
# METSÄ BOARD
ANNUAL REPORT 2014

MetsäBoard


# CONTENTS




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Metsä Board's Annual Report is published in English and Finnish and is available in PDF format at **www.metsaboard.com**.


Metsä Board has renewed its management and reporting structure. As of the first quarter of 2015 the company's reporting segments are Paperboard and Non-core operations. The commercial part of this Annual Report until the Financial Statements reflects the new reporting structure.

# HIGH-QUALITY PAPERBOARDS

**METSÄ BOARD** is a leading European producer of folding boxboard and white fresh forest fibre linerboard and a market pulp supplier. It offers premium solutions for consumer and retail packaging and graphics. The company's sales network serves brand owners, carton printers, corrugated packaging manufacturers, printers and merchants. Metsä Board is part of Metsä Group.


| KEY FIGURES | 2014 | 2013 |
|---|---|---|
| Sales, EUR million | **2,008.4** | 2,019.3 |
| EBITDA, EUR million | **242.2** | 214.8 |
| - % of sales | **12.1** | 10.6 |
| EBITDA excl. non-recurring items, EUR million | **236.2** | 208.0 |
| - % of sales | **11.8** | 10.3 |
| Operating result excl. non-recurring items, EUR million | **136.5** | 104.4 |
| - % of sales | **6.8** | 5.2 |
| Operating result, EUR million | **116.5** | 113.6 |
| - % of sales | **5.8** | 5.6 |
| Result before taxes, EUR million | **77.6** | 57.8 |
| - % of sales | **3.9** | 2.9 |
| Result for the period, EUR million | **68.5** | 64.1 |
| Return on capital employed excl. non-recurring items, % | **9.1** | 6.4 |
| Return on equity excl. non-recurring items, % | **10.4** | 6.5 |
| Interest-bearing net liabilities, EUR million | **426.7** | 597.2 |

| | 2014 | 2013 |
|---|---|---|
| Gearing ratio, % | **81** | 83 |
| Net gearing ratio, % | **51** | 70 |
| Equity ratio, % | **39.2** | 40.7 |
| Earnings per share, EUR | **0.21** | 0.19 |
| Equity per share, EUR | **2.56** | 2.59 |
| Dividend per share, EUR | **0.12**[1)] | 0.09 |
| Market capitalization 31 Dec, EUR | **1,472** | 1,031 |
| Gross investments, EUR million | **44.2** | 66.9 |
| Net cash flow arising from operating activities, EUR million | **198.2** | 82.2 |
| Personnel 31 Dec | **3,111** | 3,116 |
| $CO_2$ emissions, tonnes | **380,348** | 388,461 |
| Energy-efficiency [2)] | **7** | 7 |
| Lost-time accident frequency [3)] | **12.0** | 12.2 |
| Sickness absenteeism, % | **3.9** | 3.9 |
| Share of certified fibre, % | **77** | 74 |

1) Board of Directors' proposal 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

# NEW MEASURES FINALIZE METSÄ BOARD'S SUCCESSFUL TRANSFORMATION

**DEAR SHAREHOLDER,**
Metsä Board has entered a new era. In December, 2014 we launched the final steps in our transformation into the leading fresh forest fibre paperboard company in Europe.

The structural change of Metsä Board started in 2005, when the company was the largest European fine paper producer. Thanks to numerous divestments, closures and restructuring actions, our exposure to the declining paper business has been materially reduced. The transformation will be completed during the next couple of years. Metsä Board is becoming a pure paperboard company with strong pulp self-sufficiency and top-class profitability.

## GROWTH OF THE PAPERBOARD BUSINESS

Profitable growth is, and will continue to be, our most important target. Replacing traditional packaging materials with our paperboards is an excellent way for consumer goods companies to improve sustainability globally.

We have experienced good growth in both our folding boxboard and fresh forest fibre linerboard businesses in recent years. Total paperboard deliveries grew by 10 per cent in 2014, despite the modest state of general economy in our domestic market, Europe. Demand for our ecological, safe and cost-efficient folding boxboards has increased recently, especially in North America. In order to continue profitable growth, production capacity must be increased.

After extensive planning work, the decision was made to invest in a new folding boxboard production line at the Husum mill in Sweden, which is our biggest integrated mill, including a large, two-line pulp mill, state-of-the-art coating technology, an efficient power plant, and its own harbour. This is the most cost-competitive alternative to increase capacity. After the investment at Husum, Metsä Board's total folding boxboard capacity will be approximately 1.3 million annual tonnes, which represents about 43 per cent of total capacity in Europe. This is twice as much as the second-biggest producer.

The plan is to sell the new folding boxboard volumes mainly to markets outside Europe, especially to North America, and also for food packaging and food service end uses globally. Naturally, the new capacity will improve our service level also in Europe and Asia.

Demand for our fresh forest fibre linerboards has also developed very well. In 2014, we made investments at our Kemi mill to increase capacity from 375,000 to 410,000 annual tonnes. We started to produce fresh forest fibre linerboards at the Husum mill in 2013, and the sales volume run rate is currently over 100,000 tonnes a year. We plan to increase Husum's linerboard annual production to close to 300,000 tonnes by 2018. This means that our total white fresh forest fibre linerboard capacity will increase to over 700,000 annual tonnes, which is about 33 per cent of European capacity. We will become the largest producer also in that grade.

The increasing linerboard volumes from Husum are expected to be sold in both Europe and North America, and increasingly also for new applications, e.g. in food packaging.

We have also renewed our management and reporting structure in order to secure successful implementation of the new growth steps. A function-based organisation fits Metsä Board the best from now on.

**METSÄ BOARD IS BECOMING A PURE PAPERBOARD COMPANY WITH TOP CLASS PROFITABILITY.**

## EXIT FROM PAPER BUSINESS

We are planning to discontinue Husum's paper production. This is expected to happen mostly by the end of 2015, and fully by the end of 2017. The paper capacity reduction would then be roughly 600,000 annual tonnes.

The financial losses of Gohrsmühle mill are also planned to be eliminated, primarily by divesting the unit during the first half of 2015. If the divestment does not materialize in this time frame, we will introduce other measures. These losses must be eliminated soon, one way or another.

## PULP SELF-SUFFICIENCY REMAINS STRONG

In addition to chemical pulp produced locally, the new folding boxboard production at Husum will use the majority of the high-yield pulp produced at the Kaskinen mill in Finland. We will finally be able to integrate these high-yield pulp volumes into our own production from 2016 onwards.

Our associated company Metsä Fibre is planning to build a bioproduct mill in Äänekoski, Finland, valued at approximately EUR 1.1 billion with a net capacity increase of approximately 800,000 tonnes a year. The final investment decision is planned for spring 2015, which would then enable production to start during 2017. We expect to have our pro rata share of the increased pulp production then.

All in all, our net long position in pulp will be somewhat over half a million tonnes annually from 2018 onwards, assuming the

Metsä Fibre Äänekoski project goes ahead. Most of this market pulp is softwood chemical pulp. This excess pulp is a good reserve to grow our paperboard business further in the future while maintaining pulp self-sufficiency.

## SIGNIFICANT FINANCIAL IMPROVEMENTS

Profitability in 2014 improved from the previous year, and our paperboard business performance was one of the best in its field in Europe. Also, our balance sheet strengthened thanks to our good cash flow. We had very successful refinancing projects as well, and our credit ratings improved. In many ways, the company moved in a good direction.

The measures announced in December 2014 will bring significant further profit improvements in the coming years. Measures at Husum are expected to improve the operating result excluding non-recurring items by approximately EUR 50 million compared to actual performance in 2014. This improvement is targeted to be seen mostly in 2017 and fully in 2018. Additionally, the elimination of the Gohrsmühle mill's losses would improve our annual operating result by approximately EUR 20 million. Annual sales are, all in all, expected to remain rather stable.

We have a strong balance sheet and we intend to keep it strong despite any potential changes in the surrounding world.

I am very happy with how this company has developed in 2014. I would like to thank our employees, shareholders, customers and other stakeholders. I started as the CEO in October 2014. I look forward to discussing with many of you in the future how to make our cooperation even better and thus bring more value to all of us.

