tissue recognised a cost provision totalling EUR 7.8 million related to ongoing efficiency program EUR 3.9 million of the cost provision was recognised in restructuring provisions. In September 2019, totally EUR 3.1 million of restructuring provisions were transferred to accruals and deferred income.

EUR million	2020	2019
Non-current provisions	15.8	17.7
Current provisions	2.8	4.1
Total	18.6	21.8

The restructuring reservations are mainly short-term. Environmental and other reservations are expected to mainly be discharged by 2030.

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5. CAPITAL STRUCTURE AND FINANCIAL RISKS

5.1 EQUITY

ACCOUNTING PRINCIPLES

Members' capital consists of participation shares and additional shares.

Under IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments, shares for which the co-operative does not have an unconditional right to refuse redemption in accordance with the cooperative's rules are classified as financial liabilities. The rules of Metsäliitto Cooperative specify the maximum amount of members' capital that may be redeemed annually. One third of the distributable surplus shown on the most recently adopted balance sheet may be used for refunds of participation and additional shares. This share of members' capital is recognised as a financial liability in the financial statements. The part regarded as a financial liability of the interest paid on members' capital has been recognised in financial expenses.

CHANGES IN MEMBERS' CAPITAL

EUR million	Participation shares	Additional shares A	Additional shares B	Total
Members' capital at 1 Jan. 2020	218.1	834.4	146.4	1,199.0
Paid-in members' capital	8.1	77.3	12.6	98.0
Transfers from interests to members' capital	0.9	46.8		47.6
Equity bonus		5.3		5.3
Refund of members' capital	-0.4	-19.9	-11.1	-31.4
Transfers to current interest-bearing liabilities	2.2	-0.4	2.0	3.8
Members' capital at 31 Dec. 2020	228.9	943.6	149.9	1,322.4
Members' capital at 1 Jan. 2019	193.4	669.5	131.8	994.7
Paid-in members' capital	10.8	96.3	16.4	123.4
Transfers from interests to members' capital	1.2	47.1		48.3
Equity bonus		6.2		6.2
Refund of members' capital	-0.7	-19.5	-11.3	-31.5
Transfers to current interest-bearing liabilities	13.5	34.8	9.5	57.8
Members' capital at 31 Dec. 2019	218.1	834.4	146.4	1,199.0

TRANSFERS TO CURRENT INTEREST-BEARING LIABILITIES

EUR million	Participation shares	Additional shares A	Additional shares B	Total
31.12.2020	30.4	125.3	19.9	175.6
Change	2.2	-0.4	2.0	3.8
31.12.2019	32.6	124.9	21.9	179.4
Change	13.5	34.8	9.5	57.8
31.12.2018	46.1	159.7	31.4	237.2

In its meeting held on 26 April 2019, the Representative Council of Metsäliitto Cooperative decided to transfer EUR 250.0 million of retained earnings to the reserve for invested unrestricted equity. Correspondingly, the share of members' capital recognised as a financial liability in the financial statements decreased by EUR 83.3 million.

MEMBERS' CAPITAL

The par value of a participation share is 1 euro. The subscription price of a participation share is equivalent to its par value, unless otherwise decided by the Representative Council or the Board of Directors, authorised by the Representative Council. A member's obligation to acquire participation shares is determined according to the area and location of their forestland, with no single member being obligated to acquire more than 30,000 participation shares.

The Board of Directors may decide to issue shares other than participation shares to members. Such shares are called additional shares. A member may acquire additional shares only if their participation shares have been paid in full. The Cooperative may have additional shares A, additional shares B and additional shares C. The minimum number of additional shares A is 1 and the maximum quantity is 1 500 million. The minimum number of additional shares B is 1 and the maximum quantity is 300 million. The minimum number of additional shares C is 1 and the maximum quantity is 100 million. Metsäliitto Cooperative has no additional shares C issued for the moment. The par value of an additional share is 1 euro. The interest payable on additional shares may differ from the interest payable on participation shares and from that paid on other types of additional shares. The Board of Directors decides on the issuance, the grounds for issuance, the subscription price and the payment of additional shares, as well as other conditions related to their issuance. The Board of Directors may also decide on issuing additional shares held by Metsäliitto.

A member may subscribe for additional shares A at the net amount of the sales price received from Metsäliitto for wood trade. The member may also subscribe for additional shares A at the amount of the interest on members' capital paid to the member by Metsäliitto. However, the subscription is only possible within the limits of the maximum quantity of additional shares A.

At the beginning of 2012, Metsäliitto Cooperative launched a new investment product, Equity Bonus, in which a member can subscribe for additional shares A worth 1 euro in a combined issue in accordance with the share issue terms, at a price decided by the Board of Directors in any given year. New additional shares A are offered for subscription on income from wood trade or the interest on members' capital. The maximum amount of the combined issue fund unit is EUR 100 million.

A member may subscribe for any quantity of additional shares B. However, the subscription is only possible within the limits of the maximum quantity of additional shares B and a member may, at any one time, hold a maximum of 1.5 million paid additional shares B.

DISTRIBUTION OF SURPLUS AND OTHER FUNDS

Surplus may be distributed to the members. Interest or other returns from Metsäliitto's surplus may be distributed to the members. Funds may also be distributed to the members in other ways in accordance with Chapter 16, section 1 of the Cooperatives Act. The Representative Council decides on the distribution of funds and the grounds for distribution.

INTEREST ON THE MEMBERS' CAPITAL

After the balance sheet date, the Board of Directors has proposed that EUR 66.3 million be distributed as interest on members' capital (71.9). In 2020, EUR 8.4 million (9.6) of the interest on the members' capital was treated as financial expenses.

TRANSLATION DIFFERENCES

Translation differences include translation differences arising on translation of subsidiaries in other currencies than euro and gains and losses arising on hedging of net investments in these subsidiaries, when requirements of hedge accounting have been fulfilled. The hedging of equity has ended in the Group during 2016.

TRANSLATION DIFFERENCES

EUR million	2020	2019
In balance sheet		
SEK	-9.4	-22.8
RUB	-24.7	-15.6
GBP	-8.5	-4.7
PLN	-6.6	-2.9
SKK	11.2	11.2
USD	0.3	3.1
Others	1.7	1.1
Total	-35.9	-30.7
In consolidated statement of comprehensive income		
SEK	21.5	-7.7
RUB	-12.1	4.7
GBP	-4.0	3.4
PLN	-3.8	0.6
USD	-5.9	1.2
Others	-1.2	0.9
Total	-5.5	3.1

FAIR VALUE AND OTHER RESERVES

EUR million	2020	2019
Fair value reserve	42.7	60.2
Revaluation reserve	1.2	1.2
Revaluation surplus	94.9	94.9
General reserve	71.4	71.4
Legal reserve and reserves stipulated by the rules	0.1	0.1
Reserve for invested unrestricted equity	501.1	501.0
Total	711.3	728.7

FAIR VALUE RESERVE

The reserve include the effective portion of fair value based on hedge accounting applied to interest, currency and commodity derivatives and the fair value change of other investments less deferred tax.

REVALUATION RESERVE

Revaluation of land and bonds in non-current assets are recognised in the revaluation reserve.

REVALUATION SURPLUS

The revaluation surplus include the fair value of the previous holdings in Metsä Fibre which arised from the allocation of fair value of the acquired Metsä Fibre shares in 2009.

LEGAL RESERVE AND RESERVES STIPULATED BY THE ARTICLES OF ASSOCIATION / RULES

Legal reserve and reserves stipulated by the Articles of Association have been created and accumulated as a result of resolution by the Annual General Meeting of shareholders/representatives.

RESERVE FOR INVESTED UNRESTRICTED EQUITY

The reserve for invested unrestricted equity includes other investments in equity and the share issue price to a sum especially decided not to be recognised in the share capital.

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OTHER COMPREHENSIVE INCOME, NET OF TAX 2020

	Equity attributable to members of parent company					
EUR million	**Translation differences**	**Fair value and other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
Items relating to adjustments of defined benefit plans			-6.9	-6.9	-2.0	-8.9
Fair value of financial assets through other comprehensive income		-32.7		-32.7	-35.4	-68.1
Income tax relating to items that will not be reclassified		6.5	1.5	8.0	7.6	15.6
Cash flow hedges						
Currency flow hedges						
gains and losses recorded in equity		3.7		3.7	15.0	18.7
transferred to adjust sales		3.8		3.8	0.3	4.1
transferred to adjust purchases		5.9		5.9		5.9
Interest flow hedges						
gains and losses recorded in equity		-1.8		-1.8	-0.9	-2.6
Commodity hedges						
gains and losses recorded in equity		-8.0		-8.0	-7.1	-15.1
transferred to adjust purchases		6.9		6.9	6.0	12.9
Total		10.5		10.5	13.3	23.9
Translation differences	-5.3			-5.3	-0.2	-5.5
Income tax relating to items that may be reclassified		-2.0		-2.0	-2.6	-4.6
Other comprehensive income, net of tax	-5.3	-17.7	-5.4	-28.4	-19.3	-47.7

OTHER COMPREHENSIVE INCOME, NET OF TAX 2019

	Equity attributable to members of parent company					
EUR million	**Translation differences**	**Fair value and other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
Items relating to adjustments of defined benefit plans			-13.4	-13.4	-2.3	-15.7
Fair value of financial assets through other comprehensive income		-5.4		-5.4	-8.0	-13.5
Income tax relating to items that will not be reclassified		1.1	2.4	3.5	1.6	5.1
Cash flow hedges						
Currency flow hedges						
gains and losses recorded in equity		9.9		9.9	-2.7	7.2
transferred to adjust sales		1.9		1.9	7.8	9.8
transferred to adjust purchases		-10.4		-10.4		-10.4
Interest flow hedges						
gains and losses recorded in equity		-4.9		-4.9	-2.5	-7.5
Commodity hedges						
gains and losses recorded in equity		-3.8		-3.8	-3.5	-7.3
transferred to adjust purchases		-5.5		-5.5	-4.1	-9.5
Total		-12.8		-12.8	-4.9	-17.8
Translation differences	4.1			4.1	-1.0	3.1
Other items		0.1	-0.1	0.0		0.0
Income tax relating to items that may be reclassified		2.7		2.7	1.1	3.7
Other comprehensive income, net of tax	4.1	-14.4	-11.1	-21.4	-13.6	-35.0

5.2 FINANCIAL INCOME AND EXPENSES

ACCOUNTING PRINCIPLES

Interest income and costs are recognised in amortised cost with the effective interest rate method.

Dividend yield is recognised when the right to a dividend has arisen.

Borrowing costs are generally recognised as an expense in the period in which they are incurred. When an item of property, plant or equipment is involved in a major and long-term investment project, the borrowing costs directly due to the acquisition, construction or production of the asset are included in the asset's acquisition cost.

The Group presents net interest income and expenses related to defined benefit plans as financial income and expenses.

EUR million	**2020**	**2019**
Exchange rate differences		
Commercial items	-11.3	4.6
Hedging, no hedge accounting	8.9	-10.2
Others	0.1	-0.8
Exchange rate differences total	-2.3	-6.4
Other financial income		
Interest income on loans, other receivables and cash and cash equivalents	3.2	5.3
Dividend income	0.0	0.0
Other financial income total	3.2	5.3

EUR million	**2020**	**2019**
Interest and other financial expenses		
Valuation of financial assets and liabilities		
Gains and losses on financial assets or liabilities at fair value through profit or loss	1.4	
Gains / losses on change in value of financial assets	0.0	0.5
Gains / losses on derivatives, no hedge accounting	0.1	0.7
Gains / losses on derivatives, in cash flow hedges	0.3	-0.5
Total	1.7	0.8
Interest income from financial liabilities	-45.7	-55.3
Other financial expenses	-5.7	-6.2
Interest and other financial expenses total	-49.7	-60.8
Financial income and expenses total	-48.8	-61.9

In its meeting held on 26 April 2019, the Representative Council of Metsäliitto Cooperative decided to transfer EUR 250.0 million of retained earnings to the reserve for invested unrestricted equity. Correspondingly, the share of members' capital recognised as a financial liability in the financial statements decreased by EUR 83.3 million and the amount to be transferred from interest to interest expenses by EUR 5.0 million.

5.3 OTHER NON-CURRENT FINANCIAL ASSETS

EUR million	**2020**	**2019**
Loan receivables	1.1	1.4
Defined benefit plans (Note 3.5)	13.1	15.8
Other receivables and accrued income	3.4	3.4
Total	17.7	20.5

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5.4 CASH AND CASH EQUIVALENTS

ACCOUNTING PRINCIPLES

Cash and cash equivalents consist of cash and other short-term, highly liquid investments that can be easily converted into an amount of cash known in advance and that carry a minimal risk of value changes. Metsä Group has classified short-term money market investments and bank assets that are in line with its financial policy as cash and cash equivalents. The determination of the impairment of cash and cash equivalents is subject to the model based on expected credit losses. The expected credit losses are reviewed for the following 12 months. The impacts of the Covid-19 pandemic on determining the impairment of cash and cash equivalents is discussed in Note 5.6, Management of financial risks, counterparty risk.

EUR million	2020	2019
Financial assets at fair value througt profit and loss	246.8	167.7
Current investments	347.3	346.8
Cash at bank and in hand	618.8	575.6
Total	1,212.9	1,090.0

5.5 FINANCIAL LIABILITIES AND INTEREST-BEARING NET LIABILITIES

ACCOUNTING PRINCIPLES

Financial liabilities are initially recognised at fair value. The Group has classified all financial liabilities under "Other liabilities". Transaction costs are included in the original book value of financial liabilities measured at amortised cost. Subsequently, all financial liabilities are measured at amortised cost using the effective interest method.

INTEREST-BEARING FINANCIAL LIABILITIES

EUR million	2020	2019
Non-current interest-bearing financial liabilities		
Bonds	248.6	248.5
Loans from financial institutions	609.1	649.6
Lease liabilities	90.5	94.6
Other liabilities	150.0	150.0
Total	1,098.3	1,142.7

EUR million	2020	2019
Current interest-bearing financial liabilities		
Current portion of long-term debt	97.0	125.8
Current loans	2.1	0.1
Other liabilities	173.8	186.3
Total	272.9	312.3
Assets classified as held for sale	17.4	14.5
Interest-bearing financial liabilities, total	1,388.7	1,469.5

INTEREST-BEARING FINANCIAL ASSETS

EUR million	2020	2019
Non-current interest-bearing financial assets		
Loan receivables	1.1	1.4
Other receivables	2.9	2.9
Total	4.0	4.2
Current interest-bearing financial assets		
Financial assets at fair value through profit and loss	246.8	167.7
Loan receivables	3.8	1.2
Other receivables		0.2
Current investments at amortised cost	347.3	346.8
Cash at bank and in hand	618.8	575.6
Total	1,216.7	1,091.4
Assets classified as held for sale, interest-bearing receivables	0.3	0.3
Interest-bearing financial assets, total	1,221.0	1,095.9
Interest-bearing net liabilities, total	167.7	373.6

CHANGES IN LIABILITIES AND CURRENT INTEREST-BEARING RECEIVABLES REPORTED IN THE CASH FLOW FROM FINANCING ACTIVITIES IN 2020

			Non-cash impact changes				
EUR million	1 January 2020	Cash impact changes	Aquired / sold businesses	Changes in exchange rates	Changes in leases	Other changes	31.12.2020
Non-current interest-bearing financial liabilities including the current portion							
Bonds	248.5					0.1	248.6
Loans from financial institutions	727.6	-47.7	0.4	0.5		1.1	681.9
Pension loans	25.3	-25.3					0.0
Lease liabilities	117.1	-28.4		-0.9	27.0		114.8
Other liabilities	150.0						150.0
Total	1,268.6	-101.5	0.4	-0.4	27.0	1.2	1,195.3
Non-current non-interest bearing liabilities	2.3	0.0		0.1			2.3
Current interest-bearing liabilities							
Current liabilities	7.0	-5.0				0.1	2.1
Other liabilities	179.5	1.9				-7.5	173.8
Total	186.4	-3.1	0.0	0.0	0.0	-7.4	175.9
Current interest-bearing loan receivables	-1.3	-0.5				-1.9	-3.8
Total	1,455.9	-105.2	0.4	-0.3	27.0	-8.0	1,369.8

CHANGES IN LIABILITIES AND CURRENT INTEREST-BEARING RECEIVABLES REPORTED IN THE CASH FLOW FROM FINANCING ACTIVITIES IN 2019

			Non-cash impact changes				
EUR million	1 January 2019	Cash impact changes	Aquired / sold businesses	Changes in exchange rates	Changes in leases	Other changes	31.12.2019
Non-current interest-bearing financial liabilities including the current portion							
Bonds	308.6	-60.4				0.3	248.5
Loans from financial institutions	722.7	11.8	10.0	-0.3		-16.8	727.6
Pension loans	73.3	-48.0					25.3
Lease liabilities	39.2	-22.8		1.3	23.7	75.7	117.1
Other liabilities	150.9	-1.8	0.9				150.0
Total	1,294.7	-121.1	10.9	1.1	23.7	59.2	1,268.6
Non-current non-interest bearing liabilities	5.9	-3.7		0.1			2.3
Current interest-bearing liabilities							
Current liabilities	20.2	-11.1		0.0		-2.1	7.0
Other liabilities	237.3	0.0		0.0		-57.8	179.5
Total	257.4	-11.1	0.0	0.0	0.0	-59.9	186.4
Current interest-bearing loan receivables	-1.2	-0.5		0.4		0.0	-1.3
Total	1,556.8	-136.5	10.9	1.6	23.7	-0.7	1,455.9

BONDS

EUR million	Interest, %	2020	2019
2017–2027	2.750	248.6	248.5
Total		248.6	248.5

In September 2017, Metsä Board issued an unsecured bond of EUR 250 million. The bond matures on 29 September 2027 and carries a fixed coupon rate of 2.75 per cent. The loan has a senior status.

Metsä Tissue Corporation has a debenture loan of EUR 75 million, of which Group external investors' share is EUR 0.0 million. The loan matures on 15 December 2023.

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5.6 MANAGEMENT OF FINANCIAL RISKS

The financial risks associated with business operations are managed in accordance with the financial policy endorsed by the Board of Directors and the senior management of the Group. The policy defines focal instructions on the management of foreign currency, interest rate, liquidity and counterparty risks, and for the use of derivative financial instruments. Correspondingly, commodity risks are managed according to the Group's commodity risk policy. The purpose is to protect the company against major financial and commodity risks, to balance the cash flow and to allow the business units time to adjust their operations to changing conditions.

Metsä Group Treasury Oy is specialized in finance and functions as the Group's internal bank. Metsäliitto Cooperative's holding is 100 per cent of the company. Financial operations have been centralised to Metsä Group Treasury, which is in charge of managing the Group companies' financial positions according to the strategy and financial policy, providing necessary financial services and acting as an advisor in financial matters.

FOREIGN CURRENCY RISK

The foreign currency exposure of Metsä Group consists of the risks associated with foreign currency flows, translation risk of net investments in foreign entities and economic currency exposure. Most of the Group's costs are incurred in the euro zone and to some extent in Sweden, but a significant part of the sales is received or priced in other currencies. Sales may therefore vary because of changes in exchange rates, while production costs remain unchanged. The foreign currency transaction exposure is consisting of foreign currency denominated sales revenue and costs. The exposure is including foreign currency denominated balance sheet exposure consisting of accounts receivable and accounts payable and 50% share of the annual contracted or estimated net currency cash flow.

The main currencies of the Group's foreign currency transaction exposure are the US dollar, the Swedish krona and the British pound. The share of dollar is 60%, share of Swedish krona is 19% and share of pound is 9%. A strengthening of the dollar and the pound has a positive impact on the financial result and a weakening a negative impact. A weakening of the Swedish krona has a positive impact on the result of the Group. Other currencies, where Metsä Group has currency risk are among others AUD, CAD, DKK, NOK, PLN and RUB. The hedging policy is to keep the balance sheet exposure and 50% of annual cash flow of contracted or estimated currency flows consistently hedged. The amount of hedging may deviate from the normal level by 40% in either direction. The amount of currency-specific hedging depends on current exchange rates and market expectations, on the interest rate differences between the currencies and the significance of the exchange rate risk for the financial result of the Group. The transaction exposure is mainly hedged by forward transactions but also by the use of foreign currency loans and currency options.

At the end of the reporting period, the foreign exchange transaction exposure had been hedged 7.3 months on average (2019: 7.2) being 102% of the hedging norm (98). During the reporting period, the hedging level has varied between 6 and 8 months (6–8) being between 96 and 104 per cent of the norm (96-104). The dollar's hedging level was 6.7 months (6.7) being 93% of the hedging norm (91). The Swedish krona's hedging level was 10.1 months (10.8) being 138% of the hedging norm (138). The pound's hedging level was 7.4 months (7.1) being 100% of the hedging norm (100). Hedge accounting in accordance with IFRS 9 has been applied to hedging of transaction exposure and forwards and options allocated to hedge accounting have been used to hedge the portion of highly probable forecast sales of the currency transaction exposure.

The translation risk of a net investment in a foreign entity is generated from the consolidation of the equity of subsidiaries and associated companies outside the euro area into euros in the consolidated financial statements. Hedging of equity has been discontinued.

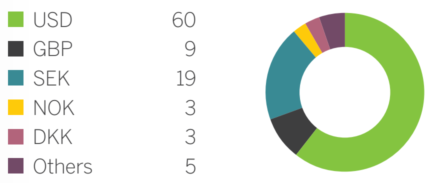
The Group applies the Value-at-Risk method to assess the risk of its open foreign currency positions. The VaR is calculated on the deviation from the balance sheet exposure plus the 50% of annual foreign currency exposure hedge norm defined in the financial policy. A 99% confidence level on one month period is applied to the VaR risk figure. The risk mandates regarding hedging decisions have been defined by restricting the company management's powers by linking them to maximum currency-specific hedging level changes and to a VaR limit. Possible strategic decisions which exceed the policy risk limits are made by the Board of Directors. The total amount of limits set for the Group companies' foreign currency risk is EUR 32.4 million (24.6) and the sum of VaR figures of the Group companies is at the end of the reporting period EUR 6.1 million (6.4) and average during the period has been EUR 6.7 million (7.4).

HEDGING OF FOREIGN EXCHANGE TRANSACTION EXPOSURE

31 December 2020	Annual transaction exposure							
	USD	GBP	SEK	NOK	DKK	Other long	Other short	Total
Transaction exposure, net (mill. currency units)	1,697	187	-4,360	838	572			
Transaction exposure, net (EUR million)	1,383	208	-434	80	77	55	-71	2,309
Transaction exposure hedging (EUR million)	-770	-128	364	-45	-38	-24	44	-1,414
Hedging at the end of the year (months)	6.7	7.4	10.1	6.8	5.9	5.3	7.5	7.3
Average hedging in 2020 (months)	6.9	7.2	10.3	6.3	6.1	7.3	1.5	7.3
Average rate of hedging at the end of the year	1.1911	0.9041	10.5628					

31 December 2019	Annual transaction exposure							
	USD	GBP	SEK	NOK	DKK	Other long	Other short	Total
Transaction exposure, net (mill. currency units)	1,550	186	-4,142	830	529			
Transaction exposure, net (EUR million)	1,379	219	-397	84	71	57	-75	2,283
Transaction exposure hedging (EUR million)	-765	-130	356	-51	-39	-32	2	-1,375
Hedging at the end of the year (months)	6.7	7.1	10.8	7.2	6.6	6.7	0.4	7.2
Average hedging in 2019 (months)	6.6	7.2	10.3	7.8	7.1	6.4	0.4	7.2
Average rate of hedging at the end of the year	1.1208	0.8806	10.6918					

FOREIGN CURRENCY BREAKDOWN OF CURRENCY EXPOSURE, %



NET INVESTMENTS IN A FOREIGN ENTITY

31 December 2020	Equity exposure				
	USD	GBP	SEK	Others	Total
Equity exposure (mill. currency units)	93	66	5,886		
Equity exposure (EUR million)	76	73	587	120	856

31 December 2019	Equity exposure				
	USD	GBP	SEK	Others	Total
Equity exposure (mill. currency units)	91	64	5,496		
Equity exposure (EUR million)	81	75	526	144	826

INTEREST RATE RISK

The interest rate risk is related in the interest bearing receivables and loans, working capital financing and currency hedging. The most significant currencies in risk management are the euro, the US dollar, the Swedish krona and the British pound. The objective of the interest rate risk policy is to minimise the negative impact of interest rate changes on the Group's and group companies' result and the financial position, and to optimise financing costs within the framework of risk limits. The effect of interest rate changes on financial costs depends on the average interest fixing time of interest bearing assets and liabilities, which is measured in the Group by duration. As duration is lengthening the rise of interest rates affects more slowly the interest expenses of financial liabilities. The maturity of the loan portfolio can be influenced by adjusting between floating-rate and fixed-rate loans and by using interest rate swaps.

