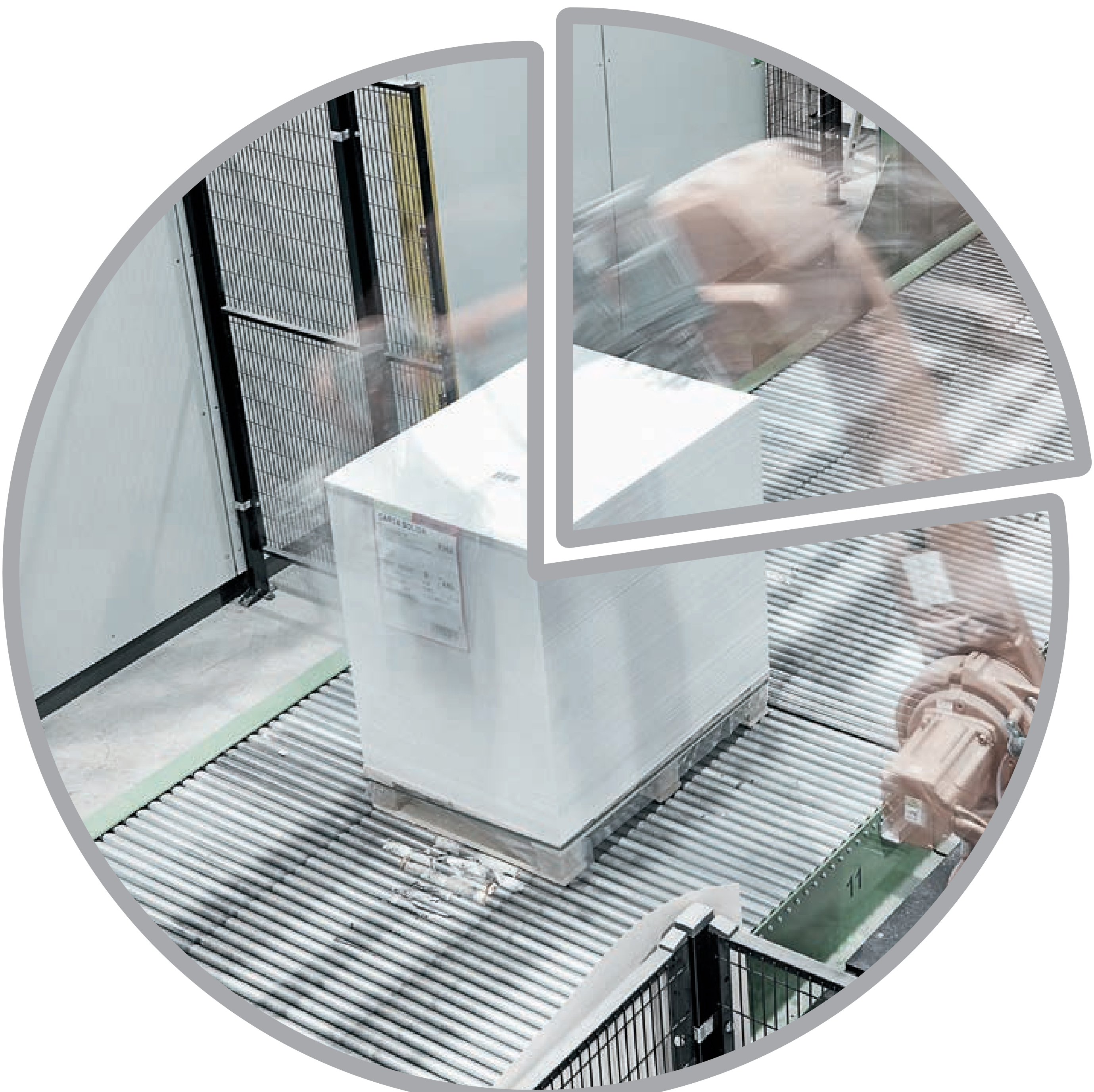
MetsäBoard

ANNUAL REPORT

2013



Metsä Board has renewed its management and reporting structure. As of the first quarter of 2014 the company's reporting segments are Cartonboard, and Linerboard and Paper. The commercial part of this Annual Report until the Financial Statements reflects the new reporting structure.

The share of paperboard business, including market pulp needed for the future business growth, in Metsä Board's sales was approximately 77 per cent in 2013. The share of standard paper was only 23 per cent. Paperboard business' share is expected to further increase in the coming years.

MOST SIGNIFICANT EVENTS IN 2013

Delivery volumes of both folding boxboard and kraftliner grew significantly compared to 2012.

Metsä Board launched renewed, lighter-weight folding boxboards with more advanced performance and printing properties.

The production of light-weight, fully-bleached kraftliners began at Husum mill in Sweden.

Profitablity improved compared to 2012.

HIGH-QUALITY PAPERBOARDS AND PAPERS

Metsä Board is Europe's leading producer of folding boxboard, the world's leading manufacturer of coated white-top kraftliners, and a major paper supplier. It offers premium solutions for consumer and retail packaging, graphics and office end-uses. The company's sales network serves brand owners, carton printers, corrugated packaging manufacturers, printers, merchants and office product suppliers.

Metsä Board is part of Metsä Group.

KEY FIGURES	2013	2012
Sales, EUR million	**2,019.3**	2,107.6
EBITDA, EUR million	**214.8**	321.4
- % of sales	**10.6**	15.3
EBITDA, excl. non-recurring items, EUR million	**208.0**	186.0
- % of sales	**10.3**	8.8
Operating result, excl. non-recurring items, EUR million	**104.4**	74.9
- % of sales	**5.2**	3.6
Operating result, EUR million	**113.6**	221.1
- % of sales	**5.6**	10.5
Result before taxes, EUR million	**57.8**	173.9
- % of sales	**2.9**	8.3
Result for the period, EUR million	**64.1**	171.3
Return on capital employed, %	**7.0**	12.4
Return on equity, %	**7.5**	21.5
Interest-bearing net liabilities, EUR million	**597.2**	625.2
Gearing ratio, %	**83**	130
Net gearing ratio, %	**70**	73
Equity ratio, %	**40.7**	33.2
Earnings per share, EUR	**0.19**	0.52
Equity per share, EUR	**2.59**	2.59
Dividend per share, EUR	**0.09**[1)]	0.06
Market capitalization 31 Dec., EUR million	**1,031**	728
Gross investments, EUR million	**66.9**	66.1
Cash flow arising from operating activities, EUR million	**82.2**	-1.5
Personnel 31 Dec.	**3,116**	3,279
CO_2 emissions, tonnes	**388,461**	482,035
Energy-efficiency improvement, % [2)]	**7**	5
Lost-time accident frequency [3)]	**12.2**	13.2
Sickness absenteeism, %	**3.9**	3.9
Share of certified wood, %	**65**	64

1) Board of Directors' proposal to the Annual General Meeting
2) Decrease in the amount of energy used in the manufacturing of a product from the 2009 level
3) Accidents at work per one million worked hours

METSÄ BOARD AIMS AT ACCELERATED GROWTH IN PAPERBOARD BUSINESS

The basic elements of Metsä Board's success are growth, quality leadership, sustainability, profitability and cooperation.

GROWTH

Demand for safe, sustainable paperboard is increasing, both in Europe and globally. Replacing traditional packaging materials with Metsä Board's folding boxboard and kraftliner is an excellent way for consumer goods companies to improve the sustainability of their operations globally. Together with our global brand owner partners, we aim to grow in our domestic market, Europe, and also at an accelerated rate in Asia and especially North America.

In 2012, we completed the EUR 120 million investment programme as part of which we increased our annual folding boxboard capacity by approximately 150,000 tonnes. The efficiencies of the mills developed as targeted, and the new capacity was fully available as of the beginning of 2013.

In order to increase our kraftliner business, the production of kraftliner was started also at the Husum mill in Sweden in spring 2013. Husum's new Modo Northern Light kraftliners complement our product portfolio and replace the mill's weakest profitable paper production.

We also renewed our management structure as of 1 January 2014 in order to accelerate growth. In folding boxboard business, we are strengthening our sales force to continue growth in Europe and accelerate it in Asia and in North America in particular. The Kemi and Husum kraftliner operations now belong to the same business area, and they are managed as a tight package, with the aim of growing both in the current main markets in Europe and North America, as well as in Asia.

We will continue to ensure the availability of folding boxboard and kraftliner in the future to support the growth of our customers.

QUALITY LEADERSHIP

We develop our products in close cooperation with our customers. Together we seek even better ways to improve the quality, sustainability and safety of our products.

We are also actively seeking new end-use areas for our current products as well as developing new ones. In spring 2013, we launched new folding boxboards that are more lightweight and feature advanced printing surfaces. This strengthened our position as the global quality leader in folding boxboard.

The coating line at the Kemi kraftliner mill was renewed as part of the investment programme completed in 2012. Since then, the mill has been increasingly focusing on coated grades, in which it is the global quality leader. New double-coated kraftliners have been a success in the market, and the mill has been operating at full capacity. Husum's new light-weight, fully-bleached kraftliner products have also been received very well in the market.

We seek to actively strengthen our position as the quality leader. We want our customer service and supply chain to be at the top level in the industry. The Lean SCM project, aiming to streamline the supply chain and improve the service level, progressed as planned in 2013 and is targeted to be completed in the paperboard businesses in 2014.

SUSTAINABILITY

Metsä Board is committed to the principles of sustainability and takes the financial, social and ecological impacts of all its operations into consideration. Our business is run according to the principles of the United Nations Global Compact in the areas of human rights, labour, environment and anti-corruption.

Our key raw material is renewable and sustainably grown fresh forest fibre whose origin we always know. All of our products can be recycled. Metsä Board's paperboards are also lighter in weight than competing products; their production consumes less raw material, water and energy, and they are lighter to transport. With our light-weight paperboards, our customers can decrease the carbon footprint of their operations. Energy and material efficiency are extremely important to us, both in terms of cost efficiency and responsibility.

When choosing packaging material, customers must be certain that it is safe. Metsä Board's folding boxboards and kraftliners are made of fresh forest fibre, and they are suitable for even the most demanding end-uses. Foodstuffs, for example, can be packaged safely directly in a paperboard packaging without additional layers that increase the weight and environmental load.

PROFITABILITY

Metsä Board's profitability improved in 2013 compared to the previous year, but we still have not achieved our full potential. The situation in the paperboard business was good. Delivery volumes of folding boxboard and kraftliner increased by over seven per cent compared to 2012, even though growth in the demand for consumer goods was very slow in the main markets due to the weak general economy. In early 2013, we continued the price increases of white-top kraftliner which began at the end of 2012, and towards the end of the year, we also increased folding boxboard prices in Europe. When the uncertainty in the general economy eases, our current capacity can be utilised even better, allowing us to show the extremely strong profit-making ability of our paperboard businesses even better.

WE SEEK TO ACTIVELY STRENGTHEN OUR POSITION AS THE GLOBAL QUALITY LEADER.

In 2014, we aim to considerably increase kraftliner production in Husum. Growth is also expected to continue after that. This is extremely important for the entire company, as increasing kraftliner production allows us to decrease weakest profitable paper production volumes. We will also improve Husum's profitability by means of cost-saving measures and by seeking other new products for the mill.

COOPERATION

Success is not achieved and targets met alone. Excellent cooperation with different stakeholders is of first-class importance to us. I would like to thank all employees, shareholders, customers and other stakeholders for 2013. Together we create unique added value and promote responsibility. The future looks better year by year.

Mikko Helander
CEO

METSÄ BOARD'S STRATEGY

Metsä Board continues to grow its paperboard business together with its customers in Europe, and aims for accelerating growth in Asia and especially in North America. Population growth and urbanisation are increasing demand for consumer goods globally. Ecological aspects and product safety is taken into consideration in the whole product supply chain. Metsä Board's modern, safe and ecological folding boxboards and kraftliners replace traditional packaging materials and offer an

MAIN ELEMENTS OF STRATEGY

Paperboard is Metsä Board's core business and it will be grown further

Smaller but healthier paper business

RECENT MEASURES IMPLEMENTED

Paperboard is Metsä Board's core business and it will be grown further

- The EUR 120 million investment programme was completed in 2012
  - Folding boxboard capacity was increased by approximately 150,000 tonnes, or about 20 per cent
  - Kemi kraftliner mill in Finland was heavily focused on coated grades
  - A new bio power plant was commissioned at Kyro mill in Finland
- Kraftliner production began at Husum mill in Sweden in the spring 2013
- The share of the paperboard business in Metsä Board's annual sales reached approximately 60 per cent

Smaller but healthier paper business

- Strategic review in 2006–2012
  - More than 2 million tonnes of paper capacity was closed down
  - Paper related assets were sold for more than EUR 2 billion
- The remaining paper production has been centralised at Husum mill
  - The largest integrated fine paper and pulp mill in Europe
  - Profitability and cost competitiveness has been significantly improved
  - Share of paper production has been decreased as kraftliner production was launched in the spring 2013

UPCOMING MEASURES

Paperboard is Metsä Board's core business and it will be grown further

- Production of the current folding boxboard machines will be further increased in 2014
- Kraftliner production will be increased considerably at Husum mill
- Delivery volumes will be increased in the main markets in Europe and outside Europe, particularly in North America
- Metsä Board will further increase its paperboard capacity in the future when the market situation requires

Smaller but healthier paper business

- Kraftliner production will be considerably increased at Husum, and the share of paper production will be further decreased gradually
- A cost saving programme is also underway to ensure Husum's competitiveness

MISSION

Metsä Board is Europe's leading fresh forest fibre paperboard producer and a major paper supplier. Metsä Board provides high performance, premium quality paperboards and papers for its customers in consumer packaging, communications and advertising end-uses among others.

VISION

Metsä Board will grow profitably, reaching an even stronger position as the world's leading supplier of high-quality consumer packaging paperboards.

excellent way for consumer goods companies to enhance sales and sustainability. The role of global brand owners is still increasing and Metsä Board expands cooperation with them.

Extensive fibre know-how and pulp self-sufficiency

- Metsä Board has strengthened its global quality leadership in folding boxboard and coated kraftliners
- In spring 2013, renewed, lighter-weight folding boxboards with advanced printing properties were launched
- Fibre development made it possible to introduce also a new Modo Northern Light kraftliner to the market

- The annual pulp surplus of approximately 300,000 tonnes will make it possible to grow the paperboard business considerably
- Current and new products will be developed and new end-uses will be actively sought for them
- The weight of paperboards will be reduced further
- Husum's kraftliner range will be expanded, and new products will be sought for the mill as well

Continuous development towards Super Productivity and top-class supply chain

- Productivity has increased by over 60 per cent since 2006
  - Measured by productivity, Metsä Board is one of the leading companies in the industry
- The capacity of the paperboard mills and Husum mill has been increased through moderate investments, while fixed costs have been reduced

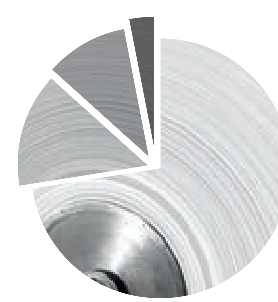
- Productivity will be further improved
  - Paperboard capacity will be increased when the market situation requires
  - Production efficiency will be improved at all mills
  - Cost savings will be continued where possible
- Supply chain will be developed
  - The Lean SCM project aiming at establishing a world-class supply chain, is targeted to be completed in 2014
  - Customer service will be improved, delivery times will shorten further and Metsä Board's capital employed will decrease

PULP SURPLUS

PRODUCTIVITY IMPROVEMENT SINCE 2006

OVER 60%

DELIVERIES BY MARKET AREA IN 2013: %



Europe	73
Asia-Pacific region (incl. Near East)	14
Americas	10
Africa	3

VALUES

- Responsible profitability
- Reliability
- Cooperation
- Renewal

FINANCIAL TARGETS

- Return on capital employed (ROCE) target set at a minimum of 10 per cent on average over the business cycle.
- Net gearing ratio not to exceed 100 per cent.
- Dividend at least 1/3 of the Company's earnings per share.

MULTI-PURPOSE KRAFTLINERS

Kraftliner, typically used as a top layer for corrugated board packaging, is a common sight on supermarket shelves. It is used, among other things, in the packaging of electronics, toys, processed foods and beverages, as well as fresh fruit and vegetables. Metsä Board's Kemi mill specialises in coated white-top kraftliners, in which it is the global quality leader. The printing properties of coated kraftliner are very good, with accurate colour and text reproduction. Therefore, it is used in the packaging of many brand products, such as well-known beers and wines.

In 2013, Metsä Board's portfolio of kraftliners was complemented with the lightweight, fully-bleached uncoated Modo Northern Light kraftliners, manufactured at the Husum mill in Sweden. This versatile product is ideal for packaging, for example, dry and greasy food items, such as pizzas, hamburgers and other fast food items. Fresh forest fibre-based kraftliner can be in direct contact with the foodstuff with no taint, odour or anything else harmful passed on to the food.

SAFE AND ECOLOGICAL PAPERBOARDS AND PAPERS

In 2013, Metsä Board renewed its folding boxboards and expanded its kraftliner portfolio.

SIMCOTE – UNPARALLELED IN FOOD PACKAGING

Product safety is the single most important property required of food packaging. Metsä Board's folding boxboards made from fresh forest fibre are clean, natural products that do not pass any harmful substances on to foodstuffs. A food package must be rigid and stay intact throughout the supply chain in order to protect the food item. The package also needs to be light-weight and have good processing properties. Furthermore, the surface and printing properties must be so good that brand products sold globally look the same, have the same shade of colour and look equally appealing on the shelves of stores around the world.

Simcote's grammages were light-weighted across the range which provides cost-savings and supports sustainable development. The product's technical properties, thickness and stiffness, have remained unchanged.

METSÄ BOARD'S PRODUCTS

CARTONBOARDS
Avanta Prima
Carta Allura
Carta Elega
Carta Integra
Carta Solida
Simcote
Tako grades

GRAPHIC BOARDS
Carta Elega
Carta Integra
Carta Solida

WHITE-TOP KRAFTLINERS
Carta Selecta
Kemiart grades
Modo Northern Light grades

CAST-COATED SPECIALITY PAPERS
Chromolux

UNCOATED FINE PAPERS
Data Copy
Logic
Modo Papers

WALLPAPER BASE
Cresta grades

PULPS
Botnia Nordic Husum
Botnia High Yield Kaskinen

AVANTA PRIMA FOR THE NEEDS OF THE PHARMACEUTICAL INDUSTRY

Avanta Prima has been designed specifically for the needs of the pharmaceutical and beautycare industries. The use of two-dimensional barcodes is gaining ground to prevent counterfeit medicines. Avanta Prima's surface properties were developed to suit 2D data matrix coding. Medicine packages usually have plenty of unprinted white surface, since the package must communicate cleanliness and impeccable hygiene. Therefore, optimising the shade of colour was also important.

Avanta Prima is also lighter in weight than before. The product's grammages have been further reduced, without compromising thickness and stiffness. Lighter-weight cartonboards promote sustainability by reducing the need for raw materials, weights to be transported and waste.

CARTA ELEGA FOR DEMANDING END-USES

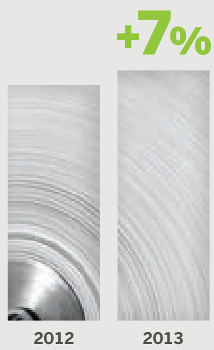
Carta Elega has been designed specifically for beautycare and other demanding end-uses. Cosmetics packaging must have excellent surface and printing properties; the smoothness and brightness of the surface are important factors. The development of Carta Elega responds to customers' requests for a whiter shade.

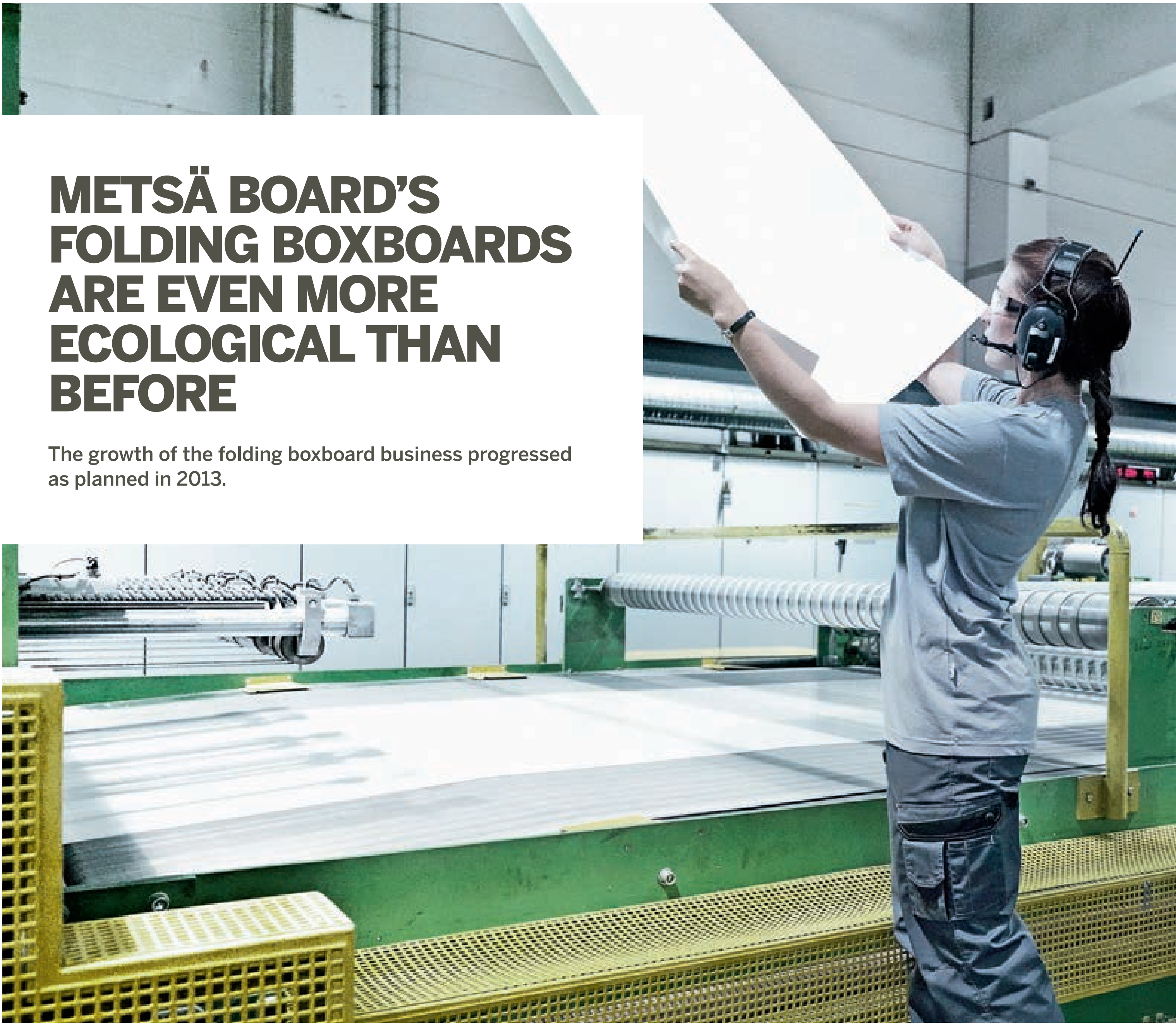
CARTONBOARD

Cartonboard business area is Europe's leading manufacturer of innovative and high-quality folding boxboards. Light-weight cartonboard manufactured from fresh forest fibre is an excellent material for packaging foodstuffs, sweets, cigarettes, pharmaceuticals and cosmetics. The product portfolio also includes cast-coated Chromolux speciality papers and wallpaper bases. The business area also offers versatile packaging services in Asia.

KEY FIGURES	2013	2012
Sales, EUR million	**867.5**	864.2
EBITDA, excluding non-recurring items, EUR million	**97.6**	115.3
Operating result, excluding non-recurring items, EUR million	**56.9**	70.6
Return on capital employed, excluding non-recurring items, %	**10.9**	13.7
Deliveries, 1,000 tonnes	**872**	846
Personnel, 31 Dec.	**1,544**	1,619

FOLDING BOXBOARD DELIVERY VOLUME





METSÄ BOARD'S FOLDING BOXBOARDS ARE EVEN MORE ECOLOGICAL THAN BEFORE

The growth of the folding boxboard business progressed as planned in 2013.

The year 2013 was a good one in the folding boxboard business despite the very slow growth of consumer goods demand in the main markets. Delivery volumes grew by some seven per cent compared to 2012 and prices were increased at the end of the year in Europe.

The investment programme of the paperboard business was completed in 2012, and as part of the programme, the annual folding boxboard production capacity was increased by 150,000 tonnes. The production efficiency of the expanded capacity reached the targeted level at the beginning of 2013.

In the spring, Metsä Board introduced to the market renewed and lighter-weight folding boxboards which feature more advanced performance and printing properties. The product enhancements strengthened Metsä Board's position as the quality leader in folding boxboards.

METSÄ BOARD'S POSITION AS THE QUALITY LEADER IN FOLDING BOXBOARDS STRENGTHENED.

Cartonboard business' sales operations were developed during the year in accordance with the strategy to continue growth in Europe and accelerate growth in North America and Asia.

ACCELERATED FUTURE GROWTH

The demand outlook for ecological and safe packaging materials is very good. The end-uses of Metsä Board's fresh forest fibre-based boards are part of people's everyday lives, and there is no significant change in demand for them even if the overall economy fluctuates. For consumer goods companies, choosing folding boxboard as their packaging material is an excellent way to improve the sustainability of their operations globally.

The most important goal in 2014 is to fully benefit the expanded folding boxboard capacity. The share of safe, ecological folding boxboard in the total cartonboard market is still fairly low in Europe and outside Europe, in particular. Metsä Board aims to further increase its market position in Europe and accelerate growth in Asia and, in particular, in North America. Metsä Board has good potential to further grow its cartonboard capacity when the market situation so requires.

In order to accelerate growth, Metsä Board actively seeks new end-use areas for its products and develops its current and new products and service range. The production efficiency of mills will be improved, too.

LIGHTER AND WHITER

In the spring 2013, Metsä Board launched the enhanced Avanta Prima, Simcote and Carte Elega folding boxboards. For customers this means lighter weight and even better optimised products.

Metsä Board works systematically to develop lighter-weight boards with excellent performance and printing properties. The product improvements implemented in the spring 2013 concerned products manufactured at Simpele and Kyro mills in Finland. Of these, Avanta Prima is specially designed for the needs of the pharmaceutical industry, and Carta Elega for cosmetics and other demanding end-uses. Simcote is used extensively in food packaging, in particular. The cartonboard machines at the mills were renewed in 2011.

Metsä Board's folding boxboards are now able to meet customers' needs and packaging property requirements even better. The already-low grammages of Avanta Prima and Simcote were reduced by an additional 5 grams. The products' technical properties, thickness and stiffness, remained unchanged. Light-weight cartonboards provide savings throughout the value chain by decreasing the need for raw material, transported weights and waste. Metsä Board's folding boxboards are in total up to 30 per cent lighter than competing cartonboards, which provides customers with a considerable yield advantage.

Carta Elega's shade was developed to better meet the customer needs. The white shade was optimised for the needs of the cosmetics and pharmaceutical industries. Avanta Prima's surface properties were developed to suit 2D data matrix coding, which is becoming increasingly common in pharmaceuticals packaging to prevent counterfeit medicines. The shade of the product was also optimised to look whiter.

EVENTS IN 2013

Folding boxboard delivery volumes grew by some seven per cent compared to 2012.

Renewed and lighter-weight folding boxboards with improved performance and printing properties were introduced.

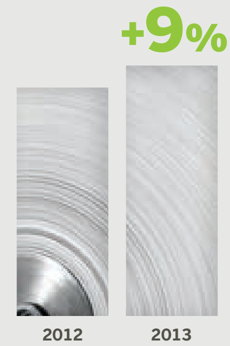
The production efficiency of the folding boxboard machines expanded in 2012 reached the targeted level at the beginning of 2013.

LINERBOARD AND PAPER

Linerboard and Paper business area is the world's leading manufacturer of coated white-top kraftliner and a growing producer of uncoated kraftliner. Kraftliners are used in high-quality consumer, retail and shelf-ready packaging as well as in store solutions. The business area also manufactures uncoated fine papers mainly for office end-use as well as coated papers, and is in charge of Metsä Board's market pulp sales.

KEY FIGURES	2013	2012
Sales, EUR million	**1,075.0**	1,165.5
EBITDA, excluding non-recurring items, EUR million	**114.0**	92.0
Operating result, excluding non-recurring items, EUR million	**54.3**	31.1
Return on capital employed, excluding non-recurring items, %	**7.2**	4.0
Deliveries, 1,000 tonnes	**1,027**	1,024
Personnel, 31 Dec.	**1,047**	1,085

KRAFTLINER DELIVERY VOLUME



METSÄ BOARD'S KRAFTLINER BUSINESS WILL BE INCREASED SIGNIFICANTLY

Metsä Board's kraftliner business developed very well in 2013, and growth is expected to continue. In the paper business, the year was more challenging.

Kemi kraftliner mill in Finland was in full operation throughout the year. The coating section of the mill's kraftliner machine was renewed in 2011, and the mill's production has been increasingly focused on coated grades, in which Metsä Board is the world's quality leader. The double-coated kraftliner products introduced in the spring 2012 have been a success story in the market, and their demand continued to grow in 2013.

In order to grow its kraftliner business, Metsä Board started the production of light-weight fully-bleached, uncoated kraftliners at Husum mill in Sweden in the spring 2013. The new Modo Northern Light kraftliners complement Metsä Board's product portfolio and replace the mill's weakest profitable paper production. The products have been well received in the market and their delivery volumes have grown as planned. Part of the uncoated volumes from Kemi mill will also be moved to Husum, which makes it possible to increase the volume of coated grades in Kemi. In early 2014, Metsä Board started also the production of light-weight coated kraftliners at Husum. This complements the product portfolio further.

Metsä Board's remaining paper production has been focused to Husum. The mill is Europe's largest integrated fine paper and pulp mill, which has been actively developed in recent years to meet the changed market

KEMI KRAFTLINER MILL WAS IN FULL OPERATION THROUGHOUT THE YEAR.

situation. In addition to the new kraftliner production, a programme seeking to achieve annual savings of approximately EUR 15 million was launched to improve the mill's profitability.

The paper market situation in Europe continued to be challenging in 2013. Delivery volumes decreased from the previous year and the declining trend in prices continued.

Sales volumes of the Kaskinen high-yield pulp (BCTMP) continued to increase and they have been increasingly directed to long-term contract customers in Europe. The mill is a good reserve for Metsä Board for growing the paperboard business in the future.

The most significant divestment in 2013 was the Alizay mill site in France. The site, including the equipment and buildings, was sold to Conseil Général de l'Eure, representing the French state, for EUR 22 million in January.

AIMING FOR PROFITABLE GROWTH

Demand for kraftliners is expected to grow in 2014 as well. Metsä Board works actively to increase its kraftliner sales in its current main markets in Europe and North America as well as in Asia. Product development is one of the key focus areas as well. At Husum mill, kraftliner production will be increased considerably and the share of paper production will be gradually decreased.

Metsä Board's papers are primarily sold to the Western European market, where demand is estimated to continue to decrease and the overcapacity situation to worsen. Metsä Board's paper business has been considerably reduced. The smaller size provides opportunities to operate flexibly in the challenging market. Demand for the main product, uncoated fine paper, is declining less than that of other grades. The overall situation of European paper production still requires structural changes in order for the profitability of the field to improve.

The global pulp demand and supply situation is estimated to continue to be good. Overall, demand for pulp will decrease in Europe and increase in the emerging markets. Closures of old pulp capacity are expected to continue.

NEW OPPORTUNITIES

A new product was sought for Husum mill to improve the mill's profitability and to support Metsä Board's core business. The solution was found close by.

A little over ten years ago, Husum mill manufactured linerboard, and the relevant expertise already existed at the mill. In April 2013, the mill began manufacturing light-weight, fully-bleached uncoated kraftliners and in early 2014 also light-weight coated kraftliners.

Kraftliner is used as a surface material for corrugated board packaging. It is widely used in packages of consumer durables, such as electronics and toys, as well as in grocery packages, such as processed foods, beverages and fresh fruits and vegetables.

The new Modo Northern Light is a grade in between folding boxboards and heavier kraftliners manufactured at Kemi mill. It opens up new end-use possibilities for Metsä Board.

The kraftliner manufactured in Husum can be used in all of the three layers in corrugated board. It is used to produce a thin and light-weight corrugated board that is

suitable for uses in which other, heavy cartonboard grades have previously been used. In addition to traditional corrugated board end-uses, the product is ideal for the packaging of dry and greasy foods but also cosmetics and healthcare products, thanks to its excellent printing surface. Fresh forest fibre-based kraftliner can be in direct contact with the foodstuff with no taint, odour or anything else harmful passed on to the food.

Delivery volumes of Husum's kraftliners have grown as planned. In 2014, the production target is over 100,000 tonnes and growth is expected to continue strong after this too.

EVENTS IN 2013

Kraftliner delivery volumes increased clearly compared to the previous year.

The production of light-weight, fully-bleached, uncoated kraftliners began at Husum mill.

Kemi mill's production was focused increasingly on coated kraftliners. The mill was in full operation throughout the year.

Market situation continued to be difficult in the paper industry. The Alizay mill site in France, including the equipment and buildings, was sold to Conseil Général de l'Eure, representing the French state.

SUSTAINABILITY IS THE BASIS FOR METSÄ BOARD'S SUCCESS

Well-being at work increases personnel motivation and productivity as well as the number of healthy service years.

Product safety should be taken into consideration throughout the supply chain.

SUSTAIN-ABILITY THEME	**EMPLOYEE AND SOCIAL RELATIONS** • Human rights • Ethical business operations • Responsible employer • Well-being for local communities	**SUSTAINABLE OFFERING** • Sustainable products, services and innovations • Product safety
DEVELOP-MENTS IN 2013	▶ In 2013, Metsä Board's lost-time accident frequency rate was 12.2 (13.2 in 2012) and sickness absenteeism rate 3.9 (3.9) ▶ Production units focused on work safety by • Implementing a reporting tool improving safety • Emphasising the importance of proactive efforts (observations, brief on-site safety presentations and safety walks) • Developing the safety of service providers • Updating safety audits ▶ Updating of stakeholder activities began	▶ Metsä Board launched the renewed light-weight folding boxboards with improved performance and printing properties in 2013 ▶ The production of light-weight, fully-bleached kraftliners began at Husum mill ▶ The benefits of fresh forest fibre-based packaging were further highlighted
TARGETS	▶ Metsä Board aims to improve its lost-time accident frequency rate by 10 per cent each year. The long-term target is zero ▶ The target is to keep the sickness absenteeism rate at the best European level and below 3 per cent at all times ▶ Safety management and attitudes towards work safety will be developed further by • Ensuring a high quality of safety orientation • Developing the risk assessment process ▶ Stakeholder activities will continue ▶ Workplace functionality is measured on a scale from 4 to 10. Metsä Board's aim is that the result would be over 8.3 in all units	▶ The competitiveness of the product portfolio will be improved by developing new and existing products as well as by seeking new end-uses ▶ The production efficiency and range of services will be improved at the mills ▶ The objective is to meet consumer needs in terms of appropriate and responsible packaging

The origin of raw materials must be traceable all the way back to their source.

Resource efficiency is the foundation of sustainable and economical operations –achieving more with less.

RAW MATERIALS AND SUPPLIER MANAGEMENT

- Sustainable forest management and nature values
- Sustainable supply chain
- Partnerships with suppliers and forest owners

- In 2013, Metsä Board's production units used 4.8 million cubic metres of wood
  - 65 per cent originated from certified forests
- The risk assessment process started in order to identify potential risk suppliers regarding sustainability
- Supplier Code of Conduct was included in 107 contracts, accounting for 56 per cent of all new and renewed supplier contracts in 2013

- Metsä Board is able to trace all the wood it uses back to its origins. All wood raw material comes from sustainably managed forests
  - At Metsä Group level, the target is to sustain the amount of certified wood in operations above 80 per cent
- Further plans and implementation of supplier chain management will be carried out in 2014–2015
- The target is to audit 100 per cent of risk-rated key material suppliers against sustainability criteria by 2015

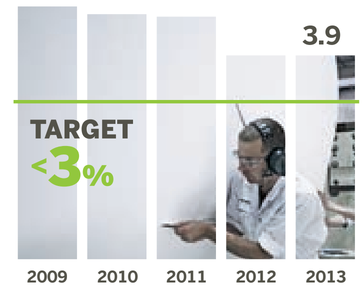
ENVIRONMENTAL AND RESOURCE EFFICIENCY

- Energy and climate
- Water efficiency
- Material efficiency
- Environmental risk management

- Metsä Board's aim is to reduce fossil CO_2 emissions in production by 30 per cent per product tonne by 2020 from the 2009 level. The objective was met already in 2013
  - CO_2 emissions have decreased by 35 per cent during 2009–2013
  - Energy-efficiency has improved by 7 per cent during 2009–2013
- New low-consistency refiners were installed at Kaskinen pulp mill
- Husum mill started to use pitch oil as fuel in the mill's lime kiln
- Metsä Board's mills started a project aimed at reducing water intake and fibre loss, and making water use more effective

- The target is to improve energy-efficiency by 10 per cent by 2020 from the 2009 level
- The goal is to reduce process water consumption by 10 per cent by 2020 from the 2010 level
- The water consumption and material efficiency improvement projects launched in 2013 will continue in 2014

SICKNESS ABSENTEEISM



CO_2 EMISSIONS

SHARE OF CERTIFIED WOOD

READ MORE FROM METSÄ GROUP'S SUSTAINABILITY REPORT

www.metsagroup.com/sustainability

SUSTAINABILITY GUIDES ALL OPERATIONS

Metsä Board's business operations are guided by Metsä Group's sustainable development principles based on the UN's Global Compact initiative. Sustainable development is an inseparable part of all operations and daily work.

Metsä Board openly reports on the impact of its operations and continuously develops related communication.

Paper Profile environmental product declarations have been provided for all Metsä Board's papers and paperboards since 2001, and carbon footprint calculations since 2007. More detailed reporting on the environmental impact (Environmental Product Declaration, EPD) of folding boxboards will continue in 2014, building on the experiences gained from the lifecycle assessment of Simcote folding boxboard in 2012.

Environmental labels help consumers understand the environmental impacts of a product. Metsä Board's office papers have been granted the EU Ecolabel. Corresponding criteria do not yet exist for packaging products. Information on pulp manufactured by Metsä Board is available in the new My Swan Account information system maintained by the Nordic ecolabel, or the Swan label.

Metsä Board is committed to several global initiatives aiming to open reporting on the environmental impact of operations, climate strategy and origin of fibres, among other things.

METSÄ BOARD PARTICIPATES IN THE FOLLOWING INITIATIVES

- UN Global Compact Nordic Network
- UN CEO Water Mandate
- CDP (Carbon Disclosure Project)
- WWF Check Your Paper
- WWF The Paper Company Environmental Index
- Sedex (Supplier Ethical Data Exchange)
- PREPS (Publishers' database for Responsible Environmental Paper Sourcing)
- Forest certification organisations
  - Programme for the Endorsement of Forest Certification (PEFC®)
  - Forest Stewardship Council (FSC®)

METSÄ BOARD ACTIVELY TAKES PART IN SEVERAL ORGANISATIONS

- The World Business Council for Sustainable Development (WBCSD)
- The Confederation of European Paper Industries (CEPI)
- The European Organization for Packaging and the Environment (EUROPEN)
- The Finnish Forest Industries Federation
- The Swedish Forest Industries Federation
- Verein Deutscher Papierfabriken (VDP)
- The Confederation of Finnish Industries (EK)

WELL-BEING FOR ALL

Safety is the basic requirement in all operations. It applies to both the working environment and products manufactured as well as the well-being of employees, suppliers and partners.

Motivated and satisfied personnel is Metsä Board's most important asset. Employees' work capacity is maintained by means of an early support model. The model includes assessing work capacity and intervening as early as possible in issues that may compromise work capacity, as well as a personal work capacity plan. Supervisors are provided with tools and training for identifying situations which are potential risks to personnel well-being.

Focus has been placed on occupational safety in recent years by efforts aimed at influencing attitudes and by promoting proactivity. Attention has been paid, in particular, to reporting observations related to safety and dangerous situations. The HSE (Health, Safety and Environment) tool enables employees to report safety observations, damage notifications, accidents and close calls endangering safety. The objective is to create a strong safety culture that everyone is committed to.

In the Finnish production units, 22 accidents at work were reported in 2013, which is 13 incidents less than the previous year. Lost-time accident frequency rate (accidents at work resulting in absence per one million worked hours) was 10.2 (2012: 16.5) at the Finnish mills.

In April 2013, the Etelä-Karjala District Court in Finland deemed three Metsä Board supervisors to have committed an industrial safety offence in an unfortunate accident in Simpele mill in 2011, in which an employee was trapped between board cylinders and was killed. The court ordered the three employees each to pay day-fines.

OPEN DIALOGUE

Employee satisfaction is being continuously monitored. A personnel survey conducted at the beginning of 2013 measured job satisfaction and how the work environment promotes daily work. The survey results were positive and slightly improved compared to the previous survey, conducted in 2011. The average organisation functionality index for Metsä Board was 8.3. The mill-specific results varied between 8.0 and 8.8 on a scale from 4 to 10. The research conducted 92 per cent of Metsä Board's employees and response rate was 70 per cent.

Metsä Board aims to continuously develop open and transparent dialogue with its stakeholders. The updating of stakeholder engagement began in 2013 in order to map the most essential stakeholders and key current and emerging topics, as well as to create procedures for stakeholder collaboration in 2014.

OCCUPATIONAL SAFETY AND WELL-BEING	2013	2012	2011
Sickness absenteeism, %[1)]	**3.9**	3.9	4.6
Work injury absenteeism, %	**0.3**	0.2	0.2
Lost-time accident frequency rate (per million worked hours)	**12.2**	13.2	16.1

[1)] Per cent of potential working hours

PERSONNEL PER COUNTRY	PERSONNEL 31 DEC. 2013[1)]	PERSONNEL 31 DEC. 2012[1)]	NET EMPLOYMENT CHANGE 2013	AVERAGE AGE OF EMPLOYEES 31 DEC. 2013
Finland	**1,465**	1,536	**-71**	**44.9**
Sweden	**869**	887	**-18**	**47.3**
Germany	**534**	577	**-43**	**47.9**
Other countries	**248**	279	**-31**	**41.5**
Total	**3,116**	3,279	**-163**	**45.9**

[1)] Full Time Equivalent

SAFE AND CLEAN PRODUCTS

Metsä Board's products are manufactured from fresh forest fibre and are safe throughout their life-cycle.

The origin of all raw materials used in manufacturing Metsä Board's products is known. The products meet even the strictest standards concerning food safety: a fresh forest fibre-based paperboard product can be in direct contact with the food products with no taint, odour or anything else harmful being passed on to the food. All Metsä Board's paperboard mills have an ISO 22000 food safety certificate.

Metsä Board's light-weight products generate savings throughout the value chain by reducing the need for raw materials and the volumes to be transported. At the end of their life cycle, products can be recycled.

CUSTOMER-ORIENTED DEVELOPMENT

Metsä Board carries out long-term work to develop new products and improve current ones. R&D focuses on manufacturing even lighter-weight products in the future, without compromising their end-use properties. New end-use areas are also being continuously sought. The operations are based on being customer-oriented and on production and resource efficiency.

In 2013, Metsä Board launched renewed light-weight folding boxboards with advanced performance and printing properties. The product enhancement supports the growth of folding boxboard sales. Metsä Board actively participates in different cluster projects in order to find and use new technologies.

In spring 2013, a significant step was taken in growing the kraftliner business, as the production of fully bleached light-weight kraftliners began at Husum mill. The new products will support Metsä Board's core business and replace weakest profitable paper production. In 2014, the share of kraftliner production will be further increased in Husum. In the paper business, the aim is to further streamline the product portfolio.

All Metsä Board mills achieved remarkable savings in variable costs by means of a special development programme. The savings measures will continue in 2014.

Metsä Board works actively to strengthen its position as quality leader and to develop its supplier chain services to the highest level. The Lean SCM project, aiming to make supply chain processes and tools more effective, proceeded as planned in 2013. In paperboard businesses, the target is to complete the project in 2014.

There were no significant product recalls in 2013. Costs incurred by complaints in different parts of the supply chain equalled 0.6 per cent of sales. Mill- and product-specific goals equal 0.3–0.8 per cent of sales.

Metsä Board's R&D costs were approximately EUR 5 million in 2013, or approximately 0.3 per cent of operating expences (2012: EUR 5 million and 0.3 per cent).

RESPONSIBILITY THROUGHOUT THE SUPPLY CHAIN

Consumers want to be sure that the products they purchase are sustainable throughout the value chain.

Metsä Board requires that its suppliers' operations are sustainable and supports them in ethical business operations and in committing to responsible operating methods. Raw materials and services are purchased from reliable suppliers who are able to sign the Supplier Code of Conduct that highlights the respect for human rights and importance of a safe working environment and prohibits corruption and bribery. The supplier should also ensure that its subcontractors comply with the same requirements.

In 2013, the Supplier Code of Conduct was included in a total of 107 agreements. The Code is now included in 28 per cent of all signed agreements. Metsä Board's target is that by 2015 the auditing rate of the key critical material suppliers is 100. During the year under review, the purchasing function launched a risk assessment process in order to identify potential risk of raw materials and the countries processing them regarding sustainability.

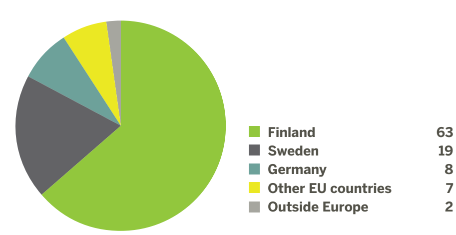
KNOWING THE ORIGIN OF FIBRES

The wood used by Metsä Board comes from sustainably managed forests. The majority of wood used in Finland comes from forests owned by Metsäliitto Cooperative's members. In 2013, other wood supply countries included Sweden, the Baltic countries and Russia. The origin of wood is verified by means of the PEFC® and FSC® certified Chain of Custody tracing method managed by the Metsä Group's wood supply organisation. Metsä Group's wood supply meets the EU's Timber Regulation requirements, which became effective in 2013.

All Metsä Board's mills hold PEFC® and FSC® Chain of Custody certificates. In 2013, 65 per cent of the wood was from certified forests (2012: 64).

During the year, Metsä Board used approximately 1.4 million tonnes of various types of pulp, of which 1.2 million tonnes were produced at its own mills. Through its holding in Metsä Fibre, Metsä Board had access to 0.6 million tonnes of chemical pulp. Some 0.1 million tonnes of pulp were bought from external suppliers and 0.5 million tonnes were sold outside the company. Some 1 per cent of pulp used by Metsä Board was FSC® certified eucalyptus fibre from Uruguay. Metsä Board requires that its pulp suppliers operate in strict compliance with the law, and report annually on the origin of wood, forest certification and environmental data.