Metsä Board will accelerate speed to complete the transformation and grow the company. I'm sure we will achieve a lot together in the future.

**Mika Joukio**
CEO

# METSÄ BOARD'S STRATEGY


## MISSION

Metsä Board is Europe's leading producer of fresh forest fibre paperboard, and provides customers with premium paperboards for consumer and retail packaging as well as graphical end-uses.

## VISION

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

## VALUES

- Responsible profitability
- Reliability
- Cooperation
- Renewal

## FINANCIAL TARGETS

- Return on capital employed (ROCE) minimum 12 per cent from 2017 onwards.
- Net gearing ratio maximum 70 per cent.
- Dividend at least 1/3 of the company's earnings per share.

| MAIN ELEMENTS OF STRATEGY | RECENT MEASURES IMPLEMENTED | UPCOMING MEASURES | METSÄ BOARD |
|---|---|---|---|
| **Paperboard is Metsä Board's core business and it will be grown further** | • Folding boxboard capacity was increased by approximately 150,000 tonnes in 2010–2012.<br>• The Kemi mill in Finland has been focused strongly on coated fresh forest fibre linerboards.<br>• In 2014, the capacity at the Kemi mill was increased from approximately 375,000 tonnes to approximately 410,000 tonnes per year.<br>• Fresh forest fibre linerboard production began at the Husum mill in Sweden in the spring 2013.<br>• Sales to North America have increased considerably.<br>• Business operations have also been expanded to food service segment. | • A new folding boxboard production line with a capacity of approximately 400,000 tonnes per year will be built at Husum. The mill's linerboard production will nearly triple within the next three years.<br>• Delivery volumes will be increased in North America, in particular, but also in Europe and in the highest quality grade in Asia.<br>• By 2018, Metsä Board will be focusing purely on fresh forest fibre paperboard and will have a high self-sufficiency in pulp. | THE SHARE OF PAPERBOARD BUSINESS INCLUDING MARKET PULP IN SALES IN 2014<br>**76%**<br> |
| **Smaller but healthier paper business** | • Material restructuring in 2005–2012.<br>• More than 2 million tonnes of paper capacity was closed down.<br>• Assets related to paper were sold for more than EUR 2 billion. | • Husum mill's paper production is planned to be discontinued mostly by the end of 2015 and fully by the end of 2017.<br>• The goal is to divest the Gohrsmühle mill during the first half of 2015. If the divestment is not completed in the target schedule, other measures will be taken to eliminate the mill's financial losses. | HUSUM MILL'S PAPER PRODUCTION IS PLANNED TO BE FULLY DISCONTINUED BY THE END OF<br>**2017** |
| **Extensive fibre know-how and pulp self-sufficiency** | • Metsä Board has strengthened its global quality leadership in folding boxboard and white fresh forest fibre linerboards.<br>• In spring 2013, the company launched renewed, lighter-weight folding boxboards with advanced printing properties.<br>• Several new products were launched in 2013–2014, supported by the successful fibre development. Read more about the products on page 6. | • Pulp surplus makes it possible to further grow the paperboard business considerably in the future as well.<br>• Existing and new products will be developed and new end-uses will be actively sought for them.<br>• The weight of paperboard products will be reduced further. | PULP SURPLUS APPROXIMATELY<br>**500,000**<br>TONNES/YEAR AFTER THE PLANNED INVESTMENTS AND MEASURES |
| **Continuous development towards super productivity and a top class supply chain** | • Productivity has increased by over 80 per cent since 2005.<br>• Measured by productivity, Metsä Board is one of the leading companies in the industry.<br>• The capacity of the mills has been increased through moderate investments, while fixed costs have been reduced. | • Productivity will be further improved and production efficiency will be improved at all mills.<br>• Cost savings will continue.<br>• Work towards a top class supply chain in the world continues. Customer service will be improved, delivery times will shorten further and Metsä Board's capital employed will decrease. | PRODUCTIVITY IMPROVEMENT SINCE 2005<br>OVER **80%** |

# SAFE AND ECOLOGICAL PRODUCTS MADE FROM FRESH FOREST FIBRE


**Currently, the requirements set on packaging materials highlight safety and ecology. Metsä Board's paperboards, which are made from high-quality fresh forest fibre, offer these benefits. Forest fibre is a renewable, pure and safe natural resource.**

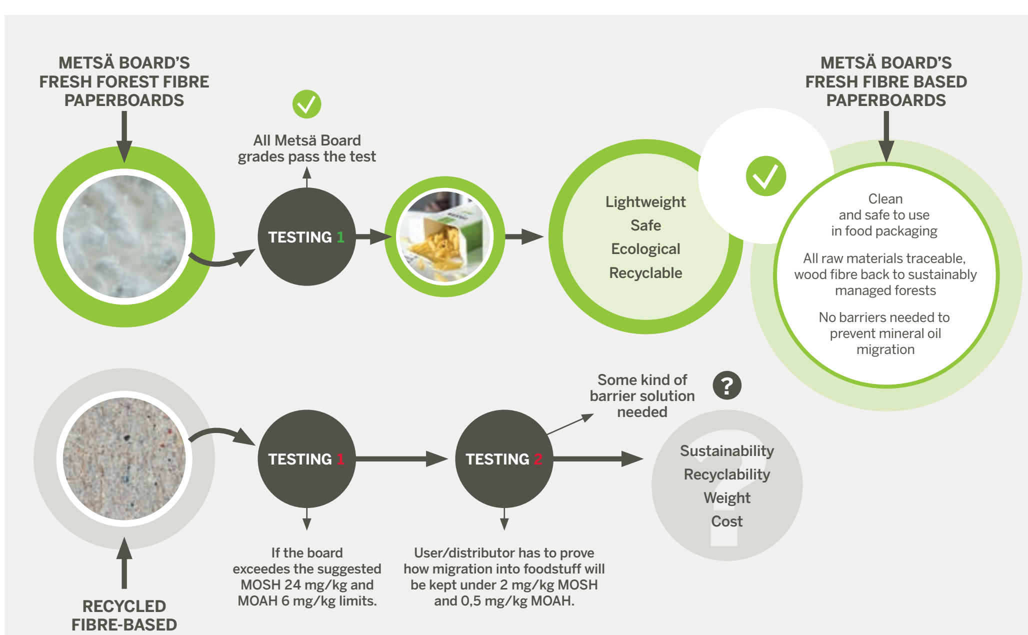
Fibres are at their strongest and most durable the first time they are used. Therefore, fresh forest fibre can be used to manufacture lightweight but still stiff paperboard, which offers excellent printing properties.

Sustainability has been the guiding principle in Metsä Board's product development for a long time. Above all, it means that the products are as light-weight as possible without compromising strength and printing properties. Light-weight products provide cost savings and reduce the environmental load throughout the value chain, since the need for raw materials, weights to be transported and waste are all reduced. At their best, Metsä Board's products are up to 30 per cent lighter than corresponding competing products.

## Safely from fresh forest fibre

**FRESH FOREST FIBRE** paperboard is safe as a packaging material. Boards made from fresh forest fibre do not contain mineral oil residues or other harmful substances and do not pass on flavours, odours or other unwanted properties to food. Paperboards meet even the most strictest standards concerning food safety and can be in direct contact with food.

Germany is preparing an ordinance which would prohibit the use of recycled fibre-based paperboards in direct contact with food.



## METSÄ BOARD'S PRODUCTS

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

**GRAPHIC BOARDS**
Carta Elega
Carta Integra
Carta Solida

**WHITE FRESH FOREST FIBRE LINERBOARDS**
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

**PULP**
Botnia Nordic Husum
Botnia High Yield Kaskinen

## LUXURIOUS CARTA ALLURA

The name of the new Carta Allura paperboard comes from the English word allure. Carta Allura has a highly smooth surface and is designed for packaging luxury items, such as champagne and perfumes, in particular.

Luxury product packaging looks impressive and is designed to stand out. A variety of special effects, such as foil lamination, are used in packaging, which is why the paperboard needs to have good smoothness. Like all Metsä Board's paperboards, Carta Allura is light in weight.