The average interest duration norm based on the Group's financial policy is twelve months. The duration can, however, deviate from the hedging policy norm so that the decision of a deviation exceeding four months has to be made by the Board of Directors. The average duration of loans was high 39.9 months (2019: 43.7) at the end of the year. During the reporting period duration has varied between 39 and 44 months (43–46). Of interest-bearing liabilities 16% (19) is subjected to variable rates and the rest to fixed rates and the average interest rate at the end of 2020 was 2.7% (2.7). At the end of 2020, an increase of one percentage point in interest rates would decrease interest rate costs of the next 12 months by EUR 7.0 million (5.4).

The Group is applying cash flow hedge accounting in accordance with IFRS 9 to the major part of the interest rate swaps by which floating-rate financing has been converted to fixed-rate financing. The gross nominal volume of interest rate swaps at the time of financial statements is EUR 487.6 million (531.7) and the maturity of interest rate swap contracts varies between 1–10 years (1–11). The ongoing interest rate benchmark reform has not had any impact on effectiveness of interest rate hedging or financial costs.

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INTEREST RATE RISK

	2020	2019
Loan amount (EUR million)	1,196	1,276
Duration (months)	39.9	43.7
Average interest rate (%)	2.7	2.7
Interest rate sensitivity (EUR million)	-7.0	-5.4

RE-PRICING STRUCTURE OF LOANS

EUR million	31. Dec. 2020
1–4/2021	51
5–8/2021	-15
9–12/2021	160
2022	70
2023	119
2024	65
>2024	746

EUR million	31 Dec. 2019
1–4/2020	87
5–8/2020	-26
9–12/2020	187
2021	68
2022	64
2023	111
>2023	785

Interest rate sensitivity is an estimate of the effect of an interest rate change of 1% on net interest cost based on year-end exposure. Interest rate risk exposure does not include the part of Metsäliitto Cooperative subscribed capital that is recognized as short-term interest-bearing liability.

COMMODITY RISK

In the hedging of commodity risks the Group applies risk management policies defined separately for each selected commodity. According to the policy, the management of commodity risks with regard to financial hedges is accomplished centralized by Metsä Group Treasury based on the strategy and risk management policy approved by Board of Directors of Metsä Group companies. The commodity hedging policy is applied to the management of the price risks of electricity, natural gas, propane and fuel oil and also transactions related to Emission allowances are managed by Metsä Group Treasury. Hedge accounting in accordance with IFRS 9 is applied to all commodity hedging. According to the commodity hedging policy an 80% hedge level of the estimated net position during the first 12 month period has been set as a hedging norm and the hedge ratio can vary by 20 per cent in either direction. Hedges based on previous policy are gradually maturing. The Group Board of Directors makes significant strategic decisions.

Metsä Group's target in managing the electricity price risk is to balance the effect of changes in the price of electricity on the Group's result and financial position. The main principle is to hedge the electricity purchase exposure, which consists of the difference of factory-specific electricity consumption estimates and power plant production shares in the possession of the Group.

Approximately a quarter of mills' purchase of fuel is based on natural gas. Metsä Group is hedging the price risk of natural gas, liquefied natural gas (LNG) and propane purchases as financial hedges and by physical fixed-price contracts. Metsä Group is hedging also the gas oil, heavy fuel oil and 0.5% fuel oil price risk related to logistics costs (sea freights) based on commodity risk policy by using financial hedges. Metsä Group is not hedging its pulp price risk.

HEDGING OF ELECTRICITY PRICE RISK EXPOSURE, 31. DECEMBER

GWh	2020	2019
Electricity exposure, net 2021	1,758	1,701
Electricity hedging 2021	652	919
Hedging at the end of the year 2020 (%)	37	54
Average price of hedging at the end of the year (EUR/MWh)	29.68	33.62

Electricity price risk is hedged based on defined risk management policy by physical contracts or by financial contracts. The net electricity exposure has been calculated by taking into account the own and associated companies´ electricity production. The calculation includes hedging of electricity bought. Metsä Fibre is not included, as it does not hedge its surplus electricity position.

LIQUIDITY RISK

Liquidity risk is defined as the risk that funds and available funding become insufficient to meet business needs, or costs that are incurred in arranging the necessary financing are unreasonable high. Liquidity risk is monitored by estimating the need for liquidity needs 12–24 months ahead and ensuring that the total liquidity available will cover a main part of this need. According to the financial policy, the liquidity reserve must at all times cover 100% of the Group's liquidity requirement for the first 12 months and 50–100% of the following 12–24 months liquidity requirement. The objective is that at the most 20% of the Group's loans, including committed credit facilities, is allowed to mature within the next 12 months and at least 25% of the total debt must have a maturity in excess of four years. The target is to avoid keeping extra liquidity as liquid funds and instead maintain a liquidity reserve as committed credit facilities outside the balance sheet.

The cornerstone of liquidity risk management is to manage the Group's operative decisions in such a way that targets concerning indebtedness and sufficient liquidity reserve can be secured in all economic conditions. Liquidity risk is managed by diversifying the use of capital and money markets to decrease dependency on any single financing source and the optimisation of the maturity structure of loans is also emphasized in financial decisions. The Group is using short-term working capital financing related to account receivables and account payables. During 2020 Metsä Board has signed Finnvera guaranteed loan of EUR 100 million and EIB loan of EUR 125 million for Husum investments. Metsä Fibre has continued its EUR 200 million committed credit facility (RCF) until 2021. The preparation of financing of Metsä Fibre Kemi's investment has proceeded as planned.

Metsä Group's liquidity has remained strong. The available liquidity was EUR 2,004.7 million (1,690.0) at the end of the reporting period, of which EUR 1,212.9 million (1,090.0) was liquid funds and investments and EUR 791.8 million (600.0) committed credit facilities. The Group had also at its disposal short-term, uncommitted commercial paper programmes and credit lines amounting to EUR 161.5 million (161.5) and undrawn pension premium (TyEL) funds of EUR 356.9 million (332.2). At the end of 2020, the liquidity reserve covers fully the forecasted financing need of 2021 and 2022. 15% (15) of long-term loans and committed facilities fall due in a 12 month period and 64% (67) have a maturity of over four years. The average maturity of long-term loans is 4.4 years (4.9). The share of short-term financing of the Group's interest bearing liabilities is 13% (13).

COUNTERPARTY RISK

Financial instruments carry the risk that the Group may incur losses should the counterparty be unable to meet its commitments. The Group is managing this risk by entering into financial transactions only with most creditworthy counterparties and within pre-determined limits. Liquidity reserve is partially maintained in the form of committed credit facilities, although the strengthened liquidity position has increased the counterparty risk during the last years. Cash and cash equivalents and other investments have been spread to several banks, commercial papers of several institutions and money market funds. During the reporting period, credit risks of financial instruments did not result in any losses. However COVID-19 pandemic had a negative effect on valuation of financial investments in Q1, but this was compensated later in 2020. Counterparty limits have been revised during the year by taking into account the needs of the company and the view on the financial position of especially the used commercial paper counterparties. Derivatives trading is regulated by the standardised ISDA contracts made with the counterparties. The Group has applied expected credit loss model in accordance with IFRS 9 to calculate the impairment of financial assets.

The Group's accounts receivable carry a counterparty risk that the Group may incur losses should the counterparty be unable to meet its commitments. Credit risk attached to accounts receivable is managed on the basis of the credit risk management policies approved by operative management. Credit quality of customers is assessed at regular intervals based on the customers' financial statements, payment behaviour, credit agencies and credit ratings agencies. Individual credit limits are reviewed at least annually. Letters of Credits, bank and parent company guarantees and Credit insurance are used to mitigate credit risk according to management decisions. Credit limits are approved according to credit risk management policy with approval limits of varying values across the Group. Operative management reviews and sets all major credit limits which are not supported by credit insurance and/ or other security according to Credit Risk Management Policies. In response to the COVID-19 pandemic, more regular review of customer credit risks have been undertaken, along with the credit insurance companies.

The portion of overdue client receivables of all sales receivables of Metsä Group is at the time of financial statements 4.5% (9.0), of which 0.0% (0.0) is overdue between 90-180 days and 0.4% (0.3) over 180 days. Additionally Metsä Group implements regular impairment tests for customer accounts receivables. Credit loss impairment is booked when a customer enters legal bankruptcy, or becomes past due for more than 6 months (180 days) without a valid payment plan or other valid reasons. The specification of doubtful receivables is in the Notes no. 4.6. Expected credit losses on accounts receivables in accordance with IFRS 9 are calculated by using a provision matrix. Expected credit loss expense is recognized by applying expected credit loss percentages based on five-year historic losses net of credit insurance on accounts receivables from external debtors outstanding at period end. The impact of COVID-19 pandemic was also taken into account. The expected credit loss percentages are business area specific and vary between 0.0–0.5% (0.0-0.2).

The geographical structure of the accounts receivable is diversified and is reflecting the external sales structure presented in the Segment information. Largest sources of credit risk exist in Finland, Germany, United Kingdom, Italy, USA, Sweden, Turkey, Hong Kong, Poland and, France. Top ten countries represent around 67% of (64) external customer receivables. The share of largest individual customer (individual companies or groups of companies under common ownership) credit risk exposure of the Group at the end of 2020 was about 4% (4) of total accounts receivable. About 22% (23) of accounts receivable was owed by ten largest customer groups (individual companies or groups of companies under common ownership). At the end of 2020, Metsä Group's trade receivables were for a very large part covered by credit insurance or other security, such as letters of credit.

MANAGING THE CAPITAL

Terms capital and capital structure are used to describe investments made in the company by its owners and retained earnings (together equity) and debt capital (liabilities) as well as the relation between them. In managing its capital structure, the Group aims at maintaining an efficient capital structure that ensures the Group's operational conditions in financial and capital markets in all circumstances despite the fluctuations typical to the sector. Certain central target values, which correspond to standard requirements set by financing and capital markets, have been defined for the capital structure. The Group's capital structure is regularly assessed by the Group's Board of Directors and its Audit Committee.

The Group monitors the development of its capital structure mainly through equity ratio. The objective of the Group on long term basis is to maintain its equity ratio at the minimum level of 40% (temporary deviation allowed).

THE KEY RATIOS DESCRIBING THE CAPITAL STRUCTURE AND THE CAPITAL AMOUNTS USED FOR THE CALCULATION OF THE KEY RATIO WERE ON 31 DEC 2020 AND 31 DEC 2019 THE FOLLOWING:

EUR million	2020	2019
Net gearing ratio, %	4	10
Equity ratio, %	57.2	56.2
Interest-bearing liabilities	1,388.7	1 469.5
- interest-bearing financial assets	1,221.0	1 095.9
Interest-bearing net liabilities	167.7	373.6
Member's funds	3,091.5	2 926.8
+ non-controlling interests	822.7	848.5
Total	3,914.2	3 775.3
Total assets	6,851.3	6 727.0
- advanced payments received	10.7	10.8
Total	6,840.6	6 716.2

The debt financing of Metsä Group is arranged so that Metsä Board, Metsä Fibre and Metsä Tissue each have required loans to cover the financial needs of the sub-Groups formed by them and that the loans of the companies in question were independent of each other. Likewise Metsäliitto Cooperative has separately arranged financing to cover the financial needs of the parent company and Metsä Forest and Metsä Wood.

In Metsä Group's certain financial contracts financial covenants have been set regarding financial performance and capital structure. Other covenants in the Group's loan agreements are customary terms and conditions including for example a negative pledge, restrictions on major asset disposals, limitations on subsidiary indebtedness, restrictions on changes of business and mandatory prepayment obligations upon a change of control of the Group. All Group companies have been in compliance with its covenants during the accounting

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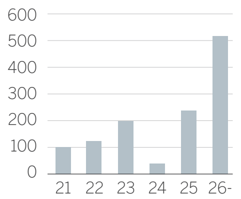
periods 2020 and 2019. In case Metsäliitto Cooperative or any of its subsidiaries could not meet its obligations as defined by the above mentioned key ratios and in order to avoid a breach of contract that could have an adverse effect on the company's financial position, it would need to renegotiate its financial arrangements, payback its loans or get its debtors to give up their claims to meet these obligations.

Metsä Group has launched a Green Finance Framework, which integrates sustainability and climate change mitigation to the Group's investments and related financing activities. The framework is based on the Group's strategy and the strategic sustainability objectives for 2030.

REPAYMENT OF NON-CURRENT LOANS
EUR MILLION



MARKET RISK SENSITIVITY 31 DECEMBER

IMPACT ON EQUITY EXPOSURE AND ANNUAL TRANSACTION EXPOSURE

	Impact on financial assets and liabilities		Impact on net equity of foreign entities		Impact on annual transaction ex-posure (cash flow)		Impact on annual transaction ex-posure (cash flow) incl. hedging	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Interest rate risk (100 bp rise in interest rates)								
Effect on profit	-1.3	-0.8			7.0	5.4	23.3	26.6
Effect on other change in equity	17.6	22.0						
Commodity risk (electricity price +20%)								
Effect on profit					-3.1	-1.1	-0.7	3.8
Effect on other change in equity	2.4	4.9						
FX risk (USD -10%)								
Effect on profit	1.2	0.6			-138.3	-137.9	-61.4	-61.4
Effect on other change in equity	63.1	73.3	-7.6	-8.1				
FX risk (GBP -10%)								
Effect on profit	0.3	0.1			-20.8	-21.9	-8.0	-8.9
Effect on other change in equity	10.3	10.8	-7.3	-6.0				
FX risk (SEK -10%)								
Effect on profit	0.4	0.7			43.4	39.7	7.0	4.1
Effect on other change in equity	-31.8	-29.9	-57.8	-52.6				

Items with "+" sign = positive effect = increase of assets / decrease of liabilities / increase of cash flow
Items with "-" sign = negative effect = decrease of assets / increase of liabilities / decrease of cash flow

IFRS 7 requires an entity to disclose a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date. The Group has recognized interest rates, electricity prices and foreign exchange rates as its key market risks and has set 1 per cent interest rate rise, 20% rise in electricity price and 10% weakening of USD, GBP and SEK as reasonably possible risk variables. These currencies represent almost 90% of Group's annual transaction exposure. The nature of the market price risk is relatively linear so that the size of effects of opposite market price changes do not essentially differ from the presented figures. The scenarios have been calculated by using regular principles of calculating market values of financial instruments described in the Group Accounting policies. Figures at the reporting date reflect quite well the average market risk conditions throughout the reporting period.

Additionally the Group is presenting figures describing the effects of the risk variables to its equity exposure and annual transaction exposure (cash flow) to present a broader picture about market risks of interest rates, electricity prices and foreign exchange rates. Annual cash flows are based on estimates, but not existing commercial contracts. The weakening of USD and GBP has a negative impact on annual cash flow and the weakening of SEK has a positive impact. Hedges reduce this impact depending on hedging strategy. The impact on net equity of foreign entities is arising from the consolidation of subsidiaries to the Group consolidated accounts.

MATURITY OF REPAYMENT AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 2020

EUR million	**2021**	**2022**	**2023**	**2024**	**2025**	**2026–**	**Total**
Bonds and debentures						248.6	248.6
Loans from financial institutions	72.8	102.3	181.6	27.1	175.7	122.4	681.9
Lease liabilities [1]	27.3	20.2	15.4	12.3	10.3	44.7	130.2
Other non-current interest-bearing liabilities					50.0	100.0	150.0
Non-current interest-bearing liabilities, total	100.1	122.5	196.9	39.4	236.1	515.7	1,210.8
Current interest-bearing liabilities	175.9						175.9
Financial liabilities total	276.0	122.5	196.9	39.4	236.1	515.7	1,386.7
Financial expenses total	22.2	21.0	18.7	18.0	16.9	19.0	115.9
Guarantees agreements	2.1	6.9	2.1	3.3	0.2	2.4	17.1
Derivative financial instrument							
Currency derivatives, liabilities	2,483.3						2,483.3
Currency derivatives, assets	-2,518.7						-2,518.7
Interest rate swaps, liabilities	5.8	4.8	4.1	3.3	2.1	2.7	22.7
Commodity derivatives, liabilities	0.4	0.1					0.5
Commodity derivatives, assets	-4.8						-4.8
Derivatives, net of cash	-34.1	4.9	4.1	3.3	2.1	2.7	-17.0

[1] The cash flows of lease liabilities include both payments and the finance costs.

MATURITY OF REPAYMENT AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 2019

EUR million	**2020**	**2021**	**2022**	**2023**	**2024**	**2025–**	**Total**
Bonds and debentures						248.5	248.5
Loans from financial institutions	78.0	76.5	94.1	179.6	22.6	276.7	727.6
Pension loans	25.3						25.3
Lease liabilities [1]	25.1	20.5	15.2	11.6	9.9	52.0	134.2
Other non-current interest-bearing liabilities						150.0	150.0
Non-current interest-bearing liabilities, total	128.4	97.0	109.3	191.2	32.5	727.3	1,285.6
Current interest-bearing liabilities	186.4						186.4
Financial liabilities total	314.8	97.0	109.3	191.2	32.5	727.3	1,472.1
Financial expenses total	24.5	22.4	21.2	18.8	18.0	35.8	140.7
Guarantees agreements	8.5	1.1	9.2	0.1	4.3	2.4	25.4
Derivative financial instrument							
Currency derivatives, liabilities	2,385.4						2,385.4
Currency derivatives, assets	-2,392.8						-2,392.8
Interest rate swaps, liabilities	5.7	4.5	3.6	2.6	1.8	2.5	20.8
Commodity derivatives, liabilities	3.3						3.3
Commodity derivatives, assets	-7.7	-1.6	-0.4				-9.7
Derivatives, net of cash	-6.0	2.9	3.2	2.6	1.8	2.5	7.0

[1] The cash flows of lease liabilities include both payments and the finance costs.

On 31 December 2020, the balance sheet value of lease agreement liabilities was EUR 114.8 million (117.1). On 31 December 2020, the balance sheet value of currency derivative liabilities EUR 18.5 million (13.6), while that of currency derivative receivables was EUR 53.9 million (21.0).

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5.7 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

CLASSIFICATION AND FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES IN 2020

EUR million	Note	Fair value through profit and loss	Fair value throuhg other comprehensive income	Amortised cost	Book value total
Financial assets					
Other non-current investments	4.4	0.0	205.5		205.5
Other non-current financial assets	5.3			17.7	17.7
Accounts receivables and others	4.6			680.4	680.4
Cash and cash equivalent	5.4	246.8		966.1	1,212.9
Derivative financial instruments	5.7	2.4	56.3		58.7
Assets classified as held for sale	7.1			0.4	0.4
Total		249.3	261.8	1,664.5	2,175.6
Fair value total		249.3	261.8	1,664.5	2,175.6
Financial liabilities					
Non-current interest-bearing liabilities	5.5			1,098.3	1,098.3
Other non-current liabilities	4.7			0.8	0.8
Current interest-bearing liabilities	5.5			272.9	272.9
Accounts payable and others	4.8			1,001.7	1,001.7
Derivative financial instruments	5.7	1.7	40.0		41.7
Liabilities classified as held for sale	7.1			17.5	17.5
Total		1.7	40.0	2,391.3	2,433.0
Fair value total		1.7	40.0	2,427.0	2,468.7

CLASSIFICATION AND FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES IN 2019

EUR million	Note	Fair value through profit and loss	Fair value throuhg other comprehensive income	Amortised cost	Book value total
Financial assets					
Other non-current investments	4.4	6.7	264.4		271.1
Other non-current financial assets	5.3			20.5	20.5
Accounts receivables and others	4.6	0.2		720.5	720.6
Cash and cash equivalent	5.4	167.7		922.4	1,090.0
Derivative financial instruments	5.7	2.6	28.1		30.7
Assets classified as held for sale	7.1			0.4	0.4
Total		177.1	292.5	1,663.8	2,133.4
Fair value total		177.1	292.5	1,663.8	2,133.4
Financial liabilities					
Non-current interest-bearing liabilities	5.5			1,142.7	1,142.7
Other non-current liabilities	4.7			0.8	0.8
Current interest-bearing liabilities	5.5			312.3	312.3
Accounts payable and others	4.8			938.5	938.5
Derivative financial instruments	5.7	1.4	36.3		37.7
Liabilities classified as held for sale	7.1			14.7	14.7
Total		1.4	36.3	2,408.9	2,446.6
Fair value total		1.4	36.3	2,440.4	2,478.1

Accounts receivables and other receivables do not include advance payments, deferred taxes or periodisations of employee costs (Note 4.6). Accounts payable and other financial liabilities do not include advance payments, deferred tax liabilities or periodisations of employee costs (Note 4.8).

All interest-bearing liabilities are valued in the balance sheet at amortised cost based on effective interest method. Fair values are based on present value of cash flow of each liability or assets calculated by market rate. The discount rates applied are between 0.0–6.0% (0.0–6.0). The fair value of accounts and other receivables and account payables and other liabilities are not essentially deviating from the carrying amounts in the balance sheet.

FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

ACCOUNTING PRINCIPLES

Financial assets and financial liabilities measured at fair value are classified as follows:

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 value measurement of financial assets at fair value recognised under other items of comprehensive income is described in Note 4.4.

The fair values of electric power, natural gas, propane and fuel oil derivatives are measured on the basis of publicly quoted market prices (Level 1). The fair values currency forwards and currency 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 current value of future cash flows, supported by market interest rates on 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 on the closing date of the reporting period (Level 3).

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FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

2020

EUR million	Note	Level 1	Level 2	Level 3	Total
Financial assets recognised at fair value					
Other non-current financial assets	4.4	0.0		205.5	205.5
Current financial assets through profit and loss at fair value	5.4	246.8			246.8
Derivative financial assets	5.7	2.8	55.9		58.7
Financial liabilities recognised at fair value					
Derivative financial liabilities	5.7	0.5	41.2		41.7
Financial assets not recognised at fair value					
Cash and cash equivalent	5.4		966.1		966.1
Financial liabilities not recognised at fair value					
Non-current interest-bearing financial liabilities	5.5		1,133.5		1,133.5
Current interest-bearing financial liabilities	5.5		273.4		273.4

2019

EUR million	Note	Level 1	Level 2	Level 3	Total
Financial assets recognised at fair value					
Other non-current financial assets	4.4	0.0		271.1	271.1
Current financial assets through profit and loss at fair value	5.4	167.7	0.2		167.8
Derivative financial assets	5.7	9.7	21.0		30.7
Financial liabilities recognised at fair value					
Derivative financial liabilities	5.7	2.3	35.3		37.7
Financial assets not recognised at fair value					
Cash and cash equivalent	5.4		922.4		922.4
Financial liabilities not recognised at fair value					
Non-current interest-bearing financial liabilities	5.5		1,188.0		1,188.0
Current interest-bearing financial liabilities	5.5		313.1		313.1

OTHER NON-CURRENT FINANCIAL ASSETS MEASURED AT FAIR VALUE BASED ON LEVEL 3

EUR million	2020	2019
Opening balance	271.1	285.1
Total gains and losses in profit and loss	-0.2	3.2
Total gains and losses in other comprehensive income	-68.1	-13.5
Purchases	3.0	0.0
Settlements	-0.3	-3.7
Closing balance	205.5	271.1

FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

ACCOUNTING PRINCIPLES

Derivative contracts are initially recognised on the balance sheet at fair value at cost, and thereafter during their term-to-maturity revalued at their fair value at each reporting date. The fair value of derivatives is presented in non-interest-bearing receivables or liabilities. Gains and losses resulting from recognition at fair value are treated in accounting as required with regard to the intended use of the derivative contract in question. Derivatives are initially classified as either 1) Hedges of the exposure to changes in the fair value of receivables, liabilities or firm commitments; 2) Hedges of the cash flow from a highly probable forecast transaction; 3) Hedges of a net investment in a foreign entity; or 4) Derivatives to which it has been decided not to apply hedge accounting.