PURCHASES IN 2013:
% OF PURCHASE VALUE PER GEOGRAPHICAL AREA[1)]

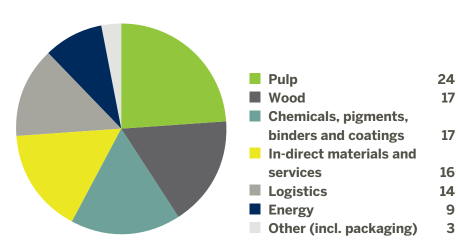


[1)] The figures do not include wood supply.

IN WOOD SUPPLY TO METSÄ BOARD'S MILLS BY PROCUREMENT AREA IN 2013

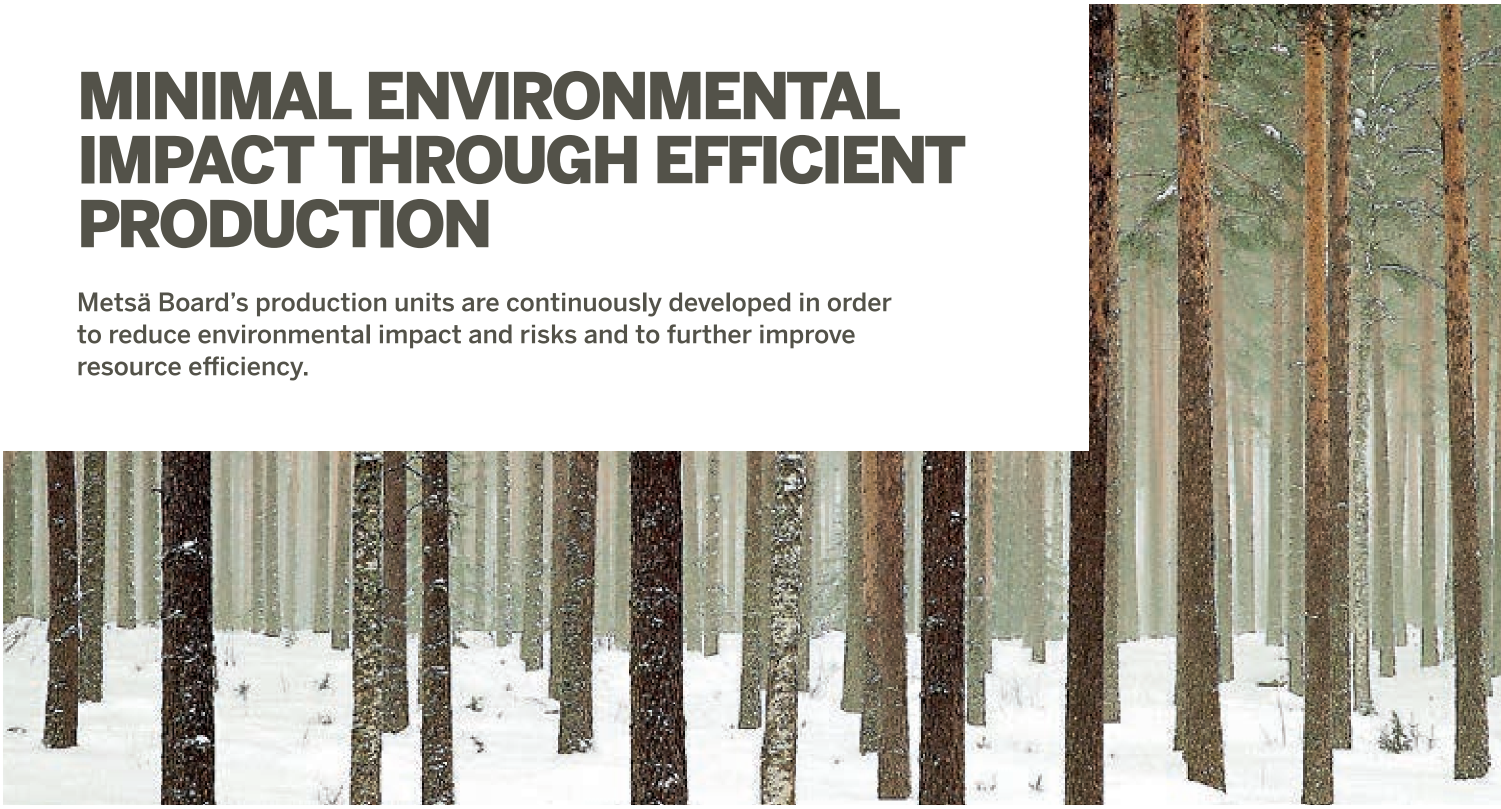
	1,000 m³	SHARE, %	CERTIFIED WOOD, 1,000 m³	CERTIFIED WOOD, %
Sweden	1,789	37	1,375	77
Finland	1,191	25	1,133	95
Baltic countries	1,074	22	310	29
Russia	764	16	337	44
Total	4,818	100	3,155	65

PURCHASES IN 2013:
% OF MATERIAL AND SERVICE VALUE



MINIMAL ENVIRONMENTAL IMPACT THROUGH EFFICIENT PRODUCTION

Metsä Board's production units are continuously developed in order to reduce environmental impact and risks and to further improve resource efficiency.



Metsä Board's target is to reduce fossil CO_2 emissions in production by 30 per cent per product tonne from the 2009 level by 2020. Due to the latest bioenergy investments, this goal was met in 2013.

Metsä Board's energy-efficiency in 2009–2013 improved by 7 per cent. The target is to improve energy-efficiency by 10 per cent by 2020 from the 2009 level.

In 2013, wood-based bioenergy accounted for 58 per cent, or 12.6 TWh (2012: 55 per cent and 12.6 TWh), of Metsä Board's total energy consumption. The majority of bioenergy is produced using the company's own by-products, such as bark and black liquor. The rest is wood-based fuels originating from process side streams and logging residuals. The majority, or 90 per cent, of the total energy purchased was CO_2 neutral. The total consumption of purchased electricity was 2.2 TWh (2.1 TWh).

Improving energy-efficiency is an integral part of all major investments in production capacity. Efficiency has been improved primarily by modifying equipment, processes and operating methods. In 2013, the focus was on optimising the running of production processes. New opportunities to improve energy-efficiency are being sought by means of energy analyses and cooperation with equipment manufacturers. The most significant energy-efficiency operations will be completed in 2014. Gohrsmühle, Husum, Joutseno, Kemi, Kyro, Simpele, Tako and Äänekoski mills have an ISO 50001 certified energy-efficiency management system.

REUSING WATER EFFICIENTLY

Metsä Board continuously looks for ways to reduce the consumption of fresh water in its production by reusing water, among other things.

In 2013, the company launched an extensive development project aiming to improve water usage and material efficiency. The purpose of the project was to reduce water use and fibre loss, as well as to improve the efficiency of sludge and wastewater management.

Metsä Board's target is to reduce process water use by 10 per cent from the 2010 level by 2020.

ENVIRONMENTAL LIABILITIES

Metsä Board has some environmental liabilities remaining from earlier operations in closed or sold industrial sites and closed landfills. In recent years, Metsä Board has been restoring the Niemenranta area in Tampere where a new high-end residential area is being built. For the most part, the project was completed in 2013.

ENVIRONMENTAL INCIDENTS

Some minor and short-term non-compliances with environmental permit requirements were reported at Metsä Board's mills in 2013.

At Gohrsmühle mill, the sulphur emission of the power plant momentarily exceeded the limit due to a disturbance in the sulphur removal system. In April at Simpele mill, the nitrogen emissions to water exceeded the permit limit slightly due to a momentary over-dosage of nitrogen into the waste water treatment plant.

A minor amount of wood fibre was released to the surrounding environment at Joutseno mill in September when a blockage in the pulp drying air scrubber became loose. Oily soil and vegetation uncovered by the exceptionally low water level were removed in the body of water adjacent to the Äänekoski mill area. The oil is from the oil spill that happened at the Äänevoima Oy industrial power plant in 2011. There were a few momentary effluents into the river at Simpele mill due to disturbances in pumping in the wastewater treatment plant. The authorities were informed and corrective actions taken immediately in all cases.

IMPROVEMENTS AT PRODUCTION UNITS

Metsä Board's production units carry out systematic work to improve their environmental performance and prevent disturbances.

New low-consistency refiners were installed at Kaskinen pulp mill, reducing the mill's energy consumption considerably. Husum mill started using pitch oil as fuel in the mill's lime kiln, which reduces the mill's fossil CO_2 emissions. Tako board mill's environmental risk analysis was updated.

Several measures were launched in order to promote water and material efficiency. The process water evaporation plant in Kaskinen mill was modernised to improve efficiency. Simpele mill invested in a new circulation water tower and a disc filter that make it possible to efficiently recover fibres and reuse process water. Äänekoski mill utilised a large amount of fibre sludge generated in the board mill's wastewater treatment in the construction of the mill's landfill expansion.

FROM RENEWABLE RAW MATERIAL TO RECYCLABLE PRODUCTS

SHARE OF METSÄ BOARD'S SELF-PRODUCED ENERGY 50%
SHARE OF RENEWABLE ENERGY IN METSÄ BOARD 63%

MATERIAL BALANCE

	2013	2012
PRODUCTION, 1,000 t		
Paperboard	**1,291**	1,090
Pulp	**1,249**	1,234
Paper	**674**	786
WOOD-BASED RAW MATERIALS		
Wood, 1,000 m³	**4,818**	4,805
Pulp, 1,000 t	**58**	55
OTHER RAW MATERIALS, 1,000 t		
Pigments	**404**	402
Adhesives	**68**	79
WATER USE, 1,000 m³	**113,207**	107,746
Process water	**71,559**	74,368
Cooling water [1)]	**48,212**	-

	2013 GWh	2013 %	2012 %	2011 %	2010 %
ENERGY SOURCES					
Wood-based	**7,616**	**58**	55	48	50
Nuclear power	**2,821**	**22**	23	13	21
Natural gas	**815**	**6**	8	15	14
Hydro power	**658**	**5**	5	8	4
Coal	**637**	**5**	4	12	7
Oil	**282**	**2**	3	2	2
Peat	**244**	**2**	1	1	0

	2013	2012
EMISSIONS TO AIR, t		
Fossil carbon dioxide (CO_2)	**388,461**	482,035
Sulphur (as SO_2)	**944**	833
Nitrogen oxides (as NO_2)	**1,920**	1,882
Particles	**368**	440
DISCHARGES TO WATER, t		
Waste water, 1,000 m³	**71,559**	74,368
Chemical oxygen demand (COD)	**12,137**	14,765
Biological oxygen demand (BOD)	**486**[2)]	1,529
Phosphorus (P)	**26**	20
Nitrogen (N)	**245**	189
Total suspended solids	**2,136**	1,605
WASTE, t		
Recycled waste	**256,472**[3)]	144,101
Recycled waste, %	**96**	98
Landfill waste	**9,572**[4)]	2,820
Hazardous waste	**334**	853

1) Not reported in 2012
2) Excluding Husum mill
3) Includes waste from temporary storage to recycling
4) Includes waste from temporary storage to landfill

FINANCIAL STATEMENTS 2013

RESULT IMPROVED IN 2013 COMPARED TO THE PREVIOUS YEAR.

Metsä Board's sales were EUR 2,019 million in 2013. Sales were reduced by the closures of unprofitable paper business operations and restructurings.

Operating result was EUR 114 million, and operating result excluding non-recurring items was EUR 104 million. Operating result excluding non-recurring items compared to the previous year was improved by the considerable increase in the delivery volumes of folding boxboard and white-top kraftliner, reduced losses from closed and restructured units, as well as the increase in the prices of chemical pulp and high-yield pulp. Operating result was in turn weakened by the lower average prices of, in particular, coated and uncoated papers and folding boxboard, as well as the British pound and US dollar which were weaker than the euro, and the Swedish krona which was stronger.

Metsä Board's operating result, excluding non-recurring items, is in the first quarter of 2014 expected to improve slightly from the last quarter of 2013.

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The Board of Directors proposes that a dividend of EUR 0.09 per share will be paid for the 2013 financial period.

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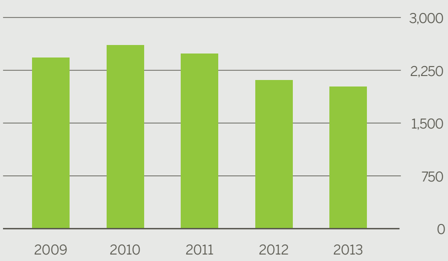
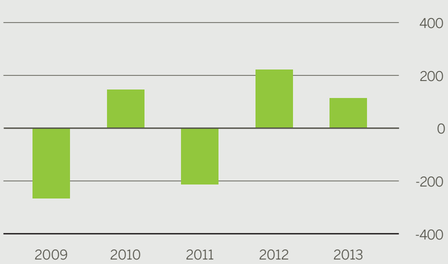
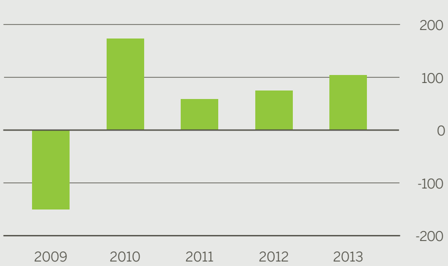
SALES: EUR MILLION



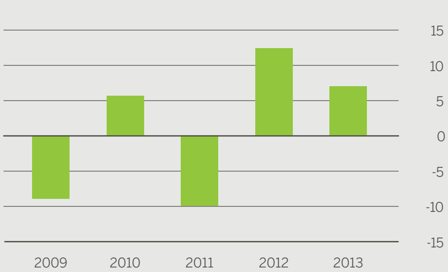
OPERATING RESULT: EUR MILLION



OPERATING RESULT, EXCLUDING NON-RECURRING ITEMS: EUR MILLION



RETURN ON CAPITAL EMPLOYED: %



CONTENTS

REPORT OF THE BOARD OF DIRECTORS 2013

MARKET SITUATION IN 2013

The general economic situation continued to be weak on Metsä Board's main markets in 2013. However, Metsä Board's paperboard deliveries increased by over 7 per cent in 2013 compared to the previous year, despite the fact that growth in the demand for consumer goods was been very slow in the main markets. This shows that the demand for Metsä Board's new generation ecological paperboards is strong and they are replacing other packaging materials.

Operating rates of Metsä Board's folding boxboard machines were on a rather good level in 2013 even though full use wasn't yet reached. The deliveries of European folding boxboard producers increased by 6 per cent compared to last year. In Europe, folding boxboard market prices remained on average unchanged in 2013, but as a result of changes in the sales mix, the average price of Metsä Board's folding boxboard deliveries decreased somewhat. Folding boxboard prices were increased in Europe at the end of 2013, resulting in slightly higher annual contract prices for 2014 than last year.

Market situation and delivery volumes of white-top kraftliner were at a good level throughout 2013. In order to grow its kraftliner business, Metsä Board started the production of lightweight fully-bleached, uncoated kraftliners at Husum mill in Sweden. Kemi kraftliner mill's production has been focused on coated grades, and the mill has been in full operation for long. Part of the uncoated grade volumes from Kemi was moved to Husum mill. Kraftliner prices were increased on certain market segments. On average, white-top kraftliner market prices remained stable in 2013.

In Europe, paper demand continued to decline and no change for better is in sight. Situation in uncoated fine paper, Metsä Board's most important paper grade, is, however, slightly better than in other paper grades. In 2013, total deliveries by European uncoated fine paper producers were down by 3 per cent compared to 2012. The decline in demand for coated papers was faster than that of uncoated fine paper also in 2013. Uncoated fine paper and coated paper market prices declined slightly in Europe in 2013. Profitability of the European paper production is weak due to decreasing demand and low prices.

Demand for chemical pulp and high yield pulp (BCTMP) was at a good level also in 2013. The price of chemical pulp and high yield pulp increased in 2013 as a result of the favorable market situation.

In all, production costs did not change materially in 2013.

In 2013, the average exchange rate of the euro strengthened compared to the US dollar and British pound and weakened compared to Swedish krona.

RESULT FOR THE PERIOD

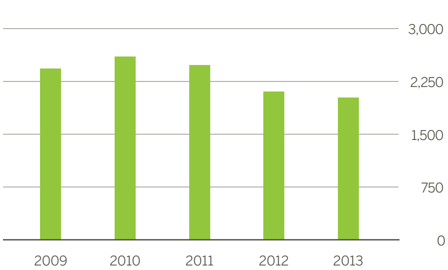
In 2013, Metsä Board's sales were EUR 2,019.3 million (2012: 2,107.6 and 2011: 2,485.3). Comparable sales were down 4.0 per cent. Sales were also reduced by the closures of unprofitable paper business operations and restructurings.

Operating result was EUR 113.6 million (2012: 221.1 and 2011: -214.1), and operating result excluding non-recurring items was EUR 104.4 million (2012: 74.9 and 2011: 59.4).

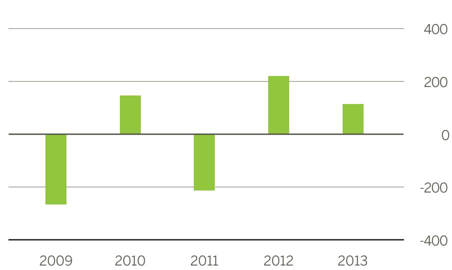
The non-recurring items of the operating result stood at EUR +9.2 million (2012: +146.2 and 2011: -273.5), and the most significant of them were:

- A EUR 6.6 million cost provision in the Paper and Pulp business area related to the landscaping of a decommissioned landfill in Husum.
- A EUR 5.3 million gain from a sale of property in Tampere under Other operations.
- A EUR 4.6 million sales gain and cancellation of a cost provision in the Paper and Pulp business area related to the divestment of Alizay mill site in France.
- A EUR 2.5 million in the Paperboard business area related to the cancellation of depreciation of the old, wrotedown paper machine at Äänekoski mill due to the divestment of the machine.
- A EUR 2.3 million cancellation of cost provision in the Paperboard business area related to restructuring provisions made at Gohrsmühle and Äänekoski paper mill.
- A EUR 0.8 million cancellation of cost provision in Paper and Pulp business area related to restructuring provision made at Alizay in 2011.

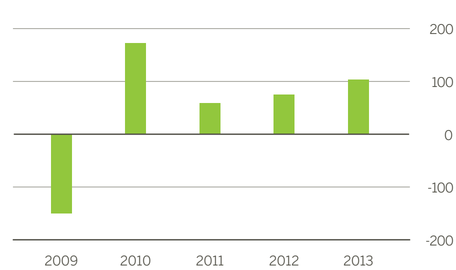
SALES: EUR MILLION



OPERATING RESULT: EUR MILLION



OPERATING RESULT, EXCLUDING NON-RECURRING ITEMS: EUR MILLION



In 2012, the non-recurring items recognised in the operating result were EUR +146.2 million net, and the most significant of them were:

- A sales gain of EUR 84.9 million under Other operations related to the sale of Metsä Fibre's 7.3 percentage point holding to Itochu Corporation.
- A sales gain of EUR 58.6 million before taxes (after taxes, EUR 44 million) under Other operations related to the sale of the 0.5 percentage point holding in Pohjolan Voima to Metsä Fibre.
- A EUR 10.7 million reverse of impairment charges in the Paper and Pulp business area related to classification of Alizay mill as non-current assets held for sale.
- A EUR 5.7 million reversal of a restructuring provision and other provisions in the Paperboard business area related to restructuring of production at the Gohrsmühle mill.
- A EUR 8.0 million cost provision under Other operations related to the cleaning expenses of a land area in Tampere.
- A EUR 4.7 million restructuring provision in Paper and Pulp business area related to the streamline programme at the Husum mill.
- A EUR 3.5 million cost provision under Other operations related to the cleaning expenses of the land area of an industrial property in Nurmes.

The operating result excluding non-recurring items compared to the previous year was improved by the considerable increase in the delivery volumes of folding boxboard and white-top kraftliner, reduced losses from closed and restructured units, as well as the increase in the prices of chemical pulp and high-yield pulp. The operating result was in turn weakened by the lower average prices of, in particular, coated and uncoated papers and folding boxboard, as well as the British pound and US dollar which were weaker than the euro, and the Swedish krona which was stronger.

In 2013, the total delivery volume of the Paperboard business area was 1,224,000 tonnes (2012: 1,188,000 and 2011: 1,388,000). The deliveries in the Paper and Pulp business area, including the kraftliner volumes produced at the Husum mill, totalled 674,000 tonnes (2012: 681,000 and 2011: 908,000). The delivery volumes are not comparable due to the restructuring measures. The combined delivery volume of Metsä Board's folding boxboard and kraftliner, including the kraftliner volumes produced at the Husum mill, was 1,136,000 tonnes (2012: 1,058,000 and 2011: 1,013,000) in 2013.

Financial income and expenses totalled EUR -55.9 million (-47.2). The higher financing expenses, compared to last year, were mainly due to approximately EUR 8 million in additional interest caused by the early repayment of the USD-denominated private note issue. Foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging were EUR -1.1 million (5). Net interest and other financial income and expenses amounted to EUR 54.8 million (-52.2). Pohjolan Voima Oy paid a dividend of EUR 6 million in the comparison period. Other financial income and expenses included EUR 4.6 million of valuation gains on interest rate hedges (a valuation gain of 11.6).

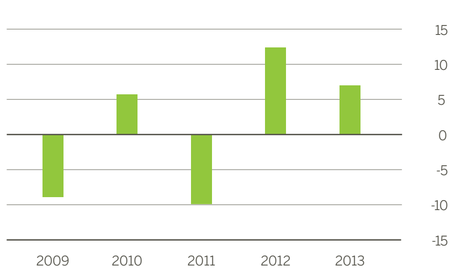
The result before taxes for the period under review was EUR 57.8 million (2012: 173.9 and 2011: -280.9). The result before taxes excluding non-recurring items was EUR 48.6 million (2012: 27.7 and 2011: 0.4). The impact of income taxes was EUR +6.3 million (2012: -2.6 and 2011: +7.8). The change in the Finnish corporate tax rate from 24.5 per cent to 20 per cent reduced the deferred tax liabilities by EUR 0.8 million. In addition, approximately EUR 7.1 million was recognised as deferred tax receivables from earlier tax losses and provisions.

Earnings per share were EUR 0.19 (2012: 0.52 and 2011: -0.83). Earnings per share excluding non-recurring items were EUR 0.17 (2012: 0.13 and 2011: 0.02). Return on equity was 7.5 per cent (2012: 21.5 and 2011: -31.5), and 6.5 per cent (2012: 5.3 and 2011: 0.9) excluding non-recurring items. The return on capital employed was 7.0 per cent (2012: 12.4 and 2011: -9.9); and 6.4 per cent (2012: 4.8 and 2011: 3.4) excluding non-recurring items.

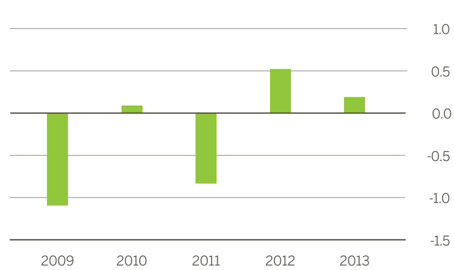
INVESTMENTS

Metsä Board's gross investments in 2013 totalled EUR 66.9 million (2012: 66 and 2011: 95), which includes Metsä Board's commitment to purchase Pohjolan Voima Oy's shares for approximately EUR 6 million in the upcoming years. Investments in 2013 were mainly maintenance

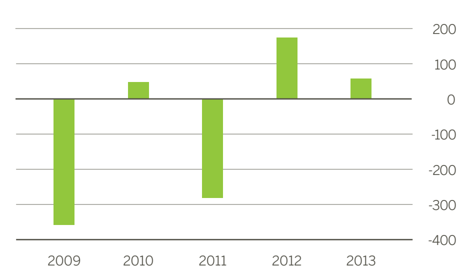
RETURN ON CAPITAL EMPLOYED: %



EARNINGS PER SHARE: EUR



RESULT BEFORE TAX FROM CONTINUING OPERATIONS: EUR MILLION



investments and small development investments. The most significant investment was focused on the Lean SCM project.

STRUCTURAL CHANGES

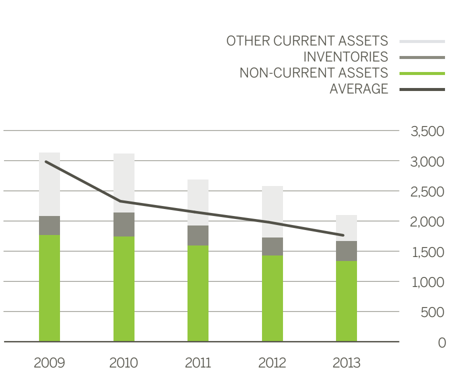
In January 2013, Metsä Board divested the Alizay mill site in France, including all equipment and buildings, to Conseil Général de l'Eure, representing the French government, for EUR 22 million.

The market situation in the paper industry is difficult, and a programme aiming at annual cost savings of approximately EUR 15 million is under way to improve profitability at the Husum mill. New, more profitable products are being sought both in parallel to and as replacements for the mill's current products. An example of such products is the new light-weight uncoated kraftliners, production of which started at Husum in April 2013. In December, a new coated paper delivery agreement was signed with Sappi. Through the new agreement, Metsä Board is able to increase its kraftliner production, since the agreement also makes the production of coated grades possible. At the beginning of 2014, the production of coated light-weight kraftliner also started at the Husum mill in order to complement the kraftliner product range of the Kemi and Husum mills. In all, Husum's kraftliner production amounted to approximately 20,000 tonnes in 2013. The targeted production in 2014 is at least 100,000 tonnes, including the new, coated products. The total positive estimated impact of the aforementioned measures on Husum's annual operating result is estimated to be over EUR 25 million, compared to the actual figures of 2013. It is estimated that the result improvement will for the most part take effect in 2014 and in full as of 2015.

On 30 September 2013, Metsä Board and the Group's parent company Metsäliitto Cooperative agreed on an ownership arrangement in which the Group's internal financing unit Metsä Group Treasury Oy (formerly Metsä Group Financial Services Oy), was transferred under the ownership of Metsäliitto Cooperative in its entirety. After the implementation of the ownership arrangement, Metsä Group Treasury will remain a separate company and continue to provide financial services to Metsä Board as before. Metsä Board sold its 51 per cent shareholding in Metsä Group Treasury to Metsäliitto Cooperative for approximately EUR 5 million. The ownership arrangement does not have an impact on Metsä Board's sales or operating result. The arrangement improved Metsä Board's equity ratio by approximately 5 percentage points and return on capital employed by almost 1 percentage point as well as reduced the company's gross debt by more than EUR 300 million, compared to the actual figures of the second quarter of 2013.

In November 2013, Metsä Board announced it would reform its management and reporting structure to better reflect the company's strategy and to create better opportunities for growing the folding boxboard and kraftliner businesses. Metsä Board's business operations are divided into two business areas: Cartonboard, and Linerboard and Paper. These will also be Metsä Board's reporting segments as of the first quarter of 2014. Cartonboard business area includes Kyro, Simpele, Tako and Äänekoski board mills, Kyro wallpaper machine and Joutseno high yield pulp mill located in Finland, and the Gohrsmühle mill in Germany. Linerboard and Paper business area includes Husum mill in Sweden as well as Kemi kraftliner mill and Kaskinen BCTMP mill in Finland. The restated historical figures will be released during February 2014.

CAPITAL EMPLOYED: EUR MILLION



PENDING DISPUTES

In November 2012, UPM-Kymmene Corporation initiated arbitration proceedings against Metsä Board. In the arbitration proceedings, UPM is primarily claiming EUR 58.5 million in damages and secondarily the reimbursement of an alleged unjustified benefit of EUR 58.5 million jointly from Metsäliitto Cooperative and Metsä Board. The claim is based on an alleged breach of the co-sale clause of the Metsä Fibre shareholder agreement signed in 2009.

Metsä Board denies UPM's claim as unfounded in its entirety and is not making any provisions because of it. The claim has no impact on the transaction with Itochu or cooperation between the parties, and is not associated with commercial agreements entered into with Itochu.

The end result of the dispute initiated by UPM will be communicated after the Arbitration Court has issued its resolution on the matter, which is expected to take place in the first quarter of 2014.

RESEARCH AND DEVELOPMENT

Metsä Board carries out long-term work to develop new products and improve current ones. R&D focuses on manufacturing even lighter-weight products in the future, without compromising their end-use properties. New end-use areas are also being continuously sought. The operations are customer-oriented and based on production and resource efficiency.

In 2013, Metsä Board launched renewed light-weight folding boxboards with advanced performance and printing properties. The product enhancement supports the growth of folding boxboard sales. Metsä Board actively participates in different cluster projects in order to find and use new technologies.

In spring 2013, a significant step was taken in growing the kraftliner business, as the production of fully bleached light-weight kraftliners began at Husum mill. The new products will support Metsä Board's core business and replace paper production, which has the weakest profitability. In 2014, the share of kraftliner production will be further increased in Husum. In the paper business, the aim is to further streamline the product portfolio.

All Metsä Board mills achieved sizeable savings in variable costs by means of a special development programme. The savings measures will continue in 2014.

Metsä Board works actively to strengthen its position as quality leader and to develop its supplier chain services to the highest level. The Lean SCM project, aiming to make supply chain processes and tools more effective, proceeded as planned in 2013. In paperboard businesses, the target is to complete the project in 2014.

There were no significant product recalls in 2013. Costs incurred by complaints in different parts of the supply chain equalled 0.6 per cent of sales. Mill- and product-specific goals equal 0.3–0.8 per cent of sales.

Metsä Board's R&D costs were approximately EUR 5 million in 2013, or approximately 0.3 per cent of operating expenses (2012: 5 and 0.3%, 2011: 5 and 0.2%).

SUSTAINABILITY

Metsä Board is committed to promoting sustainable development, continuously improving its operations and conducting responsible business. The operations are guided by Metsä Group's Code of Conduct and the principles of sustainable development, as well as a wide spectrum of policies directing different areas.

In addition to its own operations, Metsä Board is committed to sustainability throughout the whole supply chain. Since June 2011, the target has been to have a Supplier Code of Conduct included in all new and renewed supplier contracts. In 2013, the Supplier Code of Conduct was included in a total of 107 agreements. During the year under review, the purchasing function launched a risk assessment process in order to identify potential risk of raw materials and the countries processing them regarding sustainability. Metsä Board's target is that 100 per cent of the critical materials suppliers would be audited until the end of 2015.

Metsä Board supports sustainable forest management. The wood is 100 per cent traceable and it always comes from sustainable sources. In 2013, Metsä Board's production units used 4.8 million cubic metres of wood, of which 65 per cent (64% in 2012) originated from certified forests.

The majority of wood used in Finland comes from forests owned by Metsäliitto Cooperative's members. In 2013, other wood supply countries included Sweden, the Baltic countries and Russia. The origin of wood is verified by means of the PEFC® and FSC® certified Chain of Custody tracing method managed by the Metsä Group wood supply organisation.

Metsä Board strives to mitigate climate change. The target is to reduce fossil CO2 emissions in production by 30 per cent per product tonne from the 2009 level by 2020. Due to the latest bioenergy investments, this goal was met already in 2013.

In 2009–13, Metsä Board's energy-efficiency improved by 7 per cent. The target is to improve energy-efficiency by 10 per cent by 2020 from the 2009 level.

Improving energy-efficiency is an integral part of all major investments in production capacity. Efficiency has been improved primarily by modifying equipment, processes and operating methods. In 2013, the focus was on optimising the running of production processes. The most significant energy-efficiency operations will be completed in 2014.

Wood-based bioenergy accounted for 58 per cent of Metsä Board's total energy consumption in 2013. The majority of bioenergy is produced using the company's own by-products, such as bark and black liquor. The rest is wood-based fuels originating from process side streams and logging residuals. The majority, or 90 per cent, of the total energy purchased was CO_2 neutral.

Metsä Board continuously looks for ways to reduce the consumption of fresh water in its production by reusing water intake, among other things. In 2013, the company launched an extensive development project aiming to improve water usage and material efficiency. The purpose of the project was to reduce water intake and fibre loss, as well as to improve the efficiency of sludge and wastewater management. In 2013, Metsä Board's total consumption of water was 73 million cubic metres. In addition, Metsä Board used approximately 48 million cubic metres of cooling water. Metsä Board's target is to reduce process water use by 10 per cent from the 2010 level by 2020.

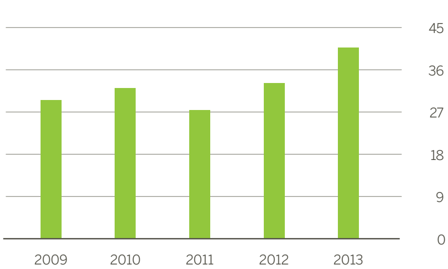
In 2013, Metsä Board's atmospheric emissions were as follows: carbon dioxide (CO_2), 388,461 tonnes (482,035); sulphur dioxide (SO_2), 944 tonnes (833); and nitrogen oxides (as NO_2), 1,920 tonnes (1,882). Emissions into water systems were: chemical oxygen demand (COD), 12,137 tonnes (14,765); and phosphorous 26 tonnes (20).

All Metsä Board's production units have an ISO 9001 quality system and 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. Almost all of Metsä Board's production units also have a certified OHSAS 18001 occupational and product safety system as well as an ISO 50001 energy efficiency system.

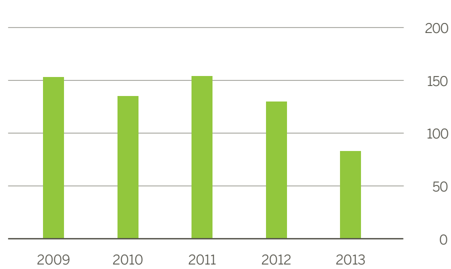
No significant deviations resulting in considerable environmental effects occurred in Metsä Board's production units in 2013. Some deviations from permit conditions were, however, recorded.

Metsä Board has environmental liabilities remaining from earlier operations at industrial sites that have been closed, sold or leased, and from landfill sites that are no longer in use. Environmental liabilities are made for expenses incurred by land rehabilitation in cases where the

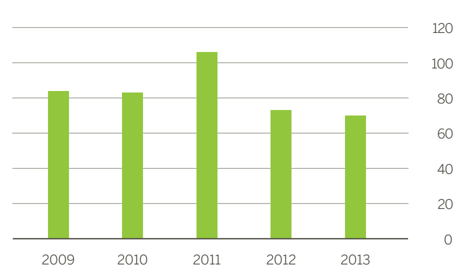
EQUITY RATIO: %



GEARING RATIO: %



NET GEARING RATIO: %



company's obligation of the contamination of the area has been able to define.

Metsä Board's environmental obligations in 2013 totalled EUR 20 million (18) and environmental costs EUR 17 million (20). The environmental costs are mainly comprised of operating and maintenance expenses from environmental protection equipment, expenses relating to waste management and environmental insurance policies and depreciation of capitalised environmental costs.

PERSONNEL

The number of personnel was 3,116 at the end of December (31 December 2012: 3,279 and 31 December 2011: 4,070), of whom 1,465 (2012: 1,536 and 2011: 1,648) people worked in Finland. In 2013, Metsä Board employed an average of 3,245 people (2012: 3,552 and 2011: 4,428). In 2013, salaries and wages totalled EUR 157 million (2012: 156 and 2011: 292).

The number of personnel at Metsä Board Corporation was 1,147 at the end of December (31 December 2012: 1,181 and 31 December 2011: 1,302). Salaries and wages totalled EUR 52 million in Metsä Board Corporation (2012: 52 and 2011: 55).

Occupational safety is primarily important for Metsä Board. Focus has been placed on occupational safety in recent years by efforts aimed at influencing attitudes and by promoting proactivity. Attention has been paid, in particular, to reporting observations related to safety and dangerous situations. The target is to improve the safety of the working environment and the lost-time accident frequency rate by 10 per cent each year. The long-term target is zero. In 2013, the lost-time accident frequency rate (accidents at work resulting in absence of at least one day per one million worked hours) was 12.2 (2012: 13.2).

Metsä Board's target is to keep the sickness absenteeism rate at the best European level and below 3 per cent at all times. In 2013, the sickness absenteeism rate was 3.9 per cent (2012: 3.9%) .

FINANCING

Metsä Board's equity ratio at the end of the year was 40.7 per cent (31 December 2012: 33.2) and the gearing ratio was 83 per cent (2012: 130). The net gearing ratio was 70 per cent (2012: 73).

The change in the fair value of investments available for sale during the period under review was approximately EUR -41.5 million, related primarily to the decline in the fair value of Pohjolan Voima Oy's shares due to the change in the market price of electricity.

Net interest-bearing liabilities amounted to EUR 597.2 million at the end of the year (625.2). Foreign-currency-denominated loans accounted for 0.4 per cent; 55 per cent were floating-rate, and the rest were fixed-rate. At the end of the year, the average interest rate on loans was 4.8 per cent and the average maturity of long-term loans 2.7 years. The interest rate maturity of loans was 18.3 months at the end of the year. During the period, the interest rate maturity has varied between 8 and 19 months.

In September, the change in the ownership of Metsä Group Treasury Oy (formerly Metsä Group Financial Services Oy) considerably decreased the amount of Metsä Board's interest-bearing liabilities and liquid assets. The change in ownership improved the equity ratio by approximately five percentage points, but the impact on interest-bearing net liabilities was minimal.

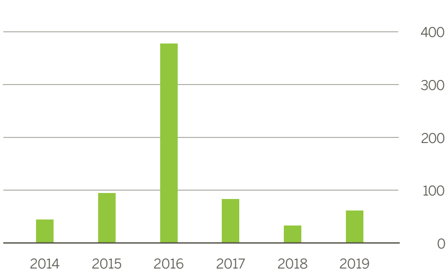
Cash flow from operations amounted to EUR 127.1 million (2012: 42.4). Improvement in the cash flow was mainly due to significantly lower restructuring costs. Working capital increased by EUR 10.8 million (a decrease of 17.9). In the cash flow statement, the net financial expenses for the period include a dividend of EUR 24.9 million (33.4) paid by Metsä Fibre.

At the end of the period under review, an average of 5.9 months of the net foreign currency exposure was hedged. The degree of hedging varied between 4 and 6 months during the period. Non-euro-denominated shareholders' equity was not hedged at the end of the review period.

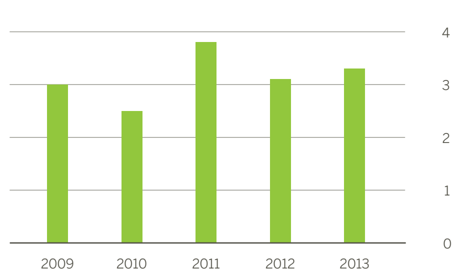
In April, Metsä Board drew EUR 500 million of the syndicated credit agreement signed in 2012 and paid off the EUR 500 million eurobond on its due date. In December, Metsä Board prepaid the EUR 150 million term loan of the syndicated credit facility agreement that took effect in April. The original due date would have been 30 June 2014. Metsä Board also drew a EUR 75 million employment pension loan to be repaid in equal instalments and with maturity of seven years, as well as a bank loan of EUR 50 million, which consists of a EUR 18 million loan maturing in 2017 and a EUR 32 million loan maturing in 2015, which contains an option to extend the loan period until 2017.

The financing agreement includes financial covenants concerning the Group's financial performance and capital structure. Other covenants related to the loan are regular conditions which, among other things, limit the issue of collateral, relinquishment and sale of property, subsidiaries' level of debt, material changes in the business operations, as well as changes in the statutory majority in shareholding. Metsä Board has considerable headroom in relation to covenants set in the credit agreements.

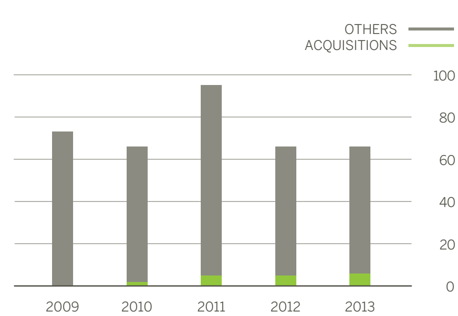
REPAYMENT OF NON-CURRENT LOANS: EUR MILLION



GROSS INVESTMENTS: % OF SALES



GROSS INVESTMENTS: EUR MILLION



Metsä Board's liquidity has remained strong. At the end of the period under review, the available liquidity was EUR 208.6 million, of which EUR 100 million consisted of revolving credit, EUR 14.4 million consisted of undrawn pension premium (TyEL) funds and EUR 94.2 million of liquid assets and investments. Of the liquid funds, EUR 12.9 million consisted of cash funds and investments and EUR 81.3 million were interest-bearing receivables comparable to cash funds and available immediately from Metsä Group's internal bank Metsä Group Treasury Oy. In addition, Metsä Board had other interest-bearing receivables totalling EUR 10.0 million. Metsä Board's liquidity reserve is complemented by Metsä Group's internal undrawn short-term credit facility of EUR 150.0 million.

In May, Moody's Investors Service upgraded Metsä Board's credit rating from level B3 to B2. The rating outlook was upgraded from stable to positive in December. In August, Standard & Poor's Rating Services upgraded Metsä Board's credit rating from level B- to B and in December, from level B to B+. The outlook of the rating is stable. The upgraded credit ratings did not have an impact on Metsä Board's financial costs.

SIGNIFICANT RISKS AND UNCERTAINTIES

Metsä Board assesses its strategic, operative, financial and liability risks as part of its continuing operations. The risks are reported to the Board of Directors at least twice per year and, if needed, in Interim Reports and the financial statements bulletin published by the company. In addition, the company carries out risk assessments as part of the annual planning and strategy process. The risk assessment carried out in the annual planning process focuses on identifying sales and cost risks, and the risk assessment in the strategy process reviews risks related to the implementation of the company's business strategy. The company's management team reviews the company's most significant risks regularly as part of its management work. The risk assessments carried out during 2013 identified the following risks and uncertainties with a possible impact on Metsä Board's financial performance and ability to operate.

UNCERTAINTY IN THE DEVELOPMENT OF THE OVERALL ECONOMY

In the main markets, demand for paper and paperboard mainly follows general economic development. The development of the euro area, in particular, significantly affects the demand for and profitability of Metsä Board's main products. There are still considerable uncertainties associated with the development of the global economy.

CYCLICAL NATURE OF OPERATIONS AND CHANGES IN THE COMPETITIVE ENVIRONMENT

Metsä Board operates in a cyclical line of business where the balance between supply and demand has a significant impact on the prices of paperboard and paper products, in particular. Any future decrease in demand or increase in supply may have unfavourable effects on the market balance and, therefore, on the company's profitability. New players or products and materials entering the market, capacity increases or product range expansions by competitors may lower the prices of Metsä Board's products. On the other hand, potential capacity closures in the industry or consolidation of the industry may result in increased prices. Changes in regulations, such as the EU's climate and environmental policy and increasing new requirements to limit carbon dioxide, sulphur or other emissions may increase production costs and thereby have a negative impact on profitability.

CENTRALISATION OF OPERATIONS IN A NARROW GEOGRAPHICAL AREA

All Metsä Board's mills except for Husum mill in Sweden and Gohrsmühle mill in Germany are located in Finland. Finland has a history of several labour disputes in both the forest industry and in the distribution chain of forest industry products. These labour disputes have hindered the operations of the industry, particularly in production and deliveries to customers. Should production and deliveries be disturbed due to labour disputes in Finland, Metsä Board has no opportunity to manufacture folding boxboard nor most part of the kraftliner portfolio outside Finland. This may impair the company's competitiveness and profitability. The bulk of Metsä Board's paper production takes place at the Husum mill in Sweden. Correspondingly, labour disputes in the Swedish forest industry or distribution chain could impair Metsä Board's ability to deliver paper, and therefore the company's profitability could weaken.

RETENTION OF CUSTOMERS AND CUSTOMERS' SOLVENCY

The retention of customer relationships may be at risk in certain extreme situations. Severe delivery problems or persistent problems related to the quality of delivered goods may endanger the stability of customer relationships. Furthermore, factors beyond the company's control, such as labour disputes in fields critical to deliveries in Finland, may endanger the stability of customer relationships.

The management of the credit risks involved in commercial activities is the responsibility of Metsä Board's centralised credit control and business areas. The credit control function together with the business areas defines the credit limits and terms of payment for different customers. A significant part of the credit risks are transferred further to credit insurance companies by means of credit insurance contracts. Metsä Board's customer credit risk was at a normal level in 2013. Measures are taken to reduce the risk further by intensifying internal credit control and its processes. The main principles for the company's credit control are defined in the credit policy approved by the company's Board of Directors.

CHANGES IN CONSUMER HABITS

Changes in the market, such as new electronic communications technologies, the development of marketing channels, and consumer trends may have an adverse effect on the demand for Metsä Board's paper and paperboard products.

BUSINESS DEVELOPMENT

Metsä Board focuses on developing and growing its paperboard business. Developing and growing the business operations requires several strategic choices to be made which involve risks. The uncertainties in question are associated, for example, with the product range, investment allocation or selection of customer segments.

Metsä Board aims at increasing delivery volumes both in Europe and in market areas outside Europe, especially in North America. The primary customer segment includes existing customers who have global operations. Expanding sales outside of the company's home market areas involves cost risks and uncertainties related to introducing new products to the market.

PRICE RISKS OF PRODUCTION AND LOGISTICS COSTS

A radical and unforeseen rise in the price of production inputs important for Metsä Board's operations, such as wood, energy and chemicals, as well as transportation costs or problems with their availability, may reduce profitability and threaten the continuity of operations. Metsä Board works to hedge against this risk by entering into long-term delivery agreements and related derivative contracts.

In addition, a steep increase in transportation and other logistics costs, related to for example EU emissions trading or other commitments, may affect Metsä Board's profitability.

LIABILITY RISKS

Metsä Board's business operations involve various types of liability risks arising from damage to third parties, the most central of which are general operational liability risks, contract risks, environmental risks and product liability risks. Attempts are made to manage these risks by streamlining business processes, improving management practices, training personnel, raising quality requirements and increasing the transparency of operations. Some of the above-mentioned risks have been transferred to insurance companies by means of insurance contracts.

BUSINESS INTERRUPTION RISKS

Different kinds of large losses, major accidents, natural disasters, environmental damage, serious malfunctions in key information systems, labour disputes and delivery problems of the most important raw materials may interrupt Metsä Board's business operations and, if prolonged, even cause loss of customers. Continuity and recovery plans have been drawn up in the business areas and mills in preparation for the realisation of such risks. The property and interruption risks of the production plants are assessed regularly and the risk has mainly been covered by insurance contracts.

PERSONNEL AVAILABILITY AND RETENTION

Metsä Board has paid special attention to ensuring the availability and retention of competent personnel by means of various personnel development programmes and successor plans. Metsä Board attempts to prepare for retirements and other risks related to personnel by means of career planning and job rotation.

RISKS ASSOCIATED WITH THE AVAILABILITY OF FINANCING

In 2012, Metsä Board implemented a significant debt financing arrangement which secured the company's short- and medium-term financing position. The arrangement was updated at the end of 2013. The availability of long-term financing has somewhat improved in the financial markets but the instability continues. Furthermore, as a result of increasing regulation in the financial market, the operations of credit and bond markets may become more difficult, which may impact the company's ability to acquire long-term debt financing at a competitive price.