## MODO NORTHERN LIGHT OFFERS LIGHTNESS AND STRENGTH

The Modo Northern Light range of fresh forest fibre linerboards was expanded with two coated grades. The other is ideal for litholamination and the other for flexo printing. Modo Northern Light is fully bleached linerboard with premium printing properties and excellent colour reproduction, giving products packaged in corrugated packaging made from it an attractive visual appearance on store shelves. Modo Northern Light linerboards are particularly suitable for packaging food, beverages, cosmetics and pharmaceuticals. They can be used for manufacturing very light-weight and durable corrugated packaging, which helps reduce the environmental impact throughout the product value chain.


## CARTA DEDICA FOR SAFE FOOD PACKAGING

Carta Dedica was designed for the needs of the rapidly growing food service packaging industry. The new paperboard meets the strict safety and quality requirements for food service packaging and has excellent odour and flavour properties. Carta Dedica's formability and stiffness make it an excellent choice for cups, plates, lids, fast-food packaging, trays and traditional food packaging.

Carta Dedica is made of renewable raw material and offers a sustainable alternative for plastic. The yield of this light-weight yet durable paperboard is excellent, resulting in cost savings.

## PAPERBOARD SEGMENT

Metsä Board's reporting segments from the beginning of 2015 onwards are Paperboard and Non-core operations. The Paperboard segment includes the folding boxboard, fresh forest fibre linerboard, wallpaper base and market pulp businesses. Non-core operations include the remaining standard paper business at the Husum mill, which is planned to be discontinued by the end of 2017, and Gohrsmühle mill's cast-coated and label paper businesses which are planned to be divested during the first half of 2015.

| KEY FIGURES, PAPERBOARD SEGMENT | 2014 | 2013 |
|---|---|---|
| Sales, EUR million | **1,444.2** | 1,368.5 |
| EBITDA, excluding non-recurring items, EUR million | **243.0** | 202.8 |
| Operating result, excluding non-recurring items, EUR million | **180.2** | 142.5 |
| - % of sales | **12.5** | 10.4 |
| Return on capital employed, excluding non-recurring items, % | **16.0** | 12.3 |
| Deliveries, 1,000 t | **1,311** | 1,183 |
| Production, 1,000 t | **1,370** | 1,244 |
| Personnel 31 Dec | **1,405** | 1,373 |

PAPERBOARD DELIVERY VOLUME


# STRONG GROWTH IN THE DEMAND FOR LIGHT-WEIGHT AND ECOLOGICAL PAPERBOARDS

**The growth of Metsä Board's paperboard business progressed as planned in 2014. The product range was extended to coated fully bleached linerboards and the food service segment which offer very good growth potential in the future too.**

**3–4%**

Annual increase in the global demand of folding boxboard and fresh forest fibre linerboard

**150,000 TONNES**

Metsä Board's medium-term annual sales target for folding boxboard for food service segment

**100,000 TONNES**

Run rate for Husum's linerboard production at the end of 2014

## PROFITABILITY 2014

- The delivery volumes of folding boxboard and linerboard increased considerably and profitability improved compared to 2013.
- The restructuring from the largest fine paper company in Europe to a leading fresh forest fibre paperboard company has been successful. The final restructuring measures, announced at the end of 2014, will further improve the company's profitability.

## OUTLOOK

- The demand outlook for ecological and safe packaging materials is very good, and economic cycles do not have material impact on the consumption of end products. Production capacity will be increased to satisfy the strong demand.
- Productivity improvement and cost-savings will continue in all operations.

Metsä Board's light-weight folding boxboard manufactured from pure fresh forest fibre is an excellent material for packaging foodstuffs, sweets, pharmaceuticals, cosmetics and cigarettes. Linerboards are used, in particular, as the surface material of corrugated packaging in premium consumer, retail and shelf-ready packaging, as well as in store solutions.

Consumers are increasingly interested in knowing that the products they purchase are sustainable throughout the value chain. Replacing traditional packaging with Metsä Board's ecological and safe paperboards is an easy and efficient way for consumer goods companies to enhance the sustainability of their operations. It is also important that the packaging material does not compromise product safety. The raw materials Metsä Board uses in paperboard production are pure and their origin is known. These are the main reasons behind the growth in Metsä Board's paperboard business.

### IMPROVED LEVEL OF PROFITABILITY

The delivery volumes of Metsä Board's paperboards grew by approximately 10 per cent in 2014. The strongest growth was seen in North America, where delivery volumes increased by more than 40 per cent. Metsä Board aims to further strengthen its market position in Europe and to accelerate growth in North America and in the highest quality segment in Asia.

Metsä Board works in the long term to offer its customers increasingly light-weight paperboard products with excellent performance and printing properties. Metsä Board uses premium fibre raw material and has efficient pulp and paperboard capacity at its disposal. The company possesses world-class expertise in the production of fibre and paperboard. Profitable growth is also being pursued by actively seeking new end-uses for products.

In 2014, Metsä Board again launched new products. Carta Dedica folding boxboard was developed for the needs of the rapidly growing food service segment, and Carta Allura folding boxboard for packaging luxury products. The linerboard range was expanded with fully-bleached coated Modo Northern Light linerboards. The new products have had an excellent market reception.

Metsä Board has five folding boxboard mills in Finland. The utilisation rates of the mills were high in 2014, and both production and sales volumes were at record levels. Linerboard is being manufactured at the Kemi mill in Finland and, since 2013, in Husum in Sweden. The linerboard production has increased the Husum mill's profitability, and the run rate of linerboard sales reached approximately 100,000 tonnes at the end of 2014. The Kemi mill specialises in double-coated white-top linerboards, in which it is the world's market and quality leader. The mill's annual capacity was increased from approximately 375,000 tonnes to approximately 410,000 tonnes during the year, and the mill was in full operation throughout the year.

The profitability of Metsä Board's paperboard business is top class in the field in Europe.


## North America – a strategic growth market

**METSÄ BOARD** is the clear market leader in coated white-top fresh forest fibre linerboard in North America. During the past five years, linerboard delivery volumes to North America have grown more than 70 per cent.

Metsä Board has been the folding boxboard market leader in Europe for a long time. In North America, demand for cartonboard has focused on the traditional heavier grades. Folding boxboard has not been used much there, and Metsä Board's sales volumes were low for a long time. In 2012, North America was selected as a strategic growth market for folding boxboard as well.