Metsä Group currently applies hedge accounting only to cash flows. When applying hedge accounting at the inception of a hedging relationship, the Group has documented the relationship between the hedged item and the hedging instruments, as well as the hedging strategy observed. To meet the requirements of hedge accounting, the Group has also continuously carried out effectiveness testing to verify that changes in the fair value of the hedging instrument for each hedging relationship cover any changes in the fair value of the hedged item effectively enough, with respect to the hedged risk. Changes in the fair value of the effective portion of derivative instruments that meet the criteria for cash flow hedging are recognised in other items of comprehensive income. The gains and losses recognised in equity are transferred to the income statement when the forecast sale or purchase is realised, and are recognised as an adjustment to the hedged item. If the forecast transaction is no longer expected to occur, the gain or loss accrued in equity is recognised immediately in the income statement. Derivatives not subject to hedge accounting, as well as the ineffective portion of derivatives subject to hedge accounting, are measured at fair value, and changes in the value of interest rate and currency derivatives are recognised in financial items and changes in the value of commodity derivatives are recognised in other income and expenses.

Hedge accounting is applied as cash flow hedging to highly probable cash flows from sales denominated in foreign currencies and contractual cash flows with floating interest rates from loans. In the management of price risks related to commodities, hedge accounting is applied to cash flows from highly probable purchases of electricity, liquefied natural gas (LNG), propane, light fuel oil, heavy fuel oil and 0.5% fuel oil. The fair values of forward foreign exchange contracts are based on the forward prices prevailing on the balance sheet date, and currency options are measured at fair value in accordance with the Black–Scholes model. Interest rate swaps are measured at the current value of cash flows, with the calculation being based on the market interest rate yield curve. The fair values of commodity derivatives are determined on the basis of publicly quoted market prices.

MANAGEMENT OF FINANCIAL RISKS AND EFFECTIVENESS OF HEDGING

The management of the Group's currency, interest rate and commodity risks is described in more detail in Note 5.6, Management of financial risks. Note 5.7., Fair values of financial assets and liabilities, includes the fair values and grouping of derivatives. Note 5.1, Equity, includes itemisations of hedge accounting entries in the fair value reserve.

The hedging of the currency flow position is effective, given that there is a direct financial relationship between the hedged sale and the hedging derivative. The spot rate component of a forward contract or the reference value component of a currency option has been determined as the hedged item, and the forward points or the option's time value are treated as hedging costs subject to amortisation based on the period. Currency flow forecasts are fairly stable, invoicing steady within quarters and months, and forward deals are allocated to each month, due to which the ineffectiveness of hedging usually remains very low. Changes in production or the structure of sales may sometimes lead to ineffectiveness during the validity of a hedging relationship, in which case the hedging is adjusted accordingly.

The hedge accounting of the cash flow from interest rates is primarily effective, given that there is a direct financial relationship between the long-term loans subject to hedging and the hedging interest rate swaps. Ineffectiveness in the hedge relationship derives from any possible differences between the loans and the swaps' interest rate periods as well as from differences in the reference rates of contract terms. The ineffective portion of interest rate hedging is recognised through profit and loss. Early repayments of loans may cause an inefficiency situation where the hedging interest rate swaps are reversed or taken out from hedge accounting, and the change in fair value is recognised as financial items in comprehensive income.

The hedging of commodity purchases is effective, given that, in lieu of the total purchase price, the hedged item is the same, identical risk component of pricing applied in the hedging derivative. In the hedging of the price risk of electricity, the hedged item is what is referred to as the portion of the system price and the hedging takes place with a system-priced electricity swap. Correspondingly, the price components of the purchases and the hedging derivative in the hedging of natural gas, propane and light and heavy fuel oil are identical. Commodity purchases are fairly steady and hedges are allocated to each month, due to which the ineffectiveness of the hedging usually remains low. Changes in the use of various commodities may sometimes lead to ineffectiveness during the validity of a hedging relationship, in which case the hedging is adjusted accordingly.

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DERIVATIVES 2020

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

Changes in fair values and profit and loss impacts will be presented in note 5.1

DERIVATIVES 2019

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

Changes in fair values and profit and loss impacts will be presented in note 5.1

ECONOMIC EFFECT OF THE NET SETTLEMENT OF INSTRUMENTS UNDER MASTER NETTING AGREEMENTS EXECUTED IN 2020

	Financial derivatives on-balance sheet	**Assets and liabilities related to master netting agreements**	**Net risk**
Derivative assets	58.7	28.4	30.3
Derivative liabilities	-41.7	-28.4	-13.3

ECONOMIC EFFECT OF THE NET SETTLEMENT OF INSTRUMENTS UNDER MASTER NETTING AGREEMENTS EXECUTED IN 2019

	Financial derivatives on-balance sheet	**Assets and liabilities related to master netting agreements**	**Net risk**
Derivative assets	30.7	22.7	8.0
Derivative liabilities	-37.7	-22.7	-15.0

Master netting agreements are used for derivative contracts entered into by the Group and its counterparties. In the event of unlikely credit events, all valid transactions based on the agreement will be cancelled, and only one net sum will be payable by each counterparty for all the transactions. The items are not netted on the balance sheet.

MATURITY DISTRIBUTIONS OF DERIVATIVES 2020

EUR million	**1–6 months**	**6–12 months**	**1–5 years**	**Over 5 years**	**Cash flow subject to hedging in total**
Interest-rate derivatives subject to hedge accounting	22.1	22.1	351.7	89.7	485.6
Interest-rate derivatives not subject to hedge accounting	0.1	2.0			2.0
Currency derivatives subject to hedge accounting	1,139.8	228.6			1,368.4
Currency derivatives not subject to hedge accounting	247.3				247.3
Commodity derivatives subject to hedge accounting	17.2	16.1	1.9		35.3

MATURITY DISTRIBUTIONS OF DERIVATIVES 2019

EUR million	**1–6 months**	**6–12 months**	**1–5 years**	**Over 5 years**	**Cash flow subject to hedging in total**
Interest-rate derivatives subject to hedge accounting	22.1	22.1	226.7	258.9	529.8
Interest-rate derivatives not subject to hedge accounting	0.1	0.1	1.8		1.9
Currency derivatives subject to hedge accounting	1,087.7	224.3			1,311.9
Currency derivatives not subject to hedge accounting	246.9	2.2			249.1
Commodity derivatives subject to hedge accounting	19.3	11.7	5.6		36.6

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6. INCOME TAXES

ACCOUNTING PRINCIPLES

Tax expenses in the income statement consist of taxes based on the taxable income for the period, taxes for previous periods, and deferred tax assets and liabilities. The tax effect related to the items recorded in the comprehensive income statement is recognised in the comprehensive income statement. Taxes based on the taxable income for the period are calculated based on taxable income in accordance with the tax rate as it stands in each country at that time. Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount and the tax base in accordance with the tax rates issued as at the balance sheet date.

No deferred taxes are recognised for non-deductible goodwill, and no deferred taxes are recognised for subsidiaries' undistributed profits to the extent that the difference will not likely realise in the predictable future. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilised.

Deferred income tax assets and liabilities can be offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes are related to the same taxation authority.

The most significant temporary differences arise from depreciation of property, plant and equipment; the measurement of other investments and derivatives contracts at fair value; defined benefit plans; unused tax losses; and measurement at fair value in conjunction with acquisitions of business operations.

KEY ESTIMATES AND JUDGEMENTS

The management's judgement is required for determining the taxes based on the result for the period, deferred tax assets and liabilities, and the extent to which deferred tax assets are recorded. The Group is subject to income taxation in several countries, and the final amount of tax is uncertain for several business operations and calculations. The Group forecasts future tax audits and recognises liabilities based on estimates of whether further taxes will need to be paid. If the associated final tax differs from the originally recorded amounts, the difference has an effect on both the taxes based on the taxable income for the period, and on deferred tax receivables and liabilities.

EUR million	2020	2019
Income taxes for the financial period	-64.9	-61.4
Income taxes for previous periods	-0.1	-1.2
Change in deferred taxes	-2.9	-14.1
Other	-0.1	-0.1
Total	-67.9	-76.8

INCOME TAX RECONCILIATION

EUR million	2020	2019
Result before taxes	330.1	315.7
Computed tax at Finnish statutory rate	66.0	63.1
Difference between Finnish and foreign rates	1.8	-0.8
Tax exempt income	-2.7	-1.4
Non-deductible expenses	3.5	1.8
Impairment of goodwill		15.4
Restatement of deferred taxes from previous years	1.3	-2.1
Previous years tax losses used during the period	-1.5	-0.4
Unrecognised deferred tax receivables from tax losses	-0.1	1.7
Share of profit from associated companies and joint ventures	-0.7	-0.6
Income taxes for previous periods	0.1	1.2
Other	0.4	-1.2
Income tax expense	67.9	76.8
Effective tax rate, %	20.6	24.3

TAXES INCLUDED IN OTHER COMPREHENSIVE INCOME 2020

EUR million	Before tax	Tax effect	After tax
Items that will not be reclassified to profit and loss			
Items relating to adjustments of defined benefit plans	-8.9	2.0	-6.9
Fair value of financial assets through other comprehensive income	-68.1	13.6	-54.5
Total	-77.0	15.6	-61.4
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges	23.9	-4.6	19.2
Currency translation differences	-5.5		-5.5
Other items			
Total	18.4	-4.6	13.7

TAXES INCLUDED IN OTHER COMPREHENSIVE INCOME 2019

EUR million	Before tax	Tax effect	After tax
Items that will not be reclassified to profit and loss			
Items relating to adjustments of defined benefit plans	-15.7	2.4	-13.3
Fair value of financial assets through other comprehensive income	-13.5	2.7	-10.8
Total	-29.2	5.1	-24.0
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges	-17.8	3.7	-14.0
Currency translation differences	3.1		3.1
Other items	0.0		
Total	-14.7	3.7	-11.0

DEFERRED TAX ASSETS AND TAX LIABILITIES

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES IN 2020

EUR million	1 January 2020	Charged in income statement	Charged in other items of comprehensive income	Translation differences and others	31 December 2020
Deferred tax assets in balance sheet					
Pension obligations and other provisions	15.1	-1.3	1.5	0.1	15.3
Intercompany margins	12.5	-0.4		-0.3	11.8
Other investments recognised at fair value	0.0		0.0		0.0
Unused tax losses and tax credit	9.1	12.5		0.0	21.5
Financial instruments	9.9	0.0	-1.3	0.2	8.9
Other temporary differences	11.7	-3.2	-0.5	-0.2	7.8
Total	58.4	7.5	-0.4	-0.2	65.3
Offset from deferred tax liabilities	-30.7	-9.1	2.6	-1.0	-38.2
Deferred tax assets on the balance sheet	27.7	-1.7	2.3	-1.1	27.1
Deferred tax liabilities in balance sheet					
Pension obligations	2.7	-0.6	-0.5	-0.1	1.4
Appropriations and untaxed provisions	221.5	12.4	0.0	1.6	235.5
Acquired net assets and biological assets recognised at fair value	50.8	-2.5			48.3
Other investments recognised at fair value	42.5		-13.6		28.8
Financial instruments	4.1	0.3	3.3	0.1	7.8
Hedge of net investments in foreign operations	0.0	-0.6	0.6		0.0
Other temporary differences	5.2	1.5	-0.5	0.1	6.3
Total	326.8	10.4	-10.7	1.7	328.1
Offset from deferred tax assets	-30.7	-9.1	2.6	-1.0	-38.2
Deferred tax liabilities on the balance sheet	296.1	1.3	-8.1	0.7	289.9

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES IN 2019

EUR million	1 December 2019	Charged in income statement	Charged in other items of comprehensive income	Translation differences and others	31 December 2019
Deferred tax assets in balance sheet					
Pension obligations and other provisions	15.3	-1.9	1.8	-0.1	15.1
Intercompany margins	12.5	-2.3		2.3	12.5
Other investments recognised at fair value	0.3		-0.2		0.0
Unused tax losses and tax credit	13.0	-3.5		-0.5	9.1
Financial instruments	9.9	0.0	0.1	-0.1	9.9
Other temporary differences	7.2	6.0	0.0	-1.5	11.7
Total	58.3	-1.8	1.7	0.2	58.4
Offset from deferred tax liabilities	-31.4	-0.9	1.2	0.4	-30.7
Deferred tax assets on the balance sheet	26.9	-2.7	2.9	0.6	27.7
Deferred tax liabilities in balance sheet					
Pension obligations	3.4	-0.2	-0.8	0.3	2.7
Appropriations and untaxed provisions	210.0	12.6	0.0	-1.1	221.5
Acquired net assets and biological assets recognised at fair value	55.8	-5.0		0.0	50.8
Other investments recognised at fair value	45.4		-2.9		42.5
Financial instruments	6.4	1.3	-3.5	0.0	4.1
Hedge of net investments in foreign operations		1.0		-1.0	0.0
Other temporary differences	1.3	2.6	0.0	1.2	5.2
Total	322.2	12.3	-7.2	-0.6	326.8
Offset from deferred tax assets	-31.4	-0.9	1.2	0.4	-30.7
Deferred tax liabilities on the balance sheet	290.8	11.4	-6.0	-0.2	296.1

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On 31 December 2020, the Group had EUR 105.7 million (30.7) of net tax losses, EUR 21.5 million (9.0) of which were recorded as deferred tax assets. The net tax losses were incurred in Finland, Germany and Poland. The management expects the companies to generate taxable income in the future from which the losses can be deducted.

Operating losses whose use involves uncertainty and which have not been recorded as deferred tax assets for this reason totalled EUR 550.5 million (556.5) on 31 December 2020. The net tax losses were incurred in Finland, Germany, Poland and France. Unrecognized deferred tax assets from net tax losses on 31 December 2020 totalled EUR 125.7 million (126.8).

On 31 December 2020, the Group had EUR 656.3 million of net tax losses, EUR 569.1 million of which will not expire. EUR 3.9 million of the losses will expire during the period 2021–2025 and the remaining EUR 83.3 million at a later date.

In Latvia, there are some unrecognised deferred tax liabilities regarding undistributed profits, as per IAS 12.81, but their amount is insignificant.

7. GROUP STRUCTURE

7.1 GROUP COMPANIES

SUBSIDIARIES AND JOINT OPERATIONS

ACCOUNTING PRINCIPLES

SUBSIDIARIES

In addition to the parent company Metsäliitto Cooperative, the consolidated financial statements include all companies controlled by the Group. Intra-Group shareholding is eliminated using the acquisition method. Intra-Group business transactions, receivables, liabilities and unrealised gains, as well as internal distribution of profits, are eliminated on consolidation. Unrealised gains arising from impairment are not eliminated. When necessary, the accounting principles applied by subsidiaries have been adjusted to comply with the Group's principles.

The parent company's owners' and non-controlling interests' shares of the result for the period and comprehensive income are presented in the comprehensive income statement. The non-controlling interests' share of members' funds is presented as a separate item under equity on the balance sheet.

JOINT OPERATIONS

A joint operation is a joint arrangement in which parties who have joint control in the arrangement have rights concerning the assets related to the arrangement and obligations concerning liabilities. The Group consolidates its proportion of the assets, liabilities, income and expenses of the joint operation in its financial statements.

METSÄLIITTO COOPERATIVE	Country	Group's holding %
Subsidiaries		
Kumpuniemen Voima Oy	Finland	53.97
Metsa Forest Latvia SIA	Latvia	100.00
Metsa Group Asia Co. Ltd	China	100.00
Metsä Board Oyj [1)]	Finland	48.16
Metsä Fibre Oy	Finland	62.09
Metsä Forest Eesti AS	Estonia	100.00
Metsä Forest Sverige AB	Sweden	100.00
Metsä Group Services Sp. z.o.o.	Poland	100.00
Metsä Group Treasury Oy	Finland	100.00
Metsä Spring Oy	Finland	100.00
Metsä Tissue Oyj	Finland	100.00
Metsä Wood Deutschland GmbH	Germany	100.00
Metsä Wood Eesti AS	Estonia	100.00
Metsä Wood Holland B.V.	The Netherlands	100.00
Metsä Wood Schweiz AG	Switzerland	100.00
Metsä Wood UK Ltd	Great Britain	100.00
Metsä Wood USA Inc.	USA	100.00
OOO Metsa Forest Podporozhye	Russia	100.00
OOO Metsa Forest St. Petersburg	Russia	100.00
OOO Petrovles-Podporozhye	Russia	100.00
OOO Terminal Rubezh	Russia	100.00
Joint operations		
Kiinteistö Oy Metsätapiola	Finland	48.98
Kiinteistö Oy Metsätapiolan Pysäköinti	Finland	48.96
Kiinteistö Oy Tapiolan Jalopuupysäköinti	Finland	5.51
Lohjan Biolämpö Oy [2)]	Finland	51.00

METSÄ FIBRE GROUP	Country	Group's holding %
Subsidiaries		
Metsä Fibre GmbH	Germany	100.00
Metsä Fibre S.r.l.	Italy	100.00
OOO Metsä Svir	Russia	100.00
Oy Silva Shipping Ab	Finland	100.00
Ääneverkko Oy	Finland	100.00

METSÄ BOARD GROUP	Country	Group's holding %
Subsidiaries		
Husum Pulp AB	Sweden	100.00
Metsa Board (Middle East & Africa) Ltd	Cyprus	100.00
Metsa Board Americas Corporation	USA	100.00
Metsa Board Australia and New Zealand Pty Ltd	Australia	100.00
Metsa Board Hong Kong Ltd	Hong Kong	100.00
Metsa Board Ibéria S.A.	Spain	100.00
Metsa Board IBP (HK) Ltd	Hong Kong	100.00
Metsa Board Italia S.r.l.	Italy	100.00
Metsa Board Middle East & Africa DMCC	United Arab Emirates	100.00
Metsa Board Singapore Pte Ltd	Singapore	100.00
Metsa Board UK Ltd	Great Britain	100.00
Metsä Board Benelux n.v./s.a	Belgium	100.00
Metsä Board Deutschland GmbH	Germany	100.00
Metsä Board France S.A.S.	France	100.00
Metsä Board International Oy	Finland	100.00
Metsä Board NL Holding B.V.	Netherlands	100.00
Metsä Board Polska Sp. Z o.o.	Poland	100.00
Metsä Board Sverige AB	Sweden	100.00
Metsä Board Turkey LLC	Turkey	100.00
OOO Metsä Board Rus	Russia	100.00
Oy Hangö Stevedoring Ab	Finland	100.00

METSÄ TISSUE GROUP	Country	Group's holding %
Subsidiaries		
Dambi AB	Sweden	100.00
Metsa Tissue Czech s.r.o.	Czech Republic	100.00
Metsa Tissue Krapkowice Sp. z.o.o.	Poland	100.00
Metsa Tissue Poland Sp. z.o.o.	Poland	100.00
Metsa Tissue Slovakia s.r.o.	Slovakia	100.00
Metsa Tissue Ukraine LCC	Ukraine	100.00
Metsä Tissue A/S	Denmark	100.00
Metsä Tissue AB	Sweden	100.00
Metsä Tissue AS	Norway	100.00
Metsä Tissue GmbH	Germany	100.00
Metsä Tissue Hungary Kft.	Hungary	100.00
Metsä Tissue Immobilienverwaltungs GmbH	Germany	100.00
Metsä Tissue Ltd	Great Britain	100.00
Joint operations		
Katrinefors Kraftvärme AB [2)]	Sweden	50.00

1) Holding 67.40% by number of votes.

2) The primary goal for the arrangement is to produce energy to the parties and the liabilities of the arrangement are actually paid from the cash flow arising from the produced energy bought.

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NON-CONTROLLING INTEREST'S SHARES

Principal non-controlling interest's shares

		Non-controlling interest Holding, %		Non-controlling interest Share of result, EUR million		Non-controlling interest Share of equity, EUR million	
EUR million	**Country**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Metsä Fibre Group	Finland	37.91	38.53	-6.0	70.0	506.5	553.8
Metsä Board Group [1)]	Finland	51.84	54.32	90.7	57.6	315.6	294.1
Other subsidiaries				-0.1	-0.1	0.6	0.6
				84.7	127.5	822.7	848.5

[1)] Non-controlling interest's holding by votes 32.60% (33.75).

BUSINESS TRANSACTIONS WITH NON-CONTROLLING INTEREST

ACCOUNTING PRINCIPLES

Changes in the parent company's holdings in subsidiaries that do not cause the parent company to lose its control over the subsidiary are processed as business transactions concerning equity.

In January–March 2020, Metsäliitto Cooperative acquired Metsä Board Corporation B shares to a value of EUR 50.4 million from the market on the basis of the Board of Directors' authorisation at an average price of EUR 5.03 per share. After the acquisition, the Group owns 48.49% of Metsä Board Corporation. Following the arrangement, the non-controlling interests' share decreased by EUR 27.1 million and their earnings by EUR 23.4 million.

In August–December 2019, Metsäliitto Cooperative acquired Metsä Board Corporation B shares to a value of EUR 82.4 million and A shares to a value of EUR 0.1 million from the market based on the Board of Directors' authorisation. The average price was EUR 4.83 per share. Following the share acquisition, Metsäliitto Cooperative holds 45.68% of Metsä Board's shares and non-controlling interest decreased by EUR 47.6 million. Retained earnings also decreased by EUR 34.9 million.

In 2020 and 2019 there were no other significant acquisitions or sales of non-controlling interests.

Impact on parent company's equity from transactions with non-controlling interests:

EUR million	**2020**	**2019**
Acquisition of Metsä Board shares	-23.4	-34.9
From other businesses	-0.4	-0.6
Net impact on equity	-23.8	-35.5

SUMMARY OF FINANCIAL INFORMATION OF SUBSIDIARIES WITH A SUBSTANTIAL NON-CONTROLLING INTEREST

	Metsä Fibre Group		Metsä Board Group	
EUR million	**2020**	**2019**	**2020**	**2019**
Sales	1,826.5	2,236.0	1,889.5	1,931.8
Result for the period	-21.9	165.0	170.1	144.6
Non-controlling interest's share of the result	-6.0	70.0	90.7	57.6
Total comprehensive income for the period	-8.9	183.2	132.6	119.8
Non-controlling interest's share of the total comprehensive result	-4.3	72.9	69.7	40.9
Dividends paid to non-controlling interest	21.9	63.5	18.4	21.0
Non-current assets	1,678.5	1,630.1	1,417.9	1,434.0
Current assets	838.3	964.7	884.6	836.4
Non-current liabilities	600.3	675.6	564.7	541.5
Current liabilities	470.3	415.2	354.0	391.0
Net assets	1,446.2	1,503.9	1,383.8	1,338.0
Net cash flow from operating activities	164.1	223.8	307.7	200.5
Net cash flow arising from investing activities	-132.2	-62.3	-142.0	-66.3
Net cash flow arising from financing activities	-29.9	-161.2	-163.0	-138.9
Change in cash and cash equivalents	2.1	0.3	2.7	-4.7

The numbers are presented before Metsä Group eliminations. The subgroup's internal items are eliminated.

ASSOCIATED COMPANIES AND JOINT VENTURES

ACCOUNTING PRINCIPLES

Associated companies include all companies over which the Group has considerable influence but no control. Significant influence is usually based on a shareholding conferring 20–50% of the voting rights. A joint venture is a joint arrangement in which the parties that have joint control of the arrangement have rights to its net assets.

Investments in associated companies and joint ventures are processed using the equity method, and they are initially recognised at cost. The Group's shares in associated companies and joint ventures also include the goodwill measured at the time of acquisition, less any impairment. The Group's share of the profits or losses of associated companies and joint ventures is recognised in the income statement after the operating profit, which reflects the operative nature of these companies. Correspondingly, the Group's share of changes in other comprehensive income items of associated companies and joint ventures is recognised in its items of other comprehensive income. A proportion corresponding to the Group's shareholding is eliminated from unrealised profits between the Group and its associated companies and joint ventures. Unrealised gains arising from impairment are not eliminated. When necessary, the accounting principles applied by associated companies and joint ventures have been adjusted to comply with the Group's principles.