The financial risks are managed in accordance with the treasury policy approved by Metsä Board's Board of Directors. The aim is to hedge against significant financial risks, balance the cash flow and give the business units time to adjust their operations to changing conditions. Metsä Board's financial risks and management thereof are described in more detail on pages 68–76 of this Annual Report.

FINANCIAL RISKS

Metsä Board's operative profitability improved in 2013, despite the weak macroeconomic situation. The company is growing its business and carrying out profit improvement measures, which are estimated to have a positive impact on operating result starting from 2014. The growth and execution of the profit improvement measures involves uncertainties, and the pursued profit improvement may not necessarily be accomplished fully. Metsä Board's other financial risks, related primarily to currencies, interest rates, liquidity, counterparty risks and the use of derivative instruments and the management thereof, are described in more detail on pages 68–76 of this Annual Report.

PREPARING FOR AND TRANSFERRING RISKS

The identified risks are monitored and continuously assessed and prepared for in the manner most appropriate for the company. With regard to loss risks, Metsä Board works actively with insurance companies in risk management, for example by regularly executing risk assessments in different areas of the business operations, such as at mills and in the export chain. The production plants have prepared for potential disturbances to operations by drawing up continuity and recovery plans. The company's crisis management plan directs crisis management taking place in the business areas and production plants.

Part of the risks are borne by the company itself and part of them are selectively transferred by means of, for example, insurance contracts, derivative contracts and terms and conditions otherwise included in contracts, to be borne by insurance companies, banks and other counterparties. The most common loss risks are mainly covered by the following comprehensive global insurance contracts:

- property and business interruption insurance program
- general third-party and product liability insurance
- liability insurance for Directors and Officers
- credit insurance
- cargo insurance.

SHARES

In 2013, the highest price for Metsä Board's A share on the NASDAQ OMX Helsinki Ltd. was EUR 3.20, the lowest was EUR 2.20, and the average price was EUR 2.59. At the end of the year, the price of the A share was EUR 3.08. At the end of 2012, the price of the A share was EUR 2.21, while the average price in 2012 was EUR 2.34.

In 2013, the highest price of Metsä Board's B share was EUR 3.15, the lowest EUR 2.18, and the average price EUR 2.58. At the end of the year, the price of the B share was EUR 3.15. At the end of 2012, the price of the B share was EUR 2.22, while the average price in 2012 was EUR 2.00.

The trading volume of the A share was EUR 2 million, or 2 per cent of the share capital, in 2013. The trading volume of the B share was EUR 136 million, or 18 per cent of the share capital. The market value of the A and B shares totalled EUR 1,031 million at the end of the year.

The total number of Metsä Board's shares is 328,165,612 of which the amount of A shares was 35,985,651 and B shares 292,179,961 at the end of reporting period. Total voting rights conferred by these shares was 1,011,892,981.

At the end of 2013, Metsäliitto Cooperative owned 41 per cent of the shares, and the voting rights conferred by these shares was 62 per cent. International investors held 11 per cent of the shares. At the end of the year, the company's CEO and Board members owned in total 1.0 per cent of the shares including indirect ownership.

The company does not hold any treasury shares.

CHANGES IN MANAGEMENT

Markus Holm, M.Sc. (Econ.), (46) was appointed Metsä Board's CFO and member of the Management Team as of 1 January 2014. Holm joins Metsä Board from Metsä Tissue, where he held the position of CFO since 2008. Metsä Board's current CFO Matti Mörsky (61) will retire on 28 February 2015. Mörsky continues to work at Metsä Board in projects assigned by the CEO until his retirement.

Ari Kiviranta, D.Sc. (Tech.), (50), was appointed as Senior Vice President, Head of Cartonboard business area as of 1 January 2014, and Seppo Puotinen, Lic.Sc. (Tech.) (58) as Senior Vice President, Head of Linerboard and Paper business area.

As of 1 January 2014, Metsä Board's Corporate Management Team consists of Mikko Helander, CEO; Markus Holm CFO; Ari Kiviranta, Senior Vice President, Head of Cartonboard business area; Seppo Puotinen, Senior Vice President, Head of Linerboard and Paper business area; Sari Pajari, Senior Vice President, Business Services and Development; and Jani Suomalainen, Senior Vice President, Purchasing.

DISTRIBUTABLE FUNDS AND DIVIDEND

The distributable funds of the parent company as of 31 December 2013 were EUR 349,931,980.08 of which the result for the financial year is EUR 22,889,255.18. In its meeting on 6 February 2014, the Board of Directors decided to propose to the Annual General Meeting, to be held on 2 April 2014, that a dividend of 0.09 euros per share will be distributed for the financial year 2013. The dividend shall be paid to shareholders who on the record date for the dividend payment, 7 April 2014, are recorded in the shareholders' register held by Euroclear Finland Ltd. The dividend shall be paid on 15 April 2014. A dividend of 0.06 euros per share was paid for 2012.

BOARD OF DIRECTORS AND AUDITORS

The Annual General Meeting confirmed in March 2013 the number of members of the Board of Directors of Metsä Board as nine (9) and re-elected the following persons as members of the Board of Directors: Mikael Aminoff, M.Sc. (Forestry), Martti Asunta, M.Sc. (Forestry), Kari Jordan, M.Sc (Economics), Kirsi Komi, LL.M., Kai Korhonen, M.Sc. (Technology), Liisa Leino, M. Edu., Juha Niemelä, M.Sc (Economics) and Erkki Varis, M.Sc. (Technology). Veli Sundbäck, LL.M., was elected as a new Board member. The term of office of the Board members continues until the end of the next Annual General Meeting.

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

The Annual General Meeting elected Authorised Public Accountants KPMB Oy Ab as the company's auditor. The auditor's term of office expires at the end of the next Annual General Meeting.

A separate Corporate Governance Statement has been issued and published at the same time with the financial statements and this report.

EVENTS AFTER THE PERIOD

Metsä Board announced on 30 January 2014 that it is in negotiations to divest its property in Lielahti, Tampere to the City of Tampere for EUR 26 million. The Lielahti property consists of 90 hectares of land, incl. buildings on site, and 1,071 hectares of water area on Näsijärvi lake.

Closing of the transaction is subject to approvals by the City Council and City Government of Tampere City, the approval by Metsä Board's Board of Directors as well as the finalization of the trade documentation. If the necessary approvals are received as currently planned the divestment would take effect by the end of the first quarter of 2014.

Metsä Board closed down the BCTMP pulp mill at the Lielahti site in 2008 and has not had any production operations at the site since.

NEAR-TERM OUTLOOK

Metsä Board's paperboard deliveries increased by over 7 per cent in 2013 compared to the previous year, although growth in the demand for consumer goods has been very slow in the main markets.

The delivery volumes of folding boxboard and white-top kraftliner are expected to increase slightly in the first quarter of 2014. In the last quarter of 2013, Metsä Board increased the prices of folding boxboard in Europe. The annual contracts of folding boxboard cover nearly 60 per cent of the entire year's delivery volume, and higher delivery volumes compared to last year and moderately increasing price level have been agreed with customers for 2014. The average price of folding boxboard in the first quarter of 2014 is expected to increase slightly from the last quarter of 2013. No material changes are in sight in the average price level of white-top kraftliner in the near future.

Delivery volumes of uncoated fine paper and coated papers are expected to be approximately at the previous quarter's level in the first quarter of 2014. No material paper price changes are in sight. Delivery volumes and the average price of Metsä Board's market pulp are expected to be approximately at the previous quarter's level in the first quarter of 2014.

Production costs are in the first quarter of 2014 expected to be approximately at the previous quarter's level.

Metsä Board's operating result, excluding non-recurring items, is in the first quarter of 2014 expected to improve slightly from the last quarter of 2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	1 JAN.–31 DEC. 2013	Restated 1 JAN.–31 DEC. 2012
SALES	3, 33	**2,019.3**	**2,107.6**
Change in stocks of finished goods and work in progress	6	31.9	-5.1
Other operating income	5, 33	53.0	194.4
Materials and services	6, 33	-1,513.6	-1,560.9
Employee costs	6	-241.0	-249.0
Share of profit from associated companies	13, 33	37.1	29.2
Depreciation, amortization and impairment charges	3, 7	-101.3	-100.3
Other operating expenses	6, 33	-171.8	-194.8
OPERATING RESULT		**113.6**	**221.1**
Share of profit from associated companies	13	0.1	0.0
Net exchange gains/losses	8	-1.1	5.0
Other financial income	8, 33	8.8	17.4
Interest and other financial expenses	8, 33	-63.6	-69.6
RESULT BEFORE TAX		**57.8**	**173.9**
Income taxes	9	6.3	-2.6
RESULT FOR THE PERIOD		**64.1**	**171.3**
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	20		
Actuarial gains/losses on defined pension plans		-4.8	-14.9
Income tax relating to items that will not be reclassified		1.5	4.5
Total		-3.3	-10.4
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	20		
Cash flow hedges		-7.6	3.2
Available for sale investments		-41.5	-72.3
Translation differences		-9.0	10.1
Share of profit from other comprehensive income of associated companies		-3.8	-1.1
Income tax relating to components of other comprehensive income		19.9	17.0
Total		-42.0	-43.1
Other comprehensive income, net of tax		-45.3	-53.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**18.8**	**117.8**
RESULT FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders of parent company		63.9	171.1
Non-controlling interest		0.2	0.2
		64.1	171.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders of parent company		18.6	117.6
Non-controlling interests		0.2	0.2
		18.8	117.8
BASIC AND DILUTED EARNINGS PER SHARE FOR RESULT ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY, EUR	10	0.19	0.52

The notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

EUR million	Note	31 DEC. 2013	Restated 31 DEC. 2012	Restated 1 JAN. 2012
ASSETS				
NON-CURRENT ASSETS				
Goodwill	11	12.7	12.7	12.7
Other intangible assets	11	22.6	13.9	14.3
Tangible assets	12, 34	833.8	894.4	941.1
Investments in associated companies	13	208.7	200.3	261.7
Available for sale investments	14, 27, 29	233.8	269.6	341.3
Other non-current financial assets	15, 27	15.3	14.1	11.9
Deferred tax receivables	16	10.5	9.2	3.5
Derivative financial instruments	26, 27		16.4	10.4
		1,337.4	**1,430.6**	**1,596.9**
CURRENT ASSETS				
Inventories	17	332.9	303.3	334.7
Accounts receivables and other receivables	18, 23, 27, 33	412.5	387.5	407.6
Current income tax receivables		0.7	4.6	30.5
Derivative financial instruments	26, 27	0.6	6.1	6.1
Cash and cash equivalent	19, 23, 27	12.9	428.5	305.0
		759.6	**1,130.0**	**1,083.9**
Assets classified as held for sale	4		**20.6**	**6.8**
TOTAL ASSETS		**2,097.0**	**2,581.2**	**2,687.6**
SHAREHOLDERS' EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY	20			
Share capital		557.9	557.9	557.9
Translation differences		25.9	35.9	25.4
Fair value and other reserves		142.0	174.0	227.7
Reserve for invested unrestricted equity		284.8	284.8	284.8
Retained earnings		-161.0	-201.9	-362.6
		849.6	850.7	733.2
NON-CONTROLLING INTERESTS		0.0	5.5	5.1
TOTAL SHAREHOLDERS' EQUITY		**849.6**	**856.2**	**738.3**
NON-CURRENT LIABILITIES				
Deferred tax liabilities	16	84.5	117.0	154.0
Post employment benefit obligations	21	92.6	88.2	78.4
Provisions	22, 34	8.6	20.2	31.5
Borrowings	23, 26, 27	647.9	302.3	857.9
Other liabilities	24, 26, 27	2.9	0.0	2.3
Derivative financial instruments	26, 27	8.1	29.1	25.5
		844.6	**556.8**	**1,149.6**
CURRENT LIABILITIES				
Provisions	22, 34	28.4	45.2	139.5
Current borrowings	23, 26, 27	53.4	807.7	278.8
Accounts payable and other liabilities	25, 26, 27, 33	313.5	302.8	351.2
Current income tax liabilities		0.1	0.1	1.4
Derivative financial instruments	26, 27	7.4	12.4	28.8
		402.8	**1,168.2**	**799.7**
TOTAL LIABILITIES		**1,247.4**	**1,725.0**	**1,949.3**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,097.0**	**2,581.2**	**2,687.6**

The notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Equity attributable to shareholders of parent company							
EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interest	Total
Shareholders' equity, 1 Jan. 2012		557.9	25.4	227.7	284.8	-364.1	731.7	5.1	736.8
Effect of IAS 19						1.5			1.5
Shareholders' equity, 1 Jan. 2012 restate		557.9	25.4	227.7	284.8	-362.6	733.2	5.1	738.3
Result for the period						171.1	171.1	0.2	171.3
Other comprehensive income net of tax	20		10.5	-53.6		-10.4	-53.5		-53.5
COMPREHENSIVE INCOME TOTAL			**10.5**	**-53.6**		**160.7**	**117.6**	**0.2**	**117.8**
Share based payments						0.2	0.2		0.2
Related party transaction									
Acquisition of interest in a subsidiary from non-controlling interest						-0.3	-0.3	0.2	-0.1
SHAREHOLDERS' EQUITY, 31 DEC. 2012		**557.9**	**35.9**	**174.0**	**284.8**	**-201.9**	**850.7**	**5.5**	**856.2**
Shareholders' equity, 1 Jan. 2013		557.9	35.9	174.0	284.8	-191.3	861.3	5.5	866.8
Effect of IAS 19						-10.6	-10.6		-10.6
Shareholders' equity, 1 Jan. 2013 restate		557.9	35.9	174.0	284.8	-201.9	850.7	5.5	856.2
Result for the period						63.9	63.9	0.2	64.1
Other comprehensive income net of tax	20		-10.0	-32.0		-3.3	-45.3		-45.3
COMPREHENSIVE INCOME TOTAL			**-10.0**	**-32.0**		**60.6**	**18.6**	**0.2**	**18.8**
Share based payments						0.1	0.1		0.1
Related party transaction									
Dividends relating to 2012						-19.7	-19.7	-0.5	-20.2
Disposal of subsidiary								-5.2	-5.2
Acquisition of interest in a subsidiary from non-controlling interest	4					-0.1	-0.1	0.0	-0.1
SHAREHOLDERS' EQUITY, 31 DEC. 2013		**557.9**	**25.9**	**142.0**	**284.8**	**-161.0**	**849.6**	**0.0**	**849.6**

The notes are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period		64.1	171.3
Adjustments to the result, total	28	73.8	-146.8
Interest received		9.5	11.0
Interest paid		-69.2	-80.2
Dividends received	8, 13	25.2	39.6
Other financial items, net		-11.1	-12.5
Income taxes paid		0.7	-1.8
Change in working capital	28	-10.8	17.9
NET CASH FLOW FROM OPERATING ACTIVITIES		**82.2**	**-1.5**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of other shares		-1.5	-5.4
Capital expenditure		-60.5	-58.2
Proceeds from disposal of shares in subsidiary, net of cash	4, 28	-367.1	-2.9
Proceeds from disposal of shares in associated companies	13	0.5	148.1
Proceeds from disposal of available for sale investments	5	0.0	63.3
Proceeds from sale of tangible and intangible assets		33.9	18.5
Proceeds from non-current receivables			
Increase in non-current receivables		-0.8	-3.7
NET CASH FLOW FROM INVESTING ACTIVITIES		**-395.5**	**159.7**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from non-current liabilities		630.9	6.0
Payment of non-current liabilities		-758.8	-212.2
Proceeds from current liabilities, net		-72.8	177.0
Change in current interest-bearing receivables, net		119.0	-5.4
Acquisition of interest in a subsidiary from non-controlling interest	4	-0.1	-0.2
Dividends paid		-20.2	
NET CASH FLOW FROM FINANCING ACTIVITIES		**-102.0**	**-34.8**
CHANGE IN CASH AND CASH EQUIVALENTS		**-415.3**	**123.4**
Cash and cash equivalents at beginning of period		428.5	305.0
Translation adjustments		-0.3	0.1
Changes in cash and cash equivalents		-415.3	123.4
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19	**12.9**	**428.5**

The notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies to be adopted in the preparation of the consolidated financial statements are as follows.

MAIN OPERATIONS

Metsä Board Corporation and its subsidiaries comprise a forest industry group, which operations are organized into two business segments: Paperboard and Paper and Pulp. The Group has manufacturing operations in three countries in Europe. Europe is also the company's main market area, but its products are sold worldwide. The Group's other operations are the head office along with ancillary functions that support business operations. Group's main product areas are fresh forest fibre paperboards, office papers and special papers.

Metsä Board Corporation is Group's parent company, that is domiciled in Helsinki. The registered address of the company is Revontulenpuisto 2, 02100 Espoo Finland. The parent company is listed on NASDAQ OMX Helsinki Ltd. At the end of 2013 Metsäliitto Cooperative owned 40.7 per cent of the shares, and the voting rights conferred by these shares was 61.6 per cent.

The copy of the annual report can be obtained in Metsä Board's website www.metsaboard.com or parent company's head office Revontulenpuisto 2, 02100 Espoo Finland.

The Group consolidated financial statements were authorized for issue by the Board of Directors on 6 February 2014.

According to Finnish Companies Act shareholders have possibility to accept or reject the financial statements in General Meeting of shareholders after date of publication. General Meeting of shareholders also have possibility to decide to change financial statements.

ACCOUNTING POLICIES AND MEASUREMENT BASES

Metsä Board Corporation's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), applying the IAS and IFRS standards and SIC and IFRIC interpretations that were effective and approved by the EU at the date of the financial statements 31 December 2013. International Financial Reporting Standards refer to the standards and their interpretations approved for use in the EU by the Finnish Accounting Act and the regulations set out pursuant to it in accordance with the procedure defined in the EU decree (EC) no. 1606/2002. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and Community legislation supplementing the IFRS regulations.

The consolidated financial statements are presented in millions of euros.

These financial statements have been prepared based on original acquisition costs, excluding available-for-sale financial assets, financial assets to be recognised at fair value through profit and loss, hedged items in fair value hedging, and share-based business operations settled by means of cash.

Management assesses that in foreseeable future group has enough resources to continue as a going concern. The group has prepared the financial statements on a going concern basis.

NEW AND AMENDED STANDARDS APPLIED IN THE FINANCIAL YEAR ENDED

The group has applied the same accounting policies in preparation of the consolidated financial statements as in the annual financial statements for 2012 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2013.

Amendments to IAS 1 Presentation of Financial Statements: The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met. The amendments have only had an impact on the presentation of other comprehensive income.

Amendment to IAS 19 Employee Benefits: The major changes are as follows: all actuarial gains and losses are immediately recognized in other comprehensive income, i.e. the corridor approach is no longer applied, and finance costs are calculated on a net funding basis. The amended standard has been applied retrospectively as required under the transitional provisions. The unrecognized actuarial gains and losses have been recorded in the opening statement of financial position as of 1 January 2012 of the comparative year. The comparative information for the financial year 2012 has been adjusted in accordance with the amended standard.

EUR million	Old accounting principle	New accounting principle	Effect of change in accounting principle
BALANCE SHEET AS OF 31 DEC. 2012			
Non-current assets			
Other non-current financial assets	16.6	14.1	-2.5
Deferred tax receivables	5.0	9.2	4.2
Non-current liabilities			
Deferred tax liabilities	117.5	117.0	-0.5
Post-employment benefit obligations	75.4	88.2	12.8
Total equity	866.8	856.2	-10.6
INCOME STATEMENT 2012			
Employee costs	250.4	249.0	-1.4
Other net financial items	49.0	52.2	3.2
Income taxes	2.7	2.6	-0.1
OTHER COMPREHENSIVE INCOME 2012			
Items that will not be reclassified to profit or loss			
Actuarial gains/losses on defined pension plans		-14.9	-14.9
Income tax relating to items that will not be reclassified		4.5	4.5

IFRS 13 Fair Value Measurement: IFRS 13 establishes a single source for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. IFRS 13 has expanded some notes to consolidated financial statements.

Annual Improvements to IFRSs 2009–2011 (May 2012): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total five standards. Their impact has not been significant.

Amendments to IFRS 7 Financial Instruments: Disclosures: The amendments clarify disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amended standard has not had a significant impact on ABC's consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries include all companies (including units established for a specific purpose) in which the Group has the right to control the principles of finances and operations. This is usually based on holding shares conferring more than one half of the voting rights. When evaluating whether the Group has control over another company, the existence and impact of potential voting rights that can be realised at the time of the review by exercising the right or performing an exchange. Subsidiaries are consolidated in the consolidated financial statements in their entirety starting on the day on which the Group obtains control in them. The consolidation stops when the control ceases.

Business combinations are processed using the acquisition method. Consideration paid for the purchase of a subsidiary is determined as the fair value of paid assets, assumed liabilities and equity shares issued by the Group. The assigned consideration includes the fair value of an asset or liability arising as the result of a contingent consideration arrangement. Acquisition-related costs, excluding expenses incurred by the issuance of debt securities or equity securities, are recognized as expenses as they materialize. A paid consideration does not include transactions to be handled separately from the acquisition. The impact of these has been recognized though profit and loss in the acquisition. A possible contingent additional sales price has been measured at fair value at the time of acquisition and classified either as liability or equity. An additional sales price classified as liability is measured at fair value on the closing date of each reporting period and the resulting profit or loss is recognized through profit and loss. The additional sales price classified as equity is not measured again.

The amount by which the sum of paid consideration, proportion of non-controlling shareholders in the target and previously owned proportion exceed the Group's proportion of the fair value of the acquired net assets is reported on the balance sheet as goodwill. If the total amount of consideration, proportion of non-controlling shareholders and previously owned portion is lower than the fair value of the net assets and the transaction is a beneficial one, the difference is recognised in the income statement.

Business transactions, receivables and liabilities between the Group companies and unrealised profits are eliminated. Unrealized losses are not eliminated if the loss arises from impairment. The accounting principles followed by subsidiaries have been amended to correspond to the principles followed by the Group as necessary.

In an acquisition that is completed gradually, the previous holding is valued at fair value and the generated gain or loss is recognized through profit and loss. When the Group loses its control in a subsidiary, the remaining investment is measured at the fair value of the date the control is lost and the subsequent difference is recognized through profit and loss. Furthermore, when the Group loses its control, it handles all amounts recognized in other items in the comprehensive income statement related to the subsidiary on the same basis as they should be handled if the Group had transferred the assets and liabilities in question directly. The acquisitions prior to 1 January 2010 have been handled according to the standards effect during that time.

TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS

Business transactions with non-controlling shareholders are processed in the same way as those with Group shareholders. When shares are purchased from non-controlling shareholders, the difference between the consideration paid and the proportion of the net assets in the subsidiary purchased is recognised in equity. Also, profit or loss from sale of shares to non-controlling shareholders is recognised in equity.

ASSOCIATED COMPANIES

Associated companies include all companies in which the Group has considerable influence but no control. Usually, significant influence is based on a shareholding conferring 20–50 per cent of the voting rights. Investments in associated companies are processed using the equity method, and they are initially recognized at cost. The Group's shares in associated companies also include the goodwill measured at the time of acquisition less any impairment.

The Group's share of profits or losses of associated companies following the acquisition is recognised in the income statement, and its proportion of changes in equity after the acquisition is recognised in other items of other comprehensive income. The book value of the investment is adjusted for changes accumulated after the acquisition. If the Group's share of associated companies' losses is as large or larger than its share of the associated company including any other unsecured receivables, the Group will not recognise additional losses unless it has commitments concerning the associated companies and it has not made payments on behalf of it.

A proportion corresponding to the Group's shareholding is eliminated from unrealised profits between the Group and its associated companies. Unrealised losses are also eliminated unless the transaction indicates an impairment of the value of the asset. The accounting principles followed by associated companies have been amended to correspond to the principles followed by the Group as necessary. Gains or losses due to the dilution effect when shareholding in associated company investments decrease are recognised in the income statement.

The Group's share of the profits of associated companies is reported in the income statement on a separate line "Share of profits from associated companies" in operating result if the associated company essentially is linked to Group's business otherwise after operating result. The group's share of postacquisition movements in other comprehensive income is recognized in other comprehensive income.

JOINT VENTURES

The Group's holdings in jointly controlled units are processed in the consolidated financial statements using proportional consolidation. The Group's proportion of the joint venture's individual income items, expenses, assets and liabilities and cash flows are consolidated in the corresponding items of the consolidated financial statements. For assets sold to a joint venture, the proportion of profits of losses belonging to third parties is recognised. The Group does not recognise its share of a joint venture's profits or losses arising from assets purchased from it by the Group before the assets have been sold further to an independent party. However, a loss incurred by business transactions will be recognised immediately if it indicates a decrease in the net realisation value or impairment of current assets.

TRANSACTIONS IN FOREIGN CURRENCY

The figures concerning the profit and financial position of Group units are presented in the currency that is used in the primary operating environment of the unit in question. 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 rate of the transaction date. Monetary items denominated in foreign currencies are translated into the functional currency using the rate of the closing date. Non-monetary items in foreign currencies recognised at fair value have been translated into the functional currency using the rate of the date on which the value was determined. Otherwise, non-monetary items have been recognised using the rate of the transaction date.

Any gains or losses resulting from transactions in foreign currencies, and from the translation of monetary items, are recognised under financial income and expenses with the exception of liabilities classified as hedges for net investment in a foreign entity, for which the currency gains and losses are recognized for the part of hedge proven effective in the translation differences in other comprehensive income. A change in the fair value of a derivative hedge (currency forward contracts) proven effective is recognized directly in shareholders' equity in the fair value reserve, and only after the realisation of the forecasted sales transaction it is recognized in the income statement as an adjustment of the hedged sales.

The income statements of Group companies whose functional currencies are other than euro are translated into euros using average exchange rates for the reporting period, and their balance sheets at the exchange rates prevailing at the balance sheet date. Translation differences arising on translation and on applying the purchase method of consolidation are recognized in other comprehensive income. In conjunction with divestments of subsidiaries, either by selling or by dissolving, translation differences accumulated by the time of divestment are recognized in the income statement as part of the gain or loss from the divestment.

When making the transition to IFRS, translation differences that arose prior to 1 January 2004, which was the transition date to IFRS standards, were recorded in the Group's retained earnings applied the exemption under IFRS 1, and they are no longer entered in the income statement if the subsidiary is disposed of subsequently. From the transition date translation differences have been presented in shareholders' equity as separate item.

FINANCIAL ASSETS

Financial assets have been classified according to IAS 39 standard as follows: 1) Financial assets at fair value through profit or loss, 2) Held-to-maturity investments, 3) Loans and other receivables and 4) Available-for-sale financial assets. Categorisation depends on the purpose for which the assets were acquired and is made at the time they were originally recorded. Financial assets are initially recognised at fair value. Transaction costs are originally included in the carrying value, when the item is not measured at fair value through profit and loss. The transaction costs related to the items measured at fair value through profit and loss are recognised immediately to profit and loss. Financial assets are derecognised when the Group has lost the contractual right to receive cash flows or it has transferred substantially risks and rewards of ownership to outside the Group. Financial asset purchases and sales are recorded at the settlement date.

Financial assets at fair value through profit and loss include mainly quoted bonds and money market fund investments, that are classified as held for trading. Financial assets held for trading have been recognized at fair value based on price quotations in the market. Unrealised and realised gains and losses due to changes in fair value are recognized immediately in the income statement during the financial period in which they are incurred.

Derivatives not included in hedge accounting are also classified as financial assets held for trading. Their accounting principles and principles of determining their fair value are described below.

Held-to-maturity investments include those investments with a maturity more than six months which the Group has full intention and ability to retain until the date of their maturity. The Group has no held-to-maturity investments. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and other receivables comprise external and Metsä Group's internal accounts, loan and other receivables including accounts receivables. Financial assets designated in these categories are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are publicly quoted and unquoted shares. They are valued at fair value, or if fair value cannot be reliably determined, at cost less impairment. The fair values of publicly quoted shares are based on the share price at the date of the financial statements. If there are no quoted prices for available-for-sale financial assets, the Group applies different types of valuation in their valuation, such as recent transactions and discounted cash flow. In this valuation, information received from the market is usually used, and factors specified by the Group itself are used as little as possible. Changes in fair value are recognised under other comprehensive income and presented in the fair value reserve, taking the tax effect into account. Accumulated changes in fair value are transferred from equity to profit and loss as a correction of classification when the investment is divested or its value has impaired so that an impairment loss is to be recognised for the investment.

Cash and cash equivalents consist of cash and other short-term, highly liquid investments which can be easily converted to an amount of cash known in advance and which carry a minimal risk of value changes. Metsä Board has classified short-term money market investments as cash and cash equivalents.

The Group assesses at each balance sheet date whether there is objective evidence of impairment of a financial asset. Objective evidence of impairment of available-for-sale financial assets includes a significant or long-term decrease of the value of the investment under the acquisition cost. If the fair value of investments has substantially gone under acquisition cost and exceeded the period of time defined by the Group, it shall indicate that the value of the investment is impaired. If there is evidence of impairment, the accumulated losses recognised in fair value reserve shall be transferred to profit and loss. Impairment losses of equity instruments classified as available for sale financial assets shall not be reversed through profit and loss.

The criteria for determining whether there is objective evidence of impairment of financial assets include:

- significant financial problems of the issuer or debtor;
- breach of contractual terms and conditions, such as defaults on interest or capital payments;
- concessions given by the Group to the debtor due to its financial or legal reasons related to its financial problems that it would not otherwise contemplate giving
- probability of the debtor's bankruptcy
- the financial asset in question no longer having an active market due to financial problems.

Impairment testing of trade receivables is described below in more detail with regard to the relevant accounting principles.

The amount of the impairment loss is determined as the difference between the carrying amount of the financial asset and the current value of the estimated cash flows of the financial asset discounted using the original effective interest rate (excluding any non-realised future credit losses). Impairment of financial assets has to be recorded if the carrying amount of the financial asset exceeds its recoverable amount. The carrying amount of the asset is decreased and the loss is recognized in the consolidated income statement. If the amount of the impairment loss decreases during a subsequent period and the decrease can be objectively linked to an event realised after the recording of the impairment (such as the debtor's credit rating improving), the impairment loss is reversed in the income statement. Unless the assets classified as held for sale investments, for which the impairment loss is always reversed in the other comprehensive income.

FINANCIAL LIABILITIES

The Group has classified all financial liabilities under "Other liabilities". When a financial liability is first recognised in the accounts, it is measured at cost, which is equal to the fair value of the consideration received for it. Transaction costs are deducted from the original carrying amount of all financial liabilities. Subsequently, all financial liabilities are measured at amortized cost using the effective interest method. Derivative contracts for which hedge accounting is not applied are classified as "Financial liabilities at fair value through profit or loss".

Financial assets and liabilities are classified according to IAS 39 and fair values are presented in the Note 27.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments are initially recognized in the balance sheet at cost and thereafter during their term-to-maturity are revalued at their fair value at each reporting date. Gains and losses resulting from recognition at fair value are treated in accounting as required with regard to the intended use of the derivative in question. Derivatives are initially classified either as 1) Hedges of the exposure to changes in 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. Derivatives that do not qualify for hedge accounting are classified as financial assets or financial liabilities at fair value through profit or loss.

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 effectively enough, with respect to the hedged risk, any changes in the fair value of the hedged item.

Changes in the fair value of derivatives that meet the criteria for fair value hedging are recognised through profit and loss. Changes in the fair value of a hedged asset or liability item are presented similarly in terms of 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 directly in a hedging reserve in equity. The gains and losses recognized in equity are transferred to the income statement in the period in which the hedged item is recognized in the income statement. When the criteria for hedge accounting are no longer fulfilled, a hedging instrument matures or is sold the gain or loss accrued from hedging the cash flow remain in equity until the forecast transaction takes place. However, if the forecast hedged transaction is no longer expected to occur, the gain or loss accrued in equity is recognised immediately in the income statement.

The fair value of derivatives is disclosed in non-interest-bearing receivables or liabilities. The fair values of derivatives classified in accordance with the applied accounting practice are presented in Notes to the accounts no. 27. The maturity analysis of cash flow hedge accounting is presented in Notes to the accounts no. 26.

CURRENCY HEDGING

The group has applied cash flow hedge accounting in accordance with IAS 39 to some of its hedges of foreign exchange risk. A separately defined portion of the highly probable forecast cash flow of sales in USD, GBP and SEK is the object of hedge accounting. A change in the fair value of a derivative hedge (currency forward contracts) proven effective is recognized directly in shareholders' equity in the fair value reserve, and only after the realisation of the forecasted sales transaction it is recognized in the income statement as an adjustment of the hedged sales. Changes in the fair value of other currency derivatives to hedge foreign currency exposure are recognized under financial items in the income statement. The fair values of forward foreign exchange contracts are based on forward prices prevailing at the balance sheet date, and currency options are stated at market rates in accordance with the Black&Scholes model's fair value.

The hedging of a net investment in a foreign entity is accounted as cash flow hedge. Changes in the fair value of a derivative and loan hedge proven effective are recognized directly against the translation differences accumulated in shareholders' equity. The ineffective portion of the hedge as well as the effect of the interest rate element of forward exchange contracts are recorded in financial income and expenses in the income statement.

INTEREST HEDGING

To hedge the fair value of separately defined loans with derivatives contracts (interest rate swaps and currency swaps), the Group has applied hedge accounting in accordance with IAS 39 as so-called fair value hedge. Changes in the fair value of both defined loans and derivative contracts that meet the criteria for effective hedge accounting are recognized in financial income and expenses through profit and loss. The fair value of loans is calculated in respect of interest rate risk and currency risk elements, but any changes in the company's credit risk premium have not been taken into account.

Moreover, to hedge its interest rate exposure, the Group applies as part of hedge accounting in accordance with IAS 39 to hedging of contractual cash flows of floating interest rates of loans as so-called cash flow hedge. A change in the fair value of derivative contracts (interest rate swaps) is recognized directly in shareholders' equity in fair value reserve.

Interest rate derivatives, to which hedge accounting is not applied, are stated at their fair value, and changes in fair value are recognized under financial items in the income statement. The fair values of (forward rate agreements, interest rate futures and options are based on quoted market rates at the balance sheet date, and pois) interest rate swaps and currency swaps are measured at the present value of future cash flows, with the calculation based on market interest rate yield curve.

COMMODITY RISK HEDGING

To hedge its electricity price risk exposure, the Group applies as part of hedge accounting in accordance with IAS 39 as so-called cash flow hedge. A separately defined portion of the highly probable hedge accounting is applied forecast cash flow of electricity purchases in Finland and Sweden is the object of hedge accounting. Additionally hedge accounting could be applied to pulp price risk hedging of Metsä Board as so-called cash flow hedge. A change in the fair value of a derivative hedge (forward electricity and pulp contracts) proven effective is recognized directly in shareholders' equity in fair value reserve, and only after the realisation of the forecast electricity purchases or pulp sales it is recognized in the income statement as an adjustment of the hedged purchases or sales. The ineffective part of derivatives classified to hedge accounting and other commodity derivatives hedging commodity price risk are recognized at market rates at the balance sheet date, and changes in fair value are recognized in the income statement under "Other income and expenses".

Embedded derivatives are valued at fair value, and changes in fair value are recognized under financial items in the income statement. The amount of embedded derivatives at the Metsä Board Group is insignificant.

SEGMENT REPORTING

The Group's operating segments are comprised of the Group's business areas. The business areas produce different products and services, and they are managed as separate units.

The operating segments are reported uniformly with internal reporting submitted to the chief operating decision-maker. The Corporate Management Board has been appointed as the chief operating decision-maker in charge of allocating resources to the operating segments and evaluating their performance.

The same accounting policies are applied in segment reporting as for the Group as a whole. Transactions between segments are based on market prices. All sales and other transactions between segments are eliminated on consolidation. Operating result, assets and liabilities of own pulp mills as well as share of profit in associated companies and net assets of Metsä Fibre have been allocated to operating segments based on purchases of pulp.

NON-RECURRING ITEMS

Exceptional and material items outside ordinary course of business are treated as non-recurring items. Non-recurring items are allocated to segments. These kinds of income or expenses are e.g. material profits or losses on sale, impairment charges and reverse of impairment charges related to IAS 36, Impairment of Assets, and expenses and releases of expenses related to structural changes.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

An asset item or operation is classified as held for sale when the amount corresponding to its carrying value is expected to be recovered primarily from sale of the asset item.

Classification as held for sale requires management to be committed to the plan to sell the asset and requires that the Group has initiated an active program to complete the plan. The asset must be available immediate sale in its present condition and the sale should be expected within one year from the date of classification. Asset items classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Asset items classified as held for sale are not depreciated or amortized after the classification.

A discontinued operation is one which the Group has disposed of or that is classified as held for sale and represents a separate major line of business or geographical area of operations. The profit or loss from discontinued operations after tax is shown as a separate item in the consolidated income statement.

REVENUE RECOGNITION

Sales include income from the sale of products and services as well as raw materials and supplies corrected for indirect taxes, discounts and other sales adjustment items. Sale of goods is recognised as income when the risks and benefits associated with the ownership of the product are transferred to the buyer and the Group no longer has rights of possession or control on the product. Usually, this refers to the moment on which the product has been delivered to the customer in accordance with the agreed terms of delivery.

The Group's terms of delivery are based on the Incoterms 2010 delivery terms, a compilation of definitions of delivery terms published by the International Chamber of Commerce. The Group's most common delivery terms concerning sales are:

- D terms, according to which the Group has to deliver the products to the agreed destination. The sale is concluded at the moment of delivery to the buyer at the agreed destination at the agreed time.
- C terms, according to which the seller arranges and pays for transport to the agreed destination and certain other expenses. However, the Group's responsibility for the products ends after the products have been handed over to the carrier in accordance with the term used. The sale is concluded at the moment when the seller hands the goods over to the carrier for transport to the agreed destination.
- F terms, according to which the buyer arranges for the transport and is responsible for it. The sale is concluded when the products have been delivered to the buyer's carrier.

If local rules result in invoicing that deviates from the rules specified above, the impact of such income has been calculated and adjusted.

Revenue from the sale of services is recorded when the services have been rendered. Dividend income is recognised when the right to receive a payment is established. Interest income is recognised by applying the effective interest rate method.

DELIVERY AND HANDLING COSTS

Costs arising from the delivery and handling of goods are recorded in materials and services in the income statement.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is recognized as an expense at the time it is incurred. Development expenditure is capitalized if it is probable that a development project will generate future economic benefit and the costs can be measured reliable. Capitalized development costs are amortised over their estimated useful lives. Metsä Board does not have capitalized development expenditure.

BORROWING COSTS

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

INCOME TAXES

Tax expense in the income statement is comprised of the current tax and deferred taxes. Current tax and deferred tax that relates to items that are recognised in comprehensive income shall be, respectively, recognised in comprehensive income. Income taxes are recorded on an accrual basis for the taxable income of each reporting unit, applying the tax rate in force in each country at that time. Taxes are adjusted for any taxes for previous periods.

Deferred tax assets and liabilities are calculated on all the temporary differences between the carrying amount and the tax base. Deferred tax liabilities are not recognised when the asset or liability in question is one that is originally recognized at the carrying amount and does not concern business combinations, and the recognition of such an asset or liability does not have an impact on the accounting result or taxable income at the date of the transaction. No deferred taxes are recognised for non-deductible goodwill, and no deferred taxes are recognised for undistributed profits of subsidiaries to the extent that the difference will not likely realise in the predictable future.

The most significant temporary differences result from depreciation on property, plant and equipment, fair value of available-for-sale financial assets and derivative instruments, defined benefit plans, unused tax loss carryforwards and measurement at fair value in connection with business combinations.

Deferred taxes have been calculated by applying the tax rates in force by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized.

INTANGIBLE ASSETS

GOODWILL

Goodwill arising from the merging of business operations is recognized in the amount by which the sum of the consideration paid, the share of non-controlling interest in the company to be acquired and the previous holding exceed the fair value of the net assets.

Goodwill arising from the acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and recognised on the balance sheet at cost less accumulated impairment losses. Impairment losses from goodwill are not reversed. The book value of goodwill associated with a divested company influences the capital gain or loss.

Goodwill is allocated to cash-generating units for impairment testing. Goodwill is allocated to those units or groups of units which are expected to benefit from the business combination where the goodwill has arisen, specified by reporting segments.

OTHER INTANGIBLE ASSETS

Intangible assets are originally valued to their acquisition cost in the Balance Sheet, in the case that 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.

Those intangible assets, which have a limited financial useful life, are booked by straight line depreciation as expenses impacting profit, according to their known or estimated financial useful life. Intangible assets, which have unlimited financial useful lives, are not depreciated, but are tested yearly for decrease in value.

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

Depreciation for non-tangible assets begins, when the asset is ready for use, e.g. when it is in such a state, that it is able to function as intended by management. Depreciation bookings end, when a non-tangible asset is classified as for sale (or is included in a group classified as for sale) according to IFRS 5 standard Non-current Assets Held for Sale and Discontinued Operation.

COMPUTER SOFTWARE

Expenditure on developing and building significant new computer software programs are recognized in the balance sheet as an intangible asset and amortized by using the straight-line-method over its estimated useful life, which is not to exceed five years. Direct expenses to be capitalized include consultancy and expert advisory fees paid to outside parties, software licences obtained for the application, staff costs to the extent that they can be allocated directly to the project as well as other direct costs. Maintenance and operating expenditure related to computer software and EDP applications is recorded as an expense in the reporting period in which it has been incurred.

EMISSION ALLOWANCES

Allowances received by the governments free of charge have initially been recognised as intangible assets and the corresponding government grant as advance payment in liabilities based on fair value at the date of initial recognition. Allowances are measured at their fair value at the time of acquisition or later at their fair value if less. Allowances are not amortized. The emissions produced are recognised as cost and as liability together with the corresponding government grant as income both based on the value at the date of initial recognition. So rights consumed that are within the original range have no positive or negative effect on profit for the period. The costs of purchasing additional rights to cover excess emissions or the sale of unused rights have effect on profit.

OTHER

The cost of patents, licences and trademarks having a finite useful life is capitalized in the balance sheet under intangible assets and amortized on a straight-line basis over their estimated useful lives in 5–10 years.

The estimated useful lives of intangible assets are reviewed at each balance sheet date and if they differ significantly from previous estimates, the amortization periods are altered accordingly.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at historical cost. The property, plant and equipment of acquired subsidiaries is measured at fair value at the time of the purchase. Property, plant and equipment is presented in the balance sheet at cost less accumulated depreciation and any impairment. For investments in property, plant and equipment requiring a long construction time, the interest incurred during construction is capitalized in the balance sheet as part of the asset for the time that is necessary for bringing the asset to working condition for its intended use. 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.

Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits.

Subsequent costs of an item of property, plant and equipment shall be recognised as an asset if and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of a component which has been replaced with new a component shall be derecognised. All other repair and maintenance expenditures are recognised in profit and loss as incurred.

Property, plant and equipment is depreciated on a straight-line basis over the following 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	5–20 years

Land and water areas are not depreciated. If the significant parts of an item of property, plant and equipment have estimated useful lives of differing length, each part is depreciated separately.

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

Depreciation for tangible assets begins, when the asset is ready for use, e.g. when it is in such a location and state, that it is able to function as intended by management. Depreciation bookings end, when a tangible asset is classified as for sale (or is included in a group classified as for sale) according to IFRS 5 standard Non-current Assets Held for Sale and Discontinued Operation.

Gains and losses arising on the sale and decommissioning of items of property, plant and equipment are calculated as the difference between the net revenue obtained and the carrying amount. Capital gains and losses are included in operating result in the income statement.

GOVERNMENT GRANTS

Government grants, such as government grants received related to acquisition of fixed assets, are booked as reductions to the book value of said fixed assets, when it is fairly certain, that the grants will be received and the group fulfills the requirements for receiving such grants. The grants are recognized as income in the form of lower depreciation during the useful life of the asset. Grants, which are received as compensation for already incurred expenses, are booked in Other operating income during the period, when the right to the grant emerges.

LEASES

Leases on property, plant and equipment for which the Group assumes substantially all the risks and rewards characteristic to ownership of the asset are classified as finance lease agreements. A finance lease agreement is recognized in the balance sheet at an amount equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding lease payment liability is recorded in interest-bearing liabilities under other non-current liabilities. An asset obtained on a finance lease is depreciated over the useful life of the asset or, if shorter, the lease term. Lease payments are split between financial expenses and a reduction in the lease liabilities.

Lease agreements in which the risks and rewards incident to ownership remain with the lessor are treated as operating leases. Lease payments under an operating lease are recognized as an expense in the income statement on a straight-line basis over the lease term.

IMPAIRMENT OF ASSETS NOT INCLUDED IN FINANCIAL ASSETS

No depreciation or amortization is recognised for assets with an indefinite useful life, such as goodwill; they are annually tested for impairment. Assets that are subject to depreciation or amortization are always tested for impairment when events or changes in conditions indicate that it is possible that the carrying amount corresponding to the book value of the assets might not be recoverable.

The recoverable amount is the fair value of an asset less costs to sell or its value in use, whichever is higher. Value in use is determined based on the estimated future net cash flows, discounted to their present value, expected to be derived from the said asset or cash-generating unit. The discount rate used is the interest rate before taxes that represents the market's view of the time value of money and special risks associated with the asset.

Asset items are grouped for impairment assessment to the lowest levels on which the assets generate largely independent cash flows. An impairment loss is recognized 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 on a pro rata basis to goodwill of the cash-generating unit and thereafter on a pro rata basis to 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 recognized 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 recognized. An impairment loss recognized on goodwill is not reversed under any circumstances.

INVENTORIES

Inventories are measured at the lower of cost and net realizable value. The cost of finished and semi-finished products comprises raw materials, direct labour expenses, other direct expenses as well as an appropriate share of fixed and variable production overheads. The normal capacity of the production facilities is used as the divisor in allocating overheads to the different production units.

The value of inventories is determined using the FIFO (first-in, first-out) method or, alternatively, the weighted average cost method depending on the nature of the inventories. Net realizable value is the estimated selling price that is obtainable less the costs of completion and the costs necessary to make the sale.

ACCOUNTS RECEIVABLES

Accounts receivables are measured at the expected net realizable value, which is the original invoicing value less estimated impairment allowances on the receivables. Impairment test is carried for all receivables at bankruptcy or overdue over 180 days, when there is a justifiable reason to assume that the Group will not receive payment for the invoiced amount according to the original terms.

PROVISIONS

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recorded in the balance sheet as a separate asset, but only if it is virtually certain that reimbursement will be received.

RESTRUCTURING

A restructuring provision is recorded for the financial period 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 of 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.

ONEROUS CONTRACTS

A provision is recognised for an onerous contract, when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

ENVIRONMENTAL OBLIGATIONS

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

EMPLOYEE BENEFITS

PENSION OBLIGATIONS

The Group has several arrangements concerning benefits following the termination of employment, including both defined benefit pension plans and 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 based on the performance of the current and previous financial years to all employees. All arrangements that do not meet these requirements are considered defined benefit plans.

A defined benefit plan usually defines the pension benefit that the employee will receive upon retiring and the benefit amount, which usually depends on one or more factors, including the employee's age, service years and salary level.

With the defined benefit plans, the current value on the end date of the obligations reporting period, less the fair value of the assets included in the arrangement, is recognised in the balance sheet as a liability. The amount of the obligation arising from the defined benefit 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 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 in other comprehensive income as a reimbursement or charge in equity for the period during which they have incurred.