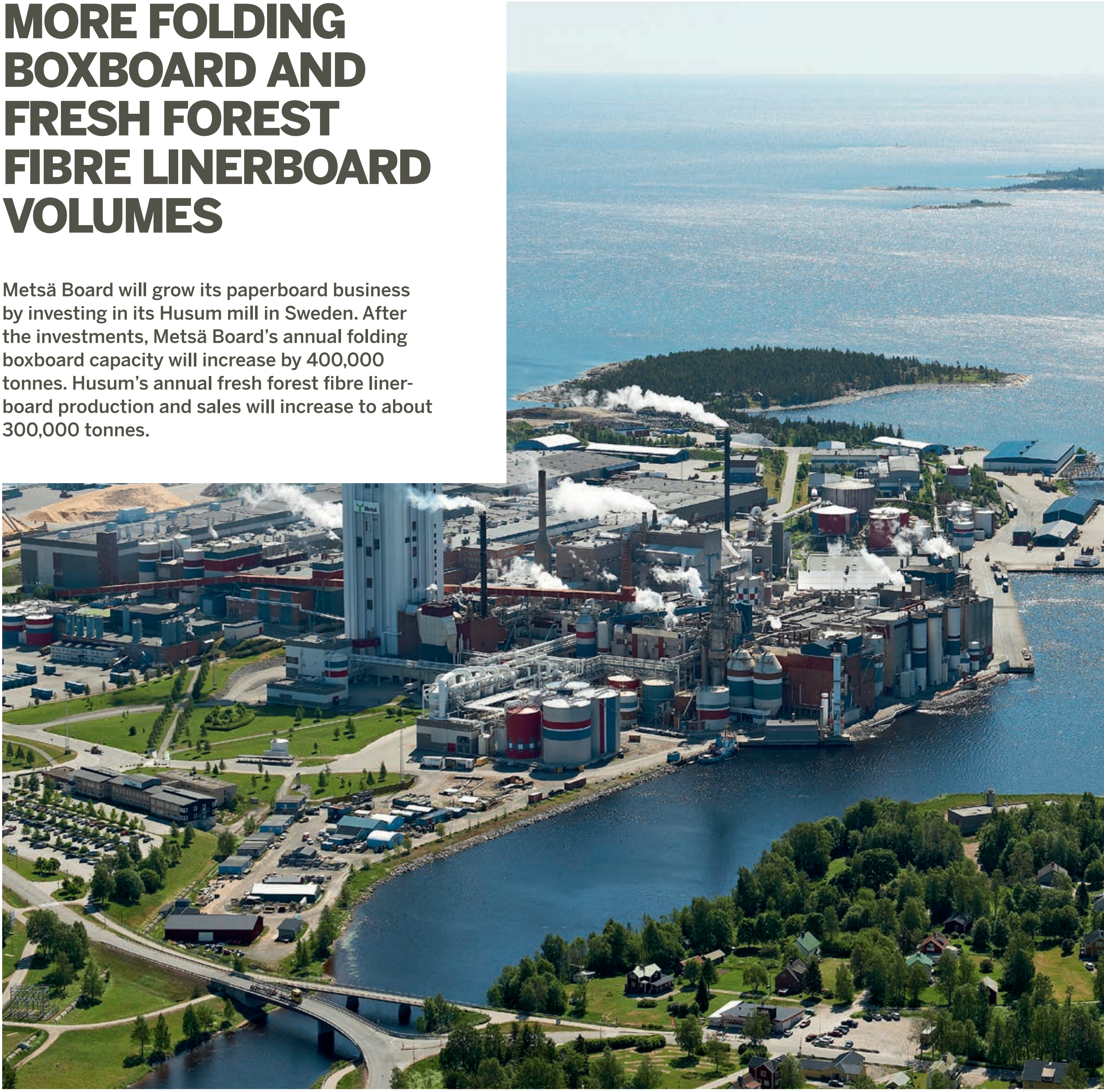
Environmental matters and product safety are increasingly important in North America. The high quality, light-weight, safety and unparalleled environmental properties of Metsä Board's paperboards have proven to be excellent selling arguments.

In 2014, Metsä Board's sales of fresh forest fibre paperboard and linerboard to North America grew by more than 40 per cent compared to the previous year. The greatest growth opportunities can be found in food service packaging, since North America is a solid consumer of cup stock and microwaveable meals.

Metsä Board has invested in local customer service in North America. Paperboard is shipped to warehouses in the ports of Philadelphia and Baltimore on a weekly basis.

# MORE FOLDING BOXBOARD AND FRESH FOREST FIBRE LINERBOARD VOLUMES

**Metsä Board will grow its paperboard business by investing in its Husum mill in Sweden. After the investments, Metsä Board's annual folding boxboard capacity will increase by 400,000 tonnes. Husum's annual fresh forest fibre linerboard production and sales will increase to about 300,000 tonnes.**



Metsä Board's strategy is to grow its fresh forest fibre paperboard business profitably and reduce its exposure in the declining paper businesses. In recent years, Metsä Board has experienced good growth in the folding boxboard and linerboard businesses. Demand for sustainable, safe, high-quality paperboards continues strong.

The planned increase of folding boxboard production will mainly be sold to markets outside of Europe, primarily to North America, but also globally to food service segment. The increased linerboard capacity is targeted at both North America and Europe. All in all, Metsä Board's total folding boxboard capacity will increase from the current 0.9 million to over 1.3 million annual tonnes.

Metsä Board's aim is to triple Husum's 2014 linerboard sales in three years, to almost 300,000 annual tonnes. In linerboard, there are many new end-use possibilities to be discovered in both food and general packaging. Including the Kemi mill in Finland, Metsä Board's linerboard production will increase from about 500,000 to 700,000 annual tonnes.

### HUSUM TO BE ONE OF THE LEADING FOLDING BOXBOARD MILLS IN EUROPE

In 2011–2012, Metsä Board made debottlenecking investments in the Simpele, Kyro and Äänekoski mills. The combined folding boxboard capacity of these mills were increased by 150,000 tonnes. After two years, the capacity is more or less fully sold, and Metsä Board

will need new capacity from 2016 onwards. The capacity increase of 400,000 tonnes is enough to continue profitable growth during the next few years. The new production line at Husum will start up in the beginning of 2016, and full production capacity is expected to be reached by the end of 2016. The value of the investments at Husum is EUR 170 million.

Husum was the best choice for the capacity increase. It is Metsä Board's biggest integrated mill, with a large two-line pulp mill, state-of-the-art coating technology, an efficient power plant and its own harbour.

**METSÄ BOARD IS TAKING THE FINAL STEPS IN TRANSFORMATION INTO A PROFITABLE PAPERBOARD COMPANY.**

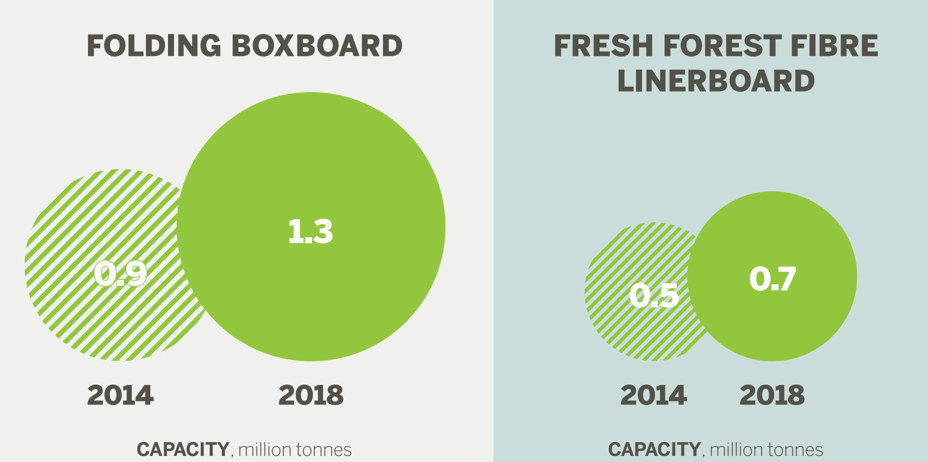
As a result of the investments, paper production at Husum will mostly be discontinued by the end of 2015 and fully by the end of 2017. The planned closure of paper capacity totals approximately 600,000 tonnes annually.

Husum's production set up will change totally. Paper machine 6 will be closed, and some of parts of paper machine 7 will be used in the new board machine 1, which will produce folding boxboard. The old paper machine 8 will be transformed into linerboard machine 2.

Metsä Board is self-sufficient in pulp production, and the situation will continue in the future. Both hardwood and softwood pulp are produced at Husum. In addition to these chemical pulps produced at the site, the new folding boxboard production at Husum will use majority of the high-yield pulp produced at Metsä Board's Kaskinen mill in Finland.