EUR million	**2020**	**2019**
Investments in associated companies and joint ventures		
At 1 Jan.	68.3	65.8
Share of results	3.1	3.3
Dividends received	-3.1	-3.0
Increases	3.1	3.4
Decreases	0.0	-1.1
Translations differences	-2.1	0.0
At 31 Dec.	69.3	68.3
Amounts in income statement		
Associated companies	8.4	3.4
Joint ventures	-5.3	-0.1
Total	3.1	3.3
Amounts in balance sheet		
Associated companies	58.4	52.1
Joint ventures	10.8	16.2
Total	69.3	68.3

On 1 October 2018, Metsä Spring Ltd. and the Japanese Itochu Corporation established a joint venture which invests in an industrial demo plant producing wood-based textile fibre. In 2019, Metsä Spring Oy invested EUR 2.2 million capital to the joint venture.

In 2019, Metsä Spring Oy made a EUR 1.4 million equity investment in Woodio Oy, which develops and manufactures entirely waterproof wood composites. In 2020, Metsä Spring Oy participated in the company's second round of financing by EUR 1.1 million.

INFORMATION ON PRINCIPAL ASSOCIATED COMPANIES

			Holding, %	
EUR million	**Business**	**Country**	**2020**	**2019**
Finsilva Oyj	Forest	Finland	19.8	19.8

SUMMARY OF FINANCIAL INFORMATION OF PRINCIPAL ASSOCIATED COMPANIES

EUR million	**2020**	**2019**
Finsilva Oyj		
Sales	26.7	25.0
Result for the period	40.3	15.9
Dividends received from associated company	2.9	2.9
Non-current assets	439.7	407.9
Current assets	13.9	13.6
Non-current liabilities	194.1	188.2
Current liabilities	4.7	4.3
Net assets	254.9	229.1
Reconciliation of financial information against book value in group balance sheet:		
Group's share of net assets	50.4	45.3
Book value of associated company in balance sheet	50.4	45.3

SUMMARY OF FINANCIAL INFORMATION OF OTHER THAN PRINCIPAL ASSOCIATED COMPANIES

EUR million	**2020**	**2019**
Group's share of results	0.4	0.3
Book value in group balance sheet	8.0	6.8

The Group has no principal joint ventures.

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7.2 ACQUISITIONS, ASSETS CLASSIFIED AS HELD FOR SALE AND OPERATIONS DISPOSED OF

ACCOUNTING PRINCIPLES

Acquired business operations are consolidated from the time when control is transferred to the Group, and divested operations are consolidated until the time when control is transferred away from the Group.

The consideration paid, including the contingent sales price and the identifiable assets and liabilities of the acquired business operations, are measured at fair value at the time of acquisition. Expenses related to acquisitions are recognised as costs. Depending on the acquisition, the non-controlling interests' share in the object of the acquisition is recognised at fair value or the amount that corresponds to the non-controlling interests' proportion of the net assets of the object of the acquisition.

The amount by which the sum of the consideration paid, the fair value of the non-controlling interests' share and the fair value of the assets previously owned in the object of the acquisition exceed the fair value of the identifiable net assets is recognised as goodwill.

Assets held for sale are recognised at the lower of the book value or fair value less expenses arising from the divestment. Depreciation is not recognised on assets held for sale after classification.

ACQUIRED BUSINESSES

The ownership of Äänevoima Oy, which operates in Metsä Group's Äänekoski mill area, transferred to Metsä Fibre on 28 February 2019. Äänevoima Oy has supplied heat in Äänekoski to the Metsä Board paperboard mill, the Metsä Wood veneer factory, the CP Kelco chemical plant and the district heating network of Äänekosken Energia. The aforementioned companies sold all the shares in Äänevoima Oy to Metsä Fibre on 28 February 2019. Due to the share transaction, the Group's holding increased from 56.25% to 100%. Äänevoima Oy merged with Metsä Fibre on 30 November 2019.

Kiinteistö Oy Punkaharjun Nobelinniemi, owned by the town of Savonlinna, sold its holding (65.33%) in Punkavoima Oy to Metsäliitto Cooperative on 16 December 2019. After this transaction, Metsäliitto Cooperative owns 100% of Punkavoima Oy. Punkavoima supplies heat to Metsä Wood's mills and to the district heating network in Punkaharju. Within the Group, Punkavoima Oy is handled as a structured entity, as referred to in IFRS 10, and is consolidated into the financial statements as a subsidiary. The acquisition of the shares is recorded in the consolidated financial statements as a loan repayment of EUR 1.8 million. Punkavoima was merged to Metsäliitto Cooperative on 31 October 2020.

There were no other material business acquisitions in 2020 or 2019.

ACQUIRED BUSINESSES TOTAL

EUR million	Note	2020 Posted values	2019 Posted values
Other intangible assets	4.1	0.0	0.2
Tangible assets	4.2	0.5	14.9
Inventories			0.6
Accounts receivables and other receivables		0.1	4.3
Cash and cash equivalent			0.0
Total assets		0.6	19.9
Deferred tax liabilities			0.5
Borrowings		0.4	10.9
Accounts payable and other liabilities		0.0	2.6
Total liabilities		0.5	14.0
Net assets		0.1	5.9
Acquisition cost		0.1	5.5
Expenses related to acquisition			0.5
Total		0.1	6.0
Other operating costs			0.5
Other operating income		0.0	0.4
Acquisition price		-0.1	-6.0
Cash and cash equivalents in subsidiaries		0.0	0.0
Net cash flow arising on acquisitions		-0.1	-6.0

The book values of acquired assets and liabilities are equivalent to fair values.

ASSETS CLASSIFIED AS HELD FOR SALE

In 2019, the Board of Directors of Metsäliitto Cooperative decided to initiate sales measures for the shares of Kiinteistö Oy Metsätapiola and Kiinteistö Oy Metsätapiolan Pysäköinti, which are part of the Other Operations segment, and the unsold parking spaces of Kiinteistö Oy Tapiolan Jalopuupysäköinti. The transaction was completed on 21 January 2021. Metsäliitto Cooperative signed a long-term lease agreement in connection with the transaction. The assets held for sale have been valued at book value on 31 December 2020 and 31 December 2019.

ASSETS CLASSIFIED AS HELD FOR SALE TOTAL

EUR million	Note	2020	2019
Tangible assets	4.2	31.9	31.9
Accounts receivables and other receivables		0.1	0.2
Cash and cash equivalent	5.4	0.3	0.3
Total assets		32.3	32.3
Provisions	4.9	0.2	0.2
Borrowings	5.5	17.4	14.5
Accounts payables and other liabilities		0.1	0.2
Net cash flow arising on disposals		17.7	14.9

DISPOSED OPERATIONS

DISPOSED SUBSIDIARIES, BUSINESSES AND JOINT VENTURES

On 23 December 2019, Metsä Tissue announced that it had agreed to sell its napkin business to keeper Group, part of the 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 closed on 29 February 2020. The transaction had a negative cash flow impact of EUR 3.4 million in 2020.

Metsäliitto Cooperative sold during 2019 shares in Asunto Oy Tapiolan Jalava, Asunto Oy Tapiolan Pyökki, Asunto Oy Tapiolan Saarni, Asunto Oy Tapiolan Tammi and Kiinteistö Oy Tapiolan Jalopuupysäköinti. At the end of 2019 Metsäliitto Cooperative owns 5.51% of Kiinteistö Oy Tapiolan Jalopuupysäköinti. From the sales of shares in 2019 a total of EUR 0.3 million was recognised as sales gains and the sales generated a total positive cash flow of EUR 0.4 million.

DISPOSED OPERATIONS TOTAL

EUR million	Note	2020	2019
Tangible and intangible assets	4.1, 4.2		0.6
Total assets		0.0	0.6
Borrowings			0.5
Total liabilities		0.0	0.5
Net assets		0.0	0.1
Selling price			0.4
Profit on disposal before tax			0.3
Net cash flow arising on disposals		-3.4	0.4

7.3 RELATED PARTY TRANSACTIONS

The Group's related parties include associated companies and joint ventures as well as the Metsäliitto Employees' Pension Foundation until 31 December 2019. Also the members of the Board of Directors, the members of the Group Executive Management Team and the President and CEO as well as their close family members are considered as related parties.Transactions with related parties are based on market prices.

The management's salaries, remuneration and pension expenses are presented in Note 3.2

TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2020	2019
Sales	16.5	12.4
Purchases	109.8	108.0
Accounts receivables and other receivables	3.0	4.1
Accounts payable and other liabilities	10.0	11.7

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

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8. OTHER NOTES

8.1 COMMITMENTS AND CONTINGENCIES

PENDING DISPUTES

In the autumn of 2015 as a part of Metsä Board Oyj's 2014 tax assessment Finnish Tax Administration refused to accept the deductibility of a French subsidiary's losses transferred in a cross-border merger. Metsä Board has appealed the decision issued by the Tax Administration, as the company believes the losses are deductible. The Board of Adjustment dismissed the company's appeal in March 2018. The company has appealed against the decision to the Administrative Court of Helsinki.

During the past few years companies belonging to Metsä Group have acted as sellers in many share transactions giving normal seller's securities. It is not impossible that demands against these companies are made regarding the given securities and that these securities could result in extra costs for the companies.

CONTINGENT LIABILITIES

EUR million	2020	2019
Own liabilities for which collateral has been provided	29.5	54.7
Pledges granted		88.1
Floating charges	3.0	2.8
Real estate mortgages	227.9	267.0
Total collateral provided for own liabilities	230.9	357.9
Leases not yet commenced to which the Group is committed		16.0
Other commitments given on own behalf	7.7	27.2
Commitments given on the behalf of associated companies and joint ventures	0.4	0.5
Commitments given on the behalf of others		0.0
Total	239.0	401.6

Pledges granted are shares in subsidiaries and bank assets securing the Nord-Pool liabilities.

COMMITMENTS RELATED TO PROPERTY, PLANT AND EQUIPMENT

EUR million	2020	2019
Payments due in following 12 months	123.3	67.3
Payments due later	42.0	
Total	165.2	67.3

8.2 EVENTS AFTER THE FINANCIAL PERIOD

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

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

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

The Nordic real estate investment company NREP bought Metsä Group's head office in Tapiola, Espoo, in January. The debt-free transaction price of Metsä Group's ownership was EUR 44 million. Metsäliitto Cooperative signed a long-term lease agreement in connection with the transaction. Additional information on assets classified as held for sale in note 7.2.

KEMI BIOPRODUCT MILL

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

The Kemi bioproduct mill will increase the annual value of Finland's exports by approximately EUR 0.5 billion, and the positive income effect in Finland from wood sales and domestic purchases will also be approximately EUR 0.5 billion. The new bioproduct mill will secure the 250 jobs in the existing pulp mill in Kemi for decades to come. The Kemi bioproduct mill will create around 1,500 new jobs across its entire direct value chain in Finland, most of them in wood sourcing. All in all, around 2,500 people will work in the direct value chain of the Kemi bioproduct mill in Finland. The Finnish companies have been competitive, and the Kemi bioproduct mill project's degree of Finnish origin is estimated to be high, approximately 70%. During the construction phase, the employment impact will be nearly 10,000 person-years, more than half of it will be located in Kemi. The number of individual persons working in the mill area during the construction phase is estimated to be around 15,000.

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

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

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PARENT COMPANY INCOME STATEMENT

(FINNISH ACCOUNTING STANDARD, FAS)

EUR	Note	1 Jan.–31 Dec. 2020	1 Jan.–31 Dec. 2019
SALES	2	1,797,325,324.16	1,955,395,965.22
Change in stocks of finished and unfinished products		2,276,696.50	-3,420,769.84
Production for own use		129,673.86	125,778.22
Other operating income	3, 4	82,151,102.74	84,622,182.15
Materials and services			
Materials, consumables and goods			
Purchases during the financial period		-1,194,025,840.33	-1,322,380,884.20
Changes in inventories		-11,697,737.14	5,702,977.99
External services	5	-423,484,644.47	-464,650,863.89
Employee costs	5	-131,819,023.07	-134,327,241.93
Depreciations and impairment charges	3, 6	-18,740,237.75	-17,084,489.99
Other operating expenses	3, 5	-84,895,795.89	-81,115,635.47
		-1,864,663,278.65	-2,013,856,137.49
OPERATING RESULT		17,219,518.61	22,867,018.26
Financial income and expenses	7		
Income from Group companies		65,764,957.66	147,244,156.69
Income from participating interest		3,109,641.25	3,014,641.25
Income from other financial investments		4,500,838.06	4,536,413.52
Other interest and financial income		1,288,914.22	1,752,647.49
Value adjustments on non-current investments		-1,268,769.74	742,365.06
Interest expenses and other financial expenses		-3,242,565.06	-4,036,483.89
		70,153,016.39	153,253,740.12
RESULT BEFORE APPROPRIATIONS AND TAXES		87,372,535.00	176,120,758.38
Appropriations			
Change in depreciation differences	6	-12,467,516.50	-13,324,302.28
Group contribution		-840,000.00	-777,000.00
		-13,307,516.50	-14,101,302.28
INCOME TAXES	8	-1,109,130.20	-2,170,992.54
RESULT FOR THE FINANCIAL PERIOD		72,955,888.30	159,848,463.56

PARENT COMPANY BALANCE SHEET

EUR	Note	31.12.2020	31.12.2019
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible assets		15,506,852.61	16,548,056.37
Goodwill		106,501.20	213,002.41
Other intangible assets		191,855.40	376,000.39
Advance payment and construction in progress		7,992,012.87	5,826,357.09
		23,797,222.08	22,963,416.26
Tangible assets	9		
Land and water areas		7,821,203.07	8,106,782.27
Buildings and constructions		41,138,809.73	32,436,450.61
Machinery and equipment		108,175,273.02	104,565,234.17
Other tangible assets		7,695,312.23	6,316,180.52
Advance payment and construction in progress		4,055,521.88	5,202,374.68
		168,886,119.93	156,627,022.25
Investments	10, 11, 20		
Shares in Group companies		1,776,982,843.13	1,755,996,908.68
Receivables from Group companies		89,750,483.00	90,586,655.77
Shares in Associated companies		28,585,544.17	32,190,524.76
Other shares and holdings		1,789,124.40	1,948,079.33
		1,897,107,994.70	1,880,722,168.54
Total non-current assets		**2,089,791,336.71**	**2,060,312,607.05**
CURRENT ASSETS			
Inventories			
Materials and consumables		120,755,857.30	132,371,777.40
Unfinished products		1,876,337.68	2,338,606.71
Finished products		7,357,810.89	4,618,845.35
Advance payments		29,656,882.98	32,852,434.07
		159,646,888.85	172,181,663.53
Non-current receivables	12		
Receivables from Group companies		37,087,500.00	37,114,534.38
Deferred tax	15	50,600.32	269,614.11
		37,138,100.32	37,384,148.49
Current receivables	12		
Accounts receivables		65,408,082.78	51,585,133.81
Receivables from Group companies		541,768,187.96	424,410,585.56
Receivables from Associated companies		918,294.74	2,538,324.16
Other receivables		3,057,574.25	2,210,553.09
Prepayments and accrued income		4,137,030.81	4,250,756.54
		615,289,170.54	484,995,353.16
Total receivables		**652,427,270.86**	**522,379,501.65**
Cash and cash equivalents		**255,052.56**	**303,234.55**
Total current assets		**812,329,212.27**	**694,864,399.73**
TOTAL ASSETS		**2,902,120,548.98**	**2,755,177,006.78**

EUR	Note	31.12.2020	31.12.2019
MEMBERS' FUNDS AND LIABILITIES			
MEMBERS' FUNDS	13		
Members' capital			
Participation shares		259,301,775.40	250,794,853.31
Additional shares A		1,068,874,435.76	959,332,111.21
Additional shares B		169,838,173.50	168,302,206.31
Transfer of refundable members' capital to liabilities for the waiting period		-78,068,398.80	-53,030,202.66
Other reserves			
Reserve for invested unrestricted equity		500,260,257.36	500,217,714.04
General reserve I		3,939,904.28	3,939,904.28
General reserve II		67,401,740.00	67,401,740.00
Value adjustment reserve		120,284.71	-636,717.61
Retained earnings		453,933,072.76	378,478,931.69
Result for the financial period		**72,955,888.30**	**159,848,463.56**
		2,518,557,133.27	**2,434,649,004.13**
Appropriations			
Accumulated depreciation difference	6	**53,507,579.79**	**41,040,063.29**
Provisions	14	**403,357.52**	**552,173.53**
LIABILITIES			
Non-current liabilities	16		
Other liabilities		20,582,399.00	13,586,149.50
		20,582,399.00	13,586,149.50
Current liabilities	17		
Loans from financial institutions		0.03	0.00
Pension premium loans		0.00	-0.01
Advance payments		2,278,646.39	3,688,916.69
Accounts payable		105,768,817.48	83,264,752.27
Payables to Group companies		21,043,643.11	19,568,671.29
Payables to participating interest		2,241,814.92	1,444,659.63
Other liabilities		69,673,861.86	51,468,525.02
Accruals and deferred income		108,063,295.61	105,914,091.44
		309,070,079.40	265,349,616.33
Total liabilities		**329,652,478.40**	**278,935,765.83**
TOTAL SHAREHOLDES' EQUITY AND LIABILITIES		**2,902,120,548.98**	**2,755,177,006.78**

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PARENT COMPANY CASH FLOW STATEMENT

EUR	2020	2019
Cash flow from operating activities		
Operating result	17,219,518.61	22,867,018.26
Adjustments to result [1)]	18,883,571.48	14,664,161.56
Interest received	5,789,453.18	6,288,806.21
Interest paid	-2,671,761.72	-3,420,345.79
Dividends received	68,874,898.01	150,259,052.74
Other financial items, net	-1,069,525.12	-647,533.72
Taxes paid	-785,402.24	-1,430,713.35
Change in working capital [2)]	1,922,752.12	-32,814,288.99
	108,163,504.32	155,766,156.92
Cash flow arising from investing activities		
Acquisition of shares	-50,651,039.60	-117,517,689.68
Investments in tangible and intangible assets	-27,407,951.50	-36,401,807.49
Proceeds from disposal of shares and businesses	2,780,746.54	4,921,789.43
Return of capital	24,169,491.16	28,615,231.75
Proceeds from sale of tangible and intangible assets	84,037.19	3,447,599.98
Increase and decrease of non-current receivables, net	27,034.38	7,885,465.62
	-50,997,681.83	-109,049,410.39
Cash flow before financial activities	**57,165,822.49**	**46,716,746.53**
Cash flow arising from financial activities		
Interest paid on members' capital	-71,939,229.89	-74,115,584.04
Increase in non-current liabilities	99,356.33	-3,379,460.78
Decrease in non-current liabilities	0.00	-9,470,218.00
Increase or decrease in interest bearing current liabilities, net	-1,636,757.54	-6.99
Increase or decrease in interest bearing current receivables, net	-90,910,037.94	-97,068,462.30
Increase in members' capital	107,172,664.56	137,371,383.39
	-57,214,004.48	-46,662,348.72
Change in cash and cash equivalents	**-48,181.99**	**54,397.81**
Cash and cash equivalents at beginning of period	303,234.55	248,836.74
Change in cash and cash equivalents	-48,181.99	54,397.81
Cash and cash equivalents at end of period	**255,052.56**	**303,234.55**
[1)] Adjustments to operating result		
Depreciations and impairment charges	18,740,237.75	17,084,489.99
Gains or losses on sale of fixed assets	292,149.74	-2,237,843.40
Change in provisions	-148,816.01	-182,485.03
Total	18,883,571.48	14,664,161.56
[2)] Change in working capital		
Inventories	12,616,591.73	8,425,801.63
Current receivables, non-interest bearing	-34,263,821.15	33,571,098.24
Current liabilities, non-interest bearing	23,569,981.54	-74,811,188.86
Total	1,922,752.12	-32,814,288.99

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

Metsäliitto Cooperative's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS). Punkavoima Oy has been merged 31 October 2020 to Metsäliitto Osuuskunta.

TRANSACTION IN FOREIGN CURRENCY

Transactions in foreign currency have been recognised at the exchange rate on the day of the transaction. At the balance sheet date, receivables and liabilities denominated in foreign currency have been translated into euros at the exchange rate quoted by the European Central Bank at the balance sheet date. Net exchange gains/losses have been recognised to financial income and expenses in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

Metsäliitto Osuuskunta is using derivative financial instruments only for hedging from currency, interest and commodity risks. As from the beginning of year 2018 financial derivatives has been valuated to present value by using alternative procedure according to Finnsih accounting act., chapter 5 § 2a. Governance and principles applied for financial derivatives has been introduced in Group financial statement notes of the accounts 5.6 and 5.7.

SALES

Sales are calculated after deduction of indirect sales taxes, trade discounts and other items adjusting sales.

PENSIONS AND PENSION FUNDING

Statutory pension security is handled by pension insurance companies outside the Metsä Group. In addition to statutory pension security, some salaried employees have supplementary pension arrangements which are either insured, arranged through the Metsäliitto Emplyees' Pension Foundation or are an unfunded liability of the company. Pension insurance premiums have been periodised to correspond to the accrual based wages and salaries given in the financial statements.

LEASING

Lease payments are treated as rental expenses.

INCOME TAXES

Income tax in the income statement include the income tax of the taxable result for the period, adjustments to taxes of previous period and deferred taxes. Deferred taxes are caclulated from temporary differences due to differences in assets and liabilities bookkeeping value compared to taxable value. Deferred tax has been calculated by using tax base confirmed by Finnish tax authorities.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

The carrying values of property, plant and equipment are based on original acquisition costs less depreciation according to plan and impairment losses. Depreciation according to plan is based on the estimated useful life of the asset as follows:

Buildings and constructions	20–40 years
Heavy machinery	10–40 years
Medium heavy machinery	10–20 years
Lightweight machinery and equipment	3–15 years
Other tangible assets	3–10 years

Depreciation is not recorded on the purchase cost of land and water areas.

INVENTORIES

Inventories are measured at acquisition cost or a lower net realisable value. In measuring inventories, the FIFO principle is observed or , alternatively, the weighted average price method. The acquisition cost of finished goods and work in progress include raw materials, direct wages and salaries, depreciation and other direct cost as well as a product focused share of variable and fixed production costs at normal level of production. Net realisable value is the estimated sales price less cost of production and sales.

PROVISIONS

Future costs and losses to which the company is committed and which are likely to be realised are included in the income statement under the appropriate expense heading and in the balance sheet under provisions for future costs whenever the precise amount and the time of occurrence are not known.

APPROPRIATIONS

Finnish tax legislation offers the possibility to deduct expenses prematurely from the profit for the financial period and to transfer them to the balance sheet as provisions. The items are taken into account in tax filings only if they have been entered in the accounts. These items are presented in the appropriations in the income statement. The most substantial of these appropriations is the depreciation difference on fixed assets.

TERMINOLOGY

In its financial reporting, Metsäliitto Cooperative has started to primary use the word "result" to describe the financial result. Secondary the words "profit" or "loss" can be used, if the word "result" for some reason does not fit in the context. The term "surplus" and "deficit" can also be used if there is a need to show a connection to the Cooperatives Act or to the rules of the cooperative.

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EUR	2020	2019
2. SALES BY MARKET AREA		
Finland	1,557,742,367.50	1,690,564,325.40
Other EU-countries	169,160,624.40	202,427,957.05
Other countries	70,422,332.26	62,403,682.77
Total	1,797,325,324.16	1,955,395,965.22
3. EXTRAORDINARY ITEMS		
Other operating income		
Sale of Karihaara mill land areas and buildings to Metsa Fibre	0.00	1 999 999.99
	0.00	1 999 999.99
Other operating expenses		
Disposal of Eläkesäätiö insurance operations to OP bank	645,321.73	766 734.24
	645,321.73	766 734.24
Extraordinary items in income statement	-645,321.73	1 233 265.75
4. OTHER OPERATING INCOME		
Rental income, external	1,646,714.34	1,539,402.37
Service revenue, external	78,531,679.36	72,834,855.54
Gains from sale of tangible and intangible assets	64,595.11	2,501,587.03
Other operating income	1,908,113.93	7,746,337.21
Total	82,151,102.74	84,622,182.15

Gains on sales of assets include year 2019 sales gains EUR 1,999,999.00 from sale of Karihaara sawmill land areas and buildings to Metsä Fibre Oyj.