Past service costs are recognised immediately through profit and loss.

In defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans that are mandatory, contractual or voluntary. Apart from these contributions, the Group does not have any other payment obligations. The contributions paid are recognised as personnel expenses when they fall due. Prepaid contributions are recognised in assets in the balance sheet to the extent that they can be recovered as reimbursements or deductions of future payments.

BENEFITS RELATED TO THE TERMINATION OF EMPLOYMENT

Benefits related to the termination of employment are paid when the Group terminates a person's employment contract before the regular retirement age or when a person agrees to resign voluntarily against such benefits. Benefits related to the termination of employment will be recognised at the earlier of the following points in time: (a) when the Group can no longer revoke its offer concerning said benefits, and (b) when it recognises the expense on a restructuring within the scope of IAS 37, which contains the payment of benefits related to the termination of employment. In the case of an offer made to promote voluntary resignation, the benefits related to the termination of employment are defined based on the number of persons expected to accept the offer. Benefits which fall due in more than 12 months after the end of the reporting period will be discounted at the current value.

PROFIT SHARING AND BONUS ARRANGEMENTS

A liability and expense to be recognised on profit sharing and bonus arrangements is based on the conditions of the profit sharing and bonus arrangements. A liability is recognised when the Group has an obligation based on an agreement or a constructive obligation has arisen on the basis of past practices.

SHARE-BASED PAYMENT

A share-based incentive programme in which the payments are made either with equity instruments or cash has been established for the company's top executives. The benefits issued in connection with the scheme are measured at fair value at the date of granting them and charged to the income statement evenly during the vesting period. In schemes where the payments are made in cash, the recognized liability and change in its fair value is correspondingly scheduled as expenses. The effect of the schemes on profit is presented under employee costs.

EARNINGS PER SHARE

Undiluted earnings per share are calculated using the weighted average number of shares during the reporting period. In calculating earnings per share adjusted for the effect of dilution, the average number of shares is adjusted for the dilution effect of any equity instruments that have been issued. In calculating earnings per share, earnings are taken to be the reported earnings attributable to the parent company's shareholders. Earnings, both undiluted and adjusted for the effect of dilution, are calculated separately for continuing and discontinued operations.

DIVIDENDS PAYABLE

Dividends payable by the company are recorded as a decrease in equity in the period during which shareholders, in a general meeting, have approved the dividend for payment

COMPARATIVE FIGURES

Where necessary, comparative figures have been classified to conform to changes in presentation in the current year.

ADOPTION OF NEW AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE IN THE FUTURE FINANCIAL PERIODS

The Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

* = not yet endorsed for use by the European Union as of 31 December 2013

IFRS 10 Consolidated Financial Statements and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not assessed to have a material impact on consolidated financial statements.

IFRS 11 Joint Arrangements and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The new standard is not assessed to have a material impact on consolidated financial statements.

IFRS 12 Disclosures of Interests in Other Entities and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard will expand the notes the Group provides for its interests in other entities.

IAS 28 Investments in Associates and Joint Ventures (revised 2011) (in the EU effective for financial years beginning on or after 1 January 2014): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard is not assessed to have a significant impact on consolidated financial statements.

Amendments to IAS 32 Financial Instruments: Presentation (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendments are not assessed to have a significant impact on consolidated financial statements.

Amendments to IAS 36 Impairment of Assets (effective for financial years beginning on or after 1 January 2014): The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. The amended standard is not assessed to have a significant impact on consolidated financial statements.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for financial years beginning on or after 1 January 2014): The amendments made to IAS 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The amendments are not assessed to have an impact on consolidated financial statements.

Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions* (effective for financial years beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments are not assessed to have an impact on consolidated financial statements.

Annual Improvements to IFRSs (2011-2013 cycle* and 2011-2012 cycle*, December 2013) (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard but are not significant.

IFRS 9 Financial Instruments* and subsequent amendments (the effective date (previously 1 January 2015) has been postponed and will be determined in due course): IFRS 9 is the first step of the IASB's originally three-phase project to replace the current IAS 39 Financial Instruments: Recognition and Measurement. The amendments resulting from the first phase (published in November 2009) address the classification and measurement of financial assets. Based on measurement, financial assets are classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. The amendments published in October 2010 deal with the classification and measurement of financial liabilities and the standard retains most of the related IAS 39 requirements. Amendments dealing with general hedge accounting were issued in November 2013. The unfinished part of IFRS 9, impairment of financial assets, is still a work in progress. Furthermore, the IASB is also considering limited amendments regarding the classification and measurement of financial assets. The macro hedge accounting phase has been taken apart from the IFRS 9 project as a separate project. As the IFRS 9 project is incomplete, the impacts of the standard on the consolidated financial statements cannot yet be assessed.

2. Key accounting estimates applied in the financial statements and judgements used in the accounting principles

Preparing IFRS-compliant financial statements requires the use of certain key accounting estimates. In addition, it requires the management to use its judgement in applying the accounting principles. The estimates made and judgement-based decisions are continuously evaluated, and they are based on prior experience and other factors, such as expectations concerning future events. The expectations are considered to be reasonable, taking the circumstances into account. The topics that are associated with key assumptions and estimates in terms of consolidated financial statements and areas that require significant discretion are described below.

IMPAIRMENT TESTING

The Group annually tests the goodwill and intangible assets not ready to use for impairment. Testing for impairment is carried out for other long-term assets if there are indications that the value of the assets might be impaired. The recoverable amounts of cash-generating units are based on calculations of value in use. These calculations require that estimates are made. Impairment losses or reverse of impairment losses were not recognized in 2013 based on impairment testing. A sensitivity analysis of the substantial assumptions used in the impairment testing and the impact of changes in them on the amount of impairment is presented in Note 7.

PENSION PLANS

The present value of the pension obligations depends on various factors that are determined using various actuarial assumptions. The discount rate is also included in the assumptions used in determining the net expenditure (or income) arising from pension plans. Changes in these assumptions have an effect on the carrying amount of the pension obligations.

The appropriate discount rate is determined at the end of each year. This is a rate that is used in determining the current value of the future cash flows estimated to be required to fulfil the pension obligations. In determining the appropriate discount rate, the interest rates of long-term treasury notes or similar instruments are taken into consideration. Other key assumptions concerning pension obligations are based on the current market conditions.

SHARE-BASED REWARD SCHEME

The share-based incentive arrangements granted to the Group's key employees are measured at fair value at the time of granting. The fair value is charged to the income statement over the vesting period during which all the requirements for the right to arise must be fulfilled. The expense measured at the time of granting the shares is based on an estimate of the number of shares to which a right is believed to arise at the end of the vesting period. Changes in the estimates are recognised in the income statement. A total of EUR 0.2 million was recognised as an expense on the financial period ended 31 December 2013.

FINANCIAL INSTRUMENTS AT FAIR VALUE

A fair value is determined for financial instruments not traded on an open market using valuation methods. Discretion is used in selecting the various methods and making assumptions based primarily on the market conditions prevailing at the end date of each reporting period. The greatest item at fair value not traded on an open market is the investment in Pohjolan Voima shares, reported under available-for-sale financial assets. Their price is determined based on realised transactions and an analysis of discounted cash flows. The carrying amount of available-for-sale financial assets would be estimated to be EUR 3 million lower or EUR 2 million higher should the rate used for discounting the cash flows differ by 10% from the rate estimated by the management. The carrying amount of available-for-sale financial assets would be estimated to be EUR 29 million higher lower or EUR 29 million lower should, if energy prices used for calculating the fair value differ by 10% from prices estimated by the management.

PROVISIONS

A provision is recorded when the Group has a legal or constructive obligation as a result of a previous event and it is probable that the liability for payment will realise. The provisions are determined based on previous experience. A restructuring provision is recorded for the financial period 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 of 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. A recorded provision illustrates the management's best estimate of the current value of future expenses, but actual expenditure may differ from the estimate. Provisions amounted to EUR 37 million on Metsä Board's balance sheet at 31 December 2013.

INCOME TAXES

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's balance sheet at 31 December 2013 includes some EUR four million deferred tax assets recognized for tax loss carry-forwards. The Group is subject to income taxation in several countries. Estimating the total amount of income taxes at the level of the entire Group requires significant judgement. The final amount of tax is uncertain in terms of several business operations and calculations. The Group forecasts future tax audits and recognises liabilities based on estimates on 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 tax assets and liabilities based on the taxable income for the period and deferred tax assets and liabilities in the period during which they are observed.

INVENTORIES

The Group regularly reviews its inventories for situations where the inventories exceed their real value, contain downgraded items or their market value falls below the acquisition cost, and records a deduction item that reduces the carrying amount of the inventories in the case of such deductions. The management must make estimates of the future demand for the products for the purpose of such review. Any changes in these estimates might lead to an adjustment in the carrying amount of the inventories in future periods. Metsä Board's balance sheet included inventories amounting to EUR 333 million on 31 December 2013.

ACCOUNTS RECEIVABLES

Accounts receivables are recognised according to the original invoiced amount less any impairment and refunds due to returns. Impairment losses are recognised on a case-by-case basis and based on previous experience when there is objective proof that the receivable cannot be collected in full. If the customers' financial position weakens so that it affects their solvency, further impairment losses might need to be recognised for future periods. Metsä Board's balance sheet at 31 December 2013 included accounts receivables amounting to EUR 242 million and impairment losses recorded for trade receivables amounting to EUR 0.5 million.

IMPAIRMENT OF EQUITY INVESTMENTS CLASSIFIED AS AVAILABLE-FOR-SALE FINANCIAL ASSETS

The question when the value of available-for-sale equity investments is impaired is solved according to the guidelines of IAS 39. This requires the use of significant judgement, e.g., in terms of for how long and to what extent the fair value of the investment has been lower than the acquisition cost. In addition, it is necessary to estimate the financial position of the investment object regarding the near-future outlook of the business operations, such as the profitability of the industry and sector, to find out whether there is objective proof of impairment. Should it be considered that the reduction of the fair value to below the acquisition cost is entirely or partially significant and prolonged, an additional after tax loss of EUR 152 million would be recognised in the financial statements for 2013 when the changes in fair value associated with impaired available-for-sale financial assets of Pohjolan Voima Oy recognised under equity are charged to the income statement.

3. Segment information

The Corporate Management Board is the chief operating decision-maker. The Corporate Management Board has determined that the operating segments are based on the reports used by the management board in strategic decision-making. The Corporate Management Board monitors the business operations based on business areas. The sales of the reportable operating segments are mainly generated by sales of board and paper and pulp.

The accounting principles for the segment information are equal to those of the Group. All sales and other transactions between segments are based on market prices and eliminated in consolidation.

The reported result for the operating segments is operating result (result before financial items). Operating segments' assets and liabilities are capital items directly used by the segments in their business operations or items that based on reasonable basis can be allocated to the segments. The goodwill arising from business combination has been allocated to the operating segments based on the expected synergies from the combinations. Operating result, assets and liabilities of pulp mills as well as share of profit in associated companies and net assets of Metsä Fibre have been allocated to operating segments based on purchases of pulp. Unallocated capital items consist of tax and financial items and other common group items. Investments consist of additions of tangible and intangible assets used over a longer period than one year and acquisition of shares.

REPORTABLE SEGMENTS

Paperboard

Paper and Pulp

Other operation

The Group has not aggregated operating segments when identifying the reportable segments. Segment sales from external customers by geographical area are based on the geographical location of the customer and segment assets and capital expenditure by geographical location of the assets.

Paperboard segment is an innovative supplier of high performance paperboards and related packaging services. The segment serves carton printers, converters, brand owners and merchants for end-uses such as beautycare, cigarettes, consumer durables, foods, healthcare, graphics and wallcoverings.

Paper and Pulp segment is a large European office paper and coated paper producers It produces, markets and sells premium uncoated fine papers to companies, offices and paper merchants. Coated papers are sold to Sappi according to a long-term contract. Paper and Pulp's products are used for printing and copying, as well as for forms, envelopes, manuals and various business communications. Paper and Pulp segment also includes external sales of chemical pulp and BCTMP.

Paperboard segment includes the Kemi, Kyro, Simpele, Tako and Äänekoski board mills, Kyro wallpaper base machine and Joutseno BCTMP mill located in Finland as well as Gohrsmühle mill in Germany. Paper and Pulp segment includes Husum paper and pulp mill in Sweden, Alizay mill in France and Kaskinen BCTMP mill in Finland. The negotiations with employees on shutting down the Alizay mill and the discontinuation of the unprofitable operations of the Gohrsmühle mill were completed in March 2012. Alizay mill site was disposed in January 2013.

Other operation includes Head office, Sales net -operation, Group IT services and hedge accounting of sales revenue and energy sales from the pulp mills or through Metsä Board's energy holdings.

SALES BY OPERATING SEGMENT

	2013			2012		
EUR million	EXTERNAL	INTERNAL	TOTAL	EXTERNAL	INTERNAL	TOTAL
Paperboard	1,140.1	0.1	1,140.2	1,122.5	0.1	1,122.6
Paper and Pulp	792.9	9.4	802.3	907.0	0.0	907.0
Other operations	86.3	214.6	300.9	78.1	285.5	363.6
Elimination of the inter-segment sales		-224.1	-224.1		-285.6	-285.6
Total	2,019.3		2,019.3	2,107.6		2,107.6

OPERATING RESULT AND RETURN ON CAPITAL EMPLOYED BY OPERATING SEGMENT

	2013			2012		
EUR million	Operating result	Excl. non-recurring items	Return on capital employed, %	Operating result	Excl. non-recurring items	Return on capital employed, %
Paperboard	**108.0**	**103.1**	**16.7**	112.8	107.5	17.2
Paper and Pulp	**6.9**	**8.1**	**1.1**	-3.3	-5.8	-0.5
Other operations	**-1.3**	**-6.8**		111.6	-26.8	
Total	**113.6**	**104.4**	**7.0**	221.1	74.9	12.4
Share of results from associated companies	**0.1**			0.0		
Finance costs, net	**-55.9**			-47.2		
Income taxes	**6.3**			-2.6		
Result for the period	**64.1**			171.3		

NON-RECURRING ITEMS IN OPERATING RESULT IN 2013

EUR million	Paperboard	Paper and Pulp	Other Operations	Total
Profit on sale in other operating income		**1.9**	**5.8**	**7.7**
Employee costs	**1.7**			**1.7**
Other operating expenses	**0.6**	**-3.1**		**-2.5**
Impairment charges and reverse of impairment charges	**2.5**		**-0.2**	**2.3**
Total	**4.8**	**-1.2**	**5.6**	**9.2**

Paperboard segment include a reverse of impairment charge of EUR 2.5 million due to sale of old impaired paper machine at Äänekoski mill. In addition cancellion of a EUR 2.3 million cost provision related to restructuring provision made at Gohrsmühle and Äänekoski paper mill made in 2011.

Paper and Pulp segment include a EUR 6.6 million cost provision related to the landscaping of a decommissioned landfill in Husum and a EUR 5.4 million sales gain (EUR 1.9 million) and cancellation of a cost provision (EUR 3.5 million) related to the divestment of Alizay mill site.

In Other operation includes EUR 5.3 million gain from a sale of property in Finland and additional selling price, EUR 0.5 million, related to the associated company Plastiroll Oy, which was disposed in 2012.

NON-RECURRING ITEMS IN OPERATING RESULT IN 2012

EUR million	Paperboard	Paper and Pulp	Other Operations	Total
Profit on sale in other operating income			149.5	149.5
Change in inventories	-0.9			-0.9
Employee costs	8.1	-12.0	-1.1	-5.0
Other operating expenses	-2.2	3.7	-10.3	-8.8
Share of results from associated companies	0.5	0.1		0.6
Impairment charges	-0.2	10.7	0.3	10.8
Total	5.3	2.5	138.4	146.2

Operating result includes in the Paperboard business area EUR +5.7 reversal of cost provision and other items related to restructuring of production at the Gohrsmühle mill. In addition EUR -0.4 million of other non-recurring items were recognised.

Operating result for the year ended 31 December 2012 includes in the Paper and Pulp business area EUR +2.5 million non-recurring items, of which the most significant are EUR 10.7 million reverse of impairment charges related to classification of Alizay mill in France according to IFRS 5, Non-Current assets held for sale and discontinued operations. Personnel related provision was increased by EUR 7.0 million and other provision was reversed net by EUR 7.0 million related to the closure of the Alizay paper mill. EUR 4.7 million restructuring provision related to the streamline programme at the Husum mill. EUR 1.7 million cost in the French sales company related to personnel reductions as well as EUR 1.7 million in additional cost provisions related to the plans to close unprofitable operations at Reflex.

Other operations includes EUR 149.5 million profit on sale, of which the most significant were a EUR 84.6 million profit related to the sale of a 7.3 percentage point share in Metsä Fibre to Itochu Corporation and EUR 58.6 million profit related to the sale of 0.5 percentage point share in Pohjolan Voima to Metsä Fibre. Other Operations includes also EUR 5.4 million profit on property sales in Finland. Other Operations also includes EUR 8.0 million provisions related to soil contamination clean-up at Niemenranta in Tampere, an additional EUR 3.5 million provision related to industrial area soil contamination clean-up at Niemenranta, and EUR 1.5 million cost provision reversal related to logistics agreements and the sale of graphic papers business.

ASSETS, LIABILITIES AND GOODWILL BY OPERATING SEGMENT

	Assets		Liabilities		Goodwill	
EUR million	**2013**	2012	**2013**	2012	**2013**	2012
Paperboard	**959.5**	919.7	**301.2**	280.5	**5.0**	5.0
Paper and Pulp	**722.7**	803.5	**111.2**	151.1	**7.7**	7.7
Other operations	**366.1**	446.9	**109.8**	143.4		
Elimination	**-66.7**	-93.7	**-66.7**	-93.7		
Unallocated	**115.4**	504.8	**791.9**	1,243.7		
Total	**2,097.0**	2,581.2	**1,247.4**	1,725.0	**12.7**	12.7

CAPITAL EXPENDITURE, DEPRECIATION AND IMPAIRMENT CHARGES BY OPERATING SEGMENT

	Capital expenditure		Depreciation		Impairment charges	
EUR million	**2013**	2012	**2013**	2012	**2013**	2012
Paperboard	**34.5**	43.0	**47.4**	51.3	**-2.5**	0.2
Paper and Pulp	**23.8**	17.1	**53.1**	54.4		-10.7
Other operations	**8.6**	6.0	**3.1**	5.4	**0.2**	-0.3
Total	**66.9**	66.1	**103.6**	111.1	**-2.3**	-10.8

Segment assets include goodwill, other intangible assets, tangible assets, biological assets, investments in associated companies, inventories, accounts receivables and prepayments and accrued income (excl. interest and income tax items). Segment liabilities include non-interest-bearing liabilities (excl. interest and income tax items). Capital employed is segment assets less segment liabilities. The formula for calculation of return on capital employed:

Segment: Operating result/Capital employed (average)*100
Group: Profit from continuing operations before tax + interest expenses, net exchange gains/losses and other financial expenses/Total assets ./. non-interest-bearing liabilities (average)*100.

In the following tables are presented information of sales, assets and investments by geographical areas.

GEOGRAPHICAL AREAS

	External sales by location of customer		Total non-current assets by country		Capital expenditure by country	
EUR million	2013	2012	2013	2012	2013	2012
Germany	265.6	280.0	38.5	41.6	3.1	5.1
Finland	207.4	193.7	970.7	1,014.8	42.1	47.2
Great Britain	185.2	218.7	4.7	3.3		
Italy	120.2	118.9	0.0	0.0		
Sweden	116.7	122.2	311.5	343.5	21.3	13.7
France	98.6	102.1	0.6	1.0		
Russia	97.0	109.9	0.0	0.0		
The Netherlands	86.8	70.3	0.0	0.0		
Poland	76.4	62.1	0.0	0.0		
Spain	49.1	44.9	0.0	0.0		
Belgium	39.2	45.8	0.0	0.0	0.2	0.0
Austria	36.3	68.8	0.0	0.0		
Switzerland	23.8	34.5	0.0	0.0		
Other Europe	149.6	158.6	0.6	0.4	0.1	0.1
USA	137.0	113.3	0.1	0.1		
Asia	249.1	269.2	0.3	0.3	0.1	
Other countries	81.3	94.6	0.0	0.0		
Total	2,019.3	2,107.6	1,327.0	1,405.0	66.9	66.1

Non-current assets include other assets but finacial instruments and deferred tax assets.

PERSONNEL AT YEAR END BY COUNTRY

	2013	2012
Finland	1,465	1,536
Sweden	869	887
Germany	534	577
China	57	63
Belgium	47	44
Great Britain	37	38
Other countries	107	134
Total	3,116	3,279

PERSONNEL BY OPERATING SEGMENT, AVERAGE

	2013	2012
Paperboard	1,755	1,923
Paper and Pulp	943	1,066
Other operations	547	563
Group total	3,245	3,552

Group's income from one customer exceeded to some EUR 314 million (353) or some 16 (17) percent of total sales. All segments have sales from the customer.

4. Disposed and discontinued operations and non-current assets as held for sale

There were no acquisitions in during 2013 or 2012. Metsä Board disposed in September 2013 51 per cent holding in Metsä Group Treasury Oy (Metsä Finance Oy) to parent company Metsäliitto Cooperative. Selling price was EUR 5.2 million and cash and cash equivalents of disposed subsidiary were EUR 372.3 million, net of cash was EUR -367.1 million. Loss of EUR 0.1 million was recognised. Metsä Board disposed in February 2012 Metsä Board Reflex mill's Premium Paper business in Germany. No profit or loss was recognized. Cash flow effect was EUR -2.9 million.

METSÄ GROUP TREASURY OY, DISPOSED ASSETS

EUR million	2013
Accounts receivables and other receivables	119.1
Cash and cash equivalents	372.3
Total assets	491.4
Accounts payable and other liabilities	480.8
Total liabilities	480.8
Net assets	10.6
Disposed share, 51 per cent	5.3
Selling price	5.2
Loss on sale	0.1
Selling price	5.2
Cash and cash equivalents of disposed subsidiary	-372.3
Proceed from disposal of subsidiary shares, net of cash	-367.1

Metsä Board had classified in 2012 Alizay mill in France according to IFRS5, Non-Current assets held for sale and discontinued operations, as assets classified as held for sale (EUR 20.4 million). Metsä Board had negotiated on the sales of the Alizay mill area in 2012, and the fair value was based on the management's best assessment of the value of the mill area based on the purchase offer received. In connection with the classification change, earlier recognised impairments of EUR 10.7 million were cancelled. In January 2013, Metsä Board sold the Alizay mill property in France, including all equipment and buildings, to Conseil Général de l'Eure, representing the French government, for EUR 22.2 million. In addition, the old paper mill of Simpele Paper had been classified in accordance with IFRS 5. In connection with the classification change, earlier recognised impairments of EUR 0.2 million were cancelled. The fair value was based on a preliminary commercial agreement.

ACQUISITION OF NON-CONTROLLING INTEREST

The group acquired in 2013 18 per cent additional share of BGE Eisenbahnverkehr GmbH. After acquisition group's holding is 90 per cent. Net assets of the company was at the time of acquistion EUR -0.1 million. The share of non-controlling interests increased by EUR 0.01 million and retained earning decreased by EUR 0.1 million.

5. Other operating income

EUR million	2013	2012
Gains on disposal	10.5	158.2
Rental income	1.8	1.9
Service revenue	9.4	10.6
Government grants	3.9	5.3
Other allowances and subsidies	10.8	1.3
Other operating income	16.6	17.1
Total	53.0	194.4

The most significant gains on disposals in 2013 were the EUR 5.9 million gain on sales of property in Finland and some EUR 2.3 million related to electricity certificates disposed by Metsä Board Sverige as well as the disposal of Alizay mill site in France EUR 1.9 million.

In 2012 profit on sale of EUR 58.6 million related to the sale of the 0.5 percentage point holding in Pohjolan Voima to Metsä Fibre was recognized in April for EUR 63.8 million. Profit on sale of EUR 84.6million related to the sale of Metsä Fibre's the 7.3 percentage point holding ito Itochu Corporation was recognized in May for EUR 138.1 million. Profit on sale of some EUR 5.8 million related to property sales in Finland some EUR 8.0 million related to electricity certificates disposed by Metsä Board Sverige.

6. Operating expenses

EUR million	2013	2012
Change in stocks of finished goods and work in progress	31.9	-5.1
MATERIALS AND SERVICES		
Raw materials and consumables	1,224.5	1,255.7
Change in inventories	0.5	7.5
External services		
Logistics expenses	230.7	233.5
Other external services	57.9	64.2
	1,513.6	1,560.9
EMPLOYEE COSTS		
Wages and salaries	157.3	155.9
Share-based payments (note 32)	0.2	0.3
Indirect employee costs		
Pension costs		
Defined benefit plans	1.0	0.7
Defined contribution plans	17.7	19.1
Other indirect employee costs	64.8	73.0
	83.5	92.8
Employee costs, total	241.0	249.0
OTHER OPERATING EXPENSES		
Rents	7.2	8.4
Purchased services	82.2	95.2
Other operating expenses	82.4	91.2
Total	171.8	194.8

External services include production related services and logistics expenses of sold products. Other operating expenses include among others other than production related services, energy costs, real estate costs and administration costs.

The research and development costs during the financial period 2013 were EUR 5.1 million and in 2012 EUR 5.1 million.

PRINCIPAL AUDITORS FEES

The independent principal auditor is KPMG Oy The fees paid to indepent principal auditor are shown in the table below. The audit fees are paid for the audit of the annual and quarterly financial statements for the group reporting purposes as well as the audit of the local statutory financial statements. Tax consultancy fees are the fees paid for tax consultancy services and the like.

PRINCIPAL AUDITORS FEES AND SERVICES

EUR million	2013	2012
Audit fees	0.5	0.5
Tax consultancy	0.0	0.0
Other fees	0.0	0.0
Total	0.5	0.5

In 2013 fees paid to other auditors than KPMG were 0.05 million. In 2012 fees paid to other auditor were EUR 0.04 million.

REMUNERATION PAID TO THE KEY MANAGEMENT

EUR	2013	2012
Wages and salaries	2,548,534.78	2,519,171.93
Share-based payments	0.00	0.00
Pension costs	787,442.30	758,606.11
Total	3,335,977.08	3,277,778.04

THE REMUNEMERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS OF THE PARENT COMPANY AND SHAREHOLDING

	Shareholding	2013 EUR	2012 EUR
Kari Jordan Chairman	48,047	89,311.99	87,726.59
Martti Asunta Vice chairman	48,610	76,215.99	74,625.25
Mikael Aminoff	53,749	63,003.18	74,080.27
Kirsi Komi	41,054	62,003.18	57,648.10
Kai Korhonen	151,369	63,103.18	55,855.16
Liisa Leino	128,369	62,503.18	55,337.98
Juha Niemelä	128,369	63,003.18	61,894.85
Veli Sundbäck	10,772	58,603.18	
Erkki Varis	86,454	63,103.18	67,412.78
Total	696,793	600,850.24	534,580.98
Former members of the Board			
Antti Tanskanen		4,500.00	63,711.65
		605,350.24	598,292.63

Metsä Board's Annual General Meeting 2013 decided that, one half of the remuneration will be paid in cash while the other half is paid in the company's B-series shares to be acquired from the stock exchange between 1 and 30 April 2013. Remuneration of Board of Directors consists of fixed monthly salary, merit pay based on responsibilities effect on profit, pension benefits, CEO's share based incentive scheme and shareholding programme for Board of Directors.

The monthly salary of CEO Mikko Helander is EUR 42,731. The salary includes car and mobile phone benefits. In 2013 CEO Mikko Helander´s salary including benefits was EUR 535,129.96 (2012: EUR 521,779). In addition, the Board may, in accordance with the managing director's service contract, decide that the CEO receives bonus pay based on his overall performance and corresponding to his six-month salary. The bonus pay in 2013, was EUR 71,404 (48,538). The members of Corporate Management Board are entitled to bonus pay corresponding to a maximum of their respective six-month salaries. The bonus pay is defined and decided by the Board and was in thefinancial years 2012 and 2013 based on the Company's and its business areas' operating results development. Salaries and emoluments including benefits paid to Corporate Management Board were EUR 1.727,782 (1,759,272), bonuses EUR 215,402 (161,607) and share-based incentive EUR 0 (0).

Share based incentive schemes and the shareholding programme for Board of Directors are presented in Note 32. Chairman of the Board Kari Jordan and CEO Mikko Helander are taking part in the shareholding system of Metsäliitto Group's Corporate Management Board. The number of Metsä Board's B-shares allocated via Metsäliitto Management Oy to Chairman of the Board Kari Jordan is 1,763,867 and to CEO Mikko Helander is 881,933 (Note 32). Other members of the Corporate Management Board own 33,862 Metsä Board's shares.

The CEO's mutual term of notice is six months. When the service contract of the CEO is terminated by the Board, the CEO is entitled to receive discharge compensation equal to his 18-month salary. In addtion, in case the Company or its business is divested, the CEO is entitled to resign from his assignment against discharge compensation equal to his 24-month salary. The period of notice is six months. The period of notice for other members of Corporate Management Board is six months. For other members of Corporate Management Board, the period of additional severance compensation varies from six to eighteen months in case of severance due to other reasons than member related.

The CEO of the parent company has the right to retire on a pension at the age of 62 years. The Company has commissioned an extra pension insurance policy for the CEO, covering the period between the contractual and statutory retirement age of 63 years and entitling the CEO to receive pension compensation equal to 60 per cent of his salary at the time of retirement calculating in accordance with Finnish pension laws. In case the service relationship of the CEO is terminated prior retirement, the CEO is entitled to a free policy. Excluding the CEO, Corporate Management Board members have no extraordinary pension arrangements which could deviate from applicable pension legislation. According to Finnish pension legislation, a person has the option to retire between the ages of 63 to 68. The expenses of the Corporate Management Board member's defined contribution pension plans were EUR 0.7 million (0.7 million), which include defined contribution pension the costs of extra pension insurance policy EUR

0.3 million (0.3 million). The Group has no off balance-sheet pension liabilities on behalf of management. The parent company has no commitments on behalf of persons belonging to the above-mentioned bodies or those who have previously belonged to them. At 31 December 2013, the Company's CEO or the members of the Board had no loans outstanding from the Company or its subsidiares.

7. Depreciation, amortization and impairment charges

EUR million	2013	2012
DEPRECIATION AND AMORTIZATION		
Other intangible assets	2.8	3.7
Buildings	11.6	12.3
Machinery and equipment	87.4	92.9
Other tangible assets	1.8	2.2
Total	103.6	111.1
IMPAIRMENT CHARGES AND REVERSED IMPAIRMENT CHARGES		
Other intangible assets		0.2
Buildings		-7.6
Machinery and equipment	-2.3	-3.4
Total	-2.3	-10.8
Depreciation, amortization and impairment charges, total	101.3	100.3
OTHER IMPAIRMENT CHARGES BY SEGMENT		
Paperboard	-2.5	0.2
Paper and Pulp		-10.7
Other operations	0.2	-0.3
Total	-2.3	-10.8

Depreciation, amortization and impairment charges for 2013 include a reverse of impairment charge of EUR 2.5 million due to sale of old impaired paper machine at Äänekoski mill. In addition Other operations include impairment charge of EUR 0.2 million related to canceled disposal of old paper machine in Simpele mill in Finland. The paper machine was classified in December 2012 as asset held for sale according to IFRS5, Non-current assets as held for sale and discontinued operations.

Depreciation, amortization and impairment charges for 2012 include EUR 10.7 million reversal of earlier made impairment charges related to reclassification made in Alizay mill in France in paper and Pulp according to IFRS 5, Non-Current assets held for sale and discontinued operations.

IMPAIRMENT OF ASSETS

Metsä Board 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. The Audit Committee reviews the sensitivity analyses or impairment testing results quarterly.

TESTING PRINCIPLES

The carrying values of asset items or cash generating units are evaluated for possible impairment. Cash generating units are operating segments or smaller units to which a recoverable amount can be defined to. In 2013 the cash generating units are the same as in 2012 testing, except for Husum, in which paper and liner production has been combined to one cash generating unit. If there are indications of impairment of an asset item or cash-generating unit, or if the unit's carrying amount includes or it has been allocated goodwill, the recoverableamount of the asset or cash-generating unit is measured. The recoverable amount of the asset or cash-generating unit is the value in use based on the future cash flows, or fair value less cost to sell. In 2013 testing all recoverable amounts are based on value in use of cash-generating units. The recoverable cash flow for the cash-generating units under testing are based on five-year forecasts and the evenly-growing cash flows that follows them.

The key testing assumptions are Metsä Board management's estimates and projections as well as third party forecasts. The key factors affecting the projections are development of average paper and board prices, delivery volumes, foreign exchange rates, and capacity utilisation rates, 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 key factors are similar to those used in 2012 testing.

Metsä Board's share of Metsä Fibre's recoverable amounts, carrying amount and goodwill included in "Investment in associated companies" (EUR 45.2 million) are allocated to Cash-generating units in the proportion of their pulp purchases. For the situation on 30 September 2013 and for previous goodwill impairment tests the cash flows consequent to the 5-year projected cash flows are based on a 2 per cent fixed annual growth rate. Average values for the key assumptions (price, volume, variable costs) during the projection period have been used as initial point for the cash flows following the forecast period. The fixed costs are based on the projected costs for the fifth year.

The discount rate used is Metsä Board's Weighted Average Cost of Capital (WACC). When calculating WACC the cost of debt takes into account market based view on Metsä Board's risk premium. Both the cash flows and the discount rate are calculated after tax, which means that the established discounted cash flows and utility values are before tax as set out in IAS 36. For testing carried out concerning situation 30 September 2013, the WACC after taxes was 6.11 per cent (2012: 5.88) and for Metsä Fibre 5.30 per cent (4.41). Management's view is that the risk factors regarding future cash flows do not differ materially from one CGU to another.

The goodwill impairment test results are evaluated by comparing the recoverable amount (V) with the carrying amount of the CGU (B) as follows:

	Ratio		
V		<	B
V	0–5%	>	B
V	5–10%	>	B
V	10–15%	>	B
V	15–20%	>	B
V	20–50%	>	B
V	50%	>	B

The most important cash-generating units of Metsä Board Group, the goodwill allocated to them as of 30 September 2013 as well as their testing result as of 30 September 2013:

	Goodwill	Test result (V-B)/B
Folding boxboard [1]	21.0	over 50%
Kemi [1]	18.1	over 50%
Kyro Paper [1]	1.1	20-50%
Husum paper and kraftliner	7.7	over 50%
Zanders [1]	0.6	0-5%
Market Pulp [1]	9.4	over 50%
Metsä Board Group total	57.9	

[1] The amount includes the goodwill from Metsä Board's holding in Metsä Fibre, which is shown in "Investments in associated companies" in the balance sheet.

In the following CGUs a reasonably possible change in a key assumption results in a situation where the carrying amount of the CGU exceeds the recoverable amount. Assumptions to which the recoverable amount of the CGU is most sensitive are listed in the table. When considering the resulting effects of changes in other assumptions it was concluded that there are not correlations between assumptions that would materially change the result of the testing. The pricing of end products is mainly driven by the demand and supply balance, and that the cost base changes do not have a significant impact on product pricing.

CASH GENERATING UNIT (CGU)	(1) V – B[1]	(2) KEY ASSUMPTION	(3) REQUIRED CHANGE IN ORDER FOR V TO EQUAL B
Zanders	0.2	- WACC based on interest rates and risk premiums at the time of testing	- WACC 0.02 percentage point higher

[1] EUR million

8. Financial income and expenses

EUR million	2013	2012
EXCHANGE DIFFERENCES		
Commercial items	**-0.2**	6.0
Hedging / hedge accounting not applied	**-0.8**	-1.1
The ineffectiveness from hedges of net investment in foreign operations	**0.1**	-0.1
Other items	**-0.2**	0.2
Total	**-1.1**	5.0
OTHER FINANCIAL INCOME		
Interest income on loas, other receivables and cash and cash equivilants	**8.6**	11.6
Divided income	**0.2**	5.8
Other financial income total	**8.8**	17.4
VALUATION OF FINANCIAL ASSETS AND LIABILITIES		
Impairment charges from financial assets	**0.0**	-0.1
Gains and losses on derivatives / hedge accounting not applied	**0.4**	0.6
Gains and losses on hedging instrument in fair value hedges	**-4.9**	17.6
Gains and losses on hedged item in fair value hedges	**9.1**	-6.6
Valuation total	**4.6**	11.5
Interest expenses from financial liabilities carried at amortized cost using the effect interest rate method	**-64.4**	-75.8
Other financial expenses	**-3.8**	-5.3
Interest and other financial expenses, total	**-68.2**	-81.1
Valuation of financial assets and liabilities and interest and other financial expenses, total	**-63.6**	-69.6

9. Income taxes

EUR million	2013	2012
Income taxes for the financial period	**5.3**	27.7
Income taxes from previous periods	**-2.1**	-0.1
Change in deferred taxes	**-9.5**	-25.1
Other taxes	**0.0**	0.1
Total	**-6.3**	2.6

INCOME TAX RECONCILIATION

Result before taxes	**57.8**	173.9
Computed tax at Finnish statutory rate or 24.5%	**14.2**	42.6
Change in Finnish statutory rate from 24.5% to 20.0%	**-0.8**	
Change in Swedish statutory rate from 26.3% to 22.0%		-9.7
Difference between Finnish and foreign rates	**-1.2**	-0.1
Tax exempt income	**-0.3**	-21.1
Non-deductible expenses	**0.3**	0.4
Previous years tax losses used during period	**-13.9**	-8.4
Losses from subsidiaries, of which no deferred tax asset have been recognized	**6.4**	6.3
Share of profit from associated companies	**-9.1**	-7.2
Income taxes from previous periods	**-2.1**	-0.1
Other	**0.2**	-0.1
Income tax expense	**-6.3**	2.6
Effective tax rate, %	**-10.9**	1.5

Finnish corporate tax rate changed from 24.5 per cent to 20 per cent effective from January 1 2014. Deferred tax assets and liabilities as at 31 December 2013 concerning Finland have been measured using the changed tax rate. The effect of changed tax rate was EUR 0.8 million. In addition, approximately EUR 7.1 million was recognised as deferred tax receivables from earlier tax losses and provisions.

The Swedish Parliament passed legislation on a corporate income tax rate change from 26.3 per cent to 22.0 per cent in November 2012. The change was effective from 1 January 2013. Deferred tax assets and liabilities as at 31 December 2012 concerning Sweden have been measured using the changed tax rate. The effect of changed tax rate was EUR 9.7 million.

The most significant tax exempt income in 2012 was the EUR 84.6 million profit on sale of Metsä Fibre shares.

THE INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME — **2013**

EUR million	Before taxes	Taxes	After taxes
Items that will not be reclassified to profit or loss			
Actuarial gains/losses on defined pension plans	**-4.8**	**1.5**	**-3.3**
Items that may be reclassified to profit or loss			
Cash flow hedges	**-7.6**	**1.2**	**-6.4**
Available for sale investments	**-41.6**	**18.8**	**-22.8**
Share of other comprehensive income of associated companies	**-2.7**	**0.0**	**-2.7**
Translation differences	**-8.9**	**-0.1**	**-9.0**
Share of other comprehensive income of associated companies, translation differences	**-1.1**	**0.0**	**-1.1**
Total	**-61.9**	**19.9**	**-42.0**

THE INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME — **2012**

EUR million	Before taxes	Taxes	After taxes
Items that will not be reclassified to profit or loss			
Actuarial gains/losses on defined pension plans	-14.9	4.5	-10.4
Items that may be reclassified to profit or loss			
Cash flow hedges	3.2	-0.8	2.4
Available for sale investments	-72.2	17.7	-54.5
Share of other comprehensive income of associated companies	-1.5	-	-1.5
Translation differences	10.0	0.1	10.1
Share of other comprehensive income of associated companies, translation differences	0.4		0.4
Total	-60.1	17.0	-43.1

10. Earnings per share

	2013	2012
RESULT FOR THE PERIOD ATTRIBUTABLE TO SHARE-HOLDERS OF PARENT COMPANY, EUR MILLION	**63.9**	171.1
Adjusted number of shares (average) in thousands	**328,166**	328,166
Basic and diluted earnings per share, EUR	**0.19**	0.52

11. Intangible assets

EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition costs, 1 Jan. 2013	**12.7**	**168.2**	**0.3**	**181.2**
Translation differences		**-0.5**	**0.0**	**-0.5**
Increases		**4.9**	**8.1**	**13.0**
Decreases		**-6.0**	**0.0**	**-6.0**
Transfers between items		**3.2**	**-0.3**	**2.9**
Acquisition costs, 31 Dec. 2013	**12.7**	**169.8**	**8.1**	**190.6**
Accumulated depreciation, amortization and impairment charges, 1 Jan. 2013		**-154.6**		**-154.6**
Translation differences		**0.2**		**0.2**
Accumulated amortization on deduction and transfers		**1.9**		**1.9**
Amortization for the period		**-2.8**		**-2.8**
Impairments for the period				
Accumulated depreciation, 31 Dec. 2013		**-155.3**		**-155.3**
Book value, 1 Jan. 2013	**12.7**	**13.6**	**0.3**	**26.6**
Book value, 31 Dec. 2013	**12.7**	**14.5**	**8.1**	**35.3**

EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition costs, 1 Jan. 2012	12.7	160.4		173.1
Translation differences		0.5		0.5
Increases		7.8	0.3	8.1
Decreases		-0.5		-0.5
Transfers between items				
Acquisition costs, 31 Dec. 2012	12.7	168.2	0.3	181.2
Accumulated depreciation, amortization and impairment charges, 1 Jan. 2012		-146.1		-146.1
Translation differences		-0.3		-0.3
Accumulated amortization on deduction and transfers		-4.3		-4.3
Amortization for the period		-3.7		-3.7
Impairment losses		-0.2		-0.2
Accumulated depreciation, 31 Dec. 2012		-154.6		-154.6
Book value, 1 Jan. 2012	12.7	14.3		27.0
Book value, 31 Dec. 2012	12.7	13.6	0.3	26.6

The carrying value and fair value of emission allowances received by the governments free of charge included in intangible assets was on 31 December 2013 EUR 4.8 million (3.6). The value of initial recognition was EUR 6.3 million (4.8). Other intangible assets include among others computer software, patents and licenses. Metsä Board has not capitalized development expenditure.

12. Tangible assets

EUR million	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition costs, 1 Jan. 2013	**23.5**	**725.8**	**3,315.3**	**81.5**	**24.0**	**4,170.1**
Translation differences	**0.0**	**-4.6**	**-39.1**	**-0.9**	**-0.1**	**-44.7**
Increases	**1.5**	**1.3**	**43.4**		**6.6**	**52.8**
Decreases	**-0.2**	**-51.7**	**-5.8**		**0.0**	**-57.7**
Transfers between items		**1.4**	**8.4**	**-0.5**	**-12.2**	**-2.9**
Acquisition costs, 31 Dec. 2013	**24.8**	**672.2**	**3,322.2**	**80.1**	**18.3**	**4,117.6**
Accumulated depreciation, 1 Jan. 2013	**-2.2**	**-565.2**	**-2,639.9**	**-68.4**		**-3,275.7**
Translation differences	**0.0**	**3.7**	**30.7**	**0.7**		**35.1**
Accumulated depreciation on deduction and transfers		**51.9**	**3.3**			**55.2**
Depreciation for the period		**-11.5**	**-87.4**	**-1.8**		**-100.7**
Impairment charges and reversed impairment charges			**2.3**			**2.3**
Accumulated depreciation and impairment charges, 31 Dec. 2013	**-2.2**	**-521.1**	**-2,691.0**	**-69.5**		**-3,283.8**
Book value, 1 Jan. 2013	**21.3**	**160.6**	**675.4**	**13.1**	**24.0**	**894.4**
Book value, 31 Dec. 2013	**22.6**	**151.1**	**631.2**	**10.6**	**18.3**	**833.8**

EUR million	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition costs, 1 Jan. 2012	23.6	765.4	3,755.3	80.5	22.0	4,646.8
Translation differences		5.3	44.9	1.0	0.1	51.3
Increases	0.2	5.8	32.5	0.3	22.2	61.0
Decreases	-0.3	-1.1	-11.2	-0.2	0.0	-12.8
Transfers between items		0.4	17.5	2.4	-20.3	0.0
Assets classified as held for sale	0.0	-50.0	-523.7	-2.5	0.0	-576
Acquisition costs, 31 Dec. 2012	23.5	725.8	3,315.3	81.5	24.0	4,170.1
Accumulated depreciation, 1 Jan. 2012	-2.2	-599.1	-3,038.6	-65.8		-3,705.7
Translation differences		-4.3	-33.9	-0.7		-38.9
Accumulated depreciation on deduction and transfers		1.5	10.3	-2.2		9.6
Assets classified as held for sale		41.4	511.7	2.5		555
Depreciation for the period		-12.3	-92.8	-2.2		-107.3
Impairment charges and reversed impairment charges		7.6	3.4	0.0		11.0
Accumulated depreciation and impairment charges, 31 Dec. 2012	-2.2	-565.2	-2,639.9	-68.4		-3,275.7
Book value, 1 Jan. 2012	21.4	166.3	716.7	14.7	22.0	941.1
Book value, 31 Dec. 2012	21.3	160.6	675.4	13.1	24.0	894.4

Depreciation, amortization and impairment charges for 2013 include a reverse of impairment charge of EUR 2.5 million due to sale of old impaired paper machine at Äänekoski mill in Paperboard business area. In addition Other operations include impairment charge of EUR 0.2 million related to canceled disposal of old paper machine in Simpele mill in Finland. The paper machine was classified in December 2012 as asset held for sale according to IFRS5, Non-current assets as held for sale and discontinued operations.

Depreciation, amortization and impairment charges for 2012 include EUR 10.7 million reversal of earlier made impairment charges related to reclassification made in Alizay mill in France according to IFRS 5, Non-Current assets held for sale and discontinued operations.

Real estate mortgages for loans from financial institutions, pension loans and other liabilities amounted to EUR 832.8 million (152.8). The increase of commitments is related to EUR 600 million syndicated credit agreement signed in May 2012, of which EUR 500 million was drawn in April 2013. Share pledges, real estate mortgages and a corporate mortgage (EUR 600 million) were used as collateral.

There were no capitalization of interest expenses in 2013 or in 2012.

At 31 December 2013 tangible assets include assets acquired under finance lease agreements:

EUR million	Machinery and equipment	Total
Acquisition costs	**40.7**	**40.7**
Accumulated depreciation	**-29.0**	**-29.0**
Book value, 1 Jan. 2013	**15.1**	**15.1**
Book value, 31 Dec. 2013	**11.7**	**11.7**

At 31 December 2012 tangible assets include assets acquired under finance lease agreements:

EUR million	Machinery and equipment	Total
Acquisition costs	46.5	46.5
Accumulated depreciation	-31.4	-31.4
Book value, 1 Jan. 2012	16.6	16.6
Book value, 31 Dec. 2012	15.1	15.1

Additions include assets of EUR 0.8 million (EUR 3.7 million) acquired under finance lease agreements.