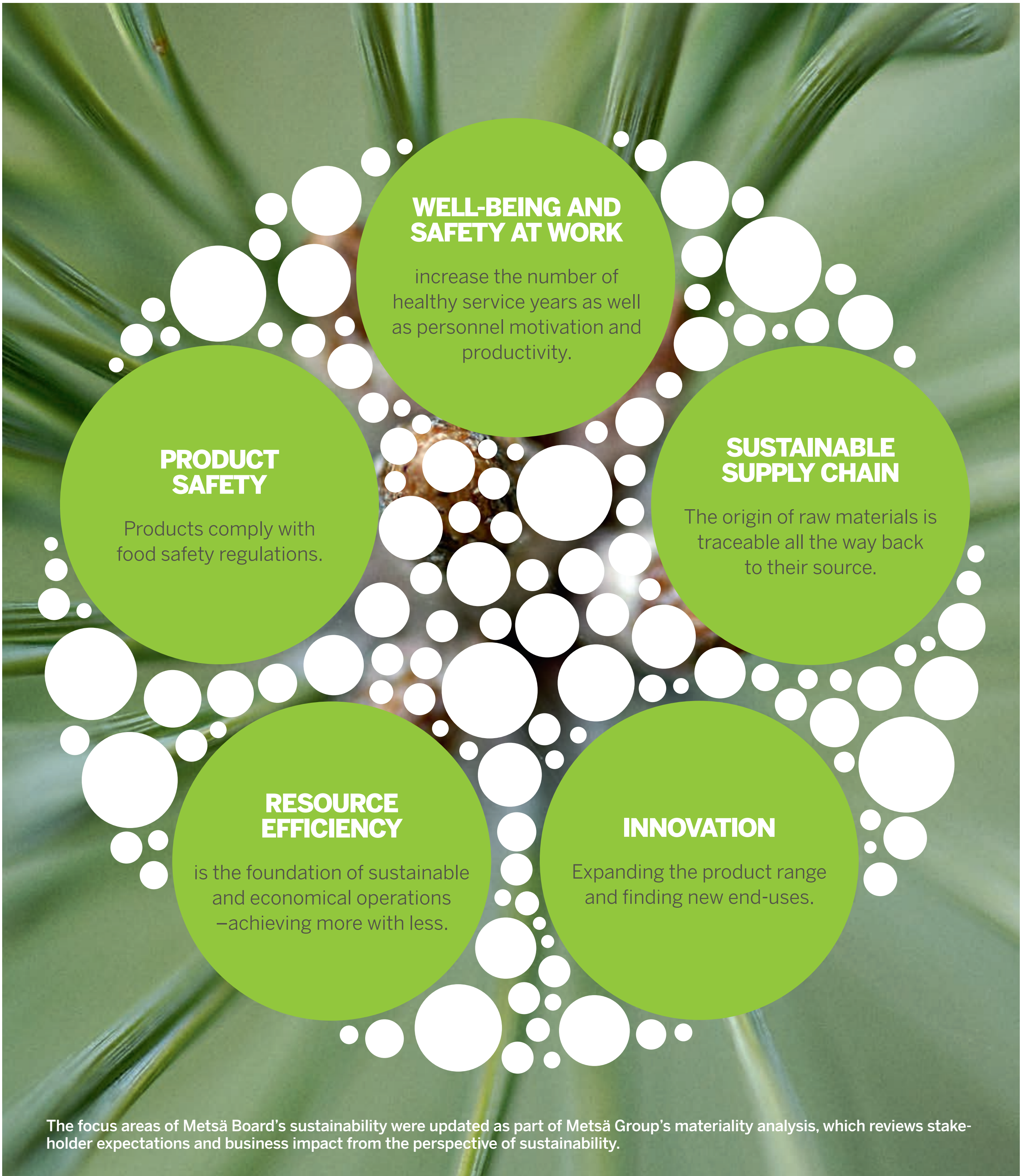
## Metsä Board strengthens its market leadership

**METSÄ BOARD** has a strong growing core. Increased paperboard production capacity enables profitable growth also in future.



# SUSTAINABILITY IS THE BASIS OF METSÄ BOARD'S SUCCESS

READ MORE from Metsä Group's
Sustainability Report 2014
www.metsagroup.com/sustainability




The focus areas of Metsä Board's sustainability were updated as part of Metsä Group's materiality analysis, which reviews stakeholder expectations and business impact from the perspective of sustainability.

## SUSTAINABILITY AGENDA

## RECENT MEASURES IMPLEMENTED

## TARGETS

## METSÄ BOARD'S PERFORMANCE

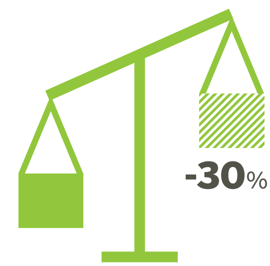
### We offer sustainable choices

- Turning renewable wood into sustainable, safe and recyclable products.
- Providing customer-focused services and solutions.
- Seeking and adopting innovations for continuous improvement and renewal.

- Metsä Board introduced Carta Dedica folding boxboard for the strongly growing food service segment, and Carta Allura folding boxboard for luxury packaging.
- The Modo Northern Light product range was expanded with coated fully-bleached linerboards.
- The Husum mill received an ISO 22000 food safety certificate. Currently, all paperboard mills hold this certificate.

- The competitiveness of the product portfolio will be improved by developing new and existing products as well as by seeking new end-uses.
- Production efficiency and service range will be improved at the mills.
- The objective is to meet consumer needs in terms of appropriate and sustainable packaging.

AS MUCH AS 30% LIGHTER PAPERBOARDS




### We bring the forest to you

- Promoting sustainable forest management, certification and the diversity of forest nature.
- Enhancing sustainability in the value chain.
- Ensuring the traceability of raw materials.

- In 2014, production units used 8.3 million cubic metres of wood including the use of wood according to the ownership share in Metsä Fibre as well as external pulp purchases.
- Risk assessments of raw material suppliers continued.
- The Supplier Code of Conduct was included in 162 contracts, accounting for 72 per cent of all new and renewed supplier contracts in 2014.

- Metsä Board is able to trace all the wood it uses back to its origins. All wood raw material comes from sustainably managed forests.
- Metsä Group's targets:
  - Sustain the amount of certified wood above 80 per cent.
  - Audit all of risk-rated raw material key vendors against sustainability criteria by the end of 2015.

SHARE OF CERTIFIED FIBRE

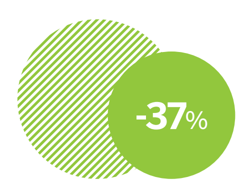

### We work for a better climate and nature

- Making efficient use of raw materials, energy and water.
- Increasing the value of side streams.
- Maximizing the share of bioenergy.
- Minimizing emissions to water and air.

- Metsä Board met the aim to reduce fossil $CO_2$ emissions in production by 30 per cent per product tonne from the 2009 level already in 2013.
- Energy-efficiency has improved by 7 per cent during 2009–2014.
- The consumption of process water has decreased by some 15 per cent at the mills since 2010.

- Metsä Group's targets:
  - 30 per cent reduction of fossil $CO_2$ emissions per product tonne by 2020 from the 2009 level.
  - 10 per cent energy efficiency improvement by 2020 from the 2009 level.
  - 10 per cent less process water per tonne by 2020 from the 2010 level.

REDUCTION OF CARBON DIOXIDE EMISSIONS IN 2009–2014




### We create well-being

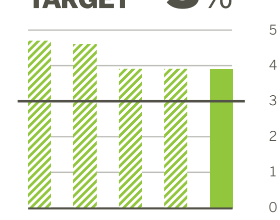
- Ensuring ethical business practices.
- Improving safety at work.
- Assuring responsible management.
- Contributing to local livelihoods and society.

- In 2014, Metsä Board's lost-time accident frequency rate was 12.0 (12.2 in 2013) and the sickness absenteeism rate was 3.9 (3.9).
- The HSE (Health, Safety and Environment) system developed for recording, processing, measuring and reporting safety matters was implemented at the Finnish mills.

- Metsä Group's targets:
  - Lost-time accident rate annually -10 per cent. The long term target is zero.
  - Retain sickness absenteeism below 3 per cent.
- At Metsä Board, safety management and attitudes towards work safety will be developed further.

SICKNESS ABSENTEEISM

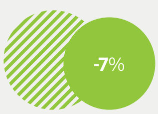
TARGET < 3%



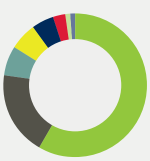
# SUSTAINABLE DEVELOPMENT THROUGHOUT THE VALUE CHAIN

**Metsä Board is committed to promoting sustainable development, continuously improving its operations and conducting responsible business.**

IMPROVEMENT IN ENERGY EFFICIENCY
2009–2014



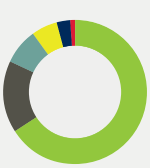

ENERGY SOURCES
%



| | |
|---|---|
| WOOD-BASED | 59 |
| NUCLEAR POWER | 19 |
| COAL | 7 |
| NATURAL GAS | 6 |
| HYDRO POWER | 5 |
| PEAT | 3 |
| OIL | 1 |
| OTHERS | 1 |

Total energy consumption was 12.9 TWh in 2014 (2013: 12.6).