EUR	2020	2019
5. OPERATING EXPENSES		
External services		
Distribution costs	222,126,799.84	243,335,875.07
Other external services	201,357,844.63	221,314,988.82
Total	423,484,644.47	464,650,863.89
Employees costs		
Wages, salaries and fees	89,103,325.89	89,999,759.88
Social security expenses		
Pension expenses	18,415,288.06	18,871,001.79
Other social security expenses	24,300,409.12	25,456,480.26
Total	131,819,023.07	134,327,241.93
Salaries and remunerations paid to management		
Chief Executive Officer and Managing director, Deputy Managing Director	2,956,675.47	3,517,001.10
Board members and executive group	682,140.00	572,290.00
Board of governors, fees	258,700.00	272,900.00
Total	3,897,515.47	4,362,191.10

Deputy Managing Diretor long term fee EUR 446,129.50 of earning period 2015–2017 was postponed year 2018. Postponed long term fees were paid according to terms and board decision EUR 494,282.70 in year 2019 Year 2019 payment include also year 2017 postponed fees.

Share-based payments to management are presented in Group's Note 3.3. and other fees paid to management are presented in Group's Note 3.4.

DIRECTORS' PENSION COMMITMENTS

President Ilkka Hämälä age of retirement is according to Finnish Act of employer retirement. Ilkka Hämälä is also participant in arrangement of Metsä Group directors benefit based additional pension. Based of additional pension arrangement the level of the President pension is maximum 60 % of the total salaries under employee pension, which is calculated according to previous 5 year period salaries before retirement. If Presidents' employment in Metsä Group is terminated before retirement, he is entitled to paid-up policy. Some Metsäliitto directors have, depending on employment start, separate benefit based additional pension insurance, where retirement age is 62 years.

Management's salaries, wages and pension commitments are presented in Group's Note 3.2.

The President and CEO, the members of the Board of Directors and their deputies and other similar institutions key persons have not been granted loans and no guarantees or other guarantees have been issued for them.

EUR	2020	2019
Average amount of personnel	1,987	2 014
Other operating expenses		
Rents and other property expenses	7,337,994.30	7,391,803.99
Services bought	57,859,195.85	50,445,238.26
Loss on sale of non-current assets	99,304.44	248,129.40
Other operating expenses		
Voluntary social costs	3,009,784.06	2,653,339.06
Travel expenses	4,532,946.47	7,289,181.29
Advertising and Marketing Costs	3,994,781.72	4,692,020.91
Other	8,061,789.05	8,395,922.56
Total	84,895,795.89	81,115,635.47
Auditor's fee		
Audit	206,369.10	173,112.00
Auditors' opinions	2,700.00	1,500.00
Tax services	20,000.00	0.00
Other service	19,000.00	7,290.00
Total	248,069.10	181,902.00

The auditor is KPMG Oy Ab.

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EUR	2020	2019

6. DEPRECIATION AND IMPAIRMENT CHARGES

Depreciation according to plan		
Intangible rights	4,943,211.29	5,124,265.05
Goodwill	106,501.21	106,501.20
Other intangible assets	189,293.69	221,211.56
Land area	277,173.70	0.00
Buildings and constructions	2,156,207.49	1,816,915.52
Machinery and equipment	9,995,222.81	8,834,987.92
Other tangible assets	1,072,627.56	980,608.74
	18,740,237.75	17,084,489.99
Depreciations and impairment charges total	18,740,237.75	17,084,489.99
Change in deprciation differences	12,467,516.50	13,324,302.28
Total depreciation	31,207,754.25	30,408,792.27
Depreciation difference at the beginning of the financial year	41,040,063.29	27,715,761.01
Change in deprciation differences	12,467,516.50	13,324,302.28
Depreciation difference at the end of the financial year	53,507,579.79	41,040,063.29

7. FINANCIAL INCOME AND EXPENSES

Income from non-current investments		
Dividend income		
From Group companies	65,764,957.66	147,244,156.69
From participating interests	3,109,641.25	3,014,641.25
From others	299.10	254.80
Total	68,874,898.01	150,259,052.74
Interest income from non-current assets		
From Group companies	4,500,538.96	4,536,158.72
Total	4,500,538.96	4,536,158.72
Total income from non-current assets	73,375,436.97	154,795,211.46
Other interest and financial income		
Interest income from Group companies	1,079,539.33	1,431,665.93
Other interest income	209,374.89	320,981.56
Total	1,288,914.22	1,752,647.49
Exchange rate differences recognized in financial income and expenses		
Exchange rate differences on sales	-210,119.64	194,620.07
Exchange rate differences on purchases	-19,304.25	-2,882.96
Exchange rate differences on financing	-1,039,345.85	550,627.95
Total	-1,268,769.74	742,365.06
Interest and other financial expenses		
Interest expenses for the same Group companies	-109,664.07	-75,449.03
Other interest expenses	-1,677,343.20	-2,283,633.82
Other financial expenses for the same Group companies	-884,754.45	-1,045,848.63
Other financial expenses	-570,803.34	-631,552.41
Total	-3,242,565.06	-4,036,483.89
Financial income and expenses total	70,153,016.39	153,253,740.12

EUR	2020	2019

8. INCOME TAXES

Taxes for the period	1,062,418.27	1,956,405.30
Taxes for previous periods	16,948.72	178,090.24
Deferred taxes	29,763.21	36,497.00
Total	1,109,130.20	2,170,992.54

9. INTANGIBLE AND TANGIBLE ASSETS

Intangible rights		
Acquisition costs 1.1.	82,164,576.39	77,262,084.02
Increases	395,654.71	1,402,434.58
Decreases	-12,631,961.99	-8,000.00
Transfers between items	3,506,352.82	3,508,057.79
Acquisition costs 31.12.	73,434,621.93	82,164,576.39
Accumulated depreciation and impairment charges 1.1.	-65,616,520.02	-60,496,138.01
Accumulated depreciation of deductions and transfers	12,631,961.99	3,883.04
Depreciation and write-downs for the financial year	-4,943,211.29	-5,124,265.05
Accumulated depreciation and impairment on 31.12.	-57,927,769.32	-65,616,520.02
Book value 31.12.	15,506,852.61	16,548,056.37
Goodwill		
Acquisition costs 1.1.	1,074,965.47	1,074,965.47
Acquisition costs 31.12.	1,074,965.47	1,074,965.47
Accumulated depreciation and impairment charges 1.1.	-861,963.06	-755,461.86
Depreciation and write-downs for the financial year	-106,501.21	-106,501.20
Accumulated depreciation and impairment on 31.12.	-968,464.27	-861,963.06
Book value 31.12.	106,501.20	213,002.41
Other intangible assets		
Acquisition costs 1.1.	5,494,478.04	5,442,851.82
Increases	5,148.70	21,875.60
Decreases	-991,662.04	-14,312.79
Transfers between items	0.00	44,063.41
Acquisition costs 31.12.	4,507,964.70	5,494,478.04
Accumulated depreciation and impairment charges 1.1.	-5,118,477.65	-4,897,266.09
Accumulated depreciation of deductions and transfers	991,662.04	0.00
Depreciation and write-downs for the financial year	-189,293.69	-221,211.56
Accumulated depreciation and impairment on 31.12.	-4,316,109.30	-5,118,477.65
Book value 31.12.	191,855.40	376,000.39
Advance payments and work in progress		
Acquisition costs 1.1.	5,826,357.09	5,345,823.49
Increases	5,672,008.60	4,032,654.80
Transfers between items	-3,506,352.82	-3,552,121.20
Acquisition costs 31.12.	7,992,012.87	5,826,357.09

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EUR	2020	2019
Intangible assets total		
Acquisition costs 1.1.	94,560,376.99	89,125,724.80
Increases	6,072,812.01	5,456,964.98
Decreases	-13,623,624.03	-22,312.79
Acquisition costs 31.12.	87,009,564.97	94,560,376.99
Accumulated depreciation and impairment charges 1.1.	-71,596,960.73	-66,148,865.96
Accumulated depreciation of deductions and transfers	13,623,624.03	3,883.04
Depreciation and write-downs for the financial year	-5,239,006.19	-5,451,977.81
Accumulated depreciation and impairment on 31.12.	-63,212,342.89	-71,596,960.73
Book value 31.12.	23,797,222.08	22,963,416.26
Land and water areas		
Acquisition costs 1.1.	8,106,781.86	8,192,655.87
Increases	2,548.00	21,352.00
Decreases	-288,126.79	-107,226.01
Acquisition costs 31.12.	7,821,203.07	8,106,781.86
Accumulated depreciation and impairment charges 1.1.	0.41	0.41
Accumulated depreciation of deductions and transfers	277,173.29	0.00
Depreciation and write-downs for the financial year	-277,173.70	0.00
Accumulated depreciation and impairment on 31.12.	0.00	0.41
Book value 31.12.	7,821,203.07	8,106,782.27
Buildings and constructions		
Acquisition costs 1.1.	80,001,526.60	67,603,690.01
Increases	10,985,853.55	1,268,610.77
Decreases	-1,918,493.06	-863,075.43
Transfers between items	875,243.45	11,992,301.25
Acquisition costs 31.12.	89,944,130.54	80,001,526.60
Accumulated depreciation and impairment charges 1.1.	-47,565,075.99	-45,748,160.47
Accumulated depreciation of deductions and transfers	915,962.67	0.00
Depreciation and write-downs for the financial year	-2,156,207.49	-1,816,915.52
Accumulated depreciation and impairment on 31.12.	-48,805,320.81	-47,565,075.99
Book value 31.12.	41,138,809.73	32,436,450.61
Machinery and equipment		
Acquisition costs 1.1.	316,565,911.96	289,050,541.54
Increases	23,374,434.96	24,650,681.55
Decreases	-22,672,629.04	-16,564,691.56
Transfers between items	2,532,507.98	19,429,380.43
Acquisition costs 31.12.	319,800,225.86	316,565,911.96
Accumulated depreciation and impairment charges 1.1.	-212,000,677.79	-219,225,445.46
Accumulated depreciation of deductions and transfers	10,370,947.76	16,059,755.59
Depreciation and write-downs for the financial year	-9,995,222.81	-8,834,987.92
Accumulated depreciation and impairment on 31.12.	-211,624,952.84	-212,000,677.79
Book value 31.12.	108,175,273.02	104,565,234.17

EUR	2020	2019
Other tangible assets		
Acquisition costs 1.1.	16,012,425.15	15,337,863.17
Increases	994,222.82	126,412.60
Decreases	-927,574.10	0.00
Transfers between items	1,457,536.45	548,149.38
Acquisition costs 31.12.	17,536,610.32	16,012,425.15
Accumulated depreciation and impairment charges 1.1.	-9,696,244.63	-8,715,635.89
Accumulated depreciation of deductions and transfers	927,574.10	0.00
Depreciation and write-downs for the financial year	-1,072,627.56	-980,608.74
Accumulated depreciation and impairment on 31.12.	-9,841,298.09	-9,696,244.63
Book value 31.12.	7,695,312.23	6,316,180.52
Advance payments and work in progress		
Acquisition costs 1.1.	5,202,374.68	32,294,419.39
Increases	3,718,435.08	4,877,786.35
Transfers between items	-4,865,287.88	-31,969,831.06
Acquisition costs 31.12.	4,055,521.88	5,202,374.68
Total tangible assets		
Acquisition costs 1.1.	425,889,020.25	412,479,169.98
Increases	39,075,494.41	30,944,843.27
Decreases	-25,806,822.99	-17,534,993.00
Acquisition costs 31.12.	439,157,691.67	425,889,020.25
Accumulated depreciation and impairment charges 1.1.	-269,261,998.00	-273,689,241.41
Accumulated depreciation of deductions and transfers	12,491,657.82	16,059,755.59
Depreciation and write-downs for the financial year	-13,501,231.56	-11,632,512.18
Accumulated depreciation and impairment on 31.12.	-270,271,571.74	-269,261,998.00
Book value 31.12.	168,886,119.93	156,627,022.25

During year 2020 interest expenses were not capitalised (EUR 442,320.94).

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10. INVESTMENTS

EUR	2020	2019
Shares in Group companies		
Acquisions costs 1.1.	1,755,996,908.68	1,668,745,544.53
Increases	50,378,167.00	117,331,176.70
Decreases	-29,392,232.55	-30,079,812.55
Acquisions costs 31.12.	1,776,982,843.13	1,755,996,908.68
Shares in participating companies		
Acquisions costs 1.1.	32,190,524.76	35,177,782.08
Increases	272,872.60	186,512.98
Decreases	-3,877,853.19	-3,161,502.38
Transfers between items	0.00	-12,267.92
Acquisions costs 31.12.	28,585,544.17	32,190,524.76
Other shares and holdings		
Acquisions costs 1.1.	1,948,079.33	1,981,705.45
Decreases	-158,954.93	-45,894.04
Transfers between items	0.00	12,267.92
Acquisions costs 31.12.	1,789,124.40	1,948,079.33
Total investments and holdings		
Acquisions costs 1.1.	1,790,135,512.77	1,705,905,032.06
Increases	50,651,039.60	117,517,689.68
Decreases	-33,429,040.67	-33,287,208.97
Acquisions costs 31.12.	1,807,357,511.70	1,790,135,512.77
Receivables from Group companies		
Acquisions costs 1.1.	90,586,655.77	89,824,686.40
Increases	0.00	761,969.37
Decreases	-836,172.77	0.00
Acquisions costs 31.12.	89,750,483.00	90,586,655.77
Receivables total		
Acquisions costs 1.1.	90,586,655.77	89,824,686.40
Increases	0.00	761,969.37
Decreases	-836,172.77	0.00
Acquisions costs 31.12.	89,750,483.00	90,586,655.77
Investments total		
Acquisions costs 1.1.	1,880,722,168.54	1,795,729,718.46
Increases	50,651,039.60	118,279,659.05
Decreases	-34,265,213.44	-33,287,208.97
Acquisions costs 31.12.	1,897,107,994.70	1,880,722,168.54

11. FAIR VALUES OF FINANCIAL INVESTMENT IN NON-CURRENT ASSETS

EUR	2020	2019
Stock exchange listed shares		
Book value	654,949,830.77	631,264,824.31
Fair value	1,476,431,105.60	978,030,942.70
Difference	-821,481,274.83	-346,766,118.39

The fair value of the listed Metsä Board Corporation shares exceeds the book value by EUR 821.4 million at 31 December 2020.

12. RECEIVABLES

EUR	2020	2019
Non-current receivables		
Receivables from group companies		
Loans	37,087,500.00	37,114,534.38
Total	37,087,500.00	37,114,534.38
Receivables from others		
Deferred tax assets	50,600.32	269,614.11
Total	50,600.32	269,614.11
Total non-current receivables	37,138,100.32	37,384,148.49
Current receivables		
Receivables from group companies		
Accounts receivable	66,438,892.06	43,765,676.15
Loans	470,826,853.99	376,234,882.86
Prepayments and accrued income	4,502,441.91	4,410,026.55
Total	541,768,187.96	424,410,585.56
Receivables from participating companies		
Accounts receivable	918,294.74	2,538,324.16
Total	918,294.74	2,538,324.16
Receivables from others		
Accounts receivable	65,408,082.78	51 585 133.81
Other receivables	3,057,574.25	2 210 553.09
Prepayments and accrued income	4,137,030.81	4 250 756.54
Total	72,602,687.84	58 046 443.44
Total current receivables	615,289,170.54	484,995,353.16
Accrued income from group comapnies, current, specification		
Derivative receivables	729,973.16	602,190.00
Group contribution, receivable	1,280,000.00	1,320,000.00
Commission receivables	0.00	300,000.00
ICT-services	1,682,767.96	1,252,619.15
Interest receivables	344,961.58	935,217.40
Others	464,739.21	0.00
Total	4,502,441.91	4,410,026.55
Accrued income from others, current, specification		
Insurances	60,516.64	23,096.00
License receivables	3,479,785.97	3,259,158.69
Others	596,728.20	968,501.85
Total	4,137,030.81	4,250,756.54
Total receivables	652,427,270.86	522,379,501.65

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13. MEMBERS' FUNDS

EUR	2020	2019
Members' capital		
Participation shares 1.1.	250,794,853.31	239,560,701.47
Paid-in members' capital	8,058,484.09	10,783,228.55
Transfers from interests to members' capital	862,226.66	1,194,490.77
Refund of members' capital	-413,788.66	-743,567.48
Total *)	259,301,775.40	250,794,853.31
Transfer of refundable members' capital to liabilities for the waiting period	-3,842,889.01	-422,552.85
Participation shares 31.12.	255,458,886.39	250,372,300.46
Additional shares A 1.1.	959,332,111.21	829,181,181.98
Paid-in additional shares	77,344,064.40	96,309,806.85
Transfers from interests to additional shares	46,786,082.00	47,148,015.00
Equity bonus	5,313,838.81	6,228,483.44
Refund of additional shares	-19,901,660.66	-19,535,376.06
Total	1,068,874,435.76	959,332,111.21
Transfer of refundable members' capital to liabilities for the waiting period	-41,539,711.62	-23,164,990.83
Additional shares A 31.12.	1,027,334,724.14	936,167,120.38
Additional shares B 1.1.	168,302,206.31	163,209,957.17
Paid-in additional shares	12,642,495.50	16,354,368.23
Refund of additional shares	-11,106,528.31	-11,262,119.09
Total	169,838,173.50	168,302,206.31
Transfer of refundable members' capital to liabilities for the waiting period	-32,685,798.17	-29,442,658.98
Additional shares B 31.12.	137,152,375.33	138,859,547.33
Other reserves		
Reserve for invested unrestricted equity 1.1.	500,217,714.04	250,179,469.55
Transfer from retained earnings	0.00	250,000,000.00
Refund of equity bonus	42,543.32	38,244.49
Reserve for invested unrestricted equity 31.12.	500,260,257.36	500,217,714.04
General reserve I 1.1.	3,939,904.28	3,939,904.28
General reserve I 31.12.	3,939,904.28	3,939,904.28
General reserve II 1.1.	67,401,740.00	67,401,740.00
General reserve II 31.12.	67,401,740.00	67,401,740.00
Value adjustment reserve 1.1.	-636,717.61	140.00
Addition	757,002.32	0.00
Decrease	0.00	-636,857.61
Value adjustment reserve 31.12.	120,284.71	-636,717.61
Profit/loss for previous financial year 1.1.	538,327,395.25	711,738,707.04
Interest paid	-71,939,229.89	-74,115,584.04
Transfer to invested unrestricted equity	0.00	-250,000,000.00
Used for accelerated refund of participation shares	-7,098,710.46	-2,877,463.38
Used for Equity Bonus	-5,356,382.14	-6,266,727.93
Profit/loss for previous financial year 31.12.	453,933,072.76	378,478,931.69
Profit/loss for the period	72,955,888.30	159,848,463.56
Total members' funds	2,518,557,133.27	2,434,649,004.13

	EUR	2020	2019
*)	Unpaid participation shares		
	Total called-up members' capital	222,810,975.00	232,937,855.00
	Participation shares paid	-223,112,292.00	-226,058,157.00
	Unpaid participation shares	-301,317.00	6,879,698.00
	The amount available for redemption of capital		
**)	Participation shares	259,301,775.40	250,794,853.31
**)	Additional shares A	1,068,874,435.76	959,332,111.21
**)	Additional shares B	169,838,173.50	168,302,206.31
	Reserve for invested unrestricted equity	500,260,257.36	500,217,714.04
	Retained earnings	526,888,961.06	538,327,395.25
	Depreciation difference less tax liability	42,806,063.83	32,832,050.63
	Total	2,567,969,666.91	2,449,806,330.75
**)	Transfer of refundable members' capital to liabilities for the waiting period	78,068,398.80	53,030,202.66

In accordance with Metsäliitto Cooperative's rules under Section 16 one third of the distributable funds shown in the balance sheet confirmed for the preceding financial period can be used for refunding of participation shares and additional shares.

14. PROVISIONS

EUR	2020	2019
Provisions for pension		
1.1.	36,398.00	37,777.00
Decrease	-1,620.00	-1,379.00
31.12.	34,778.00	36,398.00
Provisions for unemployment pension costs		
1.1.	391,775.53	572,881.56
Increase	59,712.46	72,345.10
Decrease	-206,908.47	-253,451.13
31.12.	244,579.52	391,775.53
Other provisions		
1.1.	124,000.00	124,000.00
31.12.	124,000.00	124,000.00
Total provisions		
1.1.	552,173.53	734,658.56
Increase	59,712.46	72,345.10
Decrease	-208,528.47	-254,830.13
31.12.	403,357.52	552,173.53

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15. DEFERRED TAX RECEIVABLES AND LIABILITIES

EUR	2020	2019
Deferred tax receivables		
Provisions	80,671.50	110,434.71
Financial instruments	0.00	159,179.40
Netting against liability	-30,071.18	0.00
Total	50,600.32	269,614.11
Deferred tax liabilities		
Financial instruments	-30,071.18	0.00
Netting against receivable	30,071.18	0.00
Total	0.00	0.00
Deferred tax receivables in balance sheet	50,600.32	269,614.11

Deferred tax of depreciation difference not posted to balance sheet in 2020 is EUR 10.7 million (8.2)

16. NON-CURRENT LIABILITIES

EUR	2020	2019
Liabilities from Group companies		
Other liabilities	99,356.33	0.00
Total	99,356.33	0.00
Liabilities to others		
Other liabilities		
Transfer of refundable members' capital to liabilities for the waiting period, additional shares B	20,483,042.67	13,586,149.50
Total	20,483,042.67	13,586,149.50
Total non-current liabilities	20,582,399.00	13,586,149.50

17. CURRENT LIABILITIES

EUR	2020	2019
Liabilities from Group companies		
Advance payment	7,334,704.20	7,463,245.08
Accounts payable	10,392,631.34	7,504,859.94
Other liabilities	576,323.46	2,227,652.24
Accruals and deferred income	2,739,984.11	2,372,914.03
Total	21,043,643.11	19,568,671.29
Liabilities from participating interests		
Accounts payable	2,241,814.92	1,444,659.63
Total	2,241,814.92	1,444,659.63
Liabilities from other		
Advance payment	2,278,646.39	3,688,916.69
Accounts payable	105,768,817.48	83,264,752.27
Other liabilities		
Due members' capital transferred to liabilities during the waiting period	57,585,356.13	39,444,053.16
Other liabilities	12,088,505.76	12,024,471.85
Accruals and deferred income	108,063,295.61	105,914,091.44
Total	285,784,621.37	244,336,285.41
Total current liabilities	309,070,079.40	265,349,616.33

	2020	2019
Current liabilities include due members' capital transferred to liabilities		
Participation shares	3,842,889.01	422,552.85
Additional shares A	41,539,711.62	23,164,990.83
Additional shares B	12,202,755.50	15,856,509.48
Total	57,585,356.13	39,444,053.16
Accruals and deferred income, current, external		
Personnel expenses	30,582,028.77	33,502,884.60
Accruals of purchases	64,716,442.45	58,649,397.13
Pension insurance premiums	2,176,769.97	2,037,013.48
Other insurance premiums	785,833.23	1,561,243.25
Others	9,802,221.19	10,163,552.98
Total	108,063,295.61	105,914,091.44

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18. FINANCIAL INSTRUMENTS

Financial derivatives 2020

EUR	Nominal value	Fair value			Fair value	
		Assets	Liabilities	Fair value total	Fair value with Profit/Loss impact	with Fair value to Fair value reserve
Currency forward agreements	67,275,989.43	729,973.16	576,323.46	153,649.70	3,293.81	150,355.89
Currency derivates total	**67,275,989.43**	**729,973.16**	**576,323.46**	**153,649.70**	**3,293.81**	**150,355.89**
Derivatives total	67,275,989.43	729,973.16	576,323.46	153,649.70	3,293.81	150,355.89

Financial derivatives 2019

EUR	Nominal value	Fair value			Fair value	
		Assets	Liabilities	Fair value total	Fair value with Profit/Loss impact	with Fair value to Fair value reserve
Currency forward agreements	71,474,390.91	602,190.00	1,460,918.00	-858,728.00	-62,831.00	795,897.00
Currency derivates total	**71,474,390.91**	**602,190.00**	**1,460,918.00**	**-858,728.00**	**-62,831.00**	**795,897.00**
Derivatives total	71,474,390.91	602,190.00	1,460,918.00	-858,728.00	-62,831.00	795,897.00

All derivative contracts of Metsäliitto Cooperative has been done in purpose of hedging. Hedge accounting according to IFRS 9 has been applied to majority of these contracts. Only the part of currency forward agreements related to sales receivables and purchase liabilities is outside of hedge accounting. Currency derivatives are made for hedging of Wood product industry and Wood Supply and Forest Services cash flows, being fully due during year 2021.