13. Investments in associated companies

EUR million	2013	2012
At 1 Jan.	**200.3**	261.7
Share of results from associated companies		
Share of Metsä Fibre's net result (in operating result)	**37.2**	29.2
Share of results from associated companies	**0.1**	0.0
Dividend received	**-25.0**	-33.8
Decreases	**0.0**	-55.6
Share of other comprehensive income of associated companies		
Fair value reserve	**-2.7**	-1.6
Translation differences	**-1.2**	0.4
At 31 Dec.	**208.7**	200.3

Metsä Board sold in January 2012 shares of Plastiroll. Selling price was EUR 7.2 million and profit on sale was EUR 0.4 million. In 2013 Metsä Board received additional selling price of EUR 0.5 million.

Metsä Board disposed in May 2012 for EUR 138.1 million the 7.3 percentage point holding in Metsä Fibre to Itochu Corporation. Metsä Board's ownership decreased from 32.2 per cent to 24.9 per cent. Profit on sale of EUR 84.5 million was recognized. Metsä Board sold in July 2012 shares of Kirkniemen Kartano to Metsäliitto Cooperative. The selling price was EUR 3 million and profit on sale was EUR 0.6 million.

The carrying amount in associated companies at 31 December 2013 includes goodwill EUR 45.2 million (45.2).

THE MOST SIGNIFICANT ASSOCIATED COMPANIES 2013

EUR million	Country	Assets	Liabil-ities	Sales	Gain/ loss	Ownership, %
Metsä Fibre Group	Finland	**858.9**	**247.5**	**1,313.8**	**151.8**	**24.9**
Kemishipping	Finland	**16.1**	**16.0**	**17.3**	**0.1**	**15.0**
More Research Örnsköldsvik AB	Sweden	**2.3**	**0.7**	**4.3**	**0.2**	**24.0**
Others		**0.9**	**0.4**	**0.7**	**0.0**	
Total		**878.2**	**264.6**	**1,336.1**	**152.1**	

THE MOST SIGNIFICANT ASSOCIATED COMPANIES 2012

EUR million	Country	Assets	Liabil-ities	Sales	Gain/ loss	Ownership, %
Metsä Fibre Group	Finland	884.8	310.0	1,273.9	109.7	24.9
Kirkniemen Kartano Oy	Finland			0.3	0.1	0
Kemishipping	Finland	16.9	17.0	17.0	-0.1	15.0
More Research Örnsköldsvik AB	Sweden	2.9	1.1	4.2	0.1	24.0
Total		905.4	328.3	1,295.7	109.9	

Metsä Board disposed shares of Kirkniemen Kartano to Metsäliitto in July. Year 2012 includes only figures untill the end of June.

None of the associated companies were listed.

TRANSACTION AND BALANCES WITH ASSOCIATED COMPANIES

EUR million	2013	2012
Sales	**0.2**	0.1
Purchases	**7.0**	6.4
Interest income	**0.0**	0.0
Interest expenses	**0.0**	0.0
Receivables		
Accounts receivables and other receivables	**0.3**	0.4
Liabilities		
Accounts payable and other liabilities	**0.9**	2.1

Transactions with Metsä Fibre are included in transactions with sister companies (Note 33).

14. Available for sale investments

Available for sale financial assets consist of listed and unlisted shares. The fair value of listed shares are based on public quotation for shares at the Balance sheet date.

EUR million	2013	2012
Shares in other companies		
Listed companies	0.3	0.3
Other companies	233.5	269.3
Total	233.8	269.6

The most important shareholding of non-quoted companies consists of 2.6 per cent 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 controls some 5.2 per cent of the electrity produced by Olkiluoto nuclear power plant (through Pohjolan Voima's B-shares, OL1 and OL2), some 6.4 percentage proportion in Meripori coal-fired power plant (through C2 shares). The Group also controls some 84 per cent of the energy produced by Hämeenkyron Voima Oy (through Pohjolan Voima's G10 shares). In addition Group also has some 1.5 percentage proportion in new nuclear power plant under construction Olkiluoto 3 (through B2 shares).

The ownership (by series of shares) is measured at fair value quarterly by using the average of discounted cash flow method and the valuation based on earlier transaction. The WACC used was 3.9 (2012: 3.38) percentage and 6.9 percentage (5.38) for the Olkiluoto 3 under construction. 12 months rolling averages have been used for the energy price estimates, which evens out the effect of short-term energy priceestimates' fluctuations. The changes in fair value less deferred tax calculated with Finnish tax rate are recorded in other comprehensive income and presented under fair value reserve in equity. The acquisition cost of shares in Pohjolan Voima Oy is EUR 39.1million (33.4) and the fair value EUR 229.3 million (265.1). The fair value of nuclear power shares (B and B2 shares) was some EUR 221.8 million (257.5), of which EUR 217.1 million (239.0) B-shares and EUR 4.7 million (18.5) B2 shares, coal-fired power shares (C2-shares) some EUR -4.5 million (-4.4) and G10-shares some EUR 12.0 million (12.0).

Metsä Board also subscribed in 2013 more B2 shares for EUR 5.8 million.

The shareholder agreement prevents free selling of shares to others than shareholders. Other shares in not quoted companies, where the fair value cannot be measured reliably are carried at cost less any impairment losses.

15. Other non-current financial assets

EUR million	2013	2012
INTEREST-BEARING LOAN RECEIVABLES		
Loans from Group companies		
Loans from associated companies	0.3	0.3
Other loan receivables	6.3	6.3
	6.6	6.6
NON-INTEREST BEARING RECEIVABLES		
Loans from Group companies	3.8	3.8
Other loan receivables	0.3	0.4
Defined benefit pension plans (note 21)	4.6	3.3
	8.7	7.5
Other non-current financial assets total	15.3	14.1

Loans from Group companies are loans granted to parent company Metsäliitto Cooperative and to other subsidiaries of the parent company.

16. Deferred taxes

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES TO 2013 BALANCE SHEET

EUR million	As at 31 Jan. 2013	Charged in income statement	Charged to other item of comprehensive income	Translation differences	As at 31 Dec. 2013
Deferred tax assets					
Pension obligations and other provisions	5.3	5.6	1.6		12.5
Intercompany margins	2.0	-0.5			1.5
Unused operating loss carry-forwards	0.0	3.9			3.9
Other temporary differences	6.4	-2.5	1.2		5.1
Deferred tax assets, total	13.7	6.5	2.8		23.0
Netting against liabilities	-4.5	-6.8	-1.2		-12.5
Deferred tax assets in Balance sheet	9.2	-0.3	1.6		10.5
Deferred tax liabilities					
Appropriations	61.8	-2.9		-1.5	57.4
Available for sale financial assets recognized at fair value	56.8		-18.7		38.1
Hedge of net investments in foreign operations		1.1	-1.1		0.0
Other temporary differences	2.9	-1.2	0.1	-0.3	1.5
Deferred tax liabilities, total	121.5	-3.0	-19.7	-1.8	97.0
Netting against assets	-4.5	-6.8	-1.2		-12.5
Deferred tax liabilities in Balance sheet	117.0	-9.8	-20.9	-1.8	84.5

Other temporary differences in deferred tax assets comes mostly from finance lease arrangements EUR 2.4 million (2.8).

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES TO 2012 BALANCE SHEET

EUR million	As at 31 Jan. 2012	Charged in income statement	Charged to other item of comprehensive income	Translation differences	As at 31 Dec. 2012
Deferred tax assets					
Pension obligations and other provisions	1.5	-0.8	4.6		5.3
Intercompany margins	0.6	1.3			2.0
Other temporary differences	10.8	-0.7	-3.7		6.4
Deferred tax assets, total	12.9	-0.2	0.9		13.7
Netting against liabilities	-9.4	1.2	3.7		-4.5
Deferred tax assets in Balance sheet	3.5	1.0	4.6		9.2
Deferred tax liabilities					
Appropriations	83.2	-23.7		2.3	61.8
Available for sale financial assets recognized at fair value	74.5		-17.7		56.8
Hedge of net investments in foreign operations		-1.6	1.6		0.0
Other temporary differences	5.7	0.0	-2.6	-0.2	2.9
Deferred tax liabilities, total	163.4	-25.3	18.7	2.1	121.5
Netting against assets	-9.4	1.2	3.7		-4.5
Deferred tax liabilities in Balance sheet	154.0	-24.1	-15.0	2.1	117.0

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same taxation authority on either the same taxable entity or different taxable entity, which intend to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

The Group recognised in 2013 deferred tax assets related to operating loss carry-forwards for EUR 3.9 million in Finland. The Group did not have net operating loss carry-forwards on 31 December 2012 for which tax assets have been recognised.

The operating loss carry-forwards mainly in Germany and France for which deferred tax assets have not been recognized due to uncertainty of the utilization of these loss carry-forwards amounted to approximately EUR 1,225 million (1,255). The deferred tax assets for these non recognised loss carry forwards amounted to approximately EUR 354 million (363). Some EUR one million of the losses will expire in 2019–2022. The rest do not expire.

17. Inventories

EUR million	2013	2012
Raw materials and consumables	**81.6**	83.2
Work in progress	**9.4**	6.2
Finished goods and goods for sale	**231.7**	205.1
Advance payments	**10.2**	8.8
	332.9	303.3

Metsä Board did not recognise any impairment related to inventories in 2013.

The cost of inventories recognized as expense to lower the carrying amount to equal the net realizable value was EUR 1.0 million in Metsä Board Zanders.

The expense is included in materials and services in the income statement.

18. Accounts receivables and other receivables

EUR million	2013	2012
Financial assets at fair value through profit or loss (current)		
At 1 Jan.	**0.0**	0.0
No changes		
At 31 Dec.	**0.0**	0.0

Financial assets at fair value through profit or loss are mainly bonds, classified entirely as held for trading.

	2013	2012
INTEREST-BEARING LOAN RECEIVABLES		
Loan receivables from Group companies	**81.3**	49.8
Loan receivables from associated companies	**0.0**	0.0
Other loan receivables	**3.4**	0.0
	84.7	49.8
ACCOUNTS RECEIVABLES AND OTHER NON-INTEREST-BEARING RECEIVABLES		
From group companies		
Accounts receivables	**13.8**	11.1
Other receivables	**1.2**	0.2
Prepayment and accrued income	**5.0**	20.8
	20.0	32.1
From associated companies		
Accounts receivables	**0.2**	0.1
	0.2	0.1
From others		
Accounts receivables	**242.0**	252.9
Other receivables	**45.2**	31.5
Prepayment and accrued income	**20.4**	21.1
	307.6	305.5
Accounts receivables and other receivables	**412.5**	387.5

Receivables from Group companies are receivables from parent company Metsäliitto Cooperative and from other subsidiaries of the parent company.

There are no loan receivables from the managing directors of Group companies, members of the Board of Directors and their deputies as well as persons belonging to similar bodies. Metsäliitto Management Oy has been establised for the shareholding programme of the members of Metsä Group's Management Team (Note 32).

DOUBTFUL ACCOUNTS RECEIVABLES

Accounts receivables are recognized net of the following provision for impairment:

EUR million	2013	2012
At 1 Jan.	**3.5**	3.6
Increases	**4.9**	1.8
Decreases	**-3.9**	-1.9
At 31 Dec.	**4.5**	3.5

EUR 0.7 million of credit loss was recognised during 2013 (EUR 0.4 million in 2012).

	2013	2012
AGEING ANALYSIS OF ACCOUNTS RECEIVABLES, EXTERNAL		
No overdue	**228.5**	221.4
Overdue		
Less than 30 days	**12.9**	25.1
Between 31 and 60 days	**1.8**	3.7
Between 61 and 90 days	**-0.8**	0.3
Between 91 and 180 days	**0.0**	0.6
More than 180 days	**-0.4**	1.8
Total	**242.0**	252.9
PREPAYMENTS AND ACCRUED INCOME		
Current		
Employee costs	**0.3**	2.1
Interest	**0.1**	6.3
Insurance	**1.2**	0.1
Others	**18.8**	12.6
Total	**20.4**	21.1

19. Cash and cash equivalents

EUR million	2013	2012
Current investments	**1.0**	321.0
Cash at bank and in hand	**11.9**	107.5
Total	**12.9**	428.5

Cash and cash equivalents comprises cash on hand and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in changes in value. Metsä Group has classified as cash and cash equivalents short-term money market investments according to the Group Treasury Policy. The disposal of the holding in Metsä Group Treasury Oy in September 2013 also decreased substantially the amount of cash and cash equivalents.

20. Shareholders' equity

CHANGES IN SHARE CAPITAL

EUR million	Share capital Series A	Series B	Total
At 1 Jan. 2012	61.8	496.1	557.9
2012 no changes			
At 31 Dec. 2012	61.8	496.1	557.9
At 1 Jan. 2013	61.8	496.1	557.9
A conversion of A-shares into B-shares	-0.6	0.6	0.0
At 31 Dec. 2013	61.2	496.7	557.9

Each series A share entitles its holder to twenty (20) votes at a General Meeting of Shareholders, and each series B share entitles the holder to one (1) vote. All shares carry the same right to receive a dividend. Metsä Board's A shares can be converted to B shares if shareholder or representative of the nominee registered shares makes a written request of the conversion to the company. The conversion does not include additional consideration.

NUMBER OF SHARES

	Series A	Series B	Total
At 1 Jan. 2012	36,339,550	291,826,062	328,165,612
2012 no changes			
At 31 Dec. 2012	36,339,550	291,826,062	328,165,612
A conversion of A-shares into B-shares	-353,899	353,899	0
At 31 Dec. 2013	**35,985,651**	**292,179,961**	**328,165,612**

The share has no nominal value. All shares are paid in full.

FAIR VALUE AND OTHER RESERVES

EUR million	2013	2012
Fair value reserve	**140.4**	172.3
Legal reserve and reserves stipulated by the Articles of Association	**1.7**	1.7
Total	**142.1**	174.0
Reserve for invested unrestricted equity	**284.8**	284.8

LEGAL RESERVE AND RESERVES STIPULATED BY THE ARTICLES OF ASSOCIATION

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

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 available for sale financial assets less deferred tax.

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 less deferred tax, when requirements of hedgeaccounting have been fulfilled.

RESERVE FOR INVESTED UNRESTRICTED EQUITY

According to Finnish Limited Liability Companies Act the reserve for invested unrestricted equity shall be credited with that part of the subscription price of the shares that according to the Memorandum of Association or the share issue decision is not to be credited to the share capital and that according to the Accounting Act is not to be credited to liabilities, as well as with other equity inputs that are not to be credited to some other reserve.

DIVIDENDS

After Balance sheet day The Board of Directors has proposed a dividend of EUR 0.09 per share.

OTHER COMPREHENSIVE INCOME AFTER TAXES 2013

	Equity attributable to shareholders of parent company					
EUR million	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Actuarial gains/losses on defined pension plans			-4.8	-4.8		-4.8
Income tax relating to items that will not be reclassified			1.5	1.5		1.5
Cash flow hedges						
Currency flow hedges						
Gains and losses recorded in equity		-6.5		-6.5		-6.5
Transferred to adjust sales		2.6		2.6		2.6
Interest flow hedges						
Gains and losses recorded in equity						
Transferred to adjust financial items		2.1		2.1		2.1
Commodity hedges						
Gains and losses recorded in equity		1.3		1.3		1.3
Transferred to adjust purchases		-7.1		-7.1		-7.1
Cash flow hedges, total		-7.6		-7.6		-7.6
Available for sale financial assets						
Gains and losses recorded in equity		-41.6		-41.6		-41.6
Transferred to other operating income						
Share of other comprehensive income of associated companies		-2.7		-2.7		-2.7
Available for sale financial assets, total		-44.3		-44.3		-44.3
Translation differences	-9.3			-9.3		-9.3
Net invest hedge	0.4			0.4		0.4
Share of other comprehensive income of associated companies	-1.1			-1.1		-1.1
Translation differences, total	-10.0			-10.0		-10.0
Income tax relating to items that may be reclassified		19.9		19.9		19.9
Other comprehensive income after taxes	-10.0	-32.0	-3.3	-45.3		-45.3

OTHER COMPREHENSIVE INCOME AFTER TAXES 2012

	Equity attributable to shareholders of parent company					
EUR million	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Actuarial gains/losses on defined pension plans			-14.9	-14.9		-14.9
Income tax relating to items that will not be reclassified			4.5	4.5		4.5
Cash flow hedges						
Currency flow hedges						
Gains and losses recorded in equity		5.3		5.3		5.3
Transferred to adjust sales		2.8		2.8		2.8
Interest flow hedges						
Gains and losses recorded in equity						
Transferred to adjust financial items		-2.8		-2.8		-2.8
Commodity hedges						
Gains and losses recorded in equity		-2.8		-2.8		-2.8
Transferred to adjust purchases		0.7		0.7		0.7
Cash flow hedges, total		3.2		3.2		3.2
Available for sale financial assets						
Gains and losses recorded in equity		-13.1		-13.1		-13.1
Transferred to other operating income		-59.1		-59.1		-59.1
Share of other comprehensive income of associated companies		-1.5		-1.5		-1.5
Available for sale financial assets, total		-73.7		-73.7		-73.7
Translation differences	10.3			10.3		10.3
Net invest hedge	-0.3			-0.3		-0.3
Share of other comprehensive income of associated companies	0.4			0.4		0.4
Translation differences, total	10.4			10.4		10.4
Income tax relating to items that may be reclassified	0.1	16.9		17.0		17.0
Other comprehensive income after taxes	10.5	-53.6	-10.4	-53.5		-53.5

21. Retirement benefit obligations

The Group has several arrangements concerning benefits following the termination of employment, including both defined benefit pension plans and defined contribution pension plans.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

EUR million	2013	2012
Amounts recognised in Balance sheet		
Defined benefit pension plans	**86.0**	80.8
Defined contribution plans	**6.6**	7.5
Liability in Balance sheet	**92.6**	88.2
Defined benefit pension plans		
Liability in Balance sheet	**86.0**	80.8
Surplus of funded plans in assets	**-4.6**	-3.3
Net liability of defined benefit pension plans inn Balance sheet	**81.3**	77.5

DEFINED BENEFIT PENSION PLANS

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

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 defined benefit plans. Metsäliitto Employees' Pension Foundation grants old-age pensions, disability pensions and family pensions exceeding the statutory pension security to some of its officials. New members are no longer accepted to the Pension Foundation. The Pension Foundation's assets have been invested in property, Group company shares and participations as well as other quoted shares. In addition, the Pension Foundation has promissory note receivables from the Group and bank deposits.

The Group has also defined benefit plans in Belgium, the Netherlands, Italy and Switzerland.

EUR million	2013	2012
Present value of funded obligations	**53.4**	49.3
Fair value of plans assets	**-54.8**	-49.3
Deficit of funded plans	**-1.4**	0.0
Present value of unfunded obligations	**82.7**	77.5
Deficit of defined benefit pension plans, total	**81.3**	77.5
Impact of minimum funding requirement/asset ceiling	**0.0**	0.0
Net liability in Balance sheet	**81.3**	77.5

CHANGE OF DEFINED BENEFIT PENSION OBLIGATIONS IN 2013

EUR million	Present value of obligation	Fair value of plan assets	Total
1 Jan. 2013	126.8	-49.3	77.5
Current service cost	1.0	0.0	1.0
Administrative costs	0.0	0.1	0.1
Interest expense (+) or interest income (-)	4.7	-1.9	2.8
Past service cost	0.0	0.0	0.0
Total amount recognised in profit and loss	5.7	-1.8	3.9
Remeasurements in other comprehensive income			
The return on plan assets, excl. amounts included in interest	0.0	-4.6	-4.6
Gains (-) and losses (+) from change in demographic assumptions	-0.1	0.0	-0.1
Gains (-) and losses (+) from change in financial assumptions	9.1	0.0	9.1
Experience gains and losses	0.5	0.0	0.5
Total remeasuments in other comprehensive income	9.5	-4.6	4.9
Translation differences	-0.6	0.6	0.0
Contribution			
Employers	0.0	-1.1	-1.1
Plan participants	0.0	-0.1	-0.1
Payments from plans			
Benefit payments	-5.7	1.6	-4.1
Settlements	0.4	-0.1	0.3
31 Dec. 2013	136.1	-54.8	81.3

CHANGE OF DEFINED BENEFIT PENSION OBLIGATIONS IN 2012

EUR million	Present value of obligation	Fair value of plan assets	Total
1 Jan. 2012	110.0	-45.7	64.3
Current service cost	0.9	0.0	0.9
Administrative costs	0.0	0.1	0.1
Interest expense (+) or interest income (-)	5.3	-2.2	3.1
Past service cost	-0.2	0.0	-0.2
Total amount recognised in profit and loss	6.0	-2.1	3.9
Remeasurements in other comprehensive income			
The return on plan assets, excl. amounts included in interest	0.0	-2.4	-2.4
Gains (-) and losses (+) from change in demographic assumptions	0.2	0.0	0.2
Gains (-) and losses (+) from change in financial assumptions	16.7	0.0	16.7
Experience gains and losses	0.3	0.0	0.3
Total remeasuments in other comprehensive income	17.2	-2.4	14.8
Translation differences	0.6	-0.6	0.0
Contribution			
Employers	0.0	-1.4	-1.4
Plan participants	0.1	0.0	0.1
Payments from plans			
Benefit payments	-5.6	1.5	-4.1
Settlements	-1.5	1.4	-0.1
31 Dec. 2012	126.8	-49.3	77.5

DEFINED BENEFIT PENSION OBLIGATIONS AND PLAN ASSETS BY COUNTRY IN 2013

EUR million	Germany	Great Britain	Finland	Other countries	Total
Present value of obligations	82.7	28.8	14.3	10.3	136.1
Fair value of plan assets		-33.4	-13.2	-8.2	-54.8
Total	82.7	-4.6	1.1	2.1	81.3

DEFINED BENEFIT PENSION OBLIGATIONS AND PLAN ASSETS BY COUNTRY IN 2012

EUR million	Germany	Great Britain	Finland	Other countries	Total
Present value of obligations	77.4	27.0	13.5	8.9	126.8
Fair value of plan assets		-30.3	-11.9	-7.1	-49.3
Total	77.4	-3.3	1.6	1.8	77.5

SIGNIFICANT ACTUARIAL ASSUMPTIONS 2013

EUR million	Germany	Great Britain	Finland	Other countries
Discount rate, %	3.2	4.5	2.7	2.25-3.41
Salary growth rate, %	3.0	2.4	2.0	1.0-3.0
Pension growth rate, %	2.0	3.4-3.6	2.1	2.0
Retiring at the end of the reporting period				
Male	21.0	22.0	19.0	17.2-21.5
Female	25.3	24.0	24.7	23.0-24.3
Retiring 20 years after the end of reporting period				
Male	23.8	24.0	20.6	17.2-23.3
Female	27.9	26.0	26.4	23.0-25.3

SIGNIFICANT ACTUARIAL ASSUMPTIONS 2012

EUR million	Germany	Great Britain	Finland	Other countries
Discount rate, %	3.76	4.35	3.2	2.0-4.0
Salary growth rate, %	3.0	2.8	2.2	1.0-3.0
Pension growth rate, %	2.0	2.8	2.1	0.0-2.0
Retiring at the end of the reporting period				
Male	19.8	22.4	22.0	17.2-21.3
Female	24.2	25.0	25.0	23.0-24.2
Retiring 20 years after the end of reporting period				
Male	22.6	23.7	24.0	17.2-23.2
Female	26.8	27.0	27.0	23.0-25.3

Assumptions on mortality rate are based on guidance by actuaries on the basis of published statistics in each region and on experience. The assumptions are used to calculate the average life expectancy for people retiring at the age of 65.

SENSITIVITY OF BENEFIT OBLIGATION TO CHANGES IN ESSENTIAL WEIGHTED ASSUMPTIONS

		Impact on benefit obligation	
	Change of assumption	Increase	Decrease
Discount rate,	0.5%	7.4% decrease	8.4% increase
Increase in salary growth rate	0.5%	0.6% increase	0.5% decrease
Increase in pension growth rate	0.5%	5.2% increase	5.1% decrease
		Increase in assumption one year	Decrease in assumption one year
Life expectancy		4.5% increase	4.5% decrease

The aforementioned sensitivity analyses are based on a situation where all other assumptions remain unchanged when one assumption changes. In practice, this is not probable, and changes in some assumptions may correlate with each other. 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 IN 2013 ARE COMPRISED AS FOLLOWS:

EUR million	Quoted	Unquoted	Total	%
Equity instruments	1.5	0.1	1.6	3
Debt instruments			2.0	
Corporate bonds (investment grade)	2.0		2.0	
Other loans		6.2	6.2	
Total	2.0	6.2	8.2	15
Property		4.3	4.3	8
Qualifying insurance policies	6.6		6.6	12
Cash and cash equivalents	0.4		0.4	1
Investments funds	33.7		33.7	61
Total	44.2	10.6	54.8	100

PLAN ASSETS IN 2012 ARE COMPRISED AS FOLLOWS:

EUR million	Quoted	Unquoted	Total	%
Equity instruments	0.9	0.1	1.0	2
Debt instruments	1.7		1.7	
Corporate bonds (investment grade)				
Other loans		5.9	5.9	
Total	1.7	5.9	7.6	16
Property		3.9	3.9	8
Qualifying insurance policies	5.6		5.6	11
Cash and cash equivalents	0.9		0.9	2
Investments funds	30.3		30.3	61
Total	39.4	9.9	49.3	100

Assets included in the pension arrangements include Metsäliitto Cooperative's participations with a fair value of EUR 0.1 million (0.1 and Metsä Board Corporation's B shares with a fair value of EUR 0.8 million (1.1).

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

VOLATILITY OF ASSETS

Liabilities arising from the arrangements have been calculated using a discount rate based on the return on bonds issued by the companies. If the return on assets included in the arrangement is less than this return, deficit is generated. 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. The Group works to reduce investment risk by diversifying the assets in the arrangement to different asset types, However, the group believes that equity investments offer the best yield in the long run with acceptable risk and that's why considerable portion of the assets consists of equity investments. The plan assets have been diversifyied also to other asset types, such as property, government bonds as well as corporate bonds.

CHANGES IN THE RETURN ON BONDS

A decrease in corporate yields will increase plan obligations even though this will partially be offset by an increase in the value of the plan's bond assets.

INFLATION RISK

The plan's benefit obligations are linked to inflation and a higher inflation will lead to increased obligation. As major part of plan's asset values are unaffected by inflation or has only a minor effect on plan's assets it means that an increase in inflation will also increase the deficit in obligation.

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 5.2 million in the 2014 financial period.

The weighted average duration of the defined benefit obligation is 15.2 years (14.3).

22. Provisions

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 Jan. 2013	**33.8**	**18.2**	**13.4**	**65.4**
Translation differences	**-0.2**	**0.0**	**-0.2**	**-0.4**
Increases	**0.0**	**6.5**	**0.1**	**6.6**
Decreases	**-24.6**	**-3.7**	**-2.6**	**-30.9**
Unused amounts reversed	**-2.3**	**-1.0**	**-0.4**	**-3.7**
Effect of discounting	**0.0**	**0.0**	**0.0**	**0.0**
At 31 Dec. 2013	**6.7**	**20.0**	**10.3**	**37.0**

	2013	2012
Non-current	**8.6**	20.2
Current	**28.4**	45.2
Total	**37.0**	65.4

The most significant increase in provisions in 2013 was a EUR 6.5 million environmental provision related to the landscaping of a decommissioned landfill in Metsä Board Husum mill in Sweden. There was a EUR 2.4 million reversal of provision related to disposal of Alizay mill site in France. A cancellation of a EUR 1.3 million cost provision related to the 2011 restructuring provisions made in Zanders' Gohrsmühle mill in Germany.

The non-current portion of provisions was some EUR 8.6 million and the current portion some EUR 28.4 million, total provisions being EUR 37.0 million. The non-current portion is estimated to be paid by the end of the year 2017.

23. Borrowings

EUR million	2013	2012
NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES		
Bonds		87.2
Loans from financial institutions	**394.6**	3.3
Pension loans	**177.8**	136.3
Finance lease liabilities	**21.8**	21.9
Other liabilities	**53.7**	53.6
Total	**647.9**	302.3
CURRENT INTEREST-BEARING FINANCIAL LIABILITIES		
Current portion of non-current debt	**44.2**	507.9
Current loans	**0.0**	0.0
Bill of exchange payable	**0.0**	0.0
Other liabilities	**9.2**	299.8
Total	**53.4**	807.7
Interest-bearing financial liabilities, total	**701.3**	1,110.0
INTEREST-BEARING FINANCIAL ASSETS		
NON-CURRENT		
Loan receivables	**6.6**	6.6
	6.6	6.6
CURRENT		
Financial assets at fair value through profit or loss	**0.0**	0.0
Loan receivables and other receivables	**84.7**	49.8
Current investments at amortized cost	**1.0**	321.0
Cash at bank and in hand	**11.9**	107.4
	97.6	478.2
Interest-bearing financial assets, total	**104.2**	484.8
Interest-bearing net liabilities, total	**597.2**	625.2

BONDS

EUR million	Interest %	2013	2012
2002–2014	9.40		87.2
2006–2013	8.75		448.8
			536.0

In Spring 2013, Metsä Board prematurely paid off the remaining USD 121 million of the USD private placement.

MATURITY OF FINANCE LEASE LIABILITIES

	Minimum lease payments		The present value of minimum lease payments	
EUR million	2013	2012	2013	2012
Not later than 1 year	3.1	5.5	2.6	5.0
1 - 2 years	19.8	2.2	19.5	1.8
2 - 3 years	0.9	2.1	0.9	1.7
3 - 4 years	0.6	2.0	0.6	1.7
4 - 5 years	0.4	1.7	0.4	1.3
Later than 5 years	0.5	15.5	0.5	15.4
	25.3	29.0	24.5	26.9
Future finance charges	0.8	2.1		
The present value of minimum lease payments	24.5	26.9		

The most significant finance lease agreement are Äänevoima Oy´s power plants. Äänevoima´s contract periods vary between 10 and 15 years. All finance lease liabilities will be due in 2016 at the latest. These leases contain renewal and purchase options. In Spring 2013, Metsä Board prematurely paid off the remaining USD 121 million of the USD private placement.

24. Other non-current liabilities

EUR million	2013	2012
Non-interest bearing non-current liabilities to Group companies		0.0
Non-interest bearing non-current liabilities to others		
Accruals and deferred income	0.1	
Other liabilities	2.8	0.0
Total non-interest bearing non-current liabilities	2.9	0.0

Liabilities to Group companies are liabilities to parent company Metsäliitto Corporative and other subsidiaries of the parent company.

NON-CURRENT ACCRUALS AND DEFERRED INCOME

Others	0.1	0.0
Total	0.1	0.0

25. Accounts payable and other liabilities

EUR million	2013	2012
Non-interest bearing current liabilities to Group companies		
Accounts payable	66.1	40.1
Other liabilities	5.9	3.8
Non-interest bearing current liabilities to associated companies		
Accounts payable	1.0	1.0
Other liabilities		
Non-interest bearing current liabilities to others		
Advance payments	8.9	1.2
Accounts payable	101.6	114.5
Other liabilities	28.7	22.5
Accruals and deferred income	101.3	119.7
Total	313.5	302.8

Liabilities to Group companies are liabilities to parent company Metsäliitto Corporative and other subsidiaries of the parent company.

CURRENT ACCRUALS AND DEFERRED INCOME

Payroll and other employee related accruals	24.9	34.7
Interests	5.9	11.4
Accruals of purchases	46.0	40.2
Insurance	4.9	1.2
Others	19.6	33.4
Total	101.3	119.7

26. 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 company. 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 company'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. In 2013 Metsä Board divested its 51 per cent holding in Metsä Group Treasury to Metsäliitto Cooperative, which is holding now 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 Group's foreign currency exposure 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 in other currencies. Sales may therefore vary because of changes in exchange rates, while production costs remain unchanged. Product prices are also often quoted in currencies other than the home currency. The foreign currency transaction exposure is consisting of foreign currency denominated sales and costs. The exposure is including foreign currency denominated balance sheet exposure consisting of accounts receivable and accounts payable and a quarter 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 British pound and the Swedish korma. 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 significant currencies are AUD, CHF, DKK and NOK. The hedging policy is to keep the balance sheet exposure and a quarter of annual cash flow of contracted or estimated currency flows consistently hedged. The hedging level can, however vary between 0–12 months as the financial policy has defined separate risk mandates for deviating from the norm hedging. The Board of Directors decides on significant changes in the hedging level if they see a reason to deviate from the norm set out in the financial policy. 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.

Hedge accounting in accordance with IAS 39 is applied to hedging of part of the currency transaction exposure, which allows fair value changes of hedges designated to hedge accounting to be recognized directly in shareholders' equity in fair value reserve. At the end of the reporting period, the foreign exchange transaction exposure had been hedged 5.9 months on average (2012: 4.8). During the reporting period, the hedging level has varied between 4 and 6 months (4–5). The dollar's hedging level was 3.5 months (5.0), of which the portion of hedge accounting was 2.6 months (2.8). The Swedish krona's hedging level was 8.7 months (5.0), of which the portion of hedge accounting was 3.6 months (3.3). The pound's hedging level was 5.3 months (4.1), of which the portion of hedge accounting was 3.1 months (3.4). Hedges allocated to hedge accounting have been used to hedge the portion of highly probable forecast sales of the currency transaction exposure. At the end of the reporting period on average 113 per cent of the norm determined in the hedging policy has been hedged (94).

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. According to the financial policy, 0–100 per cent of equity should be hedged. During the reporting period, on average 1 per cent (3) of the equity position was hedged and at the end of the reporting period 0 per cent (3). Hedging was for the time being abandoned during 2012–2013.

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 quarter of annual foreign currency exposure hedge norm defined in the financial policy. A 99 per cent confidence level on one month period is applied to the VaR risk figure, i.e., the VaR indicates that with a 1per cent probability the market value of the open foreign currency position depreciates more than the amount of the risk figure in a month. 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 limit set for the Metsä Board's foreign currency risk is EUR 10.0 million (10.0) and the VaR is at the end of the reporting period EUR 3.4 million (0.5). Average during the period has been EUR 2.3 million (1.3). The volumes and fair values of derivatives used in the management of foreign currency risks are presented in Notes no. 27.

INTEREST RATE RISK

The interest rate risk is related mainly in the interest bearing receivables and loans and currency hedging. Interest bearing receivables and loans are presented in Notes no. 23. The most significant currencies in risk management are the euro, the US dollar, the British pound and the Swedish krona. 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, e.g., by adjusting between floating-rate and fixed-rate loans and by using interest rate derivatives. The Group uses in its interest rate risk management interest rate swaps, interest rate futures and interest rate options.

The average interest duration norm based on the Group's financial policy was lengthened in 2013 from 6 months to 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 18.3 months at the end of the year (9.9). During the reporting period duration has varied between 8 and 19 months (9–15). At the end of 2013, an increase of one per cent in interest rates would increase interest rate costs of the next 12 months by EUR 2.3 million (2.4).

The Group is exposed to a risk of change in the value of derivatives due to a change in market prices when using interest rate derivatives, since according to IAS 39 derivatives must be valued to their fair value in the balance sheet. However, the partial application of hedge accounting will balance the effects of changes in the market value of derivatives on the financial result of the Group. The Group is applying fair value hedge accounting in accordance with IAS 39 to fixed-rate loans which have been converted by interest rate and currency swaps to floating-rate financing. In addition, the Group is applying cash flow hedge accounting in accordance with IAS 39 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 derivatives at the time of financial statements (including currency swap contracts) is EUR 320.7 million (1,908.4), of which the portion of reversed contracts is EUR 43.5 million (1,220.0). The change of Metsä Group Treasury ownership reduced the gross nominal volume of derivatives. Of the derivatives portfolio, EUR 277.2 million (589.1) is allocated to hedge accounting and the portion of derivatives recognized in the balance sheet through profit or loss is EUR 0.0 million (99.3). The maturity of interest rate swap and currency swap contracts varies between 1–7 years (1–8).

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 approved by Board of Directors of Metsä Board. The commodity hedging policy has been applied to the management of the price risks of electricity, natural gas and pulp and also transactions related to Emission allowances have been managed by Metsä Group Treasury.

Metsä Board'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. With regard to the Finnish and Swedish electricity procurement, the hedge strategy is implemented in cooperation with Metsä Group Energy service unit centralized through Metsä Group Treasury. The hedges of electricity price risk in Central Europe are implemented according to instructions and by Metsä Group Energy in co-operation with local production units by physical contracts. Metsä Board hedges the electricity price risk actively by setting the hedging norm at 80, 40, 20 and 0 per cent (80, 40, 20, 0) share of the estimated net position during the first, second, third and fourth successive 12-month periods respectively. Hedge accounting in accordance with IAS 39 has been applied to electricity hedging. Consequently the fair value of hedges allocated to hedge accounting is recognized in equity in fair value reserve and only after the realisation of electricity purchases in the income statement as an adjustment of the purchases.

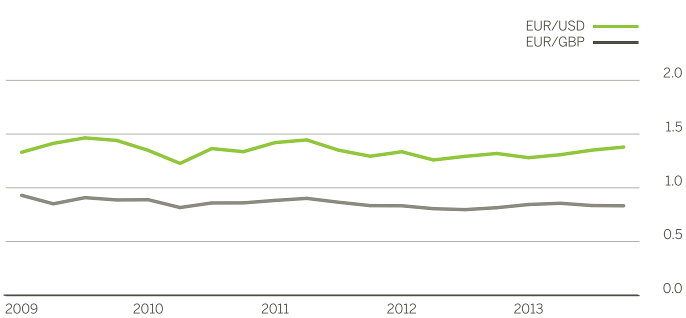
Approximately a quarter of Metsä Board's mills' purchase of fuel is based on natural gas. The hedging of natural gas price risks has been done with physical, fixed-price contracts. In Finland only the oil-related portion of the contract has been fixed. The prices of natural gas have typically been fixed to Fuel-Oil and/or Gas-Oil prices. In addition, the prices of gas supply to Finland have been fixed to the development of coal import price and the energy price index. The premise of natural gas price risk hedging is, however, to hedge only the oil-related part of the contract by using oil derivatives and fixed-priced physical supply contracts. The hedging strategy is based on a risk policy according to which Metsä Group Energy makes the hedging decisions with the support of Metsä Group Treasury, and the Group Board of Directors makes significant strategic decisions.

Approximately 19 per cent (24) of electricity hedges have been carried out by using physical supply contracts and 81 per cent (76) as so-called financial hedges by using electricity derivatives. At the end of the year, 99 per cent (100) of financial hedges have been designated to hedge accounting. All natural gas price risk hedges have so far been implemented by using physical supply contracts.

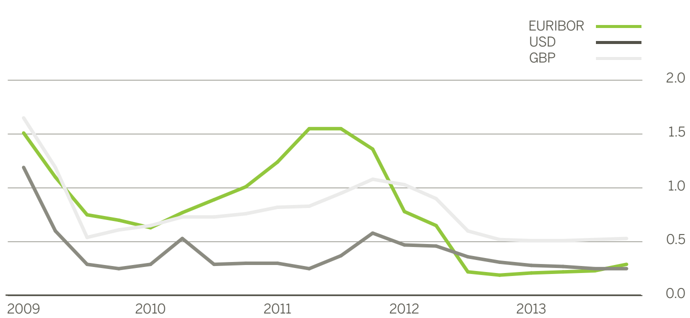
According to the pulp price risk hedging policy a Group company may selectively hedge its price risk either by financial hedges through Metsä Group Treasury or fixed-price physical contracts. Hedge accounting in accordance with IAS is applied within the pulp price risk management. There are no valid price risk hedges at the end of 2013 within Metsä Board.

The volumes and fair values of derivatives used in the management of commodity risks are presented in Notes no. 27.

EXCHANGE RATE TRENDS: EUR



INTEREST RATE TRENDS: 3 MONTHS



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 per cent (80–100) of the Group's liquidity requirement for the first 12 months and 50–100 per cent (50–100) of the following 12–24 months liquidity requirement. The objective is that at the most 20 per cent (20) of the Group's loans, including committed credit facilities, are allowed to mature within the next 12 months and at least 25 per cent (35) of the total debt must have a maturity in excess of four years. When the financial markets are functioning normally from the company's point of view, 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 also managed by diversifying the use of capital and money markets to decrease dependency on any single financing source. The optimisation of the maturity structure of loans is also emphasized in financial decisions. During the last years liquidity and especially the capital structure of the Group has been strengthened through the change in the ownership structure of Metsä Fibre and other divestments.

In April 2013, Metsä Board drew EUR 500.0 million of the syndicated credit agreement signed in 2012 and paid off the EUR 500.0 million Eurobond on the due date. In December, the EUR 150.0 million part of the agreement (bridge financing) was paid off and refinanced mostly by pension and bank loans. The change in the holding of Metsä Group Treasury Oy considerably decreased the amount of Metsä Board's interest-bearing liabilities and liquid assets. The change in ownership improved the equity ratio by 5 percentage points, but the impact on net interest-bearing liabilities was minimal.

Metsä Board's liquidity has remained strong. At the end of the review period, available liquidity was EUR 208.6 million (577.0), of which EUR 100.0 million (100.0) consisted of a revolving credit facility, EUR 14.4 million (48.5) consisted of undrawn pension premium (TyEL) funds and EUR 94.2 million (428.5) of liquid assets and investments. Of the liquid funds, EUR 12.9 million consisted of cash and cash equivalents and EUR 81.3 million were cash comparable, interest-bearing immediately drawable receivables from Metsä Group's internal bank Metsä Group Treasury Oy. In addition the Group had other interest-bearing receivables EUR 10.0 million (56.4). Metsä Board liquidity reserve is supplemented by Metsä Group internal EUR 150.0 million unused short-term funding limit.

At the end of 2013, the liquidity reserve covers fully the forecasted financing need of 2014. 5 per cent (35) of long-term loans and committed facilities fall due in a 12 month period and 13 per cent (9) have a maturity of over four years. The average maturity of long-term loans is 2.7 years (1.1). The share of short-term financing of the Group's interest bearing liabilities is 1 per cent (27). The maturity of repayment of financial liabilities is presented in Notes no. 26.

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. During the reporting period, credit risks of financial instruments did not result in any losses. Cash and cash equivalents, and other investments have been spread to several banks and commercial papers of several institutions. 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 the used counterparties. Derivatives trading is regulated by the standardised ISDA contracts made with the counterparties. Main part of financial credit risks were transferred directly out of Metsä Board balance sheet followed by the change of Metsä Group Treasury ownership.

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. Accounts receivable performance is followed weekly by Group Credit Risk Management Team and reported monthly to Corporate Credit Committee and 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. From time to time, as deemed necessary by management, Letters of Credits, bank and parent company guarantees and Credit insurance are used to mitigate credit risk. Credit limits are approved according to credit risk management policy with approval limits of varying values across the Group. The Corporate Credit Committee reviews and sets all major credit limits which are not supported by credit insurance and/or other insurance security.

Metsä Board 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 acceptable reasons. New credit loss provisions for the year were EUR 0.5 million (2012: 0.6). The portion of overdue client receivables of all accounts receivable is at the time of financial statements 18.6 per cent (12.5), of which 0.0 per cent (0.2) is overdue between 90–180 days and 2.1 per cent (0.7) over 180 days. The specification of doubtful receivables is in Notes no. 18.

The geographical structure of the accounts receivable is diversified and is reflecting the external sales structure presented in the Segment information. The top ten largest sources of credit risk exist in Great Britain, Belgium, Italy, Germany, France, Russia, Finland, Poland, Sweden and USA (around 68 per cent of total external receivables). The share of largest individual customer (individual companies or groups of companies under common ownership) credit risk exposure of Metsä Board at the end of 2013 represented 15 per cent (11) of total external accounts receivable. 38 per cent (34) of accounts receivable was owed by ten largest customer groups (individual companies or groups of companies under common ownership). At the end of 2013, there was no material shortfall of credit insurance limits beyond usually policy deductibles and exclusions.

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. The company has a credit rating for its long-term financing. Certain central target values, which correspond to standard requirements set by financing and capital markets, have been defined for the capital structure. No target level has been defined for the credit rating. 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 through a key ratio that describes net gearing. The objective of the Group is to maintain its net gearing ratio at the maximum level of 100 per cent on average over the trade cycle.

The key ratios describing the capital structure and the capital amounts used for the calculation of the key ratio were on 31 December 2013 and 31 December 2012 the following:

EUR million	2013	2012
Net gearing ratio, %	70	73
Interest-bearing borrowings	701.4	1,110.0
./. Liquid funds	12.9	428.5
./. Interest-bearing recaivables	91.3	56.4
	597.2	625.2
Equity attributable to shareholders of parent company	849.6	850.7
+ Non-controlling interest	0.0	5.5
	849.6	856.2

In 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. The Group has been in compliance with its covenants during the accounting periods 2013 and 2012.

In case the company could not meet its obligations as defined in financial contracts 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.

HEDGING OF FOREIGN EXCHANGE TRANSACTION EXPOSURE

	Annual transaction exposure									
	USD	GBP	SEK	NOK	DKK	AUD	Other long	Other short	**2013 TOTAL**	**2012 TOTAL**
Transaction exposure, net (mill. currency units)	420	141	-2,742	93	118	11				
Transaction exposure, net (EUR million)	304	170	-309	11	16	7	15	0	**833**	927
Transaction exposure hedging (EUR million)	-90	-75	223	-5	-6	-4	-7	0	**-409**	-371
Hedging at the end of the year (months)	3.5	5.3	8.7	5.4	4.4	6.4	5.5		**5.9**	4.8
Average hedging in 2013 (months)	4.1	4.8	6.7	4.3	4.3	5.7	4.5		**5.2**	4.7

HEDGING OF NET INVESTMENTS IN A FOREIGN ENTITY

	Equity exposure				
	GBP	SEK	Others	**2013 TOTAL**	**2012 TOTAL**
Equity exposure (mill. currency units)	9	2,677			
Equity exposure (EUR million)	11	302	7	**320**	342
Equity hedging (EUR million)	0	0	0	**0**	-10
Hedging at the end of the year (%)	0	0	0	**0**	3
Average hedging in 2013 (%)	17	0	0	**1**	3

INTEREST RATE RISK / DURATION AND RE-PRICING STRUCTURE OF LOANS (INCL. INTEREST RATE DERIVATIVES)

31 DEC. 2013											**31 DEC. 2012**			
Loan amount (mill. EUR)	Duration (months)	Average interest rate (%)	Interest rate sensitivity[1)] (mill. EUR)	Re-pricing structure of interest rates of loans 1–4/2014	5–8/2014	9–12/2014	2015	2016	2017	->2017	Loan amount (mill. EUR)	Duration (months)	Average interest rate (%)	Interest rate sensitivity[1)] (mill. EUR)
701	18.3	4.8	2.3	300	71	14	13	122	21	160	1,110	9.9	4.6	2.4

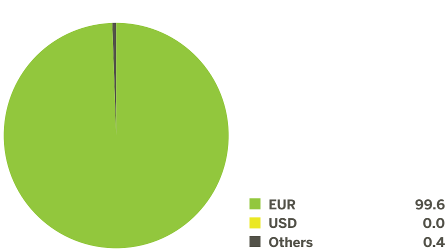
1) Interest rate sensitivity is an estimate of the effect of an interest rate change of one percent in one direction on net interest cost based on year end exposure.