PURCHASES PER COUNTRY OF ORIGIN
% of purchase value [1]



| | |
|---|---|
| FINLAND | 66 |
| SWEDEN | 16 |
| GERMANY | 8 |
| OTHER EU COUNTRIES | 6 |
| OUTSIDE EUROPE | 3 |
| OTHER EUROPEAN COUNTRIES | 1 |

[1] The figures do not include wood supply.

**SUSTAINABLE DEVELOPMENT IS AN INSEPARABLE PART OF ALL OPERATIONS AND DAILY WORK.**

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.

In addition to its own operations, Metsä Board is committed to sustainability throughout the supply chain. Since 2011, the target has been to have a Supplier Code of Conduct included in all new and renewed supplier contracts. In 2014, the Supplier Code of Conduct was included in a total of 162 agreements.

Safe working methods and conditions are of paramount importance throughout the value chain. Metsä Board works continuously in order to ensure the safety of its personnel and sub-contractors.

### MITIGATING CLIMATE CHANGE

The productivity and efficiency of the production units are developed through investments and development actions that improve profitability, efficient use of resources and environmental performance.

Increasing the share of bioenergy along with improving energy efficiency are main means to combat climate change. In addition to providing environmental benefits, they improve cost-efficiency and competitiveness.

Wood-based bioenergy accounted for 59 per cent of Metsä Board's total energy consumption in 2014 (2013: 58%). The majority of bioenergy is produced using Metsä Group's production by-products, such as bark and black liquor. The rest is forest energy originating from wood supply. The majority, some 83 per cent, of the total energy used was $CO_2$ neutral. Due to the bioenergy investments made over the last few years, Metsä Board has already reached its target to reduce $CO_2$ emissions. In 2009–2014, emissions decreased by 37 per cent.

Improved energy efficiency is sought by modifying processes based on the results of energy analyses and by working together with equipment manufacturers to achieve technical enhancements. In 2009–2014, production units' energy efficiency improved by 7 per cent.

### EFFICIENT USE OF WATER

Metsä Board continuously looks for ways to reduce the consumption of fresh water in its production by reusing water, among other things. In 2014, Metsä Board's total water consumption was 74 million cubic metres (73). Process water consumption has reduced by some 15 per cent during 2010–2014.

A considerable investment was made in process water treatment at the Simpele mill with the installation of a new disc filter in the paperboard machine and the construction of a new circulation water tower. The investment enables higher process water temperatures and more efficient heat recovery. The more effective recovery of fibres has improved material efficiency and reduced the volume of suspended solids ending up at the wastewater treatment plant.

THE GLOBAL COMPACT

WE SUPPORT

## Recognition for environmental impact reporting

**IN AUTUMN 2014, METSÄ BOARD** received an excellent score (98 out of 100) in CDP's Nordic Climate Disclosure Leadership Index (CDLI). The high score is recognition of comprehensive, high-quality climate change reporting directed at investors and the market.

Only companies with a score in the top 10 per cent are awarded a position in the CDLI, showing they have provided a high level of transparency in their disclosure of climate-related information. The index is based on an extensive survey of greenhouse gas emissions, emission reduction targets, as well as risks and opportunities associated with climate change.

CDP is an international non-profit organisation which offers companies and cities a global system for measuring, publishing, managing and sharing environmental information. CPD has been publishing global climate reports since 2000, and a report on the Nordic countries since 2007. Metsä Board has been included in the Nordic report since the beginning.

CDP™ CLIMATE DISCLOSURE LEADER 2014

# SUSTAINABILITY IN ACTION

## RAW MATERIAL

- The origin of raw materials – wood, chemicals and energy – used in the production of Metsä Board's products is known.
- In 2014, Metsä Board's production units used 8.3 million cubic metres of wood (2013: 8.1) including the use of wood according to the ownership share in Metsä Fibre as well as external pulp purchases. 77 per cent (74) of the fibre originated from certified forests. The wood is 100 per cent traceable and always comes from sustainably managed forests.
- The origin of wood is verified by means of the PEFC® and FSC® certified Chain of Custody tracing method managed by Metsä Group's wood supply organisation.
- The wood supply countries included Finland (50%), Sweden (25%), the Baltic countries (13%) and Russia (12%).
- Other raw materials and services are also purchased from reliable suppliers who comply with the requirements set out in Metsä Group's Supplier Code of Conduct. In 2014, the Supplier Code of Conduct was included in a total of 162 agreements (2013: 107).

SHARE OF TRACEABLE WOOD

**100%**

WATER USE IN 2010–2014

**-15%**

| | 2014 | 2013 |
|---|---|---|
| **FIBRE RAW MATERIALS** | | |
| Wood, 1,000 $m^3$ [1)] | **8,289** | 8,094 |
| **OTHER RAW MATERIALS, 1,000 t** | | |
| Pigments | **409** | 404 |
| Adhesives | **71** | 68 |
| **WATER USE, 1,000 $m^3$** | **106,723** | 113,207 |
| Process water | **73,703** | 71,559 |
| Cooling water | **50,527** | 48,212 |

1) Including the use of wood according to the ownership share in Metsä Fibre as well as external pulp purchases.

## PERSONNEL

- Metsä Board has nine production units: seven in Finland, one in Sweden and one in Germany.
- Employees' working 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 creating a personal work capacity plan.
- Focus is placed on occupational safety by implementing efforts aimed at influencing attitudes and by promoting proactivity. Attention has been paid, in particular, to reporting observations related to safety and dangerous situations.
- Metsä Board organises a variety of training events per year. Personnel competence is reviewed regularly and personal development programmes are created.
- Future resource needs are anticipated by means of retirement forecasts. Recruitment training is developed to meet future needs based on these forecasts and personnel competence reviews.

LOST-TIME ACCIDENT FREQUENCY RATE

**12.0**

AVERAGE AGE OF EMPLOYEES

**46.2**

| OCCUPATIONAL SAFETY AND WELL-BEING | 2014 | 2013 | 2012 |
|---|---|---|---|
| Sickness absenteeism, % [1)] | **3.9** | 3.9 | 3.9 |
| Work injury absenteeism, % | **0.3** | 0.3 | 0.2 |
| Lost-time accident frequency rate (per million worked hours) | **12.0** | 12.2 | 13.2 |

1) Per cent of potential working hours.

| PERSONNEL PER COUNTRY | PERSONNEL [1)] 31 DEC 2014 | PERSONNEL 31 DEC 2013 | AVERAGE AGE OF EMPLOYEES 31 DEC 2014 |
|---|---|---|---|
| Finland | **1,469** | 1,465 | **45.2** |
| Sweden | **866** | 869 | **47.7** |
| Germany | **540** | 534 | **48.3** |
| Other countries | **236** | 248 | **42.1** |
| Total | **3,111** | 3,116 | **46.2** |

1) Full Time Equivalent

## EMISSIONS

- Metsä Board's production units are continuously developed in order to reduce environmental impact and risks and to improve resource efficiency.
- At the Simpele mill, a disc filter was installed and a circulation water tower was built. These changes have reduced the need to heat the process water and decreased the loss of suspended solids.
- New wood storage area was established in Husum mill area. This included a new noise barrier to reduce the noise from the trucks on the wood yard.
- New low consistency grinders in Kaskinen mill have been on-stream for the first full year. This has reduced the electricity consumption of the mill up to 10 per cent.
- Tako board mill has been able to reduce the loading of suspended solids to watercourse by over 50 per cent. This was achieved by re-organising the treatment of effluents from the raw water treatment plant.