Description of Group finance risk control and principles applied to derivatives is added to Group financial statement notes 5.6 and 5.7.

Fair values

EUR

The fair value hierarchy of financial assets and liabilities 2020	Level 1	Level 2	Level 3	Total
Financial liabilities recognised at fair value				
Derivative liabilities		576,323.46		576,323.46

The fair value hierarchy of financial assets and liabilities 2019	Level 1	Level 2	Level 3	Total
Financial liabilities recognised at fair value				
Derivative liabilities		1,460,918.00		1,460,918.00

Description of fair value financial assets and liabilities classification principles is added to Group financial statement note 5.7.

19. COMMITMENTS AND CONTINGENCIES

COMMITMENTS AND CONTINGENCIES

During latest 12 months there has not been any legal prodeedings or arbitrations that have or will have considerable impact on financial status of Metsäliitto Cooperative. Metsäliitto Cooperative has no information of any other future legal prodeedings.

EUR	2020	2019
Commitments and contingencies		
For own and for affiliated companies		
Guarantees and counter-indemnities	559,830,933.00	560,009,681.00
For Others		
Guarantees	0.00	30 000.00
Leasing commitments		
Less than 12 months	7,731,151.10	6,847,006.26
For later years	34,176,060.57	32,118,448.70
Total		
Guarantees and counter-indemnities	559,830,933.00	560,039,681.00
Leasing commitments	41,907,211.67	38,965,454.96
Commitments total	601,738,144.67	599,005,135.96
Investment Commitments		
Less than 12 months	1,401,477.40	447,160.00
For later years	689,110.98	0.00
Total	2,090,588.38	447,160.00

20. SHARES 31 DECEMBER 2020

	Country	Parent company share of ownership %	Group share ownership %	Number of shares	Net book value EUR
Affiliated companies					
Kumpuniemen Voima Oy	Finland	53.97		34	462,368.79
Metsa Forest Latvia SIA	Latvia	100.00		670	3,258,886.72
Metsä Board Oyj [1]	Finland	48.16	67.14	171,219,925	654,949,830.77
Metsä Fibre Oy	Finland	50.10	62.09	38,135	769,718,680.09
Metsa Forest Eesti AS	Estonia	100.00		150,000	1,145,825.66
Metsa Forest Sverige AB	Sweden	100.00		5,000	702,510.62
Metsä Group Asia Co. Ltd	China	100.00			1,792,420.12
Metsä Group Services Sp. z.o.o.	Poland	100.00		100	1,999,627.68
Metsä Group Treasury Oy	Finland	100.00		50,000	10,236,220.47
Metsä Spring Oy	Finland	100.00		100	25,200,000.00
Metsä Tissue Oyj	Finland	100.00		9,118,588	226,435,576.68
Metsä Wood Deutschland GmbH	Germany	100.00			11,947,611.09
Metsä Wood Eesti AS	Estonia	100.00		1,000	30,000,000.00
Metsä Wood Holland B.V.	Netherlands	100.00			142,949.02
Metsä Wood Schweiz AG	Switzerland	100.00		200	750,000.00
Metsä Wood UK Ltd	Great Britain	100.00		30,000,000	32,579,303.45
Metsä Wood USA Inc.	USA	100.00		1,000	0.00
OOO Metsa Forest Podporozhye	Russia	100.00			4,579,386.79
OOO Metsa Forest St. Petersburg	Russia	100.00		100	980,972.46
OOO Terminal Rubezh	Russia	100.00		10,000	100,672.72
Total					**1,776,982,843.13**

[1] Parent company share of votes 67.4%

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Associated companies	Country	Parent company share of ownership %	Group share ownership %	Number of shares	Net book value EUR
Finsilva Oyj	Finland	19.77		19,064,275	5,719,282.50
Kiinteistö Oy Metsätapiola	Finland	48.98		55,734	16,186,555.11
Kiinteistö Oy Metsätapiolan Pysäköinti	Finland	48.96		212	3,981,240.10
Kiinteistö Oy Tapiolan Jalopuupysäköinti	Finland	5.51			745,774.60
Lohjan Biolämpö Oy	Finland	51.00		867,000	868,360.00
Metsäteho Oy	Finland	24.00		40	67,275.17
Perkaus Oy	Finland	33.33		2,500	5,774.64
Suomen Metsäsijoitus Oy	Finland	25.00		23,850	1,011,282.05
Total					**28,585,544.17**

Other shares	Country	Parent company share of ownership %	Group share ownership %	Number of shares	Net book value EUR
Ab Sydösterbottens Ishall-Suupohjan Jäähalli Oy	Finland	9.49		50	0.00
Asunto Oy Tapiolan Jalava, osakkeet 2107-2219	Finland			113	592,857.42
Asunto Oy Tapiolan Jalava, osakkeet 417-528	Finland			112	562,647.36
Asunto Oy Tapiolan Jalava, varastopaikat	Finland				7,368.55
Asunto Oy Tapiolan Tammi, varastopaikat	Finland				4,348.88
Botniagolf Oy	Finland			1	0.00
CLIC Innovation Oy	Finland			119	150,000.00
E-P:n Sahojen Oy	Finland	2.22		8	0.00
Estonia Golf & Country Club	Estonia			2	23,851.54
Finnforest-Nexfor B.V.	Netherlands	100.00		90,000	0.00
Harjattula Golf Oy	Finland			1	8,543.96
Kainuun Puhelinosuuskunta (KPO)	Finland			3	905.69
Kerigolf Oy	Finland			1	504.56
Kiinteistö Oy Puhoksen Lastu	Finland	9.00		74	12,065.00
Kiinteistö Oy Tapiolan Jalopuupysäköinti, ap 447	Finland			1	35,502.71
Kiinteistö Oy Tapiolan Jalopuupysäköinti, ap 448	Finland			1	35,502.71
Kiinteistö Oy Viitasaaren Säästökulma	Finland			11,350	72,623.55
Laiva Oy Matkailu (Suomen Hopealinja Oy)	Finland			12	149.86
Messilä Golf Oy	Finland			2	18,796.68
Misawa Homes of Finland	Finland			400	67,275.17
Osuuskunta KPY	Finland			100	0.00
Oy Nordgolf Ab	Finland			2	12,834.10
Parikkalan Valo Oy	Finland			172	0.00
Pohjois-Hämeen Puhelin Oy	Finland			300	5,459.26
Pohjolan Voima Oy	Finland			3	1,320.80
Puhos Board Oy	Finland	13.00		6,425	0.00
Suomen Puukauppa Oy	Finland	10.5		1,401	153,505.00
Tawastia Colf & Country Club	Finland			1	17,497.14
Tennis Tapiola Oy	Finland			35	5,413.76
The Finnish Club and Sauna Ltd	Great Britain			100	150.70
Vapaa-ajan keskus Parra Oy	Finland	3.46		167	0.00
Total					**1,789,124.40**

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

METSÄLIITTO COOPERATIVE

		EUR
All the disposal of the Representative Council		
reserve for invested unrestricted equity		500,260,257.36
value adjustment reserve		
retained earnings from previous year		453,933,072.76
result for the period		72,955,888.30
distributable funds total		1,027,149,218.42
The Board of Directors proposes		
an interest of		
6.0% to be distributed on participation shares	13,635,520.48	
5.0% to be distributed on additional shares A	50,971,938.03	
1.0% to be distributed on additional shares B	1,669,662.20	66,277,120.71
a transfer to the reserve for invested unrestricted equity		
to be retained in retained earnings		960,872,097.71
total		1,027,149,218.42

If the Representative Council approves the above proposal, the members' funds will be	
Members' funds	
Members' capital	
Participation shares	259,301,775.40
Additional shares A	1,068,874,435.76
Additional shares B	169,838,173.50
Due members' capital transferred to liabilities for the waiting period	-78,068,398.80
Other reserves	
Reserve for invested unrestricted equity	500,260,257.36
General reserve I	3,939,904.28
General reserve II	67,401,740.00
Value adjustment reserve	120,284.71
Retained earnings	460,611,840.35
Total members' funds	2,452,280,012.56

No material changes have been taken place in respect of the cooperative's financial position after the balance sheet date. The liquidity of the cooperative is good and in the opinion of the Board of Directors, the proposed profit distribution would not compromise the liquidity of the cooperative.

Espoo, 11 February 2021

Jussi Linnaranta
Chairman

Timo Saukkonen
Vice Chairman

Taavi Heikkilä

Arto Hiltunen

Mikko Mäkimattila

Juha Parpala

Ilkka Salonen

Ilkka Hämälä
President and CEO

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AUDITOR'S REPORT

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

TO THE MEMBERS OF METSÄLIITTO COOPERATIVE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Metsäliitto Cooperative (business identity code 0116300-4) for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent cooperative's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the Group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU,
- the financial statements give a true and fair view of the parent cooperative's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent cooperative and of the Group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent cooperative and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5 (1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.4 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIALITY

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
VALUATION OF TANGIBLE AND INTANGIBLE ASSETS (REFER TO NOTES 4.1 AND 4.2 TO THE CONSOLIDATED FINANCIAL STATEMENTS)	
Tangible and intangible assets total EUR 3.6 billion and represent 52% of the consolidated total assets. Thereof the goodwill balance amounts to EUR 0.4 billion. Tangible and intangible assets are allocated to cash-generating units and tested for impairment annually or more frequently should there be an indication of impairment. Determining the key assumptions used in the cash flow forecasts underlying the impairment tests requires management judgment. Due to the significant carrying values involved, valuation of tangible and intangible assets is determined a key audit matter.	Our audit procedures included evaluation of the appropriateness of the capitalization and depreciation principles applied as well as testing of the financial controls over investments. We also assessed the key assumptions used in the impairment tests by reference to the budgets approved by the Cooperative's Board of Directors, data external to the Group and our own views. We involved KPMG valuation specialists when assessing the mathematical accuracy of the calculations, as well as comparing the assumptions to externally available market and industry data. In addition, we considered the appropriateness of the disclosures regarding the tangible and intangible assets.
VALUATION OF INVENTORIES (REFER TO NOTE 4.5 TO THE CONSOLIDATED FINANCIAL STATEMENTS)	
Inventory management, stocktaking routines and pricing of inventories are key factors in the valuation of inventories. The Group's carrying value of inventories was EUR 1.0 billion at the end of the financial year. The valuation of inventories involves management estimates in relation to potentially obsolete inventory, as well as to fluctuations in the market prices of finished goods. The valuation of inventories has a significant impact on the profit and loss account and therefore it is determined as a key audit matter.	We evaluated the appropriateness of the accounting policies by reference to IFRS standards, as well as the functionality of the key IT systems of inventory management. We tested the controls over inventory management, accuracy of inventory amounts and valuation of inventories as well as performed substantive audit procedures relating to the valuation of inventories to test the accuracy of inventory valuation. We also followed the execution of certain stocktaking routines during the financial year.
FINANCIAL CONTRACTS AND HEDGING INSTRUMENTS (REFER TO NOTES 5.5, 5.6 AND 5.7 TO THE CONSOLIDATED FINANCIAL STATEMENTS)	
The financial liabilities amount to EUR 1.4 billion, accounting for 21% of the consolidated balance sheet. In addition, the Group has off-balance sheet committed credit facility agreements amounting to EUR 1.2 billion. The Group hedges financial risks with interest rate and foreign currency derivatives and their nominal values amounted to EUR 3.0 billion at the end of the financial year. Due to the significance of the financial and derivative contracts and large number of transactions, the financial contracts and hedging instruments are determined as a key audit matter.	Our audit procedures included evaluation of the recognition and measurement principles applied to financial instruments for appropriateness in relation to IFRS requirements, as well as testing of controls over the accuracy and valuation of financial instruments. As part of our year-end audit procedures we tested the appropriateness of valuations by using various analysis, selecting transactions for testing on a sample basis as well as reconciling the balance sheet values at the balance sheet date to external confirmations. In addition, we evaluated the adequacy of the disclosures relating to financial instruments.
CONTROLS OVER FINANCIAL REPORTING AND RELATED IT SYSTEMS	
The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach. As the consolidated financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.	Our audit procedures included evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the management and monitoring of access rights. Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the income statement and on the balance sheet.

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RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO FOR THE FINANCIAL STATEMENTS

The Board of Directors and the CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the CEO are responsible for assessing the parent cooperative's and the Group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent cooperative or the Group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent cooperative's or the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent cooperative's or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent cooperative or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

INFORMATION ON OUR AUDIT ENGAGEMENT

We were first appointed as auditors by the Representative Council of Metsäliitto Cooperative on 3 May 2012, and our appointment represents a total period of uninterrupted engagement of 9 years.

OTHER INFORMATION

The Board of Directors and the CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OTHER OPINIONS

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the surplus shown on the balance sheet is in compliance with the Cooperative Act. We support that the Members of the Supervisory Board and of the Board of Directors as well as the CEO of the parent cooperative should be discharged from liability for the financial period audited by us.

Helsinki, 11 February 2021
KPMG Oy Ab

Kirsi Jantunen
Authorized Public Accountant

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COMPARABLE KEY RATIOS AND CALCULATION OF KEY RATIOS

COMPARABLE KEY FIGURES

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.

Extraordinary and material items not included in ordinary business operations have been eliminated in the comparable operating result. The reconciliation of the operating result under IFRS and the comparable operating result as well as the EBITDA and the comparable EBITDA is presented below. The comparable return on capital employed has been calculated using the same adjustments as the comparable operating result, and has been further adjusted for financial items affecting comparability when applicable. Metsä Group considers that the key figures derived in this manner improve the comparability of reporting periods.

None of these key figures with items affecting comparability eliminated are key figures used in IFRS reporting, and they cannot be compared with other companies' key figures identified with the same names. Items affecting comparability include material gains and losses on disposals of assets, impairment and impairment reversals in accordance with IAS 36 "Impairment of Assets", corporate divestments and acquisitions, adjustment measures and other restructuring measures and their adjustments, as well as items arising from legal proceedings. Metsä Group considers comparable key figures to better reflect its operational performance, as they eliminate the effect on the result of items and business transactions arising from outside normal business operations.

RECONCILIATION OF OPERATING RESULT AND EBITDA

RECONCILIATION BY SEGMENT

EUR million	2020	2019
Operating result (IFRS)	375.8	374.3
Depreciation and impairment charges	303.5	415.5
EBITDA	679.3	789.7
Items affecting comparability:		
Wood Products Industry		-2.0
Paperboard Industry	-6.0	-15.5
Tissue and Greaseproof Papers	-2.3	18.0
Others	0.6	0.8
Eliminations	-0.6	8.0
Total	-8.4	9.2
Comparable EBITDA	670.9	799.0
Depreciation and impairment charges	-303.5	-415.5
Items affecting comparability		
Depreciation:		
Tissue and Greaseproof Papers	0.3	
Impairment charges and reversals:		
Paperboard Industry		19.1
Tissue and Greaseproof Papers		118.7
Eliminations		-26.5
Comparable operating profit	367.7	494.9

RECONCILIATION BY EXPENSE AND INCOME

EUR million	2020	2019
Operating result (IFRS)	375.8	374.3
Depreciation and impairment charges	303.5	415.5
EBITDA	679.3	789.7
Items affecting comparability		
Other operating income	-11.8	-8.7
Change in inventories	0.3	6.3
Employee costs	0.1	7.5
Other operating expenses	3.0	4.2
Total	-8.4	9.2
Comparable EBITDA	670.9	799.0
Depreciation and impairment charges	-303.5	-415.5
Items affecting comparability		
Depreciation	0.3	
Impairment charges and reversals		111.4
Comparable operating profit	367.7	494.9

Items with "+" sign = expenses affecting comparability
Items with "–" sign = income affecting comparability

The description of items affecting comparability is in Note 2.1, Segment information.

CALCULATION OF KEY RATIOS

Comparable key figures		Specification	The grounds for using key figures
PROFITABILITY			
Operating result	=	Result before income tax, financial income and -expenses, exchange gains and losses and share of results from associated companies and joint ventures	The key figure describes the Group's ability to produce a profit from its business, and it is independent of the company's capital structure
EBITDA	=	Operating result before depreciation, amortisation and impairment charges	The key figure shows how much margin is left over from the Group's sales after deducting the variable and fixed costs of business before depreciation, amortisation and impairment
Return on equity (%) ROE	=	Result before tax - income taxes / Members' funds total (average)	The key figures describe the Group's ability to produce a profit with the assets invested in the Group by shareholders
Return on capital employed (%) ROCE	=	Result before tax -/+ net exchange gains/losses + interest and other financial expenses / Balance total - non-interest-bearing liabilities (average)	The key figure describes the Group's ability to produce a profit on the capital invested, from the point of the party investing the capital
FINANCING			
Equity ratio (%)	=	Members' funds total / Total assets - advance payments received	The key figure describes the Group's capital structure, solvency and ability to take care of its commitments in the long run
Net gearing ratio (%)	=	Interest-bearing net liabilities / Members' funds total	The key figure describes the Group's capital structure and financial position.
Interest-bearing net liabilities	=	Interest-bearing liabilities - cash and cash equivalent - interest-bearing receivables	The key figure describes the Group's indebtedness
OTHERS			
Total investments	=	Investments in owned and leased fixed assets and investments in business combinations	The key figure describes the Group's application of funds for maintaining and renewing its production machinery and plants and for expanding its business with corporate acquisitions

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QUARTERLY DATA

EUR million	Yearly		Quarterly							
Income statement	**2020**	**2019**	**QIV/2020**	**QIII/2020**	**QII/2020**	**QI/2020**	**QIV/2019**	**QIII/2019**	**QII/2019**	**QI/2019**
Sales by segments										
Wood Supply and Forest Services	1,819.9	1,972.9	469.0	449.5	470.8	430.6	464.9	473.9	508.3	525.8
Wood Products Industry	429.1	434.2	116.6	121.5	103.6	87.3	93.0	111.0	118.9	111.3
Pulp and Sawn Timber Industry	1,826.5	2,236.0	528.3	458.5	428.1	411.5	490.2	567.0	556.1	622.8
Paperboard Industry	1,889.5	1,931.8	473.1	471.2	473.1	472.1	478.4	489.2	477.1	487.1
Tissue and Greaseproof Papers	1,011.9	1,060.0	257.8	237.2	224.2	292.7	263.5	263.1	266.1	267.3
Other operations	8.5	9.7	2.0	2.2	1.8	2.6	3.1	2.3	2.3	2.0
Eliminations	-1,930.6	-2,171.2	-489.8	-495.2	-502.0	-443.7	-502.8	-532.8	-557.0	-578.6
Sales total	**5,054.9**	**5,473.4**	**1,357.2**	**1,245.0**	**1,199.7**	**1,253.0**	**1,290.3**	**1,373.7**	**1,371.7**	**1,437.7**
Operating result by segments										
Wood Supply and Forest Services	22.4	27.4	8.9	6.2	3.9	3.4	5.6	5.0	5.6	11.3
Wood Products Industry	9.3	9.2	4.7	6.6	1.3	-3.3	-1.1	3.1	5.3	1.8
Pulp and Sawn Timber Industry	3.9	248.6	-8.0	17.1	16.0	-21.3	9.9	33.2	83.1	122.4
Paperboard Industry	227.3	180.8	64.5	62.5	66.5	33.8	20.0	42.5	46.4	71.9
Tissue and Greaseproof Papers	115.9	-63.4	29.9	23.3	23.6	39.1	0.2	22.7	-96.8	10.5
Other operations	-7.1	-9.3	-10.7	4.5	-1.0	0.1	-8.3	3.7	-3.3	-1.4
Eliminations	4.2	-19.2	7.5	-4.3	-8.3	9.3	5.8	0.1	8.5	-33.6
Operating result total	**375.8**	**374.3**	**96.8**	**115.9**	**102.1**	**61.1**	**32.2**	**110.3**	**48.8**	**183.0**
Operating result, comparable	367.7	494.9	94.0	115.3	96.1	62.4	76.4	110.3	128.4	179.7
-"-, % of sales	7.3	9.0	6.9	9.3	8.0	5.0	5.9	8.0	9.4	12.5
Share of results from associated companies and joint ventures	3.1	3.3	3.3	-1.9	1.2	0.5	0.7	0.2	2.8	-0.4
Net exchange gains/losses	-2.3	-6.4	-1.4	0.4	-1.0	-0.3	-0.9	-1.1	-1.9	-2.6
Financial income and expenses	-46.5	-55.4	-10.4	-11.3	-9.8	-15.1	-14.4	-13.8	-13.9	-13.4
Result before tax	**330.1**	**315.7**	**88.3**	**103.1**	**92.5**	**46.2**	**17.6**	**95.6**	**35.9**	**166.6**
Income taxes	-67.9	-76.8	-16.1	-22.2	-18.5	-11.1	-1.9	-19.7	-21.3	-33.9
Result for the period	**262.2**	**238.9**	**72.2**	**80.9**	**74.0**	**35.1**	**15.7**	**75.9**	**14.6**	**132.7**

Operating result, comparable	**2020**	**2019**	**QIV/2020**	**QIII/2020**	**QII/2020**	**QI/2020**	**QIV/2019**	**QIII/2019**	**QII/2019**	**QI/2019**
Wood Supply and Forest Services	22.4	27.4	8.9	6.2	3.9	3.4	5.6	5.0	5.6	11.3
Wood Products Industry	9.3	7.2	4.7	6.6	1.3	-3.3	-1.1	3.1	3.3	1.8
Pulp and Sawn Timber Industry	3.9	248.6	-8.0	17.1	16.0	-21.3	9.9	33.2	83.1	122.4
Paperboard Industry	221.2	184.4	64.5	62.5	60.5	33.8	39.1	42.5	41.0	61.8
Tissue and Greaseproof Papers	113.8	73.4	27.1	22.7	23.6	40.5	26.6	22.8	13.5	10.5
Other operations and eliminations	-2.9	-46.2	-3.2	0.2	-9.3	9.4	-3.7	3.7	-18.0	-28.2
Total	**367.7**	**494.9**	**94.0**	**115.3**	**96.1**	**62.4**	**76.4**	**110.3**	**128.4**	**179.7**

Key ratios	**2020**	**2019**	**QIV/2020**	**QIII/2020**	**QII/2020**	**QI/2020**	**QIV/2019**	**QIII/2019**	**QII/2019**	**QI/2019**
Equity ratio, %	57.2	56.2	57.2	56.6	56.4	56.2	56.2	56.0	56.2	53.3
Net gearing ratio, %	4	10	4	10	11	12	10	13	15	18
Interest-bearing net liabilities, EUR million	168	374	168	381	423	449	374	488	562	646
Return on capital employed, %	7.2	7.3	7.7	8.9	8.1	4.8	2.6	8.7	4.1	14.1
Comparable, %	7.1	9.6	7.4	8.8	7.6	4.9	6.1	8.7	10.2	13.8
Return on equity, %	6.8	6.4	7.5	8.6	8.0	3.8	1.7	8.1	1.6	14.5
Comparable ROE, %	6.6	9.7	7.3	8.5	7.5	3.9	6.4	8.1	10.1	14.1

FIVE YEARS IN FIGURES

EUR million	2020	2019	2018	2017	2016
Sales	5,055	5,473	5,709	5,040	4,658
EBITDA	679	790	1,128	831	687
- "-, comparable	671	799	1,133	820	674
% of sales	13,3	15,0	19,9	16,3	14,5
Operating result	376	374	843	581	442
- "-, comparable	368	495	849	566	439
% of sales	7,3	9,0	14,9	11,2	9,4
Result for the period	262	239	613	404	280
Non-current assets	3,899	3,867	4,019	4,004	3,596
Inventories	966	980	991	782	767
Other current assets	1,955	1,848	1,883	1,802	1,583
Total assets	6,851	6,727	6,893	6,588	5,946
Members' funds	3,092	2,927	2,751	2,234	1,942
Non-controlling interest	823	849	905	727	658
Non-current liabilities	1,515	1,561	1,506	2,019	1,611
Current liabilities	1,405	1,375	1,731	1,608	1,735
Total members' funds and liabilities	6,851	6,727	6,893	6,588	5,946
Return on capital employed, %	7,2	7,3	16,6	12,6	10,2
- "-, comparable	7,1	9,6	16,8	12,3	10,2
Return on equity, %	6,8	6,4	18,5	14,5	11,2
- "-, comparable	6,6	9,7	18,7	14	11
Equity ratio, %	57,2	56,2	53,1	45,0	43,9
Net gearing ratio, %	4	10	13	34	40
Net cash flow from operating activities	667	485	761	749	348
Interest-bearing liabilities	1,389	1,469	1,553	2,073	1,935
Interest-bearing financial assets	1,221	1,096	1,089	1,080	902
Interest-bearing net liabilities	168	374	463	993	1,033
Total investments	401	260	275	631	762
Depreciation and impairment charges	304	416	285	250	244
Personnel, average	9,392	9,624	9,464	9,399	9,626
Personnel, at the end of year	9,213	9,265	9,310	9,126	9,300
of whom in Finland	5,055	4,929	4,834	4,764	4,927

Calculation of key ratios and definition of comparable key ratios is presented on page 98.