HEDGING OF ELECTRICITY PRICE RISK EXPOSURE

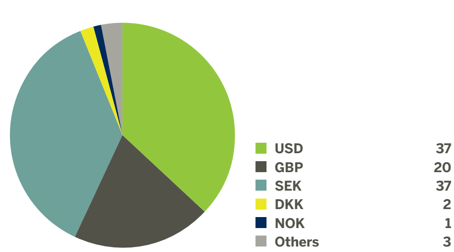
GWh	**31 DEC. 2013**	**31 DEC. 2012**
Electricity exposure, net 2014	**1,022**	1,130
Electricity hedging 2014	**847**	803
Hedging at the end of the year 2013 (%)	**83**	71

Electricity price risk is hedged based on defined risk management policy on a time horizon of four years either by physical contracts or by financial contracts. The table is applying only to the hedging of electricity price risk of the following year. The net electricity exposure has been calculated by taking into account the own and associated companies' electricity production.

CURRENCY BREAKDOWN OF LOANS: %



FOREIGN CURRENCY BREAKDOWN OF CURRENCY EXPOSURE: %



MARKET RISK SENSITIVITY 31 DEC. 2013	31 DEC. 2013	IMPACT ON EQUITY EXPOSURE AND ANNUAL TRANSACTION EXPOSURE 31 DEC. 2013			
EUR million	Impact on financial assets and liabilities	Impact on net equity of foreign entities	Impact on net equity of foreign entities incl. hedging	Impact on annual transaction exposure (cash flow)	Impact on annual transaction exposure (cash flow) incl. hedging
INTEREST RATE RISK (100 BP RISE IN INTEREST RATES)					
Effect on profit	0.4			-2.3	5.0
Effect on other change in equity	6.8				
COMMODITY RISK (ELECTRICITY PRICE + 20%)					
Effect on profit				-6.1	3.1
Effect on other change in equity	9.3				
FX RISK (USD - 10%)					
Effect on profit	-1.9			-30.4	-21.5
Effect on other change in equity	6.6	0.0	0.0		
FX RISK (GBP - 10%)					
Effect on profit	0.0			-17.0	-9.5
Effect on other change in equity	4.4	-1.1	-1.1		
FX RISK (SEK - 10%)					
Effect on profit	-5.4			31.0	8.7
Effect on other change in equity	-9.1	-30.2	-30.2		

MARKET RISK SENSITIVITY 31 DEC. 2012	31 DEC. 2012	IMPACT ON EQUITY EXPOSURE AND ANNUAL TRANSACTION EXPOSURE 31 DEC. 2012			
EUR million	Impact on financial assets and liabilities	Impact on net equity of foreign entities	Impact on net equity of foreign entities incl. hedging	Impact on annual transaction exposure (cash flow)	Impact on annual transaction exposure (cash flow) incl. hedging
INTEREST RATE RISK (100 BP RISE IN INTEREST RATES)					
Effect on profit	1.2			-2.4	2.8
Effect on other change in equity	3.9				
COMMODITY RISK (ELECTRICITY PRICE + 20%)					
Effect on profit				-7.7	4.2
Effect on other change in equity	11.9				
FX RISK (USD - 10%)					
Effect on profit	1.4			-30.5	-17.7
Effect on other change in equity	7.0	0.0	0.0		
FX RISK (GBP - 10%)					
Effect on profit	-2.0			-20.3	-13.3
Effect on other change in equity	6.8	-1.0	0.0		
FX RISK (SEK - 10%)					
Effect on profit	0.3			36.8	21.5
Effect on other change in equity	-9.8	-32.5	-32.5		

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 per cent rise in electricity price and 10 per cent weakening of USD, GBP and SEK as reasonably possible risk variables. These currencies represent nearly 80 per cent 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. The rise of electricity price has a negative impact on cash flow. As according to hedging policy the electricity price risk of the nearest year has mostly been hedged, the impct including hedges remains minor. When the cash flow of the nearest year and all electricity hedges have been taken into account, the calculatory impact is slightly positive.

CASH FLOWS OF INSTALLMENTS AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 31 DEC. 2013

EUR million	Carrying amount	2014	2015	2016	2017	2018	2019-
Loans from financial institutions	396.7						
Installments		-2.1	-0.8	-343.8	-50.0	0.0	0.0
Interest payment		-18.0	-17.7	-9.7	-1.3	0.0	
Pension loans	217.2						
Installments		-39.5	-23.5	-32.5	-32.5	-32.6	-56.6
Interest payment		-9.4	-7.7	-6.6	-5.1	-3.6	-2.8
Finance lease liabilities	24.5						
Installments		-2.6	-19.5	-0.9	-0.6	-0.4	-0.5
Interest payment		-0.4	-0.3	0.0	0.0	0.0	0.0
Interest-bearing liabilities	53.7						
Installments			-49.9	0.0			-3.8
Interest payment		-0.8	-0.8	0.0	0.0	0.0	0.0
NON-CURRENT INTEREST-BEARING LIABILITIES, TOTAL	**692.1**						
REPAYMENTS IN 2014	**-44.2**						
NON-CURRENT INTEREST-BEARING LIABILITIES IN BALANCE SHEET	**647.9**						
Total							
Installments		-44.2	-93.7	-377.2	-83.1	-33.0	-60.9
Interest payment		-28.6	-26.5	-16.3	-6.4	-3.6	-2.8
Current interest-bearing liabilities	9.2						
Installments		-9.2					
Interest payment							
Accounts payables and other liabilities	316.4						
Repayment		-313.5	-1.6	-1.2	0.0	0.0	-0.1
TOTAL LIABILITIES	**1,017.7**						
Installments		-366.9	-95.3	-378.4	-83.1	-33.0	-61.0
Interest payment		-28.6	-26.5	-16.3	-6.4	-3.6	-2.8
	Carrying amount						
Guarantees agreement	3.5	-0.9	-0.4	0.0	0.0	-0.1	-2.1
Derivative financial instrument liabilities	15.5						
Interest rate swaps, interest payment		-1.5	-1.7	-1.4	0.1	0.2	0.4
Currency derivatives, interest payment		-454.5					
Commodity derivatives, interest payment		-5.4	-3.4	-1.9	-0.2		
DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES TOTAL		**-461.4**	**-5.1**	**-3.3**	**-0.1**	**0.2**	**0.4**
Derivative financial instrument assets	0.6						
Interest rate swaps, interest payment							
Currency derivatives, interest payment		456.6					
Commodity derivatives, interest payment							
DERIVATIVE FINANCIAL INSTRUMENT ASSETS TOTAL		**456.6**					
Derivative financial instruments cash flow		-4.8	-5.1	-3.3	-0.1	0.2	0.4

CASH FLOWS OF INSTALLMENTS AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 31 DEC. 2012

EUR million	Carrying amount	2013	2014	2015	2016	2017	2018-
Bonds and debentures	536.0						
Installments		-448.8	-87.2				
Interest payment		-30.4	-4.3				
Loans from financial institutions	12.3						
Installments		-8.9	-0.5	-1.0	-1.3	0.6	0.0
Interest payment		-0.1	-0.1	0.0	0.0	0.0	
Pension loans	181.5						
Installments		-45.2	-29.3	-19.3	-19.2	-19.2	-49.3
Interest payment		-9.9	-6.9	-5.5	-4.4	-3.4	-4.1
Finance lease liabilities	26.9						
Installments		-5.0	-1.8	-1.7	-1.7	-1.3	-15.4
Interest payment		-0.6	-0.4	-0.4	-0.4	-0.3	0.0
Interest-bearing liabilities	53.6						
Installments				-49.7			-3.9
Interest payment		-0.8	-0.7	-0.8	-0.0	0.0	0.0
NON-CURRENT INTEREST-BEARING LIABILITIES, TOTAL	**810.3**						
REPAYMENTS IN 2013	**-507.9**						
NON-CURRENT INTEREST-BEARING LIABILITIES IN BALANCE SHEET	**302.3**						
Total							
Installments		-507.9	-118.8	-71.7	-22.2	-21.1	-68.6
Interest payment		-41.8	-12.4	-6.7	-4.8	-3.7	-4.1
Current interest-bearing liabilities	299.8						
Installments		-299.8					
Interest payment							
Accounts payables and other liabilities	302.8						
Repayment		-302.8					
TOTAL LIABILITIES	**1,412.9**						
Installments		-1,110.5	-118.8	-71.7	-22.2	-21.1	-68.6
Interest payment		-41.8	-12.4	-6.7	-4.8	-3.7	-4.1
	Carrying amount						
Guarantees agreement	3.3	-0.4	-0.7	-0.3	0.0	0.0	-1.9
Derivative financial instrument liabilities	41.5						
Interest rate swaps, interest payment		4.0	-1.6	-1.0	-0.7	0.8	0.9
Currency derivatives, interest payment		-1,223.4	-44.4				
Commodity derivatives, interest payment		-6.6	-1.6	-1.7	-0.7		
DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES TOTAL		**-1,226.1**	**-47.6**	**-2.7**	**-1.4**	**0.8**	**0.9**
Derivative financial instrument assets	22.5						
Interest rate swaps, interest payment							
Currency derivatives, interest payment		1,227.1	44.4				
Commodity derivatives, interest payment							
DERIVATIVE FINANCIAL INSTRUMENT ASSETS TOTAL		**1,227.1**	**44.4**	**0.0**	**0.0**	**0.0**	**0.0**
Derivative financial instruments cash flow		1.0	-3.3	-2.7	-1.4	0.8	0.9

MATURITY ANALYSIS OF CASH FLOW HEDGE ACCOUNTING

Result of the hedging instrument is recognized to the income statement at the realization of the cash flow. Contractual maturities of hedging instruments equals to the hedged cash flow.

EUR million	31 DEC. 2013		
Periods when the forecasted cash flow are expected to occur, EUR million	Highly probable foreign currency cash flows	Contractual interest cash flows	Highly probable commodity cash flows
Q 1	82.6	-2.4	-7.5
Q 2	60.3	-2.2	-7.3
Q 3	48.9	-2.3	-6.6
Q 4	7.7	-2.3	-5.8
Total 2014	199.5	-9.2	-27.3
2015	2.4	-9.1	-17.1
2016		-6.7	-9.8
2017		-4.5	-3.0
2018		-1.1	
Cash flows total	201.9	-30.7	-57.2
Total nominal values of derivatives directed to hedge accounting	201.9	200.0	57.2

EUR million	31 DEC. 2012		
Periods when the forecasted cash flow are expected to occur, EUR million	Highly probable foreign currency cash flows	Contractual interest cash flows	Highly probable commodity cash flows
Q 1	86.7	-0.2	-7.1
Q 2	88.8	-0.9	-6.9
Q 3	37.7	-0.9	-5.8
Q 4	14.2	-0.9	-5.8
Total 2013	227.4	-2.8	-25.6
2014		-3.5	-19.8
2015		-3.5	-12.8
2016		-2.0	-7.1
2017			
Cash flows total	227.4	-11.7	-65.2
Total nominal values of derivatives directed to hedge accounting	227.4	100.0	65.2

27. Fair value of financial assets and liabilities

FINANCIAL ASSETS 31 DEC. 2013

EUR million	Note	Fair value through profit & loss	Available for sale fin. assets	Loans and receivables	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Non-current investments	14		233.8				233.8	233.8
Other non-current financial assets	15			15.3			15.3	15.3
Accounts receivables and other receivables	18			412.3			412.3	412.3
Cash and cash equivalents	19			12.9			12.9	12.9
Derivative financial instruments	27	0.6			0.0		0.6	0.6
Total		0.6	233.8	440.5	0.0		674.9	674.9.
FINANCIAL LIABILITIES								
Non-current interest-bearing financial liabilities	23					647.9	647.9	664.0
Other non-current financial liabilities	24					2.9	2.9	2.9
Current interest-bearing financial liabilities	23					53.4	53.4	54.9
Accounts payable and other financial liabilities	25					279.7	279.7	279.7
Derivative financial instruments	27	2.0			13.5		15.5	15.5
Total		2.0			13.5	983.9	999.4	1,017.0

FINANCIAL ASSETS 31 DEC. 2012

EUR million	Note	Fair value through profit & loss	Available for sale fin. assets	Loans and receivables	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Non-current investments	14		269.6				269.6	269.6
Other non-current financial assets	15			14.1			14.1	14.1
Accounts receivables and other receivables	18			387.3			387.3	387.3
Cash and cash equivalents	19			428.5			428.5	428.5
Derivative financial instruments	27	18.4			4.0		22.5	22.5
Total		18.4	269.6	829.9	4.0		1,122.0	1,122.0
FINANCIAL LIABILITIES								
Non-current interest-bearing financial liabilities	23					302.3	302.3	322.1
Other non-current financial liabilities	24					0.1	0.1	0.1
Current interest-bearing financial liabilities	23					807.7	807.7	819.5
Accounts payable and other financial liabilities	25					268.1	268.1	268.1
Derivative financial instruments	27	27.4			14.0		41.5	41.5
Total		27.4			14.0	1,378.3	1,419.7	1,451.3

Accounts receivables and other receivables do not include advance payments and employee costs accruals (note 18). Accounts payable and other financial liabilities do not include advance payments and employee costs accruals (note 25).

In Metsä Board Group all interest-bearing liabilities are valued in the balance sheet at amortised cost based on effective interest method. Interest-bearing financial assets have been classified by applying IAS19-standard. Fair values in the table are based on the present value of cash flow of each liability or assets calculated by market rate. The discount rates applied are between 0.9–4.1 per cent (2012: 0.6–5.4). Of interest bearing liabilities 55 per cent (72) is subject to variable rates and the rest to fixed rates. The average interest rate of interest-bearing liabilities at the end of 2013 was 4.8 per cent (2012: 4.6 per cent). The fair values of accounts and other receivables and accounts payables and other liabilities are not essentially deviating from the carrying amounts in ther balance sheet.

FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

		2013			
EUR million	Note	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss, non-current	14				
Available for sale financial assets	14	0.3		233.5	233.8
Financial assets at fair value through profit or loss, current	18				
Derivative financial assets	27		0.6		0.6
Derivative financial liabilities	27	10.8	4.7		15.5
Financial assets not measured at fair value					
Cash and cash equivalent	19		12.9		12.9
Financial liabilities not measured at fair value					
Non-current interest-bearing financial liabilities	23		664.0		664.0
Current interest-bearing financial liabilities	23		54.9		54.9

		2012			
EUR million	Note	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss, non-current	14				
Available for sale financial assets	14	0.3		269.3	269.6
Financial assets at fair value through profit or loss, current	18				
Derivative financial assets	27		22.5		22.5
Derivative financial liabilities	27	4.6	36.9		41.5
Financial assets not measured at fair value					
Cash and cash equivalent	19		428.5		428.5
Financial liabilities not measured at fair value					
Non-current interest-bearing financial liabilities	23		322.1		322.1
Current interest-bearing financial liabilities	23		819.5		819.5

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BASED ON LEVEL 3

EUR million	**2013**	**2012**
Opening balance	**269.3**	340.9
Total gains and losses in profit or loss	**0.0**	59.1
Total gains and losses in other comprehensive income	**-41.5**	-72.2
Purchases	**5.7**	5.4
Settlements	**0.0**	-63.9
Closing balance	**233.5**	269.3

Finacial assets and liabilities measured at fair value have been categorised according to IFRS 7 Paragraph 27 A and 27 B.

Level 1 Fair value is based on quoted prices in active markets.
Level 2 Fair value is determined by using valuation techniques that use observable price information from market.
Level 3 Fair value are not based on observable market data, but company's own assumptions.

The fair values of electricity and natural gas derivatives are determined by using public price quotations in an active market (Level 1).

The fair values of currency forwards and options are determined by using the market prices of the closing date of the reporting period The fair values of interest rate swaps are determined by using the present value of expected payments, discounted using a risk adjusted discount rate, supported by market interest rates and other market data of the closing date of the reporting period (Level 2).

For financial instruments not traded on an open market, the fair value is determined by valuation techniques. Consideration is used when choosing the different techniques and making assumptions, which are mainly based on circumstances prevailing in the markets on each closing date of the reporting period (Level 3).

DERIVATIVES

	NOMINAL VALUE	FAIR VALUE						
EUR million		Assets	Liabilities	Total	Fair Value Hedges	Cash Flow Hedges	Equity hedges	Derivatives/ Hedge Accounting not applied
2013								
Interest forward agreements								
Interest rate options								
Interest rate swaps	277.2		2.7	-2.7	2.5	-5.3		
INTEREST RATE DERIVATIVES	**277.2**		**2.7**	**-2.7**	**2.5**	**-5.3**		
Currency forward agreements	411.9	0.6		0.6		0.0		0.6
Currency option agreements	52.6		0.0	0.0				0.0
Currency swap agreements	43.5		2.0	-2.0				-2.0
CURRENCY DERIVATIVES	**508.0**	**0.6**	**2.0**	**-1.4**		**0.0**		**-1.4**
Electricity derivatives	76.5		10.8	-10.8		-10.8		0.0
Pulp derivatives								
Other commodity derivatives								
COMMODITY DERIVATIVES	**76.5**		**10.8**	**-10.8**		**-10.8**		**0.0**
DERIVATIVES TOTAL	**861.7**	**0.6**	**15.5**	**-14.9**	**2.5**	**-16.0**		**-1.4**

EUR million								
2012								
Interest forward agreements								
Interest rate options								
Interest rate swaps	1,866.0	17.2	28.9	-11.7	-1.8	-7.4		-2.5
INTEREST RATE DERIVATIVES	**1,866.0**	**17.2**	**28.9**	**-11.7**	**-1.8**	**-7.4**	**0.0**	**-2.5**
Currency forward agreements	1,217.9	5.2	1.4	3.8		4.0	0.1	-0.2
Currency option agreements	49.8	0.0		0.0				0.0
Currency swap agreements	42.4		0.5	-0.4	-0.5			
CURRENCY DERIVATIVES	**1,310.1**	**5.2**	**1.9**	**-3.4**	**-0.5**	**4.0**	**0.1**	**-0.2**
Electricity derivatives	78.9		10.4	-10.4		-4.3		-6.0
Pulp derivatives								
Other commodity derivatives	0.4		0.3	-0.3				-0.3
COMMODITY DERIVATIVES	**79.3**	**0.0**	**10.7**	**-10.7**		**-4.3**		**-6.3**
DERIVATIVES TOTAL	**3,255.4**	**22.4**	**41.4**	**-19.0**	**-2.3**	**-7.8**	**0.1**	**-9.0**

28. Notes to the Consolidated cash flow statement

EUR million	2013	2012
ADJUSTMENTS TO THE RESULT FOR THE PERIOD		
Taxes	**-6.3**	2.6
Depreciation, amortization and impairment charges	**101.3**	100.3
Share of results from associated companies	**-37.2**	-29.2
Gains and losses on sale of non-current assets	**-10.6**	-158.4
Finance costs, net	**55.9**	47.2
Provisions	**-29.3**	-109.3
	73.8	-146.8
CHANGE IN WORKING CAPITAL		
Inventories	**-33.1**	35.5
Accounts receivables and other receivables	**25.7**	26.8
Accounts payable and other liabilities	**-3.4**	-44.4
	-10.8	17.9

DISPOSALS OF SUBSIDIARIES

Metsä Board disposed in September 2013 its 51 per cent holding in Metsä Group Treasury Oy (Metsä Finance Oy) to parent company Metsäliitto Cooperative. Selling price was EUR 5.2 million and cash and cash equivalents of disposed subsidary were EUR 372.3 million, net of cash was EUR -367.1 million. Loss of EUR 0.1 million was recognised.

Metsä Boad disposed in 2012 Premium Paper business of Metsä Board Zanders Reflex mill in Germany. Cash flow effect was EUR -2.9 million.

29. The principal subsidiaries 31 December 2013

	Country	Group's holding %	Number of shares
SHARES AND HOLDINGS IN THE GROUP			
Metsäliitto Cooperative	Finland		179,171
SHARES IN SUBSIDIARIES			
IN FINLAND			
Alrec Boiler Oy [1)]	Finland	24.92	899
Oy Hangö Stevedoring Ab	Finland	100.00	150
Metsä Board Kemi Oy	Finland	100.00	2,000,000
OOO Peterbox	Russia	100.00	
Metsä Board International Oy	Finland	100.00	10,000
IN OTHER COUNTRIES			
Metsä Board Deutsche Holding GmbH	Germany	100.00	
Metsä Board Netherlands Fine B.V.	The Netherlands	100.00	1,000
M-real Holding France SAS	France	100.00	520,000
Metsä Board IBP Deals Americas Ltd	USA	100.00	50
Metsä Board NL Holding B.V.	The Netherlands	100.00	15,350
Metsä Board Re Insurance AG	Switzerland	100.00	19,997
Metsä Board Sverige Ab	Sweden	100.00	10,000,00
M-real UK Holdings Ltd	Great Britain	100.00	146,750,000

[1)] Consolidation as a subsidiary under shareholder's agreement.

	Country	Group's holding %	Number of shares
SUBGROUPS IN FINLAND			
METSÄ BOARD INTERNATIONAL OY			
M-real Benelux B.V.	The Netherlands	100.00	2,000
Metsä Board Benelux n.v./s.a	Belgium	100.00	2,921
Metsä Board OOO	Russia	100.00	100
Metsä Board CZ, s.r.o.	Czech Republic	100.00	
Metsä Board Deutschland GmbH	Germany	100.00	1
Metsä Board France S.A.	France	51.00	8,211
M-real Hellas Ltd	Greece	100.00	306
Metsa Board Hong Kong Ltd	Hong Kong	100.00	100
Metsa Board Shanghai Ltd	China	100.00	
Metsa Board Ibéria S.A.	Spain	100.00	147,871
Metsä Board Ireland Ltd	Ireland	100.00	5,000
Metsa Board Italia S.r.l.	Italy	100.00	100,000
Metsä Board Hungary Kft	Hungary	100.00	30
Metsä Board (Middle East & North Africa) Ltd	Cyprus	100.00	742,105
Metsä Board Polska Sp. Z o.o.	Poland	100.00	232
Metsä Board Nordic A/S	Denmark	100.00	36
Metsä Board Nordic AB	Sweden	100.00	1,000
Metsa Board Singapore Pte Ltd	Singapore	100.00	10,000
Metsä Board Schweiz AG	Switzerland	100.00	100
Metsa Board UK Ltd	Great Britain	100.00	2,400
Metsa Board Americas Corporation	USA	100.00	180
Metsa Board Australia and New Zealand Pty Ltd	Australia	100.00	

	Country	Group's holding %	Number of shares
SUBGROUPS IN OTHER COUNTRIES			
Metsä Board Deutsche Holding GmbH			
Metsä Board Zanders GmbH	Germany	100.00	2,800,000
BGE Eisenbahn Verkehr GmbH	Germany	90.00	
Metsäliitto Energie GmbH	Germany	80.00	
Metsä Board NL Holding B.V.			
Metsa Board IBP China Ltd	China	100.00	
Metsa Board IBP (HK) Ltd	Hong Kong	100.00	7,009,900
M-real UK Holdings Ltd			
M-real UK Services Ltd	Great Britain	100.00	115,800,001

30. Joint ventures

Joint ventures have been consolidated using line-by-line method proportionate to the Metsä Board Group's holding. Group's consolidated Income statement and Balance sheet included assets, liabilities, income and costs as follows:

EUR million	2013	2012
Non-current assets	**14.5**	17.1
Current assets	**4.1**	4.3
Assets total	**18.6**	21.4
Non-current liabilities	**19.7**	21.2
Current liabilities	**2.7**	3.2
Liabilities total	**22.4**	24.4
Sales	**13.3**	12.2
Expenses	**13.8**	12.3
The result for the period	**-0.9**	-0.1

Joint ventures, which have been consolidated using line-by-line method proportionate:

The most significant joint ventures:	Group´s holding, %	
Äänevoima Oy	**56,25**	56,25
Ääneverkko Oy	**56,25**	56,25

31. Contingent liabilities

EUR million	2013	2012
FOR OWN LIABILITIES		
Liabilities secured by pledges		
Loans from financial institutions	**368.0**	
Pension loans	**72.5**	67.5
Other liabilities		10.0
Pledges granted	**535.3**	178.6
Liabilities secured by corporate mortgages		
Other liabilities	**3.0**	3.0
Corporate mortgages	**603.0**	3.0
Liabilities secured by mortgages		
Pension loans	**138.8**	108.1
Real estate mortgages	**832.8**	152.8
As security of own commitments		
Pledged assets		13.4
Guarantees and counter-indemnities	**16.5**	
Other leasing commitments	**5.8**	4.6
Other labilities	**9.0**	10.3
On behalf of associated companies		
Guarantee liabilities	**0.3**	0.1
On behalf of others		
Guarantee liabilities	**0.1**	3.2
TOTAL		
Pledges	**535.3**	192.0
Corporate mortgages	**603.0**	3.0
Real estate mortgages	**832.8**	152.8
Guarantees and counter-indemnities	**16.9**	3.3
Other leasing commitments	**5.8**	4.6
Other commitments	**9.0**	10.3
Total	**2,002.8**	366.0

Pledges granted are shares in Metsä Board Kemi Oy, Metsä Board Sverige AB, sister company's shares (Metsä Fibre), shares of Pohjolan Voima Oy as well as bank assets securing the Nord-Pool liabilities.

The increase of commitments is related to EUR 600 million syndicated credit agreement signed in May 2012, of which EUR 500 million was drawn in April 2013. Share pledges (EUR 535.5 million), real estate mortgages (EUR 832.8) and a corporate mortgage (EUR 600 million), totalling EUR 1,968.1 million, were used as collateral.

Shares in Metsä Board Sverige AB, Metsä Board Kemi Oy, two series of Pohjolan Voima Oy and shares in Metsä Fibre Oy were included in contingent liabilities as well as real estate mortgages in four mill areas and corporate mortgages of EUR 600 million.

Metsä Board prepaid the EUR 150 million term loan of the syndicated credit facility agreement that took effect in April. The original due date would have been 30 June 2014. The syndicated credit liability include in as a whole liabilities secured by pledges.

OTHER LEASE COMMITMENTS

Metsä Board leases various offices and warehouses under non-cancellabe operating lease agreements.

Some contracts are renewable at the end of the lease period.

EUR million	2013	2012
Operating leases		
Not later than one year	2.4	2.3
Later than one year and not later than five years	3.3	2.2
Later than five years	0.1	0.0
Total	5.8	4.5

JOINT VENTURES

Proportionate interest in joint ventures unconditional purchase agreement, tangible assets, was EUR 0 million (0).

PENDING DISPUTES

In November 2012, UPM-Kymmene Corporation initiated arbitration proceedings against Metsä Board. In the arbitration proceedings, UPM is primarily claiming EUR 58.5 million in damages and secondarily the reimbursement of an alleged unjustified benefit of EUR 58.5 million jointly from Metsäliitto Cooperative and Metsä Board. The claim is based on an alleged breach of the co-sale clause of the Metsä Fibre shareholder agreement signed in 2009.

Metsä Board denies UPM's claim as unfounded in its entirety and is not making any provisions because of it.

The claim has no impact on the transaction with Itochu or cooperation between the parties, and is not associated with commercial agreements entered into with Itochu.

The end result of the dispute initiated by UPM will be communicated after the Arbitration Court has issued its resolution on the matter, which is expected to take place in the first quarter of 2014.

32. Share based payment

During 2013 Metsä Board had one valid share-based incentive schemes, as part of the company's incentive and commitment programme for key persons. Share incentive scheme 2011, which Metsä Boards Board of Directors decided to adopt 15 December 2011. In 2013, EUR 33,258 was recognized as expense in the income statement related to the share-based incentive schemes.

SHARE INCENTIVE SCHEME 2011

The scheme offers the target group the possibility to be awarded Metsä Board Corporation's B-shares for achieving set goals for three incentive periods. Incentive periods are the calendar years 2011–2013, 2012–2014 and 2013–2015. The bonus awarded under the share incentive scheme is determined by achievement of the set goals; by the end of April following the incentive period. In addition to the shares, the bonus includes a cash portion, which is at following the incentive period. In addition to the shares, the bonus includes a cash portion, which is at maximum the value of the shares at the transfer time and which is used to cover taxes and tax-like charges incurred by key persons due to the bonus. The bonus is not paid, if the employee's contract with the company ends before the end of the incentive period. In addition, the awarded person must continue to own the shares for at least two years following the end of the incentive period.

The basic information and transactions related to the Share incentive scheme 2012 are presented in the following table:

Share incentive scheme 2011	Issued by the Board of Director's decision 15 Dec. 2010 Share based reward sheme			
	2011–2013	2012–2014	2013–2015	Total
Maximum number of shares	525,000	525,000	525,000	1,575,000
Grant date	4 Apr. 2011	11 Apr. 2012	10 May 2013	
Vesting period starts	1 Jan. 2011	1 Jan. 2012	1 Jan. 2013	
Vesting period ends	31 Dec.2013	31 Dec.2014	31 Dec.2015	
Obligation to hold shares, years	2	2	2	
Conditions of vesting requirements	Obligation to work	Obligation to work	Obligation to work	
Criteria	Equity ratio, ROCE, EBIT	Equity ratio, ROCE, EBIT	Equity ratio, ROCE, EBIT	
Date of vesting requirement	30 Apr. 2014	30 Apr. 2015	30 Apr. 2016	
Release of the bonus	1 Jan. 2016	1 Jan. 2017	1 Jan. 2018	
Maximum validity, years	5	5	5	
Payment method	Shares and cash	Shares and cash	Shares and cash	
Binding time left, years	2	3	4	
Number of key personnel 31 Dec. 2013	10	9	8	
Exercise price, EUR				
FAIR VALUE MEASURING[1)]				
Share price at grant date, EUR	3.12	1.90	2.80	
Fair value of share at grant date, EUR	2.75	1.83	2.54	
Assumed dividends	0.12	0.02	0.08	
Share price at the end of financial period, EUR	3.15	3.15	3.15	
Fair value at end of financial period	0	0	558,840	558,840
EFFECT ON RESULT AND FINANCIAL POSITION				
Expense for 2013, share based payment	0	-88,184	121,442	33,258
Expense for 2013, share based payment, settled as equity		-39,846	54,212	14,366
Liability at the end of period		0	67,231	67,231
Number of shares 1 Jan. 2013[2)]				
Outstanding at the beginning of period	470,000	430,000	0	900,000
Changes during the period				
Shares granted			412,500	412,500
Shares forfeited	50,834	35,834	40,001	126,669
Shares exercised		0		0
Shares expired		0		0
Number of shares 31 Dec. 2013				
Outstanding at the end of period	419,166	394,167	372,500	1,185,833
Exercisable at the end of the period	419,166	394,167	372,500	1,185,833

1) The fair value of the share-settled part at exercise date was the market price of Metsä Board Corporation's B-share less any dividend paid before the payment of the reward. Correspondingly, the fair value of the cash-settled part is estimated on every balance sheet date until the end of incentive period. The fair value of share-based payment is recognised to the amount based on best possible estimate of the reward, which is believed to be granted.
2) The amounts in the table reflect gross amounts, i.e. the number of shares and cash portion to be given based on share-based payment. In addition an amount corresponding at maximum to the value of shares, is paid in cash to cover taxes.

METSÄLIITTO MANAGEMENT OY

Metsäliitto Management Oy has been established for the shareholding programme of the members of Metsäliitto Group's Executive Management. The grant date of the programme is 10 August 2010. The members of the Executive Management own the entire stock-base of the company. The company is consolidated in Metsäliitto Group (not Metsä Board Group) as special purpose entity. The purpose of Metsäliitto Management Oy is to acquire Metsä Board Corporation B shares from the market or members of the Executive Management at market prices. The share purchases have been financed by using capital investments of the members of Executive Management, a total of EUR 3,850,000, of which the capital input of Kari Jordan, Chairman of the Board of Metsä Board is EUR 1 million and President and CEO Mikko Helander's EUR 500,000, and a loan of EUR 15,400,000 granted by Metsäliitto Cooperative. Shares have been purchased for Kari Jordan for approximately EUR 5 million and for Mikko Helander for approximately EUR 2.5 million.

The loan granted by Metsäliitto Cooperative will be repaid in its entirety by 31 March 2014. If the validity of the arrangement is continued one year at a time in 2013, 2014, 2015 or 2016, the loan period will be extended correspondingly. Metsäliitto Management Oy has the right to repay the loan prematurely at any time. Metsäliitto Management Oy is obligated to repay the loan prematurely by selling the Metsä Board Corporation B shares it holds if the stock exchange price of Metsä Board Corporation B share exceeds a certain level defined in the arrangement for an extended period of time.

The arrangement will remain in force until the end of 2013 and beginning of 2014, at which time the intention is to dissolve the arrangement in a manner to be decided later. The arrangement can be dismantled by merging the company with Metsä Board Corporation or selling the Metsä Board Corporation B shares held by the company to Metsäliitto, a party designated by Metsäliitto or a third party and liquidating the company or by selling the shares of the company to Metsäliitto. The arrangement will be extended one year at a time if, in October–November 2013, 2014, 2015 or 2016, the stock exchange price of the Metsä Board Corporation B share is lower than the average price at which Metsäliitto Management Oy acquired the Metsä Board Corporation B shares it owns.

The assignment of the Metsä Board Corporation B shares owned by Metsäliitto Management Oy is restricted during the validity of the arrangement. As a rule, the ownership of members of the Executive Management in Metsäliitto Management Oy will remain in force until the dismantling of the arrangement.

In the Metsä Board Group, the arrangement is processed as a share incentive scheme. Valuation is performed once after the essential terms and conditions of the arrangement have been agreed upon.

In 2013, EUR 0.13 million (2012 0.14) was recognised as expense in the Group's income statement in connection with Metsäliitto Management Oy's share ownership programme.

Because the list price of Metsä Board Corporation's B share in October–November 2013 exceeded the average purchase price paid by Metsäliitto Management Ltd. for the Metsä Board Corporation B shares it owns, measures have been initiated to dismantle the arrangement.

33. Related party transactions

To related parties are Metsä Board's ultimate parent company Finnish Metsäliitto Cooperative, who owns 42.8 per cent of Metsä Board´s shares and 62.2 per cent of the voting rights (including Metsäliitto Management Oy), other subsidiaries of Metsäliitto, associated companies as well as members of The Board of Directors and Corporate Management Board, and their close family members. Key management includes members of the Board as well as Corporate Management Board.

The most significant other subsidiaries of Metsäliitto with whom Metsä Board had business activities are as follows:
Metsä Tissue Group
Metsä Fibre Group
Metsä Forest Sverige Ab
Metsäliitto France S.A

The principal subsidiaries of Metsä Board are listed in the Note 29.

Metsä Fibre has been consolidated by using equity method according to Investments in associates-standard (IAS 28) since 8 December 2009. Before that Metsä Board consolidated Metsä Fibre according to Interests in Joint Ventures-standard (IAS 31). Related party transactions with Metsä Fibre are presented from 8 December 2009 as transactions with sister companies.

On 30 September 2013, Metsä Board and the Group's parent company Metsäliitto Cooperative agreed on an ownership arrangement in which the Group's internal financing unit Metsä Group Treasury Oy (formerly Metsä Group Financial Services Oy), was transferred under the ownership of Metsäliitto Cooperative in its entirety. After the implementation of the ownership arrangement, Metsä Group Treasury will remain a separate company and continue to provide financial services to Metsä Board as before. Metsä Board sold its 51 per cent shareholding in Metsä Group Treasury to Metsäliitto Cooperative for approximately EUR 5 million. Loss of EUR 0.1 million was recognised. Metsä Group Group Treasury Oy's interest rates are market based.

The total wood purchases from Metsäliitto Cooperative were EUR 104.9 million in 2013 (95.2). The price used was market price.

Other operating income 2013 include EUR 0.7 million profit on property sales in Finland to Metsäliitto Cooperative. Other operating income in 2012 included EUR 58.6 million profit related to the sale of 0.5 percentage in Pohjolan Voima to Metsä Fibre, EUR 1.5 million profit on property sales in Finland to Metsä Tissue and EUR 0.6 million profit on sale related to disposal of shares in Kirkniemen Kartano to Metsäliitto Cooperative.

Metsä Board is participating in extra pension arrangement related to executive management of Metsä Group. Payments were in 2013 EUR 0.3 million (0.3).

EUR million	Transactions with parent company		Transactions with sister companies	
	2013	**2012**	**2013**	**2012**
Sales	**11.1**	9.3	**65.1**	51.6
Other operating income	**4.5**	4.1	**1.1**	62.1
Purchases	**128.2**	117.7	**586.1**	580.3
Share of profit from associated companies			**37.1**	29.2
Dividend income	**0.0**		**24.9**	33.4
Interest income	**2.5**	3.4	**2.2**	2.3
Interest expenses	**0.7**	0.6	**1.1**	0.5
RECEIVABLES				
Non-current receivables	**0.0**		**3.8**	3.8
Current receivables	**2.5**	13.7	**98.8**	68.1
LIABILITIES				
Non-current liabilities	**0.0**			
Current liabilities	**13.7**	203.1	**67.5**	140.1

There are no doubtful receivables in the receivables from group companies. No bad debt was recognised during the period.

No security has been given for group liabilities. The disposal of the holding in Metsä Group Treasury Oy in September 2013 also reduced substantially the amount of current receivables and liabilities compared to 2012.

The compensations paid to the key management are presented in the Note 6 and 32. The shareholding programme of members of Metsäliitto Group's Executive Management, Metsäliitto Management Oy is presented in the note 32. The parent company has no commitments on behalf of management nor receivables from management.

Transactions with associated companies are presented in the Note 13.

Joint ventures are presented in the Note 30.

34. Environmental affairs

Only additional identifiable costs that are primarily intended to prevent, reduce or repair damage to the environment are included in environmental costs. Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits. Following is the summary of environmental costs and changes in capitalised environmental expenditures.

EUR million	2013	2012
INCOME STATEMENT		
Materials and services	**8.9**	9.4
Employee costs		
Wages and fees	**1.5**	1.4
Other employee costs	**0.7**	0.6
Depreciation and amortization	**5.3**	6.2
Other operating expenses	**0.2**	1.8
	16.6	19.4
BALANCE SHEET		
Tangible assets		
Acquisition costs, 1 Jan.	**171.8**	181.3
Increases	**0.6**	3.5
Decreases	**-19.8**	-13.0
Depreciation	**-88.7**	-97.7
Carrying amount, 31 Dec.	**63.9**	74.1
PROVISIONS		
Environmental obligations	**20.0**	18.2
CO_2 EMISSION ALLOWANCES		
Possession of emission allowances, 1 000 tonnes	**960**	700
Emission produced (2012 verified), 1 000 tonnes	**406**	426
The sales of emission allowances (EUR million)	**0.5**	3.7

Possession of emission allowances include also allowances for 2013 free of charge, which at the balance sheet date were not in group's register due to late delivery.

35. Events after the Balance sheet date

Metsä Board announced on 30 January 2014 that it is in negotiations to divest its property in Lielahti, Tampere to the City of Tampere for EUR 26 million. The Lielahti property consists of 90 hectares of land, incl. buildings on site, and 1,071 hectares of water area on Näsijärvi lake. Closing of the transaction is subject to approvals by the City Council and City Government of Tampere City, the approval by Metsä Board's Board of Directors as well as the finalization of the trade documentation. If the necessary approvals are received as currently planned the divestment would take effect by the end of the first quarter of 2014. Metsä Board closed down the BCTMP pulp mill at the Lielahti site in 2008 and has not had any production operations at the site since.

SHARES AND SHAREHOLDERS

SHARE CAPITAL AND SHARES AT 31 DECEMBER 2013

Metsä Board's paid-in share capital on the balance sheet date was EUR 557,881,540.40 and consisted of 328,165,612 shares. The company has two series of shares. The number of series A shares was 35,985,651 and the number of series B shares 292,179,961. Each series A share entitles its holder to twenty (20) votes at a General Meeting of Shareholders, and each series B share entitles the holder to one (1) vote. All shares carry the same right to receive a dividend.

Metsä Board's A shares can be converted to B shares if shareholder or representative of the nominee registered shares makes a written request of the conversion to the company. The conversion does not include additional consideration. In total 353,899 shares were converted in 2013.

STOCK EXCHANGE LISTINGS AND SHARE PRICE DEVELOPMENT

About 90 per cent of the trading with Metsä Board's shares was done on NASDAQ OMX Helsinki Ltd stock exchange in 2013.

In 2013, the highest price for Metsä Board's A share on NASDAQ OMX Helsinki Ltd. was EUR 3.20, the lowest EUR 2.20, and the average price was EUR 2.59. At the end of the year, the price of the A share was EUR 3.08. At the end of 2012, the price of the A share was EUR 2.21, while the average price in 2012 was EUR 2.34.

In 2013, the highest price of Metsä Board's B share was EUR 3.15, the lowest EUR 2.18, and the average price was EUR 2.58. At the end of the year, the price of the B share was EUR 3.15. At the end of 2012, the price of the B share was EUR 2.22, while the average price in 2012 was EUR 2.00.

The trading volume of the A shares was EUR 2 million, 2 per cent of the share capital. The trading volume of the B shares was EUR 136 million, or 18 per cent of the share capital. The market value of the A and B shares totalled EUR 1,031 million at the end of 2013.

Metsäliitto Cooperative owned 41 per cent of the shares at the end of 2013. The voting rights conferred by these shares amounted to 62 per cent. International investors held 11 per cent of the shares.

The company does not hold any treasury shares.

IMPACT OF CHANGE IN CONTROL

Many of Metsä Board's financing agreements include a clause under which its loans will mature before their stated maturity if any new party will acquire control of Metsä Board. In addition, shareholders agreements include a provision under which Metsä Board must offer its shares in such companies for sale to the other shareholders in such companies in case of Metsä Board's change of control. According to the shareholders agreement for Metsä Fibre Oy, the shareholders must offer their shares for sale to the other shareholders in case of their change of control. A possible decrease of the voting rights of Metsäliitto Cooperative in Metsä Board below 50 per cent would not alone, however, obligate Metsä Board to offer its shares in Metsä Fibre Oy.

DIRECTORS' INTEREST

Shareholdings of the Board of Directors and the Corporate Management Board are presented on pages 111–114.

BOARD OF DIRECTORS' AUTHORITY TO ISSUE SHARES

The Board of Directors has authority to increase the share capital through one or more rights issues and/or more issues of convertible bonds such that in the rights issue or issue of convertible bonds, according to Finnish Companies Act, Chapter 10 a total maximum of 58,365,212 Metsä Board Corporation B shares can be subscribed for, and that the company's share capital can be increased by a total maximum of EUR 99,220,860.40. Board of Directors has the authorization to decide on the issuance of new shares or special rights, as specified in section 1 of Chapter 10 of the Companies Act, entitling to shares. By virtue of the authorization the Board is entitled to issue up to 70,000,000 new B-series shares or special rights entitling to such shares such that the maximum number of new shares issued does not exceed 70,000,000 B-shares. The special rights entitle their holders to receive new B-series shares against the payment of a subscription price or by setting off a receivable against the subscription price ("Convertible Bond"). New shares can be issued against payment or without payment. The authorization is effective until March 28, 2017.

DIVIDEND POLICY

Metsä Board's dividend policy is stable and rewarding to shareholders, and aims at paying a dividend of at least 1/3 of the Company's earnings per share on average over the business cycle, nonetheless taking into account the Company's net gearing target.

CHANGES IN SHARE CAPITAL AND NUMBER OF SHARES 1 JAN. 2004–31 DEC. 2013

		Number of shares	Share capital, EUR million
2003	Share capital 31 Dec. 2003	178,999,425	304.3
2004	Rights issue	148,633,415	252.7
	Rights issue	532,772	0.9
	Share capital 31 Dec. 2004	328,165,612	557.9
2005–2013	No changes		
	Share capital 31 Dec. 2013	328,165,612	557.9

MAJOR SHAREHOLDERS 31 DEC. 2013[1]	A-SERIES	B-SERIES	TOTAL SHARES		VOTES
SHAREHOLDERS	NO. OF SHARES	NO. OF SHARES	NO. OF SHARES	%	%
1. Metsäliitto Cooperative	25,751,535	107,930,557	133,682,092	40.74	61.56
2. Varma Mutual Pension Insurance Company	2,203,544	13,714,945	15,918,489	4.85	5.71
3. Ilmarinen Mutual Pension Insurance Company	3,534,330	10,683,295	14,217,625	4.33	8.04
4. Etola Erkki Olavi	0	7,200,000	7,200,000	2.19	0.71
5. Metsäliitto Management Oy	0	6,790,887	6,790,887	2.07	0.67
6. OP-Focus Fund	0	5,620,000	5,620,000	1.71	0.56
7. The State Pension Fund	0	4,270,000	4,270,000	1.30	0.42
8. OP-Delta Mutual Fund	0	3,517,749	3,517,749	1.07	0.35
9. OP-Finland Value Fund	0	3,249,509	3,249,509	0.99	0.32
10. Maa- ja metsätaloustuottajain Keskusliitto MTK Ry	1,704,249	1,469,784	3,174,033	0.97	3.51
11. OP-Finland Small Firms Fund	0	2,563,365	2,563,365	0.78	0.25
12. Nordea Fennia Fund	0	2,300,000	2,300,000	0.70	0.23
13. Säästöpankki Kotimaa Mutual Fund	0	2,266,956	2,266,956	0.69	0.22
14. Carnegie Share Fund	0	2,064,141	2,064,141	0.63	0.20
15. SEB Gyllenberg Finlandia Fund	0	1,753,650	1,753,650	0.53	0.17
16. Danske Finnish Institutional Equity Fund	0	1,390,388	1,390,388	0.42	0.14
17. Mutual Fund FIM Fenno	0	1,198,632	1,198,632	0.37	0.12
18. Mutual Life Insurance Company Suomi	0	1,100,000	1,100,000	0.34	0.11
19. OP-Henkivakuutus Ltd.	0	976,339	976,339	0.30	0.10
20. Danske Invest Suomen Pienyhtiöt Mutual Fund	0	956,482	956,482	0.29	0.09

[1] Shareholders in the book entry system.