$CO_2$ NEUTRAL ENERGY

**83%**

RECYCLED WASTE

**99%**

| | 2014 | 2013 |
|---|---|---|
| **EMISSIONS TO AIR, t** | | |
| Fossil carbon dioxide ($CO_2$) | **380,348** | 388,461 |
| Sulphur (as $SO_2$) | **861** | 944 |
| Nitrogen oxides (as $NO_2$) | **1,870** | 1,920 |
| Particles | **142** | 368 |
| **EMISSIONS TO WATER, t** | | |
| Waste water, 1,000 $m^3$ | **73,703** | 71,559 |
| Chemical oxygen demand (COD) | **11,997** | 12,137 |
| Biological oxygen demand (BOD) | **525**[1] | 486[1] |
| Phosphorus (P) | **25** | 26 |
| Nitrogen (N) | **239** | 245 |
| Total suspended solids | **2,906** | 2,136 |
| **WASTE, t** | | |
| Recycled waste | **284,068**[2] | 256,472[2] |
| Recycled waste, % | **99** | 96 |
| Landfill waste | **672** | 9,572[3] |
| Hazardous waste | **1,300** | 334 |

1) Excluding Husum mill
2) Includes waste from temporary storage to recycling
3) Includes waste from temporary storage to landfill

## PRODUCTS


- Paper Profile environmental declarations have been provided for all of Metsä Board's papers and paperboards. The declarations were renewed by including information on the country of wood origin and species of wood. The carbon footprint of all products has been calculated since 2007.
- Metsä Board's R&D costs were approximately EUR 6 million in 2014, or approximately 0.3 per cent of operating expenses (2013: EUR 5 million and 0.3 per cent).
- There were no significant product recalls during the review year. Costs incurred due to complaints in different parts of the supply chain accounted for 0.5 per cent of sales. Mill- and product-specific goals account for 0.3–0.8 per cent of sales.
- Productivity has increased by more than 80 per cent since 2005. During the same period, the paperboard production capacity has increased by approximately 20 per cent.
- In recent years, Metsä Board's market shares have grown steadily in its main market in Europe.

GROWTH OF PRODUCTION VOLUME IN 2013–2014

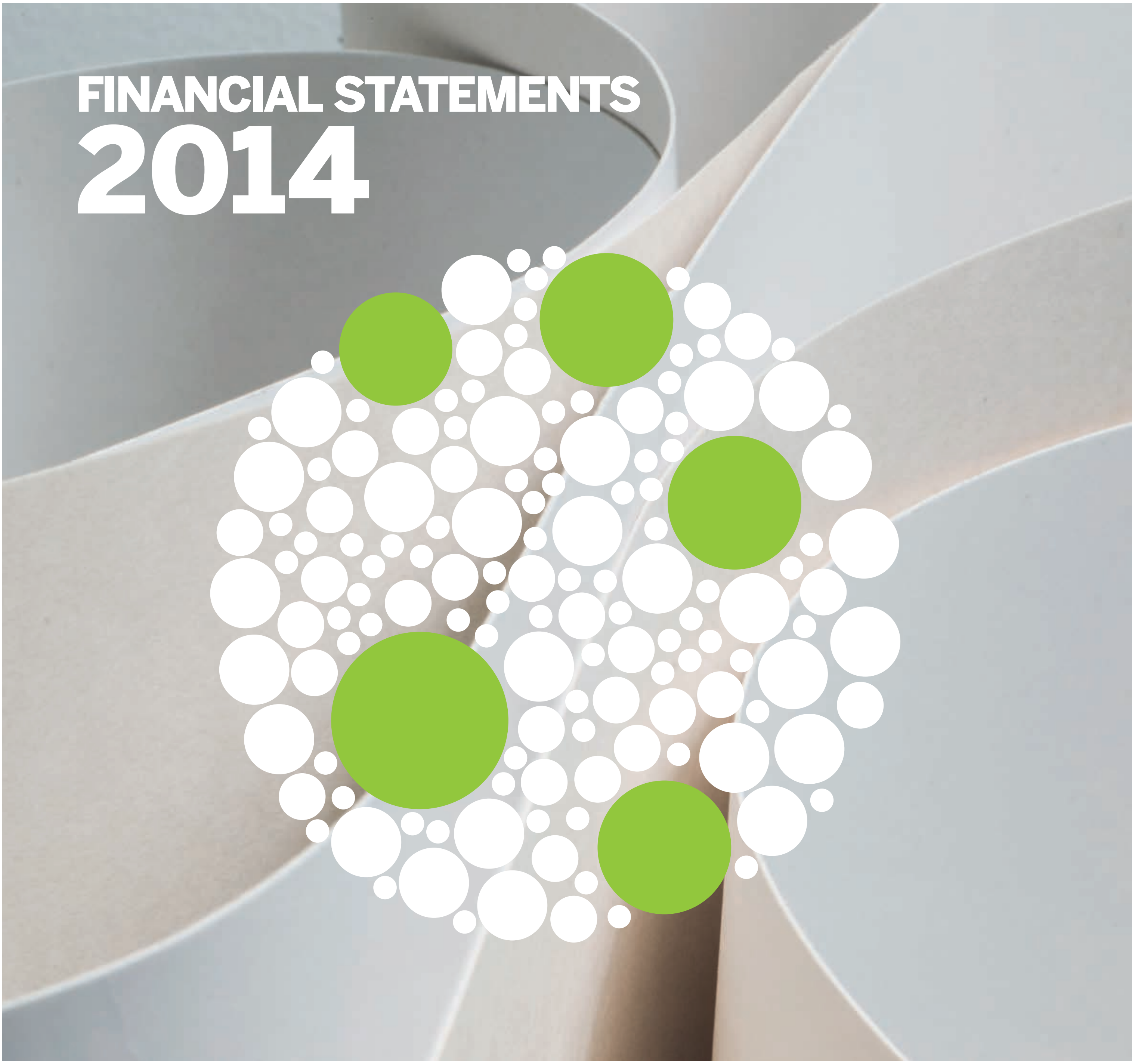
**2.5%**

SHARE OF PAPERBOARD BUSINESS IN SALES IN 2014

**61%**

| | 2014 | 2013 |
|---|---|---|
| **PRODUCTION, 1,000 t** | | |
| Paperboard | **1,416** | 1,291 |
| Pulp | **1,294** | 1,249 |
| Paper | **583** | 674 |

# FINANCIAL STATEMENTS 2014



# CONTENTS

# METSÄ BOARD'S PROFITABILITY IMPROVED IN 2014

Metsä Board's sales amounted to EUR 2,008.4 million in 2014. The operating result was EUR 116.5 million, and the operating result excluding non-recurring items was EUR 136.5 million.

Compared to the previous year, the operating result excluding non-recurring items improved as a result of the increased delivery volumes of folding boxboard and white fresh forest fibre linerboard, decreased production costs and the weakening of the Swedish krona against the euro. Lower average prices and delivery volumes of papers had a negative effect on the operating result.

Metsä Board has renewed its management and reporting structure. As of the first quarter of 2015 the company's reporting segments are Paperboard, and Non-core operations. These Financial Statements are based on the segment structure that was valid until the end of 2014.

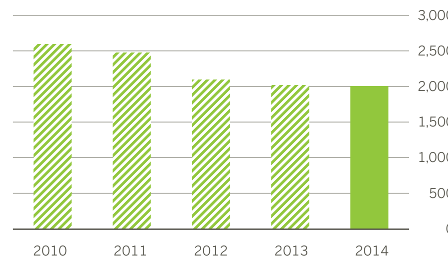
Metsä Board's operating result excluding non-recurring items is in the first quarter of 2015 expected to improve slightly compared to the last quarter of 2014.

page 27

The Board of Directors proposes to the Annual General Meeting to be held on 25 March 2015 that a dividend of EUR 0.12 per share will be paid for the 2014 financial year.

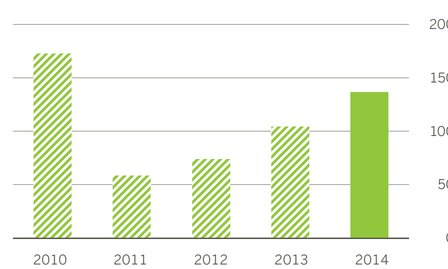
page 102

**SALES**
EUR MILLION

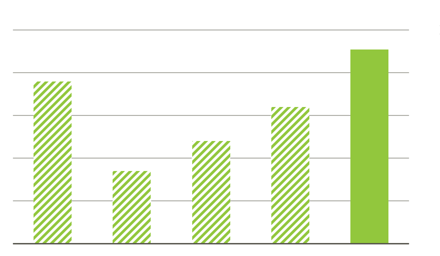



**OPERATING RESULT**
EUR MILLION


**OPERATING RESULT EXCLUDING NON-RECURRING ITEMS**
EUR MILLION




**RETURN ON CAPITAL EMPLOYED EXCLUDING NON-RECURRING ITEMS**
%



# REPORT OF THE BOARD OF DIRECTORS 2014

### MARKET SITUATION IN 2014

The economic situation continued to be weak in Metsä Board's home markets in Europe in 2014. In spite of this, Metsä Board's paperboard deliveries increased by approximately 10 per cent in 2014, compared to the previous year. The strongest growth was seen in North America, where Metsä Board's folding boxboard was received extremely well and linerboard deliveries have been growing steadily. Metsä Board's next-generation ecological paperboards are in high demand globally, and they are replacing heavier paperboards and other packaging materials.