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Corporate Governance Statement 2020

INTRODUCTION

This statement concerning Metsä Group's Corporate Governance has been given as a separate report and published simultaneously with Metsä Group's Financial Statements and the Board of Directors' Report. Metsäliitto Cooperative is a Finnish cooperative and the parent company of Metsä Group. In this statement, Metsäliitto Cooperative is referred to when a matter is discussed from the parent company's point of view only. The decision-making and administration of Metsä Group companies complies with the Cooperatives Act, the Limited Liability Companies Act, the Securities Markets Act, the rules of the cooperative, procedures approved by the administrative bodies, and the policies and guidelines approved by the Board of Directors of Metsäliitto Cooperative and the Executive Management Team of the Group. Metsäliitto Cooperative's rules are available in full on Metsä Group's website under "Metsä Group's corporate governance principles". Metsä Group prepares its financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS). The financial statements are published in Finnish and English. Metsä Group's head office is located in Espoo, Finland. The registered office of the parent company, Metsäliitto Cooperative, is located in Helsinki, Finland.

CORPORATE GOVERNANCE CODE

Metsä Group's parent company Metsäliitto Cooperative complies with the Finnish Corporate Governance Code issued by the Securities Market Association; however, it takes into account the special characteristics of the cooperative form of incorporation, stating the deviations from the code and their rationale. In accordance with the opinion issued by the Finnish Central Chamber of Commerce in January 2006, corporations with an extensive ownership base, extensive operations or considerable regional or national significance should comply with the Corporate Governance Code to the extent possible, taking their special characteristics into consideration in accordance with the "comply or explain" principle. The Corporate Governance Code is available on the website of the Securities Market Association at www.cgfinland.fi/en/.

The governance and management system of Metsä Group's parent company Metsäliitto Cooperative deviates from the recommendations of the Corporate Governance Code as follows:

- According to the Corporate Governance Code, the members of the Board of Directors are elected by the Annual General Meeting. According to the rules of Metsäliitto Cooperative, the members of the Board of Directors are elected by the Supervisory Board. Thus, the election of Metsäliitto Cooperative's Board of Directors deviates from the recommendation of the Corporate Governance Code on the election of the Board of Directors. The competence regulations that deviate from the recommendation secure the realisation of cooperative corporate governance.
- According to the Corporate Governance Code, the members of the Board of Directors are elected for a term of office of one year at a time. According to the rules of Metsäliitto Cooperative, the term of office of the members of the Board of Directors is three years at a time. The board members' three-year term of office has been deemed necessary in order to secure the continuity of decision-making.

MAIN ADMINISTRATIVE BODIES

Metsäliitto Cooperative's administrative bodies are the Representative Council, Supervisory Board, Board of Directors and the CEO, who also acts as the President and CEO of Metsä Group. The bodies separately specified below in this statement assist the administrative bodies in their decision-making and prepare their decisions. According to the rules of Metsäliitto Cooperative, the administrative personnel of Metsäliitto must not work for companies or other organisations operating either directly or indirectly in the same sector as the cooperative or its Group companies or participate in the administration of such companies or organisations.

REPRESENTATIVE COUNCIL

The Representative Council uses the supreme decision-making power belonging to the members in Metsäliitto Cooperative in matters assigned to it by law and rules. The Representative Council substitutes for the meeting of the cooperative in Metsäliitto Cooperative. The meeting of the Representative Council discusses the matters specified in the Cooperatives Act and the rules of Metsäliitto Cooperative as well as other matters mentioned in the invitation to the meeting.

The main tasks of the Representative Council are to:

- Decide on adopting the financial statements;
- Decide on the distribution of profit to the members;
- Decide on discharging the Supervisory Board, Board of Directors and CEO/President and CEO from liability;
- Elect the members of the Supervisory Board and the auditors and to decide on their remuneration.

A full member of Metsäliitto Cooperative can be elected to the Representative Council. Persons who are employed by the Cooperative or its Group company or who are members of Metsäliitto's Supervisory Board or Board of Directors are not eligible to stand for election to the Representative Council. The election of the Representative Council is carried out every four years by postal voting, a communications link or some other technical means. Each member has one vote. The election is carried out by election districts so that the number of representatives elected from each district equals the number of Metsäliitto Cooperative members on the list of voters for the district in question who are entitled to vote on 1 January of the election year, divided by 2,300 and the remainder counted as one. The election districts are confirmed by the Supervisory Board and as a rule, they are determined according to Metsäliitto's district organisations. In accordance with the rules, the Representative Council convenes once a year in the spring. The Representative Council, the Supervisory Board or the Board of Directors may decide to arrange an extraordinary meeting. An extraordinary meeting must also be convened if demanded by at least one tenth of the Representative Council members. Unless otherwise required by the Cooperatives Act for certain matters, the Representative Council is convened by the Supervisory Board at least seven days before the meeting with a written invitation to the meeting sent to every member of the Representative Council, which must mention the matters to be discussed in the meeting. Each Representative Council member has one vote in the meeting. Amending the rules of Metsäliitto Cooperative requires that the amendment proposal is supported by a minimum of two-thirds of the members present at the meeting of the Representative Council. In addition to the members of the Representative Council, the President and CEO of Metsä Group, the Chair of the Board of Directors and, as a general rule, the members of the Board of Directors and Supervisory Board are present at meetings of the Representative Council. In addition, the auditors are also present at the Annual General Meeting of the Representative Council. The composition of the Representative Council is presented on Metsä Group's website under "Metsäliitto Cooperative governance and Metsä Group management".

DISTRICT COUNCILS

In accordance with the rules of Metsäliitto Cooperative, there is a district council operating in each supply district. The district council comprises the members of the Representative Council, Supervisory Board and Board of Directors elected from the district's area, as well as twice as many candidates not elected in the election of the representative council as the number of representatives elected from the district's area in the order of their personal number of votes, with a minimum of five candidates not elected. The regulations approved by the Supervisory Board specify the tasks of the district council. According to the regulations, the main task of the district council is to promote communication and interaction between the members and the Metsäliitto supply district in question through its operations.

SUPERVISORY BOARD

The rules of Metsäliitto Cooperative specify that the Supervisory Board is a part of Metsäliitto's administrative model. This aims to ensure the realisation of sufficient governance by the owners and the commitment of the members to the Cooperative's decision-making. Strategic and other far-reaching decisions, however, belong to the powers of Metsäliitto Cooperative's Board of Directors, and operational management to the executive management. The rules of the Cooperative specify the tasks of the Supervisory Board. The main task of the Supervisory Board is to ensure that the Cooperative is managed in accordance with the rules and the decisions of the Representative Council and the Supervisory Board.

In addition to this, the Supervisory Board:

- Elects and dismisses members of Metsäliitto Cooperative's Board of Directors and decides on their remuneration;
- Gives the Board of Directors instructions in far-reaching matters and matters of importance in principle;
- Issues an opinion on the financial statements to the Representative Council.

The Supervisory Board elects a Chair and Deputy Chair from among its members for one year at a time and invites a secretary. The Supervisory Board convenes when summoned by the chair as often as necessary, or as proposed by the Board of Directors. The Supervisory Board constitutes a quorum when more than half of the members are present. The opinion favoured by the majority will be the final decision. If the votes are even, the chair has the casting vote, and even elections are decided by lot. The Supervisory Board comprises a minimum of twenty and a maximum of thirty members elected by the Representative Council from among the members of the Cooperative. Metsäliitto Cooperative's personnel may elect a maximum of five members to the Supervisory Board. In addition, the Representative Council may, at the proposal of the Supervisory Board, elect a maximum of three expert members to the Supervisory Board. The term of office of a member of the Supervisory Board begins after the Annual General Meeting of the Representative Council that elected him or her and runs until the Annual General Meeting of the Representative Council three years later. The aim of the three-year term of office is to ensure continuity in decision-making. Regional equality is taken into consideration when electing the members of the Supervisory Board. A member of the Board of Directors may not be a member of the Supervisory Board. The composition of the Supervisory Board is presented on Metsä Group's website under "Metsäliitto Cooperative governance and Metsä Group management".

NOMINATION COMMITTEE OF THE SUPERVISORY BOARD

A special Nomination Committee elected from among the members of the Supervisory Board prepares the election of the members of the Board of Directors in accordance with procedures approved for it. In addition, the Nomination Committee makes a proposal for the remuneration of the members of the Board of Directors. The Nomination Committee comprises six members of the Supervisory Board as well as the Chair and the Deputy Chair of the Supervisory Board. The Chair of the Supervisory Board acts as the Chair of the Nomination Committee, and the secretary of the Board of Directors acts as the secretary. The Committee may invite the Chair of the Board of Directors to attend their meetings as an expert member. The Supervisory Board elected the following persons to the Nomination Committee in its meeting held on 29 April 2020: Matti Alatalo, Mats Brandt, Teuvo Hatva, Ville Hirvonen, Timo Nikula and Jukka Vanhatalo. Furthermore, Juha Paajanen, Chair of the Supervisory Board, and Ahti Siponen, Deputy Chair, are members of the Nomination Committee on the basis of their position.

INFORMATION ON THE MEETINGS OF THE SUPERVISORY BOARD IN 2020

In 2020, there were 34 members in the Supervisory Board, four of them personnel representatives elected by different personnel groups. There were no expert members in the Supervisory Board in 2020. The Supervisory Board convened five times, and the members' attendance rate was 98 per cent.

BOARD OF DIRECTORS

According to legislation and the rules of Metsäliitto Cooperative, the task of the Board of Directors is to ensure that Metsäliitto Cooperative and Metsä Group's operations and administration are appropriately arranged. The Board of Directors has composed a procedure for its operations that specifies in greater detail the operating principles followed in the decision-making of the Board of Directors. The procedure is available in full on Metsä Group's website under "Metsä Group's corporate governance principles".

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The tasks of the Board of Directors include:

- Appointing and dismissing the CEO, who also serves as the President and CEO of Metsä Group, unless otherwise decided by the Board of Directors;
- Confirming the tasks of the CEO/President and CEO and the terms of their service contract, and monitoring that they take care of the Cooperative's running administration in accordance with the instructions and orders of the Board of Directors;
- Appointing and dismissing the directors immediately subordinate to the CEO and the potentially appointed President and CEO;
- Deciding on how share payments are collected and on the issue of additional shares and their terms and conditions;
- Approving the strategy and annual budget of the Cooperative and the Group, and supervising compliance with them;
- Signing the financial statements and consolidated financial statements, and presenting them to the Supervisory Board for audit;
- Preparing matters to be processed at the meetings of the Supervisory Board.
- Deciding on the remuneration and other benefits of the CEO/President and CEO and other senior management on the HR Committee's proposal;
- Deciding on other matters that, taking into account the scope and quality of the cooperative's operations, are unusual and far-reaching.

The Board of Directors elects a Chair and potentially a Deputy Chair from among its members for one year at a time. The Chair of the Supervisory Board is entitled to attend the meetings of the Board of Directors. The Board of Directors convenes as summoned by the chair as often as necessary. The President and CEO prepares the board's meetings. The Board of Directors constitutes a quorum when more than half of the members of the board are present. If the votes are even, the chair has the casting vote. Minutes are kept of the meetings of the Board of Directors. The Board of Directors regularly appraises its operation and procedures by conducting an annual self-assessment.

COMPOSITION AND TERM OF OFFICE OF THE BOARD OF DIRECTORS

The Supervisory Board elects the Board of Directors of Metsäliitto Cooperative. The Board of Directors comprises a minimum of five and a maximum of eight members. The term of office of a member of the Board of Directors commences at the beginning of the calendar year immediately following the meeting of the Supervisory Board that elected them and runs for three years at a time.

When preparing the nominations of the members of the Board of Directors, the Supervisory Board's Nomination Committee considers their qualifications, experience and available time, and also ensures that the composition of the Board includes diverse expertise. In 2020, the Chair of the Board of Directors was Jussi Linnaranta, the Deputy Chair was Timo Saukkonen and the members were Johan Björkenheim, Arto Hiltunen, Mikko Mäkimattila, Leena Mörttinen until 21 October 2020, Juha Parpala and Ilkka Salonen. In its meeting in November 2020, the Metsäliitto's Supervisory Board elected Juha Parpala and Ilkka Salonen, whose terms were expiring, for a new three-year term in the Board of Directors, and Taavi Heikkilä as a new member. Johan Björkenheim retired from the Board of Directors. According to the decision made by the Board of Directors in January 2021, the Chair of the Board of Directors in 2021 will be Jussi Linnaranta and the Deputy Chair will be Timo Saukkonen. More detailed information on the members of the Board of Directors is presented on Metsä Group's website under "Metsäliitto Cooperative governance and Metsä Group management".

INDEPENDENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS AND DIVERSITY OF THE BOARD

According to an overall evaluation by the Board of Directors, all members of the board are independent of Metsäliitto Cooperative. The cooperative does not have such significant owner-members as referred to in the Corporate Governance Code of whom the members of the Board of Directors would be dependent. In December 2016, the Board of Directors approved the principles concerning the diversity of the Board of Directors. According to the principles, the successful management of the tasks of the Board of Directors and its committees requires a diverse composition, competence and experience, as well as the consideration of the personal qualities of individual members. Metsäliitto Cooperative has identified, in addition to knowledge of the forestry and forest industry sector, experience in demanding business management tasks and an international operating environment as essential in terms of the Board of Director's diversity. Other factors identified as promoting diversity include the board members' mutually complementary educational backgrounds, management experience in various segments of business operations, and a diverse age and gender distribution. It is Metsäliitto Cooperative's goal that both genders be represented on the Board of Directors. The Supervisory Board's Nomination Committee observes these principles when preparing proposals on the composition of the Board of Directors presented to the Supervisory Board. The Board of Directors includes seven members, most of whom have an academic degree. The members of the Board of Directors have significant experience in demanding administrative and business management duties from a number of sectors and international business operations. Several board members are distinguished members of society. The Supervisory Board's Nomination Committee observes the diversity principles and goals when preparing proposals on the composition of the Board of Directors.

COMMITTEES OF THE BOARD OF DIRECTORS

In order to ensure that the Board of Directors' tasks are effectively carried out, Metsäliitto Cooperative's Board of Directors has an Audit Committee and an HR Committee. The committees do not have the authority to make decisions independently; the Board of Directors makes the decisions on matters based on the preparation of the Committees. The Board of Directors elects the members of the committees from among its members.

Audit Committee

The Audit Committee assists the Board of Directors in performing its supervision task. In this task, the committee assesses and supervises matters related to financial reporting, auditing, internal audit and risk management in accordance with procedures approved for it. The Audit Committee comprises a minimum of three members, most of whom are independent of the company, elected annually by the Board of Directors from among its members. In addition, the Chair of the Supervisory Board is entitled to attend the meetings of the Audit Committee. The President and CEO also attends the meetings of the Audit Committee, except for times when the Audit Committee wishes to convene without the presence of the executive management. The Audit Committee regularly reports to the Board of Directors on its operations and observations. In 2020, the Chair of the Audit Committee was Ilkka Salonen. The other members of the committee in 2020 were Arto Hiltunen and Jussi Linnaranta. Salonen and Linnaranta will continue as members of the Audit Committee in 2021, and Mikko Mäkimattila will be a new member.

HR Committee

The purpose of the HR Committee is to assist the Board of Directors in ensuring that Metsä Group has appropriate and competitive pay systems, and successor and development planning in accordance with the procedure approved by the Board of Directors. In its task, the committee presents matters such as the terms of the employment relationship of the CEO and the President and CEO, pay systems for the senior management, and key principles in the senior management's contracts to the Board of Directors for decision. In addition, the HR Committee presents the annual targets for the senior management to the Board of Directors for approval and monitors their realisation. Furthermore, the committee processes matters related to the compensation systems of the senior management and presents them for the Board of Directors to decide on. The Board of Directors annually elects three members to the HR Committee from among its members. The majority of the members of the HR Committee must be independent of Metsä Group. In addition, the President and CEO attends the meetings of the HR Committee, except for times when the committee wishes to convene without the presence of the executive management. The HR Committee regularly reports to the Board of Directors on its operations. In 2020, the Chair of the HR Committee was Arto Hiltunen and the members were Jussi Linnaranta and Timo Saukkonen. All of them will continue as members of the HR Committee in 2021.

INFORMATION ON THE MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES IN 2020

The Board of Directors convened 24 times in 2020. Of the members of the Board, Linnaranta, Björkenheim, Hiltunen, Mäkimattila, Parpala and Saukkonen attended all the meetings. Mörttinen attended 18 meetings and Salonen 22 meetings. The Board members' attendance rate was 97 %. The Audit Committee convened five times. The Audit Committee members' attendance rate was 100%. The HR Committee convened five times, and the members' attendance rate was 100%.

PRESIDENT AND CEO

Metsäliitto Cooperative has a CEO, who also acts as the President and CEO of Metsä Group unless otherwise decided by the Board of Directors. Currently, the President and CEO of Metsä Group also acts as the CEO of Metsäliitto

METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS ON 31 DECEMBER 2020

Member of the Board of Directors	Member of the Board of Directors since	Year of birth	Education	Participation (own shares, shares under common ownership and shares owned by controlled corporations) in Metsäliitto Cooperative on 31 December 2020 (EUR)	Shares (own and by controlled corporations) in Metsä Board Corporation on 31 December 2020 (pcs)
Jussi Linnaranta, Chair	2017	1972	M.Sc. (Agriculture and Forestry), agronomist	105,902	20,939 (B share)
Timo Saukkonen, Deputy Chair	2007	1963	M.Sc. (Agriculture and Forestry), forester	131,126	9,875 (B share)
Johan Björkenheim	2018	1966	Entrepreneur in farming and forestry	324,391	14,280 (B share) 3,450 (A share)
Arto Hiltunen	2007	1958	M.Sc. (Econ.)	1,170	-
Mikko Mäkimattila	2020	1971	M.Sc. (Agriculture and Forestry), agronomist	57,523	-
Juha Parpala	2009	1967	Agrologist	35,278	1,087 (B share)
Ilkka Salonen	2018	1965	M.Sc. (Econ.)	109,405	-

METSÄ GROUP'S EXECUTIVE MANAGEMENT TEAM ON 31 DECEMBER 2020

Member of the Executive Management Team (since)	Position at Metsä Group	Year of birth	Education	Participation (own, under common ownership and by controlled corporations) in Metsäliitto Cooperative on 31 December 2020 (EUR)	Shares (own and by controlled corporations) in Metsä Board Corporation on 31 December 2020 (pcs)
Ilkka Hämälä (2008)	President and CEO	1961	M.Sc. (Eng.)	-	337,648 (B share)
Vesa-Pekka Takala (2010)	CFO, Metsä Group Deputy Managing Director, Metsäliitto Cooperative	1966	M.Sc. (Econ.)	52,810	166,498 (B share)
Juha Mäntylä (2008)	COO, Metsäliitto Cooperative	1961	M.Sc. (Agriculture and Forestry)	515,121	227,034 (B share)
Ismo Nousiainen (2018)	CEO, Metsä Fibre Oy	1966	M.Sc. (Eng.)	-	103,420 (B share)
Mika Joukio (2012)	CEO, Metsä Board Corporation	1964	M.Sc. (Eng.)	94,646	354,025 (B share)
Esa Kaikkonen (2008)	CEO, Metsä Tissue Corporation	1969	LL.M.	-	74,467 (B share)

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Cooperative. The President and CEO and the CEO are appointed by the Board of Directors. The President and CEO's duty is to manage the operations of Metsä Group in accordance with the law and rules as well as the decisions and instructions of the administrative bodies. The President and CEO is in charge of arranging the running administration of the Cooperative and supervises its financial administration. President and CEO Ilkka Hämälä (M.Sc. (Eng.), born in 1961) has been CEO of Metsäliitto Cooperative since 1 January 2018, and President and CEO of Metsä Group since 1 April 2018. More detailed information on the President and CEO is presented on Metsä Group's website under "Metsäliitto Cooperative governance and Metsä Group management".

EXECUTIVE MANAGEMENT TEAM

Metsä Group has an Executive Management Team, with Metsä Group's President and CEO as its chair. The Executive Management Team assists the President and CEO in the planning and operational management of business operations and prepares proposals for the Board of Directors, such as business strategies, budgets and significant investments. In addition to the President and CEO, the Executive Management Team includes the Group's CFO, the Executive Vice President of Metsäliitto Cooperative and the CEOs of Metsä Fibre Oy, Metsä Board Corporation and Metsä Tissue Corporation. The Executive Management Team convenes as summoned by the Chair, primarily once a month, and additionally whenever necessary. Metsä Group's Executive Management Team consists of President and CEO Ilkka Hämälä, Vesa-Pekka Takala (CFO of Metsä Group, Deputy Managing Director of Metsäliitto Cooperative), Juha Mäntylä (Executive Vice President of Metsäliitto Cooperative), Ismo Nousiainen (CEO of Metsä Fibre Oy), Mika Joukio (CEO of Metsä Board Corporation) and Esa Kaikkonen (CEO of Metsä Tissue Corporation). More detailed information on the members of the Executive Management Team is presented on Metsä Group's website under "Metsäliitto Cooperative governance and Metsä Group management".

INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT

Profitable business requires that operations are monitored continuously and with adequate efficiency. Metsä Group's internal control covers Metsä Group's business units and head office functions. Internal control produces transparency to the efficiency and appropriateness of internal operations, as well as the reliability of financial reporting and compliance with the relevant laws and regulations. The functionality of internal control is evaluated by Metsä Group's internal audit. Internal control is carried out throughout the organisation. Internal control methods include internal guidelines and reporting systems that support control. The principles, objectives and responsibilities of Metsä Group's internal control and the principles of internal audits are described below. Metsä Group's executive management, risk management director and internal audit are responsible for composing the principles above and the Board of Directors for ultimately ratifying them.

INTERNAL CONTROL

At Metsä Group, internal control covers the monitoring of business finances and operations with a risk-based approach. Internal control is implemented by the Board of Directors, the Audit Committee and the executive management, as well as the entire personnel. Internal control refers to those management activities that seek to ensure:

- Achievement of the goals and objectives set for Metsä Group;
- Economical, appropriate and efficient use of resources;
- Appropriate management of risks related to the operations, including risks of misconduct;
- Reliable and correct financial and other management information;
- Adherence to external regulations and internal policies;
- Adherence to appropriate procedures related to customer relationships;
- Sufficient security of operations, information and property;
- Arrangement of adequate and suitable manual and IT systems to support operations.