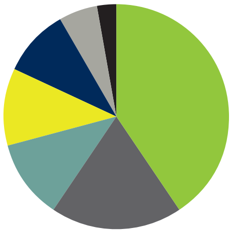
METSÄ BOARD A SHARE

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%	NUMBER OF VOTES	%
1–100	1,015	28.69	56,121	0.16	1,122,420	0.16
101–500	1,459	41.24	425,034	1.18	8,500,680	1.18
501–1,000	520	14.70	430,291	1.20	8,605,820	1.20
1,001–5,000	481	13.60	1,007,641	2.80	20,152,820	2.80
5,001–10,000	37	1.05	276,940	0.77	5,538,800	0.77
10,001–50,000	20	0.57	418,998	1.16	8,379,960	1.16
50,001–100,000	1	0.03	50,898	0.14	1,017,960	0.14
100,001–500,000	1	0.03	126,070	0.35	2,521,400	0.35
500,001–	4	0.11	33,193,658	92.24	663,873,160	92.24
Total	3,538	100	35,985,651	100	719,713,020	100
of which nominee registered	7		70,802	0.20	1,416,040	0.20
On waiting list, total	0		0	0	0	0
In joint accounts			0	0	0	0
Total in special accounts			0	0	0	0
Number issued			35,985,651	100	719,713,020	100

METSÄ BOARD B SHARE

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%	NUMBER OF VOTES	%
1–100	13,145	34.06	579,329	0.20	579,329	0.20
101–500	11,401	29.54	3,005,049	1.03	3,005,049	1.03
501–1,000	4,914	12.73	3,989,985	1.37	3,989,985	1.37
1,001–5,000	6,903	17.88	16,612,959	5.69	16,612,959	5.69
5,001–10,000	1,241	3.22	9,104,146	3.12	9,104,146	3.12
10,001–50,000	828	2.15	16,328,495	5.59	16,328,495	5.59
50,001–100,000	70	0.18	4,951,840	1.70	4,951,840	1.70
100,001–500,000	65	0.17	14,156,556	4.85	14,156,556	4.85
500,001–	32	0.08	223,451,602	76.48	223,451,602	76.48
Total	38,599	100	292,179,961	100	292,179,961	100
of which nominee registered	13		37,411,152	12.80	37,411,152	12.804
On waiting list, total	0		0	0	0	0
In joint accounts			0	0	0	0
Total in special accounts			0	0	0	0
Number issued			292,179,961	100	292,179,961	100

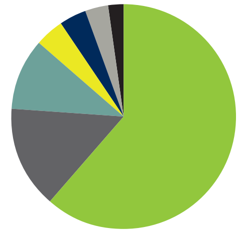
METSÄ BOARD'S SHAREHOLDERS: 31 DEC. 2013, %



Metsäliitto Cooperative	40.7
Households	18.7
Foreigners [1]	11.4
Public sector organizations	11.3
Financial and insurance institutions	9.7
Other companies	5.4
Non-profit organizations	2.7

[1] Includes nominee registered

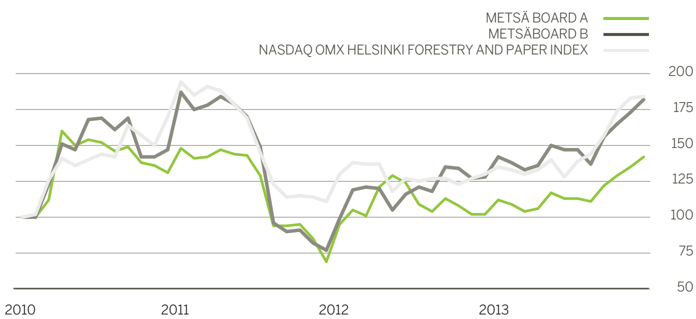
METSÄ BOARD'S VOTING RIGHTS: 31 DEC. 2013, %



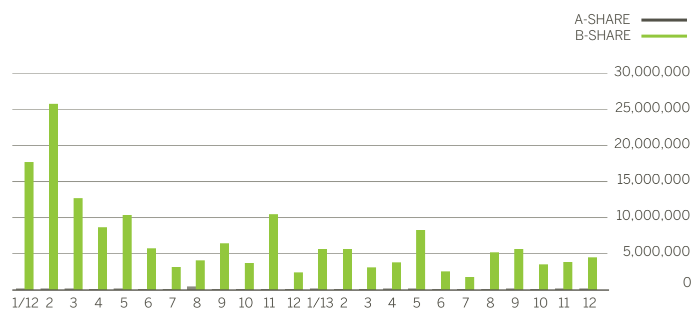
Metsäliitto Cooperative	61.6
Public sector organizations	14.8
Households	10.2
Non-profit organizations	4.3
Foreigners [1]	4.0
Financial and insurance institutions	3.2
Other companies	2.1

[1] Includes nominee registered

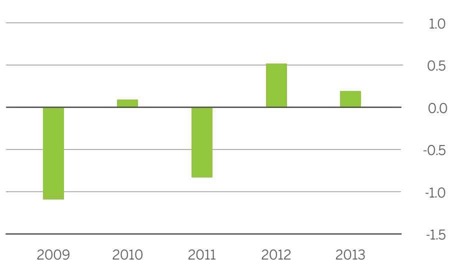
SHARE PRICE DEVELOPMENT 2010–2013: INDEX, 2010=100



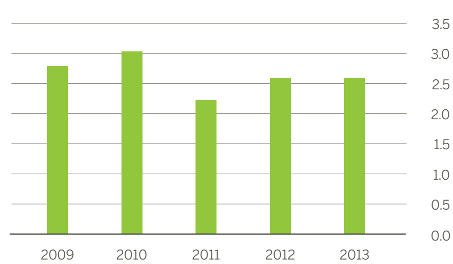
TRADED VOLUME 2012–2013



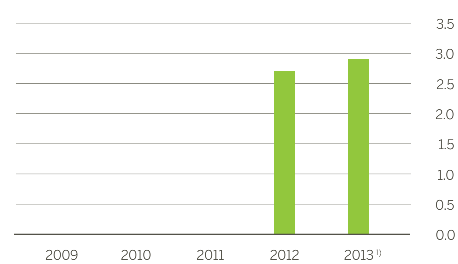
EARNINGS PER SHARE: EUR



SHAREHOLDER'S EQUITY PER SHARE: EUR



DIVIDEND YIELD: %



[1] Board's proposal to the Annual General Meeting

SHARE PERFORMANCE

		2013	2012	2011	2010	2009
Share prices, EUR						
A share	high	**3.20**	2.84	3.34	3.64	2.40
	low	**2.20**	1.52	1.49	1.93	0.54
	at year end	**3.08**	2.21	1.50	2.85	1.94
	average	**2.59**	2.34	2.87	2.85	1.52
B share	high	**3.15**	2.47	3.33	3.26	1.57
	low	**2.18**	1.33	1.16	1.46	0.19
	at year end	**3.15**	2.22	1.33	2.54	1.53
	average	**2.58**	2.00	2.18	2.44	0.66
Trading in shares, units of NASDAQ OMX Helsinki						
A share		**713,546**	992,596	1,579,107	1,968,018	1,513,161
% of total no. of A shares		**2.0**	2.7	4.3	5.4	4.2
B share		**52,692,081**	110,668,983	280,402,053	365,284,851	497,931,005
% of total no. of B shares		**18.0**	37.9	96.1	125.2	170.6
Number of shares at the year end						
A share		**35,985,651**	36,339,550	36,339,550	36,339,550	36,339,550
B share		**292,179,961**	291,826,062	291,826,062	291,826,062	291,826,062
Total		**328,165,612**	328,165,612	328,165,612	328,165,612	328,165,612
Adjusted number of shares at year end		**328,165,612**	328,165,612	328,165,612	328,165,612	328,165,612
Market capitalization of shares at year end, EUR million		**1,031.2**	728.2	442.6	844.8	517.0
Number of shareholders[1]		**40,390**	41,232	42,463	43,937	42,766

[1] Shareholders in the book entry system. Does not include nominee registered shareholders.

FIGURES PER SHARE

EUR million	2013	2012	2011	2010	2009
Calculation of earnings per share					
Result from continuing operations before tax	**57.8**	173.9	-280.9	48.1	-357.5
- non-controlling interest	**-0.2**	-0.2	-0.1	1.0	-4.4
- taxation	**6.3**	-2.6	7.8	-20.7	26.7
+ Result from discontinued operations			0	0	-23.5
= Earnings	**63.9**	171.1	-273.2	28.4	-358.7
Adjusted number of shares (average)	**328,165,612**	328,165,612	328,165,612	328,165,612	328,165,612
Earnings per share, EUR					
From continuing operations	**0.19**	0.52	-0.83	0.09	-1.02
From discontinued operations				0.00	-0.07
Earnings per share total, EUR	**0.19**	0.52	-0.83	0.09	-1.09
Shareholders' equity per share, EUR	**2.59**	2.59	2.23	3.03	2.79
Dividend per share, EUR	**0.09**[1]	0.06	0.00	0.00	0.00
Dividend per profit, %	**47.4**	11.5	-	-	-
Nominal value per share, EUR		-	-	-	-
Dividend yield, %					
Series A	**2.9**[1]	2.7	0.0	0.0	0.0
Series B	**2.9**[1]	2.7	0.0	0.0	0.0
Price/earning ratio (P/E ratio)					
Series A	**16.2**	4.3	-1.8	31.7	-1.8
Series B	**16.3**	4.3	-1.6	28.2	-1.4
P/BV , %					
Series A	**118.9**	85.3	67.3	94.1	69.5
Series B	**121.6**	85.7	59.6	83.8	54.8

[1] Board of Directors proposes that a dividend of EUR 0.09 per share is paid for 2013.

CALCULATION OF KEY RATIOS

PROFITABILITY

Return on equity (%) = $\dfrac{\text{Profit from continuing operations before tax - direct taxes}}{\text{Shareholders' equity (average)}}$

Return on capital employed (%) = $\dfrac{\text{Profit from continuing operations before tax + interest expenses, net exchange gains/losses and other financial expenses}}{\text{Total equity + interest-bearing borrowings (average)}}$

FINANCIAL POSITION

Equity ratio (%) = $\dfrac{\text{Shareholders' equity}}{\text{Total assets - advance payments received}}$

Gearing ratio (%) = $\dfrac{\text{Interest-bearing borrowings}}{\text{Shareholders' equity}}$

Net gearing ratio (%) = $\dfrac{\text{Interest-bearing borrowings - liquid funds - interest-bearing receivables}}{\text{Shareholders' equity}}$

SHARE PERFORMANCE INDICATORS

Earnings per share = $\dfrac{\text{Profit attributable to shareholders of parent company}}{\text{Adjusted number of shares (average)}}$

Shareholders' equity per share = $\dfrac{\text{Equity attributable to shareholders of parent company}}{\text{Adjusted number of shares at 31 December}}$

Dividend per share = $\dfrac{\text{Dividends}}{\text{Adjusted number of shares at 31 December}}$

Dividend per profit (%) = $\dfrac{\text{Dividend per share}}{\text{Earnings per share}}$

Dividend yield (%) = $\dfrac{\text{Dividend per share}}{\text{Share price at 31 December}}$

Price/earnings ratio (P/E ratio) (%) = $\dfrac{\text{Adjusted share price at 31 December}}{\text{Earnings per share}}$

P/BV (%) = $\dfrac{\text{Adjusted share price at 31 December}}{\text{Shareholders' equity per share}}$

Adjusted average share price = $\dfrac{\text{Total traded volume per share (EUR)}}{\text{Average adjusted number of shares traded during the financial year}}$

Market capitalization = Number of shares x market price at 31 December

OTHER KEY FIGURES

Internal financing of capital expenditure (%) = $\dfrac{\text{Net cash flow arising from operating activities}}{\text{Gross capital expenditure}}$

Interest cover = $\dfrac{\text{Net cash flow arising from operating activities + net interest expenses}}{\text{Net interest expenses}}$

Net cash flow arising from operating activities = Net cash flow arising from operating activities in the cash flow statement

PARENT COMPANY ACCOUNTS
(FINNISH ACCOUNTING STANDARDS, FAS)

INCOME STATEMENT

EUR million	Note	1 JAN.–31 DEC. 2013	1 JAN.–31 DEC. 2012
SALES	1	**1,031.9**	1,066.7
Change in stocks of finished goods and in work		**13.2**	3.4
Other operating income	2	**24.4**	224.1
Materials and services			
Raw materials and consumables			
Purchases during the financial period		**-627.4**	-642.4
Change in inventories		**-0.5**	-1.9
External services	3	**-150.3**	-148.0
		-778.2	-792.3
Employee costs	4		
Wages and salaries		**-51.6**	-51.7
Social security expenses			
Pension expenses		**-13.5**	-13.2
Other social security expenses		**-25.2**	-23.8
		-90.3	-88.6
Depreciation, amortisation and impairment charges	5		
Depreciation according to plan		**-45.8**	-50.6
Impairment charges		**2.3**	0.2
		-43.5	-50.4
Other operating expenses	6	**-100.7**	-122.4
OPERATING RESULT		**56.8**	240.5
Financial income and expenses	7		
Income from Group companies		**25.5**	35.9
Income from other non-current investments			5.7
Other interest and similar income		**16.0**	31.6
Net exchange gains/losses		**-9.1**	2.7
Write-downs on non-current investments		**-17.0**	-25.7
Other interest and similar expenses		**-61.8**	-93.1
		-46.4	-43.0
RESULT BEFORE EXTRAORDINARY ITEMS		**10.4**	197.5
Extraordinary income and expenses	8		
Extraordinary income		**19.1**	20.0
		19.1	20.0
RESULT BEFORE APPROPRIATIONS AND TAXES		**29.5**	217.5
Appropriations			
Change in depreciation differences		**-4.5**	39.3
Income taxes	9	**-2.2**	-26.8
RESULT FOR THE FINANCIAL PERIOD		**22.9**	230.1

PARENT COMPANY ACCOUNTS

BALANCE SHEET

EUR million	Note	31 DEC. 2013	31 DEC. 2012
ASSETS			
NON-CURRENT ASSETS			
INTANGIBLE ASSETS	10		
Intangible rights		**7.6**	7.4
Other capitalized expenditure		**1.6**	2.3
Advance payments		**8.1**	
		17.3	9.7
TANGIBLE ASSETS	11		
Land and water areas		**13.5**	12.3
Buildings		**111.3**	117.1
Machinery and equipment		**295.8**	315.0
Other tangible assets		**3.0**	3.3
Advance payment and construction in progress		**9.2**	10.0
		432.8	457.7
INVESTMENTS	12		
Shares in Group companies		**469.5**	474.6
Receivables from Group companies		**265.3**	264.7
Shares in associated companies		**66.0**	66.0
Receivables from associated companies		**40.6**	34.9
Other shares and holdings		**2.5**	2.0
		843.9	842.2
		1,294.0	1,309.6
CURRENT ASSETS			
Inventories			
Raw materials and consumables		**32.1**	32.6
Work in progress			
Finished goods and goods for resale		**106.9**	93.7
Advance payment		**5.6**	3.9
		144.6	130.2
RECEIVABLES	13, 14, 15, 16		
Current			
Accounts receivables		**110.1**	119.9
Receivables from Group companies		**369.0**	530.5
Receivables from associated companies		**0.1**	0.1
Other receivables		**15.8**	21.2
Prepayment and accrued income		**14.5**	10.5
		509.5	682.2
Cash and cash equivalents		**0.6**	0.8
TOTAL ASSETS		**1,948.6**	2,122.8

EUR million	Note	31 DEC. 2013	31 DEC. 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	17		
Share capital		**557.9**	557.9
Reserve for invested unrestricted equity		**284.8**	284.8
Retained earnings		**42.3**	-168.1
Result for the financial period		**22.9**	230.1
		907.8	904.6
APPROPRIATIONS			
Accumulated depreciation difference		**45.5**	41.1
PROVISIONS	18		
Provisions for pensions		**6.4**	7.4
Other provisions		**9.6**	15.8
		16.0	23.2
LIABILITIES			
NON-CURRENT	19, 20, 21		
Bond loans			87.3
Loans from financial institutions		**400.0**	0.1
Pension loans		**173.3**	131.1
Other liabilities		**2.7**	
		576.0	218.5
CURRENT	19, 20, 22, 23		
Bond loans			449.3
Loans from financial institutions			14.3
Pension loans		**38.7**	44.4
Advance payments		**6.7**	1.2
Accounts payable		**37.4**	54.2
Payables to Group companies		**244.9**	307.2
Payables to associated companies		**0.4**	0.4
Other liabilities		**21.5**	6.5
Accruals and deferred income		**53.7**	57.9
		403.3	935.4
		979.3	1,153.9
TOTAL EQUITY AND LIABILITIES		**1,948.6**	2,122.8

PARENT COMPANY ACCOUNTS

CASH FLOW STATEMENT

EUR million	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Operating result	**56.8**	240.5
Adjustments to operating result a)	**30.2**	-154.6
Change in net working capital b)	**30.0**	10.2
Interests paid and received	**-43.1**	-46.6
Dividends received	**25.5**	41.6
Other financial items	**-11.3**	-11.3
Taxes		
NET CASH FLOW FROM OPERATIONS	**88.1**	79.9
INVESTMENTS		
Acquisition of shares	**-1.5**	-28.4
Capital expenditure	**-28.3**	-36.3
Disposal of shares	**5.7**	211.4
Sale of tangible and intangible assets	**8.8**	16.9
Decrease in other non-current investments	**0.1**	-52.2
TOTAL CASH USED IN INVESTMENTS	**-15.2**	111.5
CASH FLOW BEFORE FINANCING	**72.9**	191.4
FINANCING		
Increase in non-current liabilities	**630.9**	6.0
Decrease in non-current laibilities	**-752.3**	-205.5
Increase (-) or decrease (+) in interest-bearing non-current receivables	**139.4**	24.8
Increase (-) or decrease (+) in interest-bearing current receivables	**-71.4**	-16.4
Dividends paid	**-19.7**	
TOTAL FINANCING	**-73.1**	-191.1
Change in liquid funds	**-0.2**	0.2
Liquid funds at 1 Jan.	**0.8**	0.6
LIQUID FUNDS AT 31 DEC.	**0.6**	0.8
a) Adjustments to operating result		
Depreciation	**43.5**	50.4
Gains (+) or losses (-) on sale of non-current assets	**-5.9**	-197.5
Change in provisions	**-7.3**	-7.5
Total	**30.2**	-154.6
b) Change in net working capital		
Increase (-) or decrease (+) in stocks	**-14.3**	3.2
Increase (-) or decrease (+) in non-interest bearing receivables	**32.1**	16.3
Increase (+) or decrease (-) in non-interest bearing liabilities	**12.2**	-9.3
Total	**30.0**	10.2

PARENT COMPANY ACCOUNTING POLICIES

Metsä Board Corporation's financial statements have been prepared in accordance with Finnish accounting standards (FAS).

SALES

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

EXCHANGE RATE DIFFERENCES

Foreign exchange gains and losses have been booked to net exchange gains/losses under financial income and expense. Open and actual foreign exchange differences hedging sales are recorded immediately to financial income and expenses in the income statement.

TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency have been booked 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.

PENSIONS AND PENSION FUNDING

Statutory pension security is handled by pension insurance companies outside the Group. In addition to statutory pension security, some salaried employees have supplementary pension arrangements which are either insured, arranged through the Metsäliitto Employees' Pension Foundation or are an unfunded liability of the company. The Metsäliitto Employees' Pension Foundation is fully funded based on the current value of its assets.

Pension insurance premiums have been periodized to correspond to the accrual-based wages and salaries given in the financial statements.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is recorded as an expense in the relevant financial period.

INVENTORIES

Inventories are measured at the lower of cost or net realizable value. In measuring inventories, the FIFO principle is observed or, alternatively, the weighted average price method.

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.

Straight-line depreciation according to plan is based on the estimated useful life of the asset as follows:

Buildings and constructions	20–40 years
Heavy power plant machinery	20–40 years
Other heavy machinery	15–20 years
Lightweight machinery and equipment	5–15 years
Other items	5–10 years

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

LEASING

Lease payments are treated as rental expenses.

ENVIRONMENTAL EXPENDITURE

Environmental expenditure comprises the specifiable expenses of environmental protection measures aiming primarily at combating, remedying or alleviating environmental damage.

EXTRAORDINARY INCOME AND EXPENSES

Group contribution, paid and received, are presented in the income statement as extraordinary items, only. The tax effect of extraordinary items is presented in the notes to the financial statements.

APPROPRIATIONS

Finnish tax legislation offers the possibility to deduct expenses prematurely from the profit for the financial year 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. Among such items are depreciation on property, plant and equipment in excess of plan, which is stated as a depreciation difference in the balance sheet and as a change in the depreciation difference in the income statement.

PROVISIONS

Future costs and losses to which the Group is committed and which are likely to be realized 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 and in other cases they are included in accrued liabilities. These can be, for example, the pension liability or costs of discontinued operations and restructuring costs.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

EUR million	2013	2012
1. SALES		

Owing to the Group structure, the sales of the parent company has not been broken down by segments and market.

2. OTHER OPERATING INCOME		
Rental income	**1.1**	1.4
Gains on disposal of fixed assets	**6.3**	197.3
Service revenue	**14.1**	19.0
Government grants	**1.7**	2.7
Other allowances and subsidies	**1.1**	1.0
Other	**0.1**	2.8
	24.4	224.1

3. EXTERNAL SERVICES		
Logistics expenses	**108.6**	101.9
Other external services	**41.6**	46.1
	150.3	148.0

External services include production related services and logistics expenses of sold products. Other operating expenses include among others other than production related services, energy costs, real estate costs and administration costs.

4. EMPLOYEE COSTS		
Wages and salaries for working hours	**51.6**	51.6
Pension expenses	**13.5**	13.2
Other social security expenses	**25.2**	23.8
	90.3	88.6
Salaries and emoluments paid to management		
Managing director	**0.6**	0.6
Members of the Board and deputies	**0.6**	0.6
	1.2	1.2

PRINCIPAL AUDITORS FEES

Fees paid to indepent principal auditor KPMG Oy were as follows:

Audit fees	**0.09**	0.09
Tax consultancy		
Other fees	**0.00**	0.00
	0.09	0.09

The audit fees are paid for the audit of the annual and quarterly financial statements. Tax consultancy fees are the fees paid for the caonsultancy services and the like.

EUR million	2013	2012
5. DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENT CHARGES		
Depreciation according to plan		
Intangible rights	**1.6**	2.3
Other capitalized expenditure	**0.8**	0.8
Buildings and constructions	**7.4**	7.5
Machinery and equipment	**35.7**	39.6
Other tangible assets	**0.3**	0.3
Total depreciation according to plan	**45.8**	50.6
Impairment charges		
Machinery and equipment	**-2.3**	-0.2
Change in depreciation difference	**4.5**	-39.3
Total depreciation, amortization and impairment charges	**47.9**	11.2

6. OTHER OPERATING EXPENSES		
Rents	**2.8**	2.7
Purchased services	**56.3**	62.5
Other operating expenses	**41.6**	57.3
Total	**100.7**	122.4

7. FINANCIAL INCOME AND EXPENSES		
Dividend income	**25.4**	41.6
Interest income from non-current investments	**15.4**	21.4
Other interest income	**0.6**	10.3
Write-downs on non-current investments	**-17.0**	-25.7
Interest expenses	**-53.5**	-78.2
Other financial expenses	**-8.3**	-15.1
	-37.4	-45.7
Net exchange differences	**-9.1**	2.7
Financial income and expenses, total	**-46.4**	-43.0

EXCHANGE DIFFERENCES IN INCOME STATEMENT		
Exchange differences on sales	**-1.8**	0.1
Exchange differences on purchases	**-0.1**	-0.2
Exchange differences on financing	**-7.2**	2.8
EXCHANGE DIFFERENCES, TOTAL	**-9.1**	2.7

8. EXTRAORDINARY INCOME AND EXPENSES		
Extraordinary income		
Group contribution received	**19.1**	20.0

9. INCOME TAXES		
Income taxes for the financial period	**2.2**	26.8
Income taxes for previous periods		
	2.2	26.8
Income taxes on ordinary operations	**-2.5**	21.9
Income taxes on extraordinary items	**4.7**	4.9

EUR million	2013	2012
10. INTANGIBLE ASSETS		
INTANGIBLE RIGHTS		
Acquisition costs, 1 Jan.	**103.0**	100.9
Increases	**2.8**	3.8
Transfers between items	**-2.7**	0.6
Decreases	**-1.0**	-2.4
Acquisition costs, 31 Dec.	**102.1**	103.0
Accumulated depreciation, 1 Jan.	**-95.6**	-93.6
Accumulated depreciation on deduction and transfers	**2.7**	0.3
Depreciation for the period	**-1.6**	-2.3
Accumulated depreciation, 31 Dec.	**-94.5**	-95.6
Book value, 31 Dec.	**7.6**	7.4
OTHER CAPITALIZED EXPENDITURE		
Acquisition costs, 1 Jan.	**14.9**	14.9
Increases	**0.1**	
Acquisition costs, 31 Dec.	**15.0**	14.9
Accumulated depreciation, 1 Jan.	**-12.6**	-11.7
Depreciation for the period	**-0.8**	-0.8
Accumulated depreciation, 31 Dec.	**-13.4**	-12.6
Book value, 31 Dec.	**1.6**	2.3
ADVANCE PAYMENTS		
Acquisition costs, 1 Jan.	**0.0**	
Increases	**8.1**	
Acquisition costs, 31 Dec.	**8.1**	
Book value, 31 Dec.	**8.1**	

EUR million	2013	2012
11. TANGIBLE ASSETS		
LAND AND WATER AREAS		
Acquisition costs, 1 Jan.	**12.3**	12.4
Increases	**1.5**	0.2
Decreases	**-0.3**	-0.3
Acquisition costs, 31 Dec.	**13.5**	12.3
Book value, 31 Dec.	**13.5**	12.3
BUILDINGS		
Acquisition costs, 1 Jan.	**270.7**	265.5
Increases	**0.5**	5.7
Transfers between items	**1.0**	0.4
Decreases	**-0.1**	-0.9
Acquisition costs, 31 Dec.	**272.1**	270.7
Accumulated depreciation, 1 Jan.	**-153.6**	-146.8
Accumulated depreciation on deduction and transfers	**0.1**	0.7
Depreciation for the period	**-7.4**	-7.5
Accumulated depreciation, 31 Dec.	**-160.8**	-153.6
Book value, 31 Dec.	**111.3**	117.1
MACHINERY AND EQUIPMENT		
Acquisition costs, 1 Jan.	**1,269.9**	1,232.7
Increases	**12.8**	19.7
Transfers between items	**7.9**	18.1
Decreases	**-7.6**	-0.7
Acquisition costs, 31 Dec.	**1,283.0**	1,269.9
Accumulated depreciation, 1 Jan.	**-954.9**	-916.1
Accumulated depreciation on deduction and transfers	**1.2**	0.5
Depreciation and impairment charges for the period	**-33.4**	-39.4
Accumulated depreciation, 31 Dec.	**-987.2**	-954.9
Book value, 31 Dec.	**295.8**	315.0
Production machinery and equipment, 31 Dec.	**295.8**	309.6
OTHER TANGIBLE ASSETS		
Acquisition costs, 1 Jan.	**9.0**	9.0
Increases		
Decreases		
Acquisition costs, 31 Dec.	**9.0**	9.0
Accumulated depreciation, 1 Jan.	**-5.7**	-5.4
Accumulated depreciation on deduction and transfers		
Depreciation for the period	**-0.3**	-0.3
Accumulated depreciation, 31 Dec.	**-6.0**	-5.7
Book value, 31 Dec.	**3.0**	3.3
CONSTRUCTION IN PROGRESS		
Acquisition costs, 1 Jan.	**10.0**	19.5
Increases	**5.3**	9.6
Transfers between items	**-6.3**	-19.0
Decreases	**0.2**	
Acquisition costs, 31 Dec.	**9.2**	10.0
Book value, 31 Dec.	**9.2**	10.0

The undepreciated portion of capitalized interest expenses under the balance sheet item “Machinery and equipment” it was EUR 0.6 million (2012: EUR 1.0 million). There were no capitalized interest expenses during the 2013 financial year (2012: EUR 0,0 million).

EUR million	2013	2012
12. INVESTMENTS		
SHARES IN GROUP COMPANIES		
Acquisition costs, 1 Jan.	**474.6**	477.2
Increases		23.1
Decreases	**-5.1**	
Write-downs		-25.7
Acquisition costs, 31 Dec.	**469.5**	474.6
Book value, 31 Dec.	**469.5**	474.6
SHARES IN ASSOCIATED COMPANIES		
Acquisition costs, 1 Jan.	**66.0**	89.2
Decreases		-23.2
Acquisition costs, 31 Dec.	**66.0**	66.0
Book value, 31 Dec.	**66.0**	66.0
OTHER SHARES AND HOLDINGS		
Acquisition costs, 1 Jan.	**34.9**	34.2
Increases	**5.7**	5.3
Decreases		-4.7
Acquisition costs, 31 Dec.	**40.6**	34.9
Book value, 31 Dec.	**40.6**	34.9
RECEIVABLES FROM GROUP COMPANIES		
Acquisition costs, 1 Jan.	**264.7**	214.5
Increases	**17.6**	50.2
Write-downs	**-17.0**	
Acquisition costs, 31 Dec.	**265.3**	264.7
Book value, 31 Dec.	**265.3**	264.7
OTHER RECEIVABLES		
Acquisition costs, 1 Jan.	**2.0**	
Increases	**0.5**	2.0
Decreases		
Acquisition costs, 31 Dec.	**2.5**	2.0
Book value, 31 Dec.	**2.5**	2.0
INVESTMENTS, TOTAL		
Acquisition costs, 1 Jan.	**842.2**	815.1
Increases	**23.8**	80.7
Decreases	**-5.1**	-27.9
Write-downs	**-17.0**	-25.7
Acquisition costs, 31 Dec.	**843.9**	842.2
Book value, 31 Dec.	**843.9**	842.2

13. LOAN RECEIVABLES FROM MANAGEMENT

There are no loan receivables from the managing directors, members of the Board of Directors and their deputies as well as persons belonging to similar bodies.

EUR million	2013	2012
14. CURRENT RECEIVABLES		
Receivables from Group companies		
Accounts receivables	**6.6**	7.0
Loan receivables	**315.4**	472.9
Other receivables	**40.0**	42.3
Prepayment and accrued income	**7.0**	8.2
Receivables from associated companies		
Accounts receivables	**0.1**	0.1
Receivables from others		
Accounts receivables	**110.1**	119.9
Other receivables	**15.8**	21.2
Prepayment and accrued income	**14.5**	10.5
	509.5	682.2
15. PREPAYMENT AND ACCRUED INCOME		
Insurance	**1.1**	0.1
Taxes	**0.0**	2.2
Discounts	**13.3**	8.2
	14.5	10.5
16. INTEREST-BEARING RECEIVABLES		
Loan receivables and other non-current assets	**267.7**	266.7
Liquid funds and other current assets	**316.0**	473.7
	583.7	740.4
17. SHAREHOLDERS' EQUITY		
Share capital, 1 Jan.		
Series A shares	**61.8**	61.8
Series B shares	**496.1**	496.1
Share capital, 1 Jan.	**557.9**	557.9
A conversion of A-shares into B-shares		
Series A shares	**-0.6**	
Series B shares	**0.6**	
Total		
Share capital, 31 Dec.		
Series A shares	**61.2**	61.8
Series B shares	**496.7**	496.1
Share capital, 31 Dec.	**557.9**	557.9
Reserve for invested unrestricted equity 1 Jan.	**284.8**	284.8
Reserve for invested unrestricted equity 31 Dec.	**284.8**	284.8
Retained earnings, 1 Jan.	**62.0**	-168.1
Dividends	**-19.7**	
Profit for the period	**22.9**	230.1
Retained earnings, 31 Dec.	**65.2**	62.0
Shareholders' equity, total	**907.8**	904.6

EUR million	1 Jan.	Increase	Decrease	31 Dec.
18. PROVISIONS				
Provisions for pension	2.5		-0.2	2.3
Provisions for unemployment pension costs	4.9		-0.8	4.1
Restucturing	1.5		-1.5	
Provision for rental costs	3.1		-1.1	2.0
Other provisions	11.2		-3.7	7.5
	23.3		-7.3	16.0

EUR million	2013	2012
19. LIABILITIES		
Non-current		
Non-interest-bearing	**2.7**	
Interest-bearing	**573.3**	218.5
	576.0	218.5
Current		
Non-interest-bearing	**161.4**	152.8
Interest-bearing	**241.9**	782.6
	403.3	935.4

Bonds	Interest-%	EUR million
2002–2014	9.4	87.3
2006–2013	8.75	449.3
Total		536.6

EUR million	2013	2012
20. NON-CURRENT DEBTS WITH AMORTIZATION PLAN		
Bonds		
2013		449.3
2014		87.3
Total, at the end of the financial period		536.6
Loans from financial institutions		
2013		14.3
2014		0.1
2015		
2016	**350.0**	
2017	**50.0**	
Total, at the end of the financial period	**400.0**	14.4
Pension loans		
2013		44.4
2014	**38.7**	28.5
2015	**22.8**	18.5
2016	**31.8**	18.5
2017	**31.8**	18.5
2018	**31.8**	47.1
2019	**55.1**	
Total, at the end of the financial period	**212.0**	175.5
Total		
2013		507.7
2014	**38.7**	116.1
2015	**22.8**	18.5
2016	**381.8**	18.5
2017	**81.8**	18.5
2018	**31.8**	47.1
2019	**55.1**	
Total, at the end of the financial period	**612.0**	726.4
21. NON-CURRENT LIABILITIES		
Other liabilities		
Bonds		87.3
Loans from financial institutions	**400.0**	0.1
Pension loans	**173.3**	131.1
Other liabilities	**2.7**	
	576.0	218.5
22. CURRENT LIABILITIES		
Liabilities from Group companies	**244.9**	307.2
Liabilities from associated companies	**0.4**	0.4
Other liabilities		
Bonds		449.3
Loans from financial institutions		14.3
Pension loans	**38.7**	44.4
Advance payment	**6.7**	1.2
Accounts payable	**37.4**	54.2
Other liabilities	**21.5**	6.5
Accruals and deferred income	**53.7**	57.9
	403.3	935.4

EUR million	2013	2012
23. ACCRUALS AND DEFERRED INCOME		
Current		
Insurance	**4.2**	4.1
Personnel expenses	**13.9**	15.1
Interests	**5.8**	11.4
Accruals of purchases	**8.1**	7.7
Freight costs		0.6
Discounts	**12.5**	12.6
Others	**9.2**	6.4
	53.7	57.9
24. CONTINGENT LIABILITIES		
For own liabilities		
Liabilities secured by pledges		
Loans from financial institutions	**368.0**	
Pension loans	**72.5**	67.5
Pledges granted	**504.5**	51.5
Liabilities secured by corporate mortgages		
Corporate mortgages	**600.0**	
Liabilities secured by mortgages		
Pension loans	**133.6**	108.1
Real estate mortgages	**832.8**	108.1
As security of own commitments		
Pledges		13.4
Guarantees and counter-indemnities	**25.9**	1,064.3
On behalf of associated companies		
Guarantee liabilities	**0.2**	0.0
On behalf of others		
Guarantees		3.1
Other liabilities	**9.0**	9.4
Leasing commitments		
Payments due in the following year	**1.4**	1.1
Payments due in subsequent years	**3.2**	1.3
Total		
Pledges	**504.5**	64.9
Corporate mortgages	**600.0**	
Real estate mortgages	**832.8**	108.1
Guarantees and counter-indemnities	**26.1**	1,067.4
Other commitments	**9.0**	9.4
Leasing liabilities	**4.6**	2.4
	1,977.0	1,252.1

The increase of commitments is related to EUR 600 million syndicated credit agreement signed in May 2012, of which EUR 500 million was drawn in April 2013. Share pledges, real estate mortgages and a corporate mortgage (EUR 600 million) were used as collateral. Metsä Board prepaid the EUR 150 million term loan of the syndicated credit facility agreement that took effect in April. The original due date would have been 30 June 2014. The syndicated credit liability include in as a whole liabilities secured by pledges.

PENDING DISPUTES

In November 2012, UPM-Kymmene Corporation initiated arbitration proceedings against Metsä Board. In the arbitration proceedings, UPM is primarily claiming EUR 58.5 million in damages and secondarily the reimbursement of an alleged unjustified benefit of EUR 58.5 million jointly from Metsäliitto Cooperative and Metsä Board. The claim is based on an alleged breach of the co-sale clause of the Metsä Fibre shareholder agreement signed in 2009. Metsä Board denies UPM's claim as unfounded in its entirety and is not making any provisions because of it. The claim has no impact on the transaction with Itochu or cooperation between the parties, and is not associated with commercial agreements entered into with Itochu.The end result of the dispute initiated by UPM will be communicated after the Arbitration Court has issued its resolution on the matter, which is expected to take place in the first quarter of 2014.

EUR million	2013	2012
25. ENVIRONMENTAL ITEMS		
Income statement		
Materials and consumables	**4.0**	4.2
Employees costs		
Wages and salaries	**0.6**	0.7
Social security costs	**0.3**	0.3
Depreciation	**2.5**	3.1
Other operating charges		1.3
	7.4	9.6
Balance sheet		
Intangible and tangible assets		
Acquisition costs, 1 Jan.	**69.2**	69.0
Increases	**0.5**	1.5
Decreases	**-1.2**	-1.2
Depreciation	**-38.7**	-38.6
Book value, 31 Dec.	**29.8**	30.7
Provisions		
Other provisions	**7.5**	11.2

Only additional identifiable costs that are primarily intended to prevent, reduce or repair damage to the environment are included environmental costs. Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits.

THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The distributable funds of the parent company are EUR 349,931,980.08 of which the result for the period is EUR 22,889,255.18. The Board of Directors proposes to the Annual General Meeting that the distributable funds be distributed as follows

A dividend of EUR 0.09 per share be paid, or in total	29,534,905.08
To be transferred to the shareholders' equity	320,397,075.00
	349,931,980.08

The Board of Directors proposes that the dividend will be paid on 15 April 2014.

No material changes have been taken place in respect of the company´s financial position after the balance sheet date.
The liquidity of the company is good.

Espoo, 6 February 2014

Kari Jordan	Martti Asunta	Mikael Aminoff
Kirsi Komi	Kai Korhonen	Liisa Leino
Juha Niemelä	Veli Sundbäck	Erkki Varis

Mikko Helander
CEO

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF METSÄ BOARD CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Metsä Board Corporation for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director 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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

OTHER OPINIONS

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki, 10 February 2014

KPMG OY AB

Raija-Leena Hankonen
KHT

CORPORATE GOVERNANCE STATEMENT

This statement describing the corporate governance of Metsä Board Corporation (Metsä Board or Company) has been issued as a separate statement pursuant to Section 6 of Chapter 2 of the Securities Markets Act and is published concurrently with the Company's financial statements and Report of the Board of Directors.

Metsä Board is a Finnish public limited company whose A and B series shares are subject to public trading on the Mid Cap list of NASDAQ OMX Helsinki Ltd. (Helsinki Stock Exchange). Metsä Board's administration is governed by Finnish laws and the regulations and rules set out pursuant to such laws. Metsä Board also follows the rules and recommendations of the Helsinki Stock Exchange as applicable to listed companies.

Metsä Board prepares its financial statements and interim reports according to the International Financial Reporting Standards (IFRS). The financial statement documents are prepared and published in Finnish and English.

Metsä Board's headquarters are located in Espoo, Finland. The Company's registered domicile is Helsinki.

METSÄ BOARD'S ADMINISTRATION AND GOVERNANCE STRUCTURE

The Company's statutory bodies include the General Meeting of Shareholders, the Board of Directors and the CEO. In addition, a Corporate Management Board assists the CEO in the operative management of the Company and in coordinating its operations. Members of the management board are not members of the Board of Directors. The tasks and responsibilities of the different bodies are specified pursuant to the Finnish Companies Act.

In Metsä Board's existing organisation, business areas are defined such that each business area is responsible for its own sales as well as production, and thus has a clear profit responsibility. Metsä Board's business areas are Cartonboard as well as Linerboard and Paper, each of which has a responsible manager and management team.

APPLICATION OF THE FINNISH CORPORATE GOVERNANCE CODE

As a Finnish listed company, Metsä Board applies the Finnish Corporate Governance Code (www.cgfinland.fi). This statement is compliant with recommendation 51 of the code. Currently Metsä Board does not deviate from any single recommendation of the code.

CORPORATE GOVERNANCE IN METSÄ BOARD

GENERAL MEETING

The General Meeting of Shareholders is the Company's highest decision-making body where shareholders use their decision-making power. Each shareholder is entitled to participate in a General Meeting by following the procedure described in the notice to the General Meeting.

According to the Finnish Companies Act, the General Meeting decides on the following matters, among others:

- amending the Articles of Association
- approving the financial statements
- profit distribution
- mergers and demergers
- acquisition and transfer of own shares
- appointing the members of the Board and specifying their and Board committee members' compensation appointing the auditor and specifying its compensation.

Shareholders are entitled to put forward a matter pertaining to the General Meeting to be addressed when the shareholder delivers a written request to this effect so well in advance that the matter can be included in the notice to the meeting. In addition, the shareholder has a right to present questions on the items on the agenda of the General Meeting. A shareholder is entitled to participate in a General Meeting when he/she is included in the register of shareholders eight (8) working days before the General Meeting. An Annual General Meeting takes place each year in June at the latest. Notice to a General Meeting is served at the earliest three months and at the latest three weeks before the meeting by publishing it on the Company's website and by publishing the notice or a summary thereof in a Finnish newspaper of general circulation.

An Extraordinary General Meeting will convene if the Board finds it necessary, or if the auditor or shareholders representing at least 10 per cent of all shares deliver a written request to this effect in order to process a specified matter.

BOARD OF DIRECTORS

The Board of Directors is responsible for the company's administration and arranging the company's operations properly according to applicable laws, the Articles of Association and good corporate governance. Taking into account the scope and quality of the company's operations, the Board takes care of matters that are far-reaching and unusual, and do not belong to the company's day-to-day business operations. The Board supervises Metsä Board's operations and management and decides on strategy, major investments, the company's organisation structure and significant financing matters. The Board supervises the proper arrangement of the company's operations, and ensures that accounting and asset management control, financial reporting and risk management have been organised in an appropriate manner.

For its operation, the Board has a written working order. In accordance with its working order, the Board's tasks include:

- appointing the CEO and accepting the appointment of Corporate Management Board members, and ensuring that the CEO takes care of the company's day-to-day administration according to the regulations and guidelines given by the Board
- appointing members to the Audit, Nomination and Compensation Committees and accepting their working orders
- processing and accepting the corporate strategy and its main policies
- accepting the annual operational plan
- monitoring how company accounting, asset management and risk control are arranged
- deciding on significant investments, business acquisitions, divestments and closures of operations
- deciding on considerable investments and financing arrangements
- deciding on the surrender and pledging of the company's significant real property
- deciding on the granting of donations, or on the CEO's authority concerning them
- granting and cancelling the right to represent the company and the authority to sign on behalf of the company
- monitoring that the company's Articles of Association are complied with; convening the General Meeting and monitoring that the decisions made by the Annual General Meeting are implemented
- signing and presenting the annual financial statements to the Annual General Meeting for approval, and preparing a proposal for the use of profits
- approving the essential policies, regulations and guidelines governing the business operations
- deciding on who are permanent insiders in the company and accepting the company's insider rules
- publishing or authorizing the CEO to publish all such information that is likely to have an impact on the company's share value, or which otherwise has to be made public according to the Finnish Securities Markets Act.

The working order of the Board of Directors is presented in full on the Metsä Board website (www.metsaboard.com/Investors/Corporate Governance). The Board can delegate matters in its general responsibility to the CEO and correspondingly take charge of decision-making in a task that belongs to the CEO.

On an annual basis, the Board assesses its own operations and the company's administration principles and decides on necessary changes, if any.

The Board convenes on a regular basis. In the financial year 2013, the Board held a total of 14 meetings, four of which were phone meetings. The attendance rate of the members was 98 per cent (98 per cent in 2012 and 94 per cent in 2011).

COMPOSITION AND INDEPENDENCE OF THE BOARD OF DIRECTORS

The composition and number of members of the Board of Directors must facilitate effective fulfilment of the Board's tasks. The composition of the Board of Directors takes into account the development phase of the Company, the special requirements of the industry and the needs of the Company's operations. Both sexes are represented in the Board of Directors. A member of the Board must possess the competence required by the task and the opportunity to allocate sufficient time for the task.

According to the Articles of Association, a minimum of five and a maximum of ten regular members shall be appointed to the Board of Directors by the shareholders by the Annual General Meeting for a one-year period at a time. The number of consecutive terms is not limited. At present, the Board has nine regular members. The Board appoints a Chairman and a Vice Chairman from among its members. The Annual General Meeting of 2013 appointed the following persons as members of the Board of Directors:

Mr Kari Jordan, born 1956, Chairman, M.Sc. (Econ.)
Mr Martti Asunta, born 1955, Vice Chairman, M.Sc. (For.)
Mr Mikael Aminoff, born 1951, M.Sc. (For.)
Ms Kirsi Komi, born 1963, independent member, L.L.M.
Mr Kai Korhonen, born 1951, independent member, M.Sc. (Eng.), eMBA
Ms Liisa Leino, born 1960, independent member, M.Sc. (Nutrition)
Mr Juha Niemelä, born 1946, independent member, M.Sc. (Econ.)
Mr Veli Sundbäck, born 1946, independent member, L.L.M.
Mr Erkki Varis, born 1948, independent member, M.Sc. (Eng.)

A majority of the members of the Board of Directors are independent of both the Company and its significant shareholders.

The Board's Nomination and Compensation committee proposes to the Annual General Meeting convened for April 2, 2014 that all current Board members be re-elected for a new term. Further information on existing and proposed Board members is available on the Company's website at (www.metsaboard.com/Investors/Corporate Governance).

To assess the independence and impartiality of the members of the Board of Directors, the members shall notify the company of circumstances that may have an impact on the member's ability to act without conflict of interest. In situations where the Board of Directors processes a business or other contractual relationship or connection with Metsäliitto Cooperative or its other subsidiary, the Board of Directors acts, if necessary, without those of its members who are dependent on Metsäliitto Cooperative.

BOARD COMMITTEES

Board committees provide assistance to the Board of Directors, preparing matters for which the Board is responsible. The Board of Directors appoints an Audit Committee and a Nomination and Compensation Committee from among its members. Every year after the Annual General Meeting, the Board of Directors appoints each committee's chairman and members. The Board of Directors and its committees can also seek assistance from external advisors.

Final decisions concerning matters related to the tasks of the committees are made by the Board of Directors on the basis of committee proposals, excluding proposals made directly to the General Meeting by the Nomination and Compensation Committee.

AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board of Directors in ensuring that the company's financial reporting, calculation methods, annual financial statements and other financial information made public by the Company are correct, balanced, transparent and clear. On a regular basis, the Audit Committee reviews the internal control and management systems and monitors the progress of financial risk reporting and the auditing of the accounts. The Audit Committee assesses the efficiency and scope of internal auditing, the company's risk management, key risk areas and compliance with applicable laws and regulations. The committee gives a recommendation to the Board concerning the appointment of auditors to the Company. The Audit Committee also processes the annual plan for internal auditing and the reports prepared on significant auditing.

The Audit Committee consists of four Board members who are independent of the Company and its significant shareholders. Since the Annual General Meeting of 2013, Kai Korhonen has been chairman of the Audit Committee with Kirsi Komi, Veli Sundbäck and Erkki Varis as members.

The committee members must have adequate expertise in accounting and financial statement policies. The Audit Committee convenes on a regular basis, at least four times a year, including meeting with the company's auditor. The committee chairman provides the Board with a report on every meeting of the Audit Committee. The tasks and responsibility areas have been specified in the committee's working order which the Board has approved (www.metsaboard.com/Investors/Corporate Governance).

When necessary, the following persons are also represented in the Audit Committee meetings as summoned by the Committee: the auditor, Chief Executive Officer and Chief Financial Officer as well as other management representatives and external advisors.

The Audit Committee convened four times during 2013 and the attendance rate of the members was on average 100 per cent (94 per cent in 2012 and 100 per cent in 2011).

NOMINATION AND COMPENSATION COMMITTEE

The task of the Nomination and Compensation Committee is to assist the Board of Directors in matters related to the appointment and compensation of the company's CEO, a possible Deputy CEO and the senior management and prepare matters related to the reward schemes for management and employees. In addition, the Committee prepares for the Annual General Meeting a proposal on the number of Board members, Board composition and Board member compensation. The Committee also recommends, prepares and proposes to the Board the CEO's (and a Deputy CEO's) nomination, salary and compensation, and further evaluates and provides the Board and the CEO with recommendations concerning management rewards and compensation systems.

The Committee consists of five Board members. It convenes on a regular basis at least four times a year. The Committee chairman presents the proposals issued by the Committee to the Board. The tasks and responsibilities of the Nomination and Compensation committee have been specified in the committee's working order, which the Board approves (www.metsaboard.com/Investors/CorporateGovernance).

Since the Annual General Meeting of 2013, Kari Jordan has been chairman of the Nomination and Compensation Committee with Mikael Aminoff, Martti Asunta, Liisa Leino and Juha Niemelä as members.

The Nomination and Compensation Committee convened six times during 2013 and the attendance rate of the members was on average 93 per cent (88 per cent in 2012 and 93 per cent in 2011).

CHIEF EXECUTIVE OFFICER

CEO Mikko Helander, born 1960, M.Sc. (Eng.), is responsible for the daily management of the Company's administration according to the guidelines and instructions given by the Board. In addition, the CEO is responsible for ensuring that the Company's accounting has been carried out according to applicable laws and that asset management has been organised in a reliable manner. The CEO manages the Company's daily business and is responsible for controlling and steering the business areas.

The CEO has a written CEO contract approved by the Board. The Board monitors the CEO's performance and provides a performance evaluation once a year.

The contractual retirement age of the CEO is 62 years. The Company has commissioned an additional pension insurance policy for the CEO, covering the period between the contractual retirement and the statutory retirement age of 63 years and entitling the CEO to receive pension compensation equal to 60 per cent of his salary at the time of retirement. According to Finnish pension legislation, a person has the option to retire between the ages of 63 to 68.

The Board appoints and discharges the CEO. The Board can discharge the CEO without a specific reason. The CEO can also resign from his assignment. The mutual term of notice is six months. The Board may, however, decide to discharge the CEO without a period of notice.

When the service contract of the CEO is terminated by the Board, the CEO is entitled to receive discharge compensation equal to his 18-month salary. In addition, in case the Company is divested, the CEO is entitled to resign from his assignment against discharge compensation equal to his 24-month salary

DEPUTY TO THE CEO

The Board can at its discretion appoint a Deputy to the CEO. The Deputy to the CEO is responsible for carrying out the CEO's tasks when the CEO is unable to perform his duties. For the time being no Deputy to the CEO has been appointed.

CORPORATE MANAGEMENT BOARD

In the operative management of Metsä Board, the CEO is assisted by the Corporate Management Board, which consists of Mikko Helander, CEO, together with business area executives Ari Kiviranta (Cartonboard) and Seppo Puotinen (Linerboard and Paper). In addition, Markus Holm, CFO, Sari Pajari, SVP Business Development and Jani Suomalainen, SVP, Purchasing are members of the Corporate Management Board.

Each Corporate Management Board member has a written employment or service contract, With the exception of the CEO members of the Corporate Management Board have no extraordinary pension arrangements which would deviate from applicable pension legislation. With the exception of the CEO, the term of notice of Corporate Management Board members is six months.

The Corporate Management Board's tasks and responsibilities include planning investments, specifying and preparing the Company's strategic guidelines, allocating resources, controlling routine functions as well as preparing several matters to be reviewed by the Board.

The Corporate Management Board convenes at the Chairman's invitation once a month, as a rule, and also otherwise when necessary.

On 31 December 2013, neither Board members nor the CEO or the Deputy to the CEO had monetary loans from the Company or its subsidiaries, and no security arrangements existed between them.

INTERNAL CONTROL, INTERNAL AUDITING AND RISK MANAGEMENT

Profitable business requires that operations are monitored continuously and with adequate efficiency. Metsä Board's internal management and control procedure is based on the Finnish Companies Act, regulations and recommendations for listed companies, the Articles of Association and the company's own approved principles and policies. The functionality of the company's internal control is evaluated by the company's internal auditing. Internal control is carried out throughout the organisation. Internal control methods include internal guidelines and reporting systems.

The following describes the principles, objectives and responsibilities of Metsä Board's internal control, risk management and internal auditing.

INTERNAL CONTROL

Being a listed company, Metsä Board's internal control is steered by the Finnish Companies Act and the Securities Market Act, other laws and regulations applicable to the operations and the rules and recommendations of the Helsinki Stock Exchange, including the Corporate Governance Code. External control is carried out by Metsä Board's auditor and the authorities.

In Metsä Board, internal control covers financial reporting and other monitoring. Internal control is implemented by the Board and operative management as well as the entire personnel. Internal control aims to ensure achieving the goals and objectives set for the company; economical, appropriate and efficient use of resources; correct and reliable financial information and other management information; adherence to external regulations and internal policies; security of operations, information and property in an adequate manner; and the arrangement of adequate and suitable manual and IT systems to support operations.

Internal control is divided into (i) proactive control, such as the specification of corporate values, general operational and business principles; (ii) daily control, such as operational systems and work instructions related to operational steering and monitoring; and (iii) subsequent control, such as management evaluations and inspections, comparisons and verifications with the aim of ensuring that the goals are met and that the agreed operational and control principles are followed. The corporate culture, governance and the approach to control together create the basis for the entire process of internal control.

MONITORING OF THE FINANCIAL REPORTING PROCESS, CREDIT CONTROL AND AUTHORISATION RIGHTS

The financial organisations of the business areas and the central administration are responsible for financial reporting. The units and business areas report the financial figures each month. The business areas' control functions check their units' monthly performance and report them further to central administration. Business area profitability development and business risks and opportunities are discussed in monthly meetings attended by senior management of the Company and of the business area in question. The result will be reported to the Board and the Corporate Management Board each month. The Company's internal guidelines provide detailed descriptions on the reporting and control rules and the reporting procedure.

Credit control in Metsä Board has been centralised under a Credit Committee, which convenes at least each quarter. The development of trade receivables is monitored in each sales company by credit controllers under the supervision of the Group VP of Credits. Counterparty-specific credit limits are set within the boundaries of the credit policy confirmed by the Board in cooperation with centralised credit control and business area management. The development of credit risks is reported to the Board on a regular basis.

Authorisation rights concerning expenses, significant contracts and investments have been specified continuously for different organisation levels according to the decision-making authority policy confirmed by the Board and the authority separately granted by the CEO and other management personnel. Investment follow-up is carried out by the Group's financial administration according to the investment policy confirmed by the Board. After pre-approval, investments are taken to the management teams of the business areas and the Corporate Management Board within the framework of the annual investment plan. Most significant investments are separately submitted for Board approval. Investment follow-up reports are compiled each quarter.

INTERNAL AUDITING

Internal auditing assists the Board and CEO with their control tasks by evaluating the quality of internal control maintained in order to achieve the Company's objectives. In addition, internal auditing supports the organisation by evaluating and ensuring the functionality of business processes, risk management and the management and administration systems.

The key task of internal auditing is to assess the efficiency and suitability of internal control concerning the company's functions and units. In its assignment, internal auditing evaluates how well the operational principles, guidelines and reporting systems are adhered to, how property is protected and how efficiently resources are used. Internal auditing also acts as an expert in development projects related to its task area and prepares special reports at the request of the Audit Committee or operative management.

Internal auditing operates under the supervision of the Audit Committee and the CEO. Audit observations, recommendations and the progress of measures are reported to the management of the target audited, the company management and the auditor. Every six months, internal auditing reports its auditing measures, plans and operations to the Audit Committee.

The action plan of internal auditing is prepared for one calendar year at a time. The aim is to allocate the auditing to all functions and units at certain intervals. Auditing is annually allocated to areas that are in a key position regarding the evaluated risk and the company's objectives at the time. The topicality and appropriateness of the action plan are processed with the Company's management every six months.

The scope and coordination of the auditing operations are ensured through regular communication and information exchange with other internal assurance functions and the auditor. When necessary, internal auditing uses external service providers for temporary additional resourcing or special expertise for carrying out demanding evaluation tasks.

RISK MANAGEMENT

Risk management is an essential part of Metsä Board's standard business planning and leadership. Risk management belongs to daily decision-making, operations follow-up and internal control, and it promotes and ensures that the objectives set by the Company are met.

Linking business management efficiently with risk management is based on the operational principles confirmed by the Board; 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 of Metsä Board's insurance coverage.

The most crucial objective of risk management is to identify and evaluate those risks, threats and opportunities which 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 normal operational planning. The risks identified and their control is reported to the company's management, Audit Committee and the Board at least twice a year. Business risks also involve opportunities, and they can be utilised 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 in Metsä Board are divided among different functions. The Board is responsible for the Company's risk management and approves the Company's risk management policy; the Audit Committee evaluates the levels and procedures of the Company's risk management and the essential risk areas and provides the Board with related proposals. The CEO and the Management Board 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 Vice President of Risk Management reports to the CFO and is responsible for the Company's risk management process development, coordination, the implementation of risk evaluation and the essential insurance decisions. Business areas and support 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.

Metsä Board's essential risk management elements include implementing a comprehensive corporate risk management process that supports the entire business, protecting property and ensuring business continuity, corporate 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 which are financially or otherwise significant.

The tasks of Metsä Board's risk management are to

- ensure that all identified risks with an impact on personnel, customers, products, property, information assets, corporate image, corporate responsibility and operational capacity are controlled according to applicable laws and on the basis of best available information and financial aspects
- ensure that the company'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 the company's overall risk exposure and minimise the overall risks.

The most significant risks and uncertainties that the company is aware of are described in the Report of the Board of Directors.

AUDIT

According to Metsä Board's Articles of Association, the company has one auditor who shall be an auditing firm authorised by the Central Chamber of Commerce of Finland. The General Meeting appoints the auditor each year. The Audit Committee together with the Audit Committee of the parent entity Metsäliitto Cooperative arranged in 2011 a tender for the auditing services. As a result of the competition, the Company's long-term auditor PricewaterhouseCoopers Oy was changed to KPMG Oy Ab. Pursuant to the decision of the Annual General Meeting of 2013, KPMG Oy Ab acts as the Company's auditor and has appointed Raija-Leena Hankonen, APA, as the auditor with main responsibility. The Audit committee controls the appointment procedure of the auditors and provides the Board and the General Meeting with a recommendation for the appointment of the auditor.

In 2013, KPMG Oy Ab received EUR 186,953 (EUR 187,025 in 2012 and PricewaterhouseCoopers EUR 306,000 in 2011) in auditing compensation, KPMG internationally received altogether EUR 455,054 (EUR 478,847 in 2012 and PricewaterhouseCoopers Oy EUR 741,000 in 2011) and other auditing firms outside Finland were paid EUR 49,246 (EUR 37,001 in 2012 and EUR 72,000 in 2011). In addition, KPMG has received EUR 3,500 (EUR 5,211 in 2012 and PricewaterhouseCoopers EUR 443,000 in 2011) for services not related to the actual auditing of the accounts.

SALARY AND REMUNERATION REPORT

This salary and remuneration report of Metsä Board Corporation (Metsä Board or the Company) has been issued pursuant to Recommendation 47 of the Finnish Corporate Governance Code of June 15, 2010 and its latest update has been published on the Company's website in March 2014. In accordance with the Company's practice the salary and remuneration report is updated two times every calendar year as a starting point, however, always in March in connection with the annual Corporate Governance Statement.

DECISION-MAKING AND PRINCIPLES OF REMUNERATION

The purpose of the management's compensation system is to compensate management in a fair and competitive way for a successful and profitable implementation of the Company's strategy. The objective of remuneration is also to encourage management in the development of the Company's strategy and business to thereby act for the benefit the Company in the long run.

The Board of Directors approves the salary and compensation of the CEO and the principles applied in the compensation of other Corporate Management Board members. The Board further approves the structures and basis as well as applicable measures for the Company's remuneration and incentive schemes. The Nomination and Compensation Committee assists the Board in matters relating to management remuneration, conditions of employment and engagement of management members as well as prepares Board decisions relating to management remuneration. The CEO acting in cooperation with the Chairman of the Board decides on matters related to the compensation of other senior management members in accordance with the principles approved and guidance issued by the Board.

FINANCIAL BENEFITS

BOARD OF DIRECTORS

The Annual General Meeting held in March 2013 resolved to maintain the annual remuneration of the members of the Board of Directors unchanged. Thus, the Chairman received an annual remuneration of EUR 76,500, the Vice Chairman EUR 64,500 and members EUR 50,400. One half of the remuneration was decided to be paid in cash while the other half was to be paid in the Company's B-series shares to be acquired from the stock exchange between 1 and 30 April 2013. As a result, the Chairman received 16,351, the Vice Chairman 13,786 and each Board member 10,772 B-series shares. The amount of the cash consideration corresponds to the estimated withholding tax. In addition, the Annual General Meeting resolved to pay to the members a remuneration of EUR 600 per each attended Board and committee meeting. The Nomination and Compensation Committee of the Board of Directors proposes to the Annual General Meeting convening on April 2, 2014 that the remuneration be kept unchanged and also that the practice of paying the remuneration in shares and in cash be continued. Board remuneration has been paid in shares and cash since 2009. In addition, the Nomination and Compensation Committee proposes that an additional monthly compensation of EUR 800 be paid to the Chairman of the Audit Committee.

MANAGING DIRECTOR

The CEO has a written service contract approved by the Board. The Board monitors the CEO's performance and provides a specific performance evaluation once a year. The Board appoints and discharges the CEO. The Board can discharge the CEO without a specific reason. The CEO can also resign from his assignment. The mutual term of notice is six months. The Board may, however, decide to discharge the CEO without a period of notice. When the service contract of the CEO is terminated by the Board, the CEO is entitled to receive discharge compensation equal to his 18-month salary. In addition, in case the Company or its business is divested, the CEO is entitled to resign from his assignment against discharge compensation equal to his 24-month salary.

The contractual retirement age of the CEO is 62 years. The Company has commissioned an extra pension insurance policy for the CEO, covering the period between the contractual and statutory retirement age of 63 years and entitling the CEO to receive pension compensation equal to 60 per cent of his salary at the time of retirement (calculated in accordance with Finnish pension laws). The cost to the Company of the CEO's statutory pension contributions and voluntary pension insurance policy amounted in 2013 to EUR 413,599 (EUR 394,188 in 2012 and EUR 365,857 in 2011). In case the service relationship of the CEO is terminated prior to retirement, the CEO is entitled to a free policy.

Short-term compensation

The monthly salary of CEO Mikko Helander is EUR 42,731. The salary includes car and mobile phone benefits. In addition, the Board may, in accordance with the managing director's service contract, decide that the CEO receives bonus pay based on his overall performance and corresponding to his seven month salary. In 2013, the CEO received a total of EUR 606,534 in salary, bonuses and other benefits (EUR 570,317 in 2012 and EUR 588,312 in 2011), of which EUR 535,130 (EUR 521,779 in 2012 and EUR 509,002 in 2011) was fixed compensation and EUR 71,404 (EUR 48,538 and EUR 79,310) was bonus pay.

Long-term compensation

The CEO has taken part in the management ownership scheme of Metsä Group's executive management, through which he indirectly owned shares in the Company. As a consequence, Helander was not entitled to the share bonus for the 2010 financial period under the Company's own share bonus system. Helander has in August 2010 invested approximately EUR 500,000 of his own funds in Metsä Group's management holding company, in which he is a co-owner together with other Metsä Group's executive management members. The holding company entitled Metsäliitto Management Ltd. has in August 2010 purchased Metsä Board's B-series shares using its own capital and additional debt capital obtained from Metsäliitto Cooperative.

Altogether 881,933 B-shares purchased for the aggregate purchase price of approximately EUR 2.5 million were indirectly allocated to the CEO. Helander has been tied to the holding company and, as a result, to an indirect ownership of Metsä Board's shares until the end of 2013. Since in late 2013 the price of Metsä Board B-series shares exceeded the average price at which Metsäliitto management Oy had acquired its holding of B-series shares, measures to dismantle the system have been commenced. Upon dismantling of the system, Helander is entitled to a share of Metsäliitto Management Oy's net assets which share corresponds to his holding in such company, altogether approximately EUR 569,000. For further information, please see chapters Corporate Management Board and Long-term compensation.

CORPORATE MANAGEMENT BOARD

Also other Corporate Management Board members have written employment contracts. With the exception of the CEO, the period of notice of Corporate Management Board members is six months. Termination of employment without cause entitles members of the Corporate Management Board to receive discharge compensation equal to their 6 to 18-month salary.

Excluding the CEO, Corporate Management Board members have no extraordinary pension arrangements which would deviate from applicable pension legislation. According to Finnish pension legislation, a person has the option to retire between the ages of 63 to 68. The Finnish TyEL pension system provides for a retirement benefit based on years of service and earnings according to the prescribed statutory system. For purposes of the Finnish pension system earnings include salary, bonuses and fringe benefits but exclude share or stock option based income.

Short-term compensation

In 2013, other Corporate Management Board members received a total of EUR 1,336,651 (EUR 1,350,562 in 2012 and EUR 2,306,377 in 2011) in salary and bonuses of which EUR 1,192,652 (EUR 1,237,493 in 2012 and EUR 1,568,004 in 2011) were fixed salaries and benefits (car and mobile phone) and EUR 143,999 (EUR 113,069 in 2012 and EUR 738,372 in 2011) bonuses. The size of the management board has decreased as a result of changes in the company's structure in 2011 and 2012. The members of the Corporate Management Board are entitled to bonus pay corresponding to a maximum of their respective 6-month salaries. The bonus pay is defined and decided by the Board and was in the financial years 2011–2013 based on the Company's and its business areas' (business area heads) operating results (EBIT) and cash flow development, whereas in 2011 and 2012 only based on operating results development. The 2013 bonus pay is also based on the Company's and its business areas' operating results (EBIT) development, as determined by the Board of Directors.

Long-term compensation

In December 2010, the Board of Directors approved the current share-based incentive plan. The aim of the plan is to combine the objectives of shareholders and executives in order to increase the value of the company, to commit the executives to perform the mutual strategy, and to offer them a competitive reward plan based on share ownership. The plan consists of three consecutive three-year earnings periods, namely calendar years 2011–2013, 2012–2014 and 2013–2015. At the beginning of each period, the Board of Directors decided on the earnings criteria and defined performance targets. The potential reward from the plan for each of the earnings periods is based on Metsä Board Group's equity ratio at the end of the period as well as the development of return on capital employed (ROCE) and earnings before interest and taxes (EBIT). Each earnings period is followed by a two-year restriction period during which a participant is not entitled to transfer or dispose of the shares.

The Board confirmed in January 2014 that the result for the earnings period 2011–2013 was 45 per cent, based on which B-series shares of the company will be paid to participants in the spring of 2014. Similarly the potential reward from the earnings period 2012–2014 will be paid in 2015 and the potential reward from the earnings period 2013–2015 will be paid in 2016. The proportion to be paid in cash covers taxes and other tax-related costs. At the beginning the plan concerned 9 individuals, including all members of the Corporate Management Board. The outcome for the first three-year earnings period entitles the payment of 125,750 B-series shares, out of which the CEO receives 45,000 shares. The maximum reward to be paid for the second three-year earnings period amounts to 394,167 B-series shares of which the maximum amount for the CEO is 150,000 shares, while the maximum reward to be paid for the third three-year earnings period amounts to 372,499 B-series shares of which the maximum amount for the CEO is 150,000 shares, provided that there are no changes to participants during the relevant period.

The Board decided in December 2013 to continue the share-based incentive scheme for management. The aim of the plan is to combine the objectives of shareholders and executives in order to increase the value of the company, to commit the executives to perform the mutual strategy, and to offer them a competitive reward plan based on share ownership. The plan consists of three consecutive three-year earnings periods, namely calendar years 2014–2016, 2015–2017 and 2016–2018. At the beginning of each period, the Board of Directors decided on the earnings criteria and defined performance targets. The potential reward from the plan for each of the earnings periods is based partly on Metsä Board Group's equity ratio at the end of the period as well as the development of return on capital employed (ROCE) and operating results (EBIT) and partly based on corresponding indicators for Metsä Group, as determined by the Board. Each earnings period is followed by a two-year restriction restriction period during which a participant is not entitled to transfer or dispose of the shares. The maximum reward to be paid for the first three years' earnings period is in aggregate approximately 430,000 B-series shares of which the maximum amount for the CEO is 150,000 shares.

METSÄ BOARD CORPORATION'S BOARD OF DIRECTORS

KARI JORDAN

b. 1956
M.Sc. (Econ)
Vuorineuvos (Finnish honorary title)

Chairman of the Board since 2005

- **Metsä Group**, President and CEO (2006–)
- **Metsäliitto Cooperative**, CEO (2004–), vice chairman of the Board (2005–)
- **Metsä Tissue Corporation**, chairman of the Board (2004–)
- **Metsä Fibre Oy**, member of the Board (2004–), chairman of the Board (2006–)
- **Confederation of Finnish Industries (EK)**, member of the Board (2005–), vice chairman of the Board (2009–2011 and 2013–)
- **Central Chamber of Commerce**, member of the Board (2007–2011), chairman of the Board (2012–)
- **Finnish Forest Industries Federation**, chairman of the Board and the Federation's Working Group (2009–2011), vice chairman of the Board and member of the Federation's Working Group (2005–2009), member of the Board (2012–2013), vice chairman of the Board and member of the Federation's Working Group (2014–)
- **Varma Mutual Pension Insurance Company**, member of the Supervisory Board (2006–2012), member of the Board (2013), chairman of the Board (2014–)
- **Holds several positions of trust in foundations and non-profit associations.**

Shares owned in Metsä Board Corporation 31 Dec. 2013: directly 48,047 B shares, through Metsäliitto Management Oy 1,763,867 B shares.

MARTTI ASUNTA

b. 1955
M.Sc. (Forestry)
Metsäneuvos (Finnish honorary title)

Member and vice chairman of the Board since 2008

- **Metsäliitto Cooperative**, chairman of the Board (2008–)
- **Metsä Fibre Oy**, member of the Board (2008–)
- **Metsä Tissue Corporation**, member of the Board (2008–)
- **Pellervo-Seura**, member of the Board (2008–), chairman of the Board (2010–)
- **Pellervo-Media Oy**, chairman of the Board (2013–)

Shares owned in Metsä Board Corporation 31 Dec. 2013: 48,610 B shares.

MIKAEL AMINOFF

b. 1951
M.Sc. (Forestry)
Agriculture and Forestry entrepreneur

Member of the Board since 2010

- **Metsäliitto Cooperative**, member of the Supervisory Board (2001–), member of the Board (2008–)

Shares owned in Metsä Board Corporation 31 Dec. 2013: 53,749 B shares.

KIRSI KOMI

b. 1963
LL.M., Master of Laws

Member of the Board since 2010
Independent Board member

- **Finnish Red Cross Blood Service**, member of the Board (2010–), chairman of the Board (2011–)
- **Patria Plc**, vice chairman of the Board (2011–)
- **Citycon Oyj**, member of the Board (2011–)
- **Docrates Oy**, chairman of the Board (2011–)
- **Martela Corporation**, member of the Board (2013–)
- **Finnvera Oyj**, member of the Board (2013–)
- **Nokia Siemens Networks**, General Counsel and member of the Executive Board (2007–2010)
- **Nokia Corporation**, Vice President, Legal, Networks Business Group Leadership Team (1999–2007)
- **Nokia Corporation**, legal counsel (1992–1999)

Shares owned in Metsä Board Corporation 31 Dec. 2013: 41,054 B shares.

KAI KORHONEN

b. 1951
M.Sc. (Eng), eMBA

Member of the Board since 2008
Independent Board member
- **Stora Enso Oyj**, Senior Executive Vice President (1998–2007)
- **Ilmarinen Mutual Pension Insurance Company**, member of the Supervisory Board (2006–2008)
- **Finnish Forest Industries Federation**, vice chairman of the Board (2006–2007)
- **American Forest & Paper Association**, member of the Board (2000–2003)
- **German Pulp and Paper Association**, member of the Board (1995–2000)

Shares owned in Metsä Board Corporation 31 Dec. 2013: 151,369 B shares.

LIISA LEINO

b. 1960
M.Sc. (Nutrition)
Teollisuusneuvos (Finnish honorary title)

Member of the Board since 2009
Independent Board member
- **Leinovalu Oy**, full-time chairman of the Board (2006–), CEO (2011–)
- **Confederation of Finnish Industries (EK)**, member of the Board (2011–2012)
- **The Federation of Finnish Technology Industries**, member of the Board (2011–)
- **Varma Mutual Pension Insurance Company**, deputy member of the Board (2011–)
- **Rautaruukki Corporation**, member of the Board (2007–)
- **Alko Oy**, member of the Board (2009–2011)
- **Finnish Business and Policy Forum (EVA)**, member of the Supervisory Board (2010–)
- **Elomatic Oy**, member of the Board (2011–)
- **Partiovaruste Oy**, member of the Board (2013–)

Shares owned in Metsä Board Corporation 31 Dec. 2013: 128,369 B shares.

JUHA NIEMELÄ

b. 1946
M.Sc. (Econ)
Doctor of Sciences in Economics and Technology h.c.
Vuorineuvos (Finnish honorary title)

Member of the Board since 2007
Independent Board member
- **UPM-Kymmene Corporation**, CEO (1996–2004)
- **MeritaNordbanken Plc**, member of the Board (1998–1999)
- **Veikkaus Oy**, chairman of the Board (2001–2011)
- **Powerflute Oyj**, member of the Board (2005–)
- **Green Resources AS**, member of the Board (2008–), chairman of the Board (2009–)

Shares owned in Metsä Board Corporation 31 Dec. 2013: 128,369 B shares.

VELI SUNDBÄCK

b. 1946
LL.M., Master of Laws
Ambassador

Member of the Board since 2013
Independent Board member
- **Nokia Corporation**, member of the Executive Board, Executive Vice President, Corporate Relations and Responsibility (1996–2008)
- **Ministry for Foreign Affairs**, Secretary of State (1993–1996), various positions in the Ministry for Foreign Affairs, diplomatic offices in Brussels and Geneva (1969–1993)
- **Vaaka Partners**, chairman of the Board (2010–)
- **IYF**, member of the Board (2009–2014)
- **Finnair Plc**, member of the Board (2004–2012)
- **Huhtamäki Oyj**, chairman of the Board (1999–2005)
- **Confederation of Finnish Industries (EK)**, member of the Board (2004–2008)
- **The Federation of Finnish Technology Industries**, member and vice chairman of the Board (2004–2007)

Shares owned in Metsä Board Corporation 31 Dec. 2013: 10,772 B shares.

ERKKI VARIS

b. 1948
M.Sc. (Eng)

Member of the Board since 2009
Independent Board member
- **Oy Metsä-Botnia Ab**, President and CEO (1997–2008)
- **Botnia SA (Uruguay)**, chairman of the Board (2005–2008)
- **Metsäliitto Group**, member of the Executive Management Team (2002–2008)
- **Pohjolan Voima Oy**, member of the Board (2000–2009)
- **Oy Metsä-Rauma Ab**, Managing Director (1994–1996)
- **Oy Metsä-Botnia Ab**, deputy to CEO (1990–1994)

Shares owned in Metsä Board Corporation 31 Dec. 2013: 86,454 B shares.

METSÄ BOARD CORPORATION'S CORPORATE MANAGEMENT BOARD

MIKKO HELANDER

b. 1960
M.Sc. (Eng)
Chief Executive Officer

Joined Metsä Group in 2003 and Metsä Board in 2006. Chairman of the Corporate Management Board since 2006.

- **Valmet Corporation**, Project Engineer and Production Manager at Valmet Järvenpää plant (1984–1990)
- **Kasten Hövik Oy**, Managing Director (1990–1993)
- **Valmet Corporation**, various leading positions, e.g. Head of projects, Valmet Järvenpää (1993–1994), Head of the operations, Valmet Rotomec S.p.a., Italy (1994–1997), Vice President, Calender business area, Valmet Corporation (1997–1999) and President, Valmet Converting Group, UK (1999–2003)
- **Metsä Tissue Corporation**, Chief Executive Officer (2003–2006)
- **Metsä Board Corporation**, Chief Executive Officer (2006–)

Shares owned in Metsä Board Corporation 31 Dec. 2013: directly 0, through Metsäliitto Management Oy 881,933 B shares.

MARKUS HOLM

b. 1967
M.Sc. (Econ)
Chief Financial Officer

Joined Metsä Group in 2008 and Metsä Board in 2014. Member of the Corporate Management Board as of 2014.

- **Huhtamäki Oyj**, various managerial positions in finance, treasury, global sourcing and investor relations (1994–2004) in Finland and Brazil (1999–2002)
- **GlaxoSmithKline Oy**, Finance and ICT Director (2005–2008)
- **Metsä Tissue Corporation**, Chief Financial Officer (2008–2013)
- **Metsä Board Corporation**, Chief Financial Officer (2014–)

Shares owned in Metsä Board Corporation 31 Dec. 2013: 2,000 B shares.

ARI KIVIRANTA

b. 1963
D.Sc. (Tech)
Senior Vice President, Head of Cartonboard business area

Worked in Metsä-Serla (present Metsä Board) in 1993–1995 and joined the company again in 1999. Member of the Corporate Management Board as of 2014.

- **Metsä-Serla Paper and Board Ltd. (present Metsä Board Corp.)**, Development Manager (1993–1995)
- **Valmet Corporation**, USA, Manager, R&D (1995–1997)
- **Valmet Corporation**, Manager, Product Development (1997–1999)
- **Metsä-Serla Corporation (present Metsä Board Corp.)**, Manager, Process Development (1999–2001)
- **M-real Corporation (present Metsä Board Corp.)**, Vice President, R&D (2001–2004)
- **M-real Zanders GmbH**, Head of Production (2004–2008)
- **M-real Corporation**, Vice President, R&D, Consumer Packaging business area (2008–2012) and mill manager, M-real Kyro and M-real Tako (2009–2010)
- **Metsä Board Zanders GmbH**, Managing Director and Vice President, Mill Manager (2012–2013)
- **Metsä Board Corporation**, Senior Vice President, Head of Cartonboard business area (2014–)

Shares owned in Metsä Board Corporation 31 Dec. 2013: no ownership.

SARI PAJARI

b. 1968
M.Sc. (Tech)
Senior Vice President, Business Services and Development

Joined Metsä Group in 2007 and Metsä Board in 2011. Member of the Corporate Management Board since 2011.

- **Jaakko Pöyry Consulting**, various positions (Consultant, Senior Consultant, Vice President) in Finland and USA (1990–2000)
- **PwC Management Consulting**, Principal Consultant (2000–2002)
- **IBM Corporation**, Principal Consultant and Business Development Executive (2002–2007)
- **Metsäliitto Group (present Metsä Group)**, Director, Group ICT (2007–2009)
- **Metsäliitto Group**, CIO, Senior Vice President (2009–2011)
- **Metsä Board Corporation**, Senior Vice President, Business Services and Development (2011–)
- **Tieto Corporation**, member of the Board (2012–)

Shares owned in Metsä Board Corporation 31 Dec. 2013: no ownership.

SEPPO PUOTINEN

b. 1955
Lic.Sc. (Tech)
Senior Vice President, Head of Linerboard and Paper business area

Worked in Metsä-Serla (present Metsä Board Corp.) in 1986–2000 and joined the company again in 2004. Member of the Corporate Management Board since 2005.

- **Metsä-Serla Corporation**, various positions in business development, marketing and operational responsibility: i.e. Vice President, Cartons Division, Corrugated and Folding Carton operations (1986–1999)
- **SCA Packaging Finland Oy**, Managing Director, Finland, Russia and the Baltic countries (2000–2002)
- **SCA**, President, Containerboard Division (2002–2004)
- **M-real Corporation (present Metsä Board Corp.)**, Executive Vice President, Corporate Strategy & Sales Services (2004–2005)
- **Metsä Board Corporation**, Senior Vice President, Head of Paper and Pulp business area (2005–2013) and Vice President and Mill Manager, Metsä Board Husum (2009–)
- **Metsä Board Corporation**, Senior Vice President, Head of Linerboard and Paper business area (2014–) and Vice President and Mill Manager, Metsä Board Husum (2009–)

Shares owned in Metsä Board Corporation 31 Dec. 2013: 1,000 A shares; 30,132 B shares.

JANI SUOMALAINEN

b. 1973
M.Sc. (Tech), MBA
Senior Vice President, Purchasing

Joined Metsä Board in 1998. Member of the Corporate Management Board since 2012.

- **M-real Corporation (present Metsä Board Corp.)**, various positions in carton mills (1998–2003)
- **M-real Corporation**, Vice President, Customer Service and Supply Chain (2004–2010)
- **M-real Corporation**, Vice President, Business Controlling (2010–2011)
- **M-real Corporation**, Vice President, Purchasing (2011–2012)
- **Metsä Board Corporation**, Senior Vice President, Purchasing (2012–)

Shares owned in Metsä Board Corporation 31 Dec. 2013: 730 B shares.

QUARTERLY DATA

EUR million		Total year				Quarterly			
SALES	**2013**	**2012**	**IV/2013**	**III/2013**	**II/2013**	**I/2013**	**IV/2012**	**III/2012**	**II/2012**	**I/2012**
Paperboard	**1,140.2**	1,122.6	268.9	288.9	289.1	293.3	279.2	289.1	273.6	280.7
Paper and Pulp	**802.3**	907.0	188.9	198.6	198.4	216.5	209.5	223.3	228.9	245.2
Other operations	**300.9**	363.6	76.2	72.3	76.2	76.2	93.8	90.7	90.8	88.6
Internal sales	**-224.1**	-285.6	-54.8	-57.5	-60.9	-50.9	-74.0	-70.9	-71.0	-70.0
TOTAL	**2,019.3**	2,107.6	479.2	502.3	502.8	535.0	508.5	532.2	522.3	544.6

OPERATING RESULT EXCLUDING NON-RECURRING ITEMS	**2013**	**2012**	**IV/2013**	**III/2013**	**II/2013**	**I/2013**	**IV/2012**	**III/2012**	**II/2012**	**I/2012**
Paperboard	**103.1**	107.5	22.2	23.8	24.8	32.3	27.4	28.8	24.1	27.2
Paper and Pulp	**8.1**	-5.8	8.3	-2.0	3.8	-2.0	0.3	1.7	4.6	-12.4
Other operations	**-6.8**	-26.8	-1.2	-2.9	-2.6	-0.2	-4.1	-5.0	-8.9	-8.7
TOTAL	**104.4**	74.9	29.3	18.9	26.0	30.2	23.6	25.5	19.8	6.1

OPERATING RESULT AND RESULT BEFORE TAXES	**2013**	**2012**	**IV/2013**	**III/2013**	**II/2013**	**I/2013**	**IV/2012**	**III/2012**	**II/2012**	**I/2012**
Paperboard	**108.0**	112.8	23.9	23.8	27.9	32.3	34.0	28.6	23.3	26.9
Paper and Pulp	**6.9**	-3.3	2.5	-2.0	3.8	2.6	8.2	-0.3	4.6	-15.7
Other operations	**-1.3**	111.6	4.1	-2.5	-2.7	-0.1	-2.4	-4.9	134.1	-14.8
OPERATING RESULT [1)]	**113.6**	221.1	30.6	19.3	28.9	34.8	39.3	23.4	162.0	-3.6
Share of profit from associated companies	**0.1**	0.0	0.0	0.1	0.0	0.0	-0.3	0.0	0.0	0.3
Exchange gains/losses	**-1.1**	5.0	-0.9	1.4	0.3	-1.9	1.1	1.6	0.3	2.0
Other financial income and expenses	**-54.8**	-52.2	-10.7	-11.8	-7.9	-24.4	-14.9	-17.2	-2.9	-17.2
RESULT BEFORE TAXES	**57.8**	173.9	19.0	9.0	21.3	8.5	25.2	7.8	159.4	-18.5

OPERATING RESULT, % OF SALES	**2013**	**2012**	**IV/2013**	**III/2013**	**II/2013**	**I/2013**	**IV/2012**	**III/2012**	**II/2012**	**I/2012**
Paperboard	**9.5**	10.0	8.9	8.2	9.7	11.0	12.2	9.9	8.5	9.6
Paper and Pulp	**0.9**	-0.4	1.3	-1.0	1.9	1.2	3.9	-0.1	2.0	-6.4
METSÄ BOARD	**5.6**	10.5	6.4	3.8	5.7	6.5	7.7	4.4	31.0	-0.7

[1)] Metsä Fibre's net result included in operating result as of 8 December 2009.

1,000 tonnes		Total year				Quarterly				
DELIVERIES	**2013**	**2012**	**IV/2013**	**III/2013**	**II/2013**	**I/2013**	**IV/2012**	**III/2012**	**II/2012**	**I/2012**
Paperboard	**1,224**	1,188	289	313	311	311	298	306	289	295
Paper	**674**	681	171	159	158	186	162	169	165	185
Market pulp	**635**	804	146	163	155	171	184	192	210	218

PRODUCTION	**2013**	**2012**	**IV/2013**	**III/2013**	**II/2013**	**I/2013**	**IV/2012**	**III/2012**	**II/2012**	**I/2012**
Paperboard	**1,291**	1,201	313	325	318	335	325	308	286	282
Paper	**674**	685	172	159	169	174	171	164	169	181
Metsä Fibre's pulp [1)]	**572**	610	146	141	141	143	140	144	145	181
Metsä Board's pulp	**1,249**	1,234	331	296	308	314	332	292	297	313

[1)] Corresponds to Metsä Board's ownership of 24.9 per cent in Metsä Fibre as of 1 May 2012, before that 32 per cent.

PRODUCTION CAPACITIES

PAPERBOARD AND PAPER MILLS

1,000 tonnes	Country	Machines	Folding boxboard	Kraftliner	Coated paper	Uncoated fine paper	Speciality paper	Total
Tampere (Tako)	Finland	2	205					205
Kyröskoski (Kyro)	Finland	2	190				105	295
Äänekoski	Finland	1	240					240
Simpele	Finland	1	300					300
Kemi	Finland	1		375				375
Bergisch Gladbach (Gohrsmühle)	Germany	2					50	50
Husum	Sweden	3		120	260	420		800
Total		12	935	495	260	420	155	2,265

PULP MILLS

1,000 tonnes	Country	Chemical pulp	BCTMP	Total
Husum	Sweden	750		750
Joutseno	Finland		290	290
Kaskinen	Finland		300	300
Total		750	590	1,340

METSÄ FIBRE [1)]

1,000 tonnes	Country	Chemical pulp	Total
Äänekoski	Finland	530	530
Kemi	Finland	590	590
Rauma	Finland	650	650
Joutseno	Finland	690	690
Total		2,460	2,460

[1)] Metsä Board's share of production capacity 24.9 per cent.

TEN YEARS IN FIGURES

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
INCOME STATEMENT, EUR MILLION										
Sales	**2,019**	2,108	2,485	2,605	2,432	3,236	3,499	3,698	3,342	5,522
- change %	**-4.2**	-15.2	-4.6	7.1	-24.8	-7.5	-5.4	10.7	n/a	-8.6
Exports from Finland	**1,110**	1,118	1,140	1,179	1,073	1,216	1,084	1,068	875	1,696
Exports and foreign subsidiaries	**1,948**	1,936	2,307	2,396	2,232	3,068	3,274	3,459	3,160	5,182
Operating result	**114**	221	-214	146	-267	-61	-49	-172	11	28
- % of sales	**5.6**	10.5	-8.6	5.6	-11.0	-1.9	-1.4	-4.6	0.3	0.5
Result from continuing operations before tax [1]	**58**	174	-281	48	-358	-204	-191	-280	-117	-108
- % of sales	**2.9**	8.3	-11.3	1.8	-14.7	-6.3	-5.5	-7.6	-3.5	-2.0
Result for the period from continuing oprations [2]	**64**	171	-273	27	-331	-170	-168	-270	-130	-125
- % of sales	**3.2**	8.1	-11.0	1.0	-13.6	-5.3	-4.8	-7.3	-3.9	-2.3
BALANCE SHEET, EUR MILLION										
Balance sheet total	**2,097**	2,581	2,688	3,117	3,132	4,505	5,481	6,458	6,580	6,486
Shareholders' equity	**850**	851	732	994	916	1,329	1,830	2,055	2,459	2,393
Non-controlling interest	**0**	6	5	5	8	58	52	63	45	37
Interest-bearing net liabilities	**597**	625	783	827	777	1,254	1,867	2,403	2,205	2,183
DIVIDENDS AND FIGURES PER SHARE										
Dividends, EUR million	**29.5**[1]	19.7	0	0	0	0	19.7	19.7	39.4	39.4
Dividend per share, EUR	**0.09**[1]	0.06	0	0	0	0	0.06	0.06	0.12	0.12
Dividend/profit, %	**47.4**[1]	11.3	0	0	0	0	-10.2	-5.0	-48.0	63.2
Earnings per share, EUR	**0.19**	0.52	-0.83	0.09	-1.09	-1.58	-0.59	-1.21	-0.25	0.19
Shareholders' equity per share, EUR	**2.59**	2.59	2.23	3.03	2.79	4.05	5.58	6.26	7.49	7.29
KEY FIGURES - PROFITABILITY										
Return on capital employed (ROCE), total, %	**7.0**	12.4	-9.9	5.7	-8.9	-1.3	-0.8	-5.5	0.9	0.9
Return on equity, %	**7.5**	21.5	-31.5	2.8	-28.6	-10.4	-8.5	-14.8	-4.0	-5.7
KEY FIGURES - FINANCIAL POSITION										
Equity ratio, %	**40.7**	33.2	27.4	32.1	29.6	30.8	34.4	32.8	38.1	37.5
Gearing ratio, %	**83**	130	154	135	153	152	124	132	101	103
Net gearing ratio, %	**70**	73	106	83	84	90	99	113	88	89
Net cash flow arising from operating activities	**82**	-2	83	-69	81	-97	127	223	136	217
Internal financing on capital expenditure, EUR million	**122**	-3	87	-105	111	-76	50	53	31	89
Net interest expenses, EUR million	**60**	70	66	64	92	156	148	109	81	130
Interest cover	**2.4**	1.0	2.3	-0.1	1.9	0.4	1.9	3.0	2.7	2.7
OTHER KEY FIGURES										
Gross capital expenditure, EUR million	**67**	66	95	66	73	128	259	428	452	245
- % of sales [2]	**3.3**	3.1	3.8	2.5	3.0	3.2	5.9	9.9	11.9	4.4
R&D expenditure, EUR million [3]	**5**	5	5	5	7	10	14	18	22	28
- % of sales	**0.3**	0.2	0.2	0.2	0.3	0.3	0.4	0.5	0.6	0.5
Personnel, average [3]	**3,245**	3,552	4,428	4,772	5,913	6,849	8,267	9,849	10,429	16,532
- of whom in Finland	**1,560**	1,634	1,795	1,842	2,173	2,437	2,824	3,344	3,423	5,263

2004 figures have not been restated due to disposal of Map Merchant Group and the Graphic Papers Business.
Only 2012 and 2013 have been restated due to change of IAS19r Employee benefits.

[1] Board of Directors' proposal
[2] The key ratio for 2005-2013 has been calculated for continuing operations only
[3] From continuing operations for 2005-2013

Calculation of key ratios is presented on page 91.

FINANCIAL REPORTING

Metsä Board does not comment on its financial performance or similar issues from the close of each reporting period up to the publication of the report for said period, except for information on a material change in the market situation and the rectification of incorrect information.

FINANCIAL INFORMATION

Financial reports are published in English and Finnish. Annual reports and other publications can be ordered from Metsä Board Corporation by e-mail: metsaboard.communications@metsagroup.com. On Metsä Board's web site www.metsaboard.com material for investors is collected under the heading Investors. Stock exchange releases, interim reports and financial information on this web site is updated in real time. Metsä Board's company presentation on the site is updated when financial reports are published.

Information on subjects such as Metsä Board's products, customer cases, sales network and environmental issues and organization can be found on the web site. Also, feedback can be sent through the company site. Metsä Board's general e-mail address is metsaboard.communications@metsagroup.com.

SHARES

The company has total of 328,165,612 shares. Information on Metsä Board Corporation's shares is given in this report on pages 87–90. Metsä Board's shares series A and B are quoted on the Mid Cap list of NASDAQ OMX Helsinki Ltd. The trading codes of the shares are METSA and METSB, respectively.

INVESTOR RELATIONS

Metsä Board is committed to generating shareholder value. Metsä Board offers up-to-date and easily utilizable information on the company regularly and openly. The company aims to produce reliable and factual information concerning its operations and financial position as well as the near-term outlook. All investors are treated equally.

Metsä Board has described the general guidelines and defined the responsibilities with reference to handling material information and contacts with the financial market in its IR policy. The policy can be found in Metsä Board's web site.

FINANCIAL REPORTING

Metsä Board Corporation will publish financial reports in the year 2014 as follows.

- Thursday 6 February 2014
  Financial result for 2013
- Tuesday 13 May 2014
  Interim report January–March 2014
- Thursday 31 July 2014
  Interim report January–June 2014
- Wednesday 5 November 2014
  Interim report January–September 2014

ANNUAL GENERAL MEETING

The Annual General Meeting of Metsä Board Corporation will be held at Finlandiatalo, Helsinki hall, Mannerheimintie 13 E, Helsinki, on Wednesday 2 April 2014 at 3 p.m. EET.

Shareholders wishing to take part in the Annual General Meeting and to exercise their right to vote must be registered on 21 March 2014 on the shareholders' register of the company held by Euroclear Finland Ltd. A shareholder has to give prior notice to the company not later than by 10 a.m. on 28 March 2014 on the company's website at www.metsaboard.com; by e-mail to metsaboard.AGM2014@metsaboard.com; by telephone to +358 10 465 4102 on weekdays between 10 a.m. and 12 a.m.; or by mail to Metsä Board Corporation, Legal Services/Suuronen, P.O. Box 20, FI-02020 Metsä.

Possible proxy documents should be delivered in originals to the above address before the last date of registration.

The Board of Directors proposes that a dividend of 0.09 euros per share be distributed for the financial year 2013.

CLOSED WINDOW	FINANCIAL REPORT	PUBLICATION DATE
1 January to 6 February 2014	Financial result for 2013	Thursday 6 February 2014
3 April to 13 May 2014	Interim report January–March	Tuesday 13 May 2014
1 July to 31 July 2014	Interim report January–June	Thursday 31 July 2014
1 October to 5 November 2014	Interim report January–September	Wednesday 5 November 2014

SHARE REGISTER

Shareholder's address, name and ownership changes are requested to be informed to that book-entry register which holds their book entry account.

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Joutseno *(Finland)*
Kyro *(Finland)*
Simpele *(Finland)*
Tako *(Finland)*
Äänekoski *(Finland)*

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MILLS
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Kaskinen *(Finland)*
Kemi *(Finland)*

SALES NETWORK (COUNTRY, CITY)
Argentina and Uruguay *(Buenos Aires)*
Australia *(Melbourne)*
Belgium *(Brussels)*
Brazil *(São Paulo)*
Bulgaria *(Sofia)*
Chile *(Santiago)*
China *(Hong Kong, Shanghai)*
Costa Rica *(San José)*
Cyprus *(Paphos)*
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To locate contact details of local Metsä Board sales offices, please visit company website www.metsaboard.com.

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MetsäBoard

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