Internal control is divided into (i) proactive control, such as defining Metsä Group's values and general operational and business principles, as well as its goals and strategy; (ii) daily control, such as general control and follow-up with business processes, operational management systems and work guidelines; and (iii) subsequent control, such as different management evaluations and inspections, comparisons and verifications, the aim of which is to ensure that the goals are met and that the agreed operational and control principles are followed. Metsä Group's corporate culture, governance and the approach to control together create the basis for the entire process of internal control.

INTERNAL MONITORING OF THE FINANCIAL REPORTING PROCESS, CREDIT CONTROL AND AUTHORISATION RIGHTS

The financial organisations of the business areas and the Group are responsible for financial reporting. The units and business areas report the financial figures each month. Business area controllers check the monthly performance of units from each business area and report them further to the Group financial administration. The business areas' profitability development and business risks and opportunities are discussed monthly at Metsä Group's Executive Management Team meetings attended by the senior management of Metsä Group and of each business area, as well as at financial management team meetings attended by the Group CFO and director of finance and the CFO of each business area, among others. The results are reported to the Board of Directors of Metsäliitto Cooperative each month. The results of the business areas are additionally reported to the Boards of Directors of their parent companies each month. Metsä Group's Controllers' Manual describes the reporting and control regulations and the reporting procedure in detail. Credit control in Metsä Group is carried out by each business area in accordance with the Group's credit control policy and the business area-specific credit control policy based on it. Credit control is carried out by the Group's central credit control organisation in cooperation with the management of the business areas. Authorisation rights concerning expenses, significant contracts and investments have been continuously specified for different organisation levels, according to the decision-making order confirmed by the board and the authority separately granted by the President and CEO and other management personnel. Investment approval and follow-up are carried out by the business areas and the Group's financial administration according to the decision-making order and investment policy approved by the Board of Directors. The most significant investments are prepared in cooperation with the Group's technology unit and, when required by the decision-making policy, submitted to the Group's Executive Management Team for review and to the Board of Directors of the Group's parent company or the business area's parent company for approval. The Technology unit ensures that the final reporting and follow-up monitoring of these projects are implemented in accordance with the investment policy.

INTERNAL AUDIT

Metsä Group's internal audit assists the Board of Directors in performing its supervisory task by assessing the level of internal control maintained in order to attain the targets of Metsä Group's operation. Internal audit supports the organisation by assessing and ensuring the functioning of the business processes, risk management and administration. In its audit work, the internal audit function complies with the internal audit guideline ratified by the Board of Directors of Metsäliitto Cooperative. The internal audit unit operates under the supervision of the Group's President and CEO and the Audit Committee. An internal audit action plan is prepared for half a year at a time. The audit focuses on areas that have particular significance for the risk assessed and the Group's objectives at the time. The action plan is reviewed with the management semi-annually, with regard to how up to date and appropriate it is.

The extent and coordination of auditing will be ensured by regular contact and flow of information with other internal control functions and auditors. Internal audit uses, if necessary, external outsourced services for temporary additional resourcing or performing assessment tasks that require special expertise. In this case, the external service providers act under the supervision of the head of the internal audit. A report is written for each audit and distributed to the Group's President and CEO, the senior management of the affiliated group being audited and the management of the audited function or unit. The audit reports are submitted to the auditors for information and to the parties that are considered relevant based on the content of the report. The internal audit department composes a semi-annual summary report to the Audit Committee on the audits carried out, the most significant observations and the agreed measures. In addition, the semi-annual report states the most significant changes in carrying out the audits compared to the action plan and other main duties performed by the internal audit department, as well as any changes in resources. An annual report of the activity of the internal audit is composed for the Board of Directors.

RISK MANAGEMENT

Risk management is an essential part of Metsä Group's standard business planning and leadership. Risk management is part of daily decision-making, operations follow-up and internal control, and it promotes the objectives set by the company and ensures that they are met. Linking business management effectively with risk management is based on the operational principles confirmed by Metsäliitto Cooperative's Board of Directors. The aim of the principles is to maintain risk management as a process that is well defined, understandable and sufficiently practical. Risks and their development are reported on a regular basis to the board's Audit Committee. Centralised risk management also takes care of the coordination and competitive bidding for Metsä Group's insurance coverage. The most crucial objective of risk management is to identify and evaluate those risks, threats and opportunities that may have an impact on the implementation of the strategy and on how short-term and long-term objectives are met. A separate risk review is also included in the most significant investment proposals. The business areas regularly evaluate and monitor the risk environment and related changes as part of their annual and strategic planning. The risks identified and their means of control are reported to the company's management, Audit Committee and Board of Directors at least twice a year. Business risks also involve opportunities, and they can be capitalised on within the boundaries of the agreed risk limits. Conscious risk-taking decisions must always be based on an adequate evaluation of the risk-bearing capacity and the profit/loss potential, among other things.

RISK MANAGEMENT RESPONSIBILITIES

Risk management responsibilities in Metsä Group are divided as follows:

- The Board of Directors is responsible for Metsä Group's risk management and confirms the company's risk management policy.
- The Audit Committee evaluates the adequacy of Metsä Group's risk management and the essential risk areas and provides the Board with related proposals.
- The President and CEO and the members of the Executive Management Team are responsible for the specification and adoption of the risk management principles. They are also responsible for ensuring that the risks are taken into account in the company's planning processes and that risk reporting is adequate and appropriate.
- The Group's Risk Management Director is in charge of the development and coordination of the risk management process, performance of risk assessment and essential insurance decisions.
- Business areas and services functions identify and evaluate the essential risks related to their own areas of responsibility in their planning processes, prepare for them, take necessary preventive action and report on the risks as agreed.

RISK MANAGEMENT PROCESS

The essential elements of Metsä Group's risk management include implementing a comprehensive corporate risk management process that supports the entire business, protecting property and ensuring business continuity, Metsä Group's security and its continuous development, as well as crisis management and continuity and recovery plans. According to the risk management policy and principles, adequate risk management forms a necessary part of the preliminary review and implementation stages of projects that are financially or otherwise significant.

The tasks of risk management are to:

- Ensure that all identified risks with an impact on personnel, customers, products, property, information assets, corporate image, corporate responsibility or operational capacity are controlled according to applicable laws and on the basis of best available information and financial aspects;
- Ensure that Metsä Group's objectives are met;
- Fulfil the expectations of stakeholders;
- Protect property and ensure disruption-free business continuity;
- Optimise the profit/loss possibility ratio;
- Ensure the management of Metsä Group's overall risk exposure and minimise the overall risks.

The most significant risks and uncertainties that Metsä Group is aware of are described in the report of the Board of Directors.

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INSIDER GUIDELINES

Metsä Group complies with the EU's market abuse regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council; hereinafter referred to as "MAR"), securities market legislation, and the insider guidelines of the parent company Metsäliitto Cooperative and the subsidiary Metsä Board Corporation, prepared in accordance with rules and instructions drawn up by the Helsinki stock exchange. Metsä Group requires every employee to follow the insider regulations. Under Article 14 of MAR and Chapter 51 of the Criminal Code of Finland, a person in possession of insider information may not: (i) engage or attempt to engage in insider dealing by acquiring or disposing of the company's financial instruments under their own or a third party's name; (ii) recommend that another person engage in insider dealing or induce another person to engage in insider dealing; or (iii) disclose inside information to another person unless this occurs as part of the normal performance of work, tasks or the profession. Insider guidelines aim to enable the people considered the company's insiders to hold shares in the company openly while maintaining public trust in trading and price formation with the company's securities. Metsä Group only recommends long-term investments and the use of purchase programmes. Insiders are provided with instructions and training at frequent intervals. Following MAR's entry into force on 3 July 2016, Metsä Group companies no longer have public insiders, nor do they maintain permanent company-specific insider registers, but rather only project- or event-specific insider lists. The lists include information on persons participating in insider projects who are not allowed to trade the financial instruments of the company in question during the project. Metsäliitto Cooperative has defined its managers as referred to in MAR to include the members of the Supervisory Board, the members of the Board of Directors, and the President and CEO. The managers in question and their related parties are obligated to inform the company and the Financial Supervisory Authority of their transactions in Metsäliitto Cooperative's financial instruments, and Metsäliitto Cooperative will publish such transactions as stock exchange releases. The aforementioned persons are subject to a closed period of 30 calendar days prior to the publication of Metsä Group's interim reports and financial statements, during which time the managers may not trade in Metsäliitto Cooperative's financial instruments. In addition to the managers subject to the disclosure obligation the company specifies such other persons who, in the course of their duties, participate in the preparation of interim reports and financial statements and may not trade in Metsäliitto Cooperative's financial instruments during the closed period. Metsäliitto Cooperative did not have any traded financial instruments in circulation on a regulated market on 31 December 2020. Metsä Board Corporation has defined its managers as referred to in MAR to include the members of the Board of Directors and the President and CEO. The managers in question and their related parties are obligated to inform the company and the Financial Supervisory Authority of their transactions concerning Metsä Board's shares and financial instruments, and Metsä Board will publish such transactions as stock exchange releases. The aforementioned managers are subject to a closed period of 30 calendar days prior to the publication of Metsä Group's interim reports and financial statements, during which time the managers may not trade in Metsä Board's shares or other financial instruments. In addition to the managers subject to the disclosure obligation the company specifies such other persons who, in the course of their duties, participate in the preparation of interim reports and financial statements and may not trade Metsä Board's shares or financial instruments during the closed period.

RELATED PARTY TRANSACTIONS

Metsäliitto Cooperative and its group companies assess and monitor related party transactions. Related parties are determined in accordance with International Accounting Standards (IAS 24), and they include, among others, all group companies and the members of the Board of Directors and the Executive Management Team, as well as their immediate family members. Any conflicts of interest are taken into account in decision-making, and in accordance with the Corporate Governance Code, each group company maintains a list of the members of its related parties.

AUDIT

According to the rules of Metsäliitto Cooperative, Metsäliitto Cooperative has one auditor, which must be an auditing firm authorised by the Finland Chamber of Commerce. The Representative Council elects the auditor to review the accounts for the year underway, and their task ends at the closure of the next annual meeting of the Representative Council. The task of the auditor is to audit the financial statements and accounting of the Group and the parent company and the administration of the parent company. The auditor provides a statutory auditor's report to the members of Metsäliitto Cooperative in connection with the annual financial statements and regularly reports on their observations to the Board of Directors and the management of Metsä Group. In accordance with the resolution of the Annual General Meeting of the Representative Council in the spring of 2020, Metsäliitto Cooperative's auditor for the financial period 2020 is KPMG Oy Ab, firm of authorised public accountants, with Kirsi Jantunen, APA, as the main responsible auditor. In 2020, companies belonging to Metsä Group paid a total of EUR 1,183,000 (EUR 1,205,000 in 2019) in audit fees to KPMG in Finland and internationally and a total of EUR 206,000 (EUR 249,000 in 2019) to other audit firms. In addition, KPMG was paid EUR 104,000 (EUR 337,000 in 2019) in Finland and internationally for services not related to the actual audit, and other audit firms were paid EUR 1,845,000 (EUR 2,963,000 in 2019).

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Metsäliitto Cooperative's Representative Council

Members of Metsäliitto Cooperative elect a Representative Council from among the members every four years by mail, telecommunications or by some other technical device. The Representative Council is the highest decision-making body.

Aikio Kaarlo	Forestry Engineer	Kuusamo
Airaksinen Seppo	Forest Owner	Vantaa
Anttila Juha	Farmer	Mänttä-Vilppula
Björknäs Roger	Farmer	Kristiinankaupunki
Finne Christer	Farmer	Mustasaari
Haikkonen Aila	Master of Science, Agricultural Entrepreneur	Pori
Halkilahti Jaakko	Farmer	Salo
Hall Hans	Farming Entrepreneur	Leppävirta
Havanka Pentti	Logger, Smallholder farmer	Ruovesi
Isomuotia Harri	Forester	Hämeenkyrö
Kallio Maarit	Agrologist, Farmer	Sastamala
Kiviranta Esko	Farmer, Senior Lawyer	Sauvo
Korpela Liisa	Forester, Rural Entrepreneur	Kärkölä
Koskinen Jaakko	Farming Entrepreneur	Hamina
Könönen Katri	Bachelor of Natural Resources, Farmer	Tohmajärvi
Körhämö Jani	Forester, Game manager	Pälkäne
Laitinen Markku	Farming and Forestry Entrepreneur	Kangasniemi
Lalli Jarmo	Rural Entrepreneur	Pöytyä
Laukkanen Mika	Farming and Forestry Entrepreneur	Tuusniemi
Leikola Mikko	Farmer	Lohja
Lyömiö Matti	Agrologist	Mäntyharju
Miettinen Petri	Farming Entrepreneur	Juva
Mikkonen Eeva	Forestry Engineer, Salesperson	Rääkkylä
Moilanen Heli	Public Health Nurse	Paltamo
Moilanen Jussi	Forest Technician	Suomussalmi
Morri Tiina	Forestry Entrepreneur	Virrat
Niemelä Henry	Farmer	Lapua
Nyman Jan-Ove	Agronomist	Kokkola
Orjala Jari	Farming Entrepreneur, Full-time Teacher	Kannus
Palohuhta Reijo	Forestry Entrepreneur	Evijärvi
Pekonen Kari	Rural Entrepreneur	Parikkala
Perttu Antti-Jussi	Bachelor of Natural Resources, Farming Entrepreneur	Eura
Pietilä Timo	Forestry Engineer, Pensioner	Liminka
Purhonen Petri	Farmer	Enonkoski
Ryymin Jaakko	Forest Owner	Iisalmi
Saatsi Esko	Rural Director	Nurmes
Saviniemi Timo	Farming and Forestry Entrepreneur	Hämeenlinna
Savola Mikko	Member of the Parliament	Ähtäri
Soronen Mauno	Vicar	Haapavesi
Stenman-Kässi Liisa	Agrologist	Uurainen
Säynätjoki Ilkka	Farmer	Kuhmoinen
Tapaninen Teuvo	Pensioner	Sodankylä
Tiusanen Matti	Farming and Forestry Entrepreneur	Äänekoski
Torppa Pekka	Farmer	Toivakka
Tyskas Kim	Farming Entrepreneur, Salesman	Lapinjärvi
Törmikoski Jari	Farmer	Raahe
Uotila Kirsi	Forestry Entrepreneur	Helsinki
Vuorela Jorma	Farmer	Kurikka
Yli-Antola Kimmo	Farming and Forestry Entrepreneur	Laitila
Yli-Korhonen Jarmo	Farmer	Kauhajoki
Ylimartimo Aatto	Farmer	Tervola
Ylä-Outinen Päivi	Farmer	Lappeenranta

Metsäliitto Cooperative's Supervisory Board

The Supervisory Board's duty is to supervise the appropriate management of Metsäliitto Cooperative in compliance with the relevant regulations, the Supervisory Board's decisions, and in the interests of Metsäliitto Cooperative. It also supervises the implementation of the Representative Council's decisions and elects Metsäliitto Cooperative's Board of Directors.

Chairman		
Paajanen Juha	Farming and Forestry Entrepreneur	Savonlinna

Deputy Chairman		
Siponen Ahti	Master of Social Sciences	Kiuruvesi

Members		
Alatalo Matti	Farmer	Soini
Brandt Mats	Agrologist	Kokkola
Hatva Teuvo	Forestry Entrepreneur	Kajaani
Haukilahti Tapani	Farmer	Veteli
Hirvonen Ville	Agrologist	Rääkkylä
Isotalo Antti	Farmer	Kauhava
Jäärni Antti	Farmer	Simo
Ketola Jyrki	Director	Helsinki
Kontinen Kati	Master of Science (For.)	Mikkeli
Kulmala Airi	Specialist, Farmer	Nousiainen
Kuutti Petri	Farmer	Kouvola
Laatikainen Markus	Executive Manager	Posio
Laineenoja Jari	Agronomist, Financing Manager	Huittinen
Laitinen Pirkko	Agronomist	Utajärvi
Lappalainen Jukka	Farmer	Pielavesi
Lauttia Petri	Farmer	Hämeenlinna
Lillandt Anders	Farmer	Kristiinankaupunki
Mikkola Antti-Jussi	Farmer	Pälkäne
Minkkinen Timo	Forestry Entrepreneur	Viitasaari
Mulari Keijo	Farming Entrepreneur	Suomussalmi
Nikula Timo	Agrologist	Laitila
Savolainen Jyrki	Farmer	Laukaa
Turtiainen Matti	Master of Science (Agr. And For.), Agronomist	Savonlinna
Uusitalo Ilkka	Farmer	Salo
Vanhatalo Jukka	Farmer	Siikainen
Virnala Jukka	Entrepreneur	Kurikka
Wasström Anders	Farming Entrepreneur	Raasepori
Äijö Matti	Forestry Engineer	Ikaalinen

Personnel representatives		
Kaukinen Susanna	Office assistant	Lohja
Koljonen Timo	Solution Owner	Helsinki
Kuhalampi Rauno	Forest Specialist, Wood trade and Forest Services	Seinäjoki
Naukkarinen Janne	Chief Shop Steward	Savonlinna

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Metsäliitto Cooperative's Board of Directors

JUSSI LINNARANTA

b. 1972

M.Sc (Agriculture and Forestry)
Agronomist
Member of the Board since 2017,
Chairman of the Board since 2020

Participation (own, under common ownership and by controlled corporations) in Metsäliitto Cooperative on 31 December 2020: EUR 105,902

Shares (own and by controlled corporations) in Metsä Board Corporation on 31 December 2020: 20,939 (B-shares)

ARTO HILTUNEN

b. 1958

M.Sc (Economy)
Member of the Board since 2007

Participation (own, under common ownership and by controlled corporations) in Metsäliitto Cooperative on 31 December 2020: EUR 1,170

Shares (own and by controlled corporations) in Metsä Board Corporation on 31 December 2020: no ownership

MIKKO MÄKIMATTILA

b. 1971

M.Sc (Agriculture and Forestry)
Agronomist
Member of the Board since 2020

Participation (own, under common ownership and by controlled corporations) in Metsäliitto Cooperative on 31 December 2020: EUR 57,523

Shares (own and by controlled corporations) in Metsä Board Corporation on 31 December 2020: no ownership

TIMO SAUKKONEN

b. 1963

M.Sc (Agriculture and Forestry)
Forester
Member of the Board since 2007,
Vice Chairman of the Board since 2020

Participation (own, under common ownership and by controlled corporations) in Metsäliitto Cooperative on 31 December 2020: EUR 131,126

Shares (own and by controlled corporations) in Metsä Board Corporation on 31 December 2020: 9,875 (B-share)

TAAVI HEIKKILÄ

b. 1962

M.Sc (Econ)
Vuorineuvos (Finnish honorary title)
Member of the Board since 2021

Participation (own, under common ownership and by controlled corporations) in Metsäliitto Cooperative on 31 December 2020: no ownership

Shares (own and by controlled corporations) in Metsä Board Corporation on 31 December 2020: no ownership

JUHA PARPALA

b. 1967

Agrologist
Member of the Board since 2009

Participation (own, under common ownership and by controlled corporations) in Metsäliitto Cooperative on 31 December 2020: EUR 35,278

Shares (own and by controlled corporations) in Metsä Board Corporation on 31 December 2020: 1,087 (B-share)

ILKKA SALONEN

b. 1965

M.Sc (Econ)
Member of the Board since 2018

Participation (own, under common ownership and by controlled corporations) in Metsäliitto Cooperative on 31 December 2020: EUR 109,405

Shares (own and by controlled corporations) in Metsä Board Corporation on 31 December 2020: no ownership

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Metsä Group Executive Management Team

ILKKA HÄMÄLÄ

b. 1961

M.Sc (Engineering)
Vuorineuvos, (Finnish honorary title)
CEO and President, Metsä Group
CEO, Metsäliitto Cooperative
Member of the Executive Management Team since 2008

Participation in Metsäliitto Cooperative on 31 December 2020: no ownership

Shares in Metsä Board Corporation on 31 December 2020: 337,648 (B-share)

MIKA JOUKIO

b. 1964

M.Sc (Technology)
MBA
CEO, Metsä Board Corporation
Member of the Executive Management Team since 2012

Participation in Metsäliitto Cooperative on 31 December 2020: EUR 94,646

Shares in Metsä Board Corporation on 31 December 2020: 354,025 (B-share)

ESA KAIKKONEN

b. 1969

LL.M
CEO, Metsä Tissue Corporation
Member of the Executive Management Team since 2008

Participation in Metsäliitto Cooperative on 31 December 2020: no ownership

Shares owned in Metsä Board Corporation on 31 December 2020: 74,467 (B-share)

JUHA MÄNTYLÄ

b. 1961

M.Sc (Agriculture and Forestry)
Forester
Metsäneuvos (Finnish honorary title)
COO, Metsäliitto Cooperative
Member of the Executive Management Team since 2008

Participation in Metsäliitto Cooperative on 31 December 2020: EUR 515,121

Shares owned in Metsä Board Corporation on 31 December 2019: 227,034 (B-share)

ISMO NOUSIAINEN

b. 1966

M.Sc (Engineering)
CEO, Metsä Fibre Oy
Member of the Executive Management Team since 2018

Participation in Metsäliitto Cooperative on 31 December 2020: no ownership

Shares owned in Metsä Board Corporation on 31 December 2020: 103,420 (B-share)

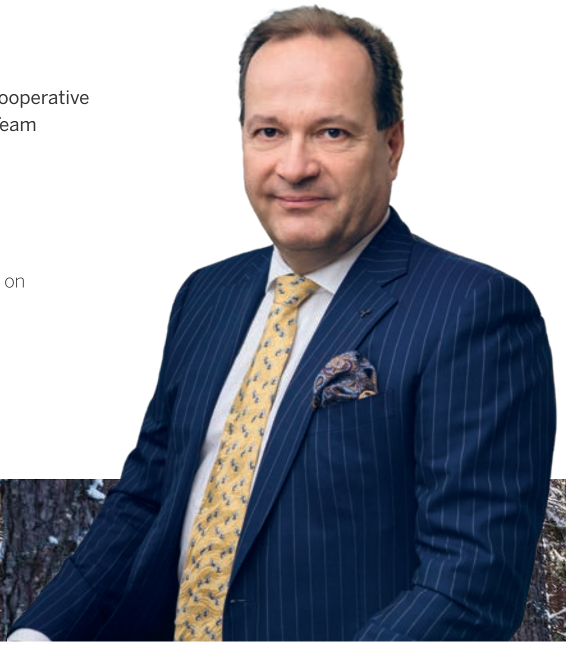
VESA-PEKKA TAKALA

b. 1966

M.Sc (Economy)
Chief Financial Officer, Metsä Group
Deputy Managing Director, Metsäliitto Cooperative
Member of the Executive Management Team since 2010

Participation in Metsäliitto Cooperative on 31 December 2020: EUR 52,810

Shares owned in Metsä Board Corporation on 31 December 2020: 166,498 (B-share)



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Financial reporting

Metsä Group does not comment on the Group's financial performance or similar matters from the silent period of each reporting period up to the publishing of the report for the period, apart from substantial changes in the market conditions or correcting incorrect information.

FINANCIAL INFORMATION

The financial reports are published in Finnish and English. Brochures and other publications can be ordered by sending e-mail to communications@metsagroup.com and from the Group's website at www.metsagroup.com.

Stock exchange releases, interim reports and financial statements are updated on Metsä Group's website in real time. In addition, the website presents the Group's products, customers, sales network, environmental matters and organisation. You can provide feedback on the website. Metsä Group's general e-mail address is communications@metsagroup.com.

Metsä Group aims to offer company-related information that is up to date and easy to utilise on a regular and open basis. The company aims to provide reliable and truthful information on its operations and financial position and short-term outlook. All investors are treated equally.

Metsä Group publishes its financial reports in 2021 as follows:

Closed window	Financial report	Publishing date
1.1.–10.2.2021	The Financial Statement 2020	11 February 2021
1.–27.4.2021	Interim Report for January–March 2021	28 April 2021
1.–27.7. 2021	Half-year Financial Report 2021	28 July 2021
1.–26.10.2021	Interim Report for January–September 2021	27 October 2021

Metsä

Your partner in sustainable growth

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