The utilisation rates of Metsä Board's folding boxboard machines were at a very good level in 2014, and the delivery volume grew by 5 per cent compared to the previous year. The total deliveries of European folding boxboard producers increased by 1 per cent. Contract prices for folding boxboard were increased slightly at the beginning of 2014. Overall, the average price of Metsä Board's folding boxboard deliveries was still at the previous year's level. The euro-denominated average price of folding boxboard increased towards the end of 2014, mainly due to exchange rate fluctuations. In order to continue the profitable growth, Metsä Board announced it would increase its folding boxboard capacity by investing in a new production line at the Husum mill. The plan is to sell the output of the new machine mainly to North America and for food service packaging globally.

Demand for linerboard has been extremely strong, and the Kemi linerboard mill was in full operation throughout nearly the entire year in 2014. Linerboard production began at the Husum mill in Sweden in 2013, and production has been increased according to plan. At Husum, it will be possible to nearly triple linerboard production in the future from the 2014 level without considerable investments. The market prices of white fresh forest fibre linerboard and the average prices of Metsä Board's deliveries remained stable in 2014.

The decline in demand for paper continued in Europe, and no change for the better is in sight. Nevertheless, the situation with regard to uncoated fine paper, Metsä Board's most important paper type, is slightly better than for other paper types. In 2014, deliveries by European uncoated fine paper manufacturers increased by 2 per cent compared to the weak year of 2013. Demand for coated papers also clearly declined in 2014. The market prices of both uncoated fine paper and coated papers declined slightly in Europe in 2014.

Demand for chemical pulp and high-yield pulp continued at a good level in 2014. The price of chemical softwood pulp increased. The prices of high-yield pulp and hardwood pulp decreased slightly.

Production costs decreased slightly in 2014.

In 2014, the average exchange rate of the euro remained unchanged in relation to the US dollar, although the euro clearly weakened in the latter half of the year. The average rate of the euro decreased in relation to the British pound and strengthened in relation to the Swedish krona.

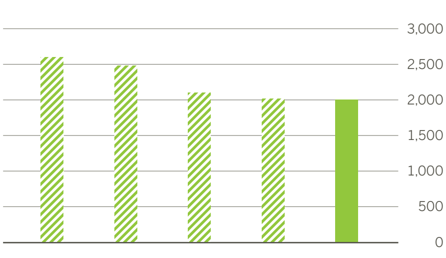
### RESULT FOR THE PERIOD

Metsä Board's sales in 2014 totalled EUR 2,008.4 million (Q1–Q4/2013: 2,019.3 and 2012: 2,017.6). Sales decreased by 0.5 per cent. The operating result was EUR 116.5 million (2013: 113.6 and 2012: 221.1), and the operating result excluding non-recurring items was EUR 136.5 million (2013: 104.4 and 2012: 74.9).

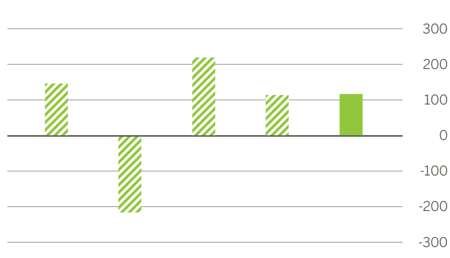
A net total of EUR -19.9 million was recognised as non-recurring items in the operating result (2013: +9.2 and 2012: +146.2), the most significant of these being:

- Sales gains of EUR 32.1 million related to the Niemenranta property transaction in Tampere in Other operations.
- An impairment of EUR 26.1 million of fixed assets in the Cartonboard business area related to the loss-making Gohrsmühle mill.
- EUR 17.4 million in damages to UPM-Kymmene related to Metsä Fibre Oy's share transaction in 2012 in Other operations.
- A cost provision of EUR 13.4 million related to the planned closing down of paper production at the Husum mill in Sweden in the Linerboard and Paper business area.
- A sales gain of EUR 4.0 million related to Metsä Fibre's divestment of Pohjolan Voima shares.

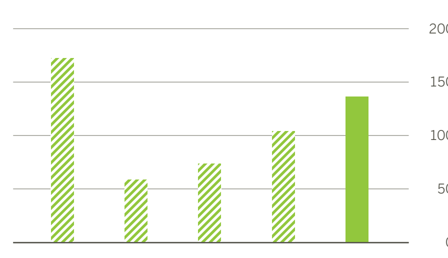
**SALES**
EUR MILLION




**OPERATING RESULT**
EUR MILLION




**OPERATING RESULT EXCLUDING NON-RECURRING ITEMS**
EUR MILLION



In 2013, net non-recurring items recognised in the operating result stood at EUR +9.2 million, the most significant of these being:

- A cost provision of EUR 6.6 million related to the landscaping of a decommissioned landfill site in Husum.
- A sales gain of EUR 5.3 million from a property transaction in Tampere.
- A EUR 4.6 million sales gain and cancellation of provisions related to the divestment of the Alizay mill in France.
- EUR 2.5 million related to cancelling the impairment of the divestment of the old, written-down paper machine at Äänekoski.
- Cancellation of a EUR 2.3 million cost provision related to the 2011 restructuring provisions in Gohrsmühle and at the Äänekoski paper mill.

Compared to the previous year, the operating result excluding non-recurring items improved as a result of the increased delivery volumes of folding boxboard and white-top fresh forest fibre linerboard, decreased production costs, and the weakening of the Swedish krona against the euro. The operating result was affected negatively by the lower delivery volume and average prices of coated and uncoated papers.

The total delivery volume of the Cartonboard business area in 2014 was 911,000 tonnes (2013: 872,000 and 2012: 846,000). The total delivery volume of the Linerboard and Paper business area was 1,035,000 tonnes (2013: 1,027,000 and 2012: 1,024,000). The combined delivery volume of Metsä Board's folding boxboard and fresh forest fibre linerboard in 2014 was 1,246,000 tonnes (1,135,000), which represents an increase of 10 per cent.

Financial income and expenses totalled EUR -39.2 million (-55.9). The increase in the financing expenses of the corresponding period in the previous year was 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 +2.7 million (-1.1). Net interest and other financial income and expenses amounted to EUR 41.9 million (54.8). Net interest increased by approximately EUR 5.8 million due to the early repayment of a loan of EUR 350 million and a standby credit facility of EUR 100 million, as well as refinancing. Other financial income and expenses included EUR 0 million of valuation gains on interest rate hedges (valuation gain of 4.6). In financial expenses, EUR 2.2 million was recognised as a non-recurring item related to penalty interest on the damages paid to UPM-Kymmene.

The result before taxes for the period under review was EUR 77.6 million (2013: 57.8 and 2012: 173.9). The result before taxes excluding non-recurring items was EUR 99.7 million (2013: 48.6 and 2012: 27.7). The impact of income taxes was EUR -9.1 million (2013: +6.3 and 2012: -2.6). Income taxes for the review period decreased as a result of internal restructuring within the Group.

Earnings per share were EUR 0.21 (2013: 0.19 and 2012: 0.52). Earnings per share excluding non-recurring items were EUR 0.27 (2013: 0.17 and 2012: 0.13). The return on equity was 8.1 per cent (2013: 7.5 and 2012: 21.5), excluding non-recurring items 10.4 (2013: 6.5 and 2012: 5.3). The return on capital employed was 7.7 per cent (2013: 7.0 and 2012: 12.4), excluding non-recurring items 9.1 per cent (2013: 6.4 and 2012: 4.8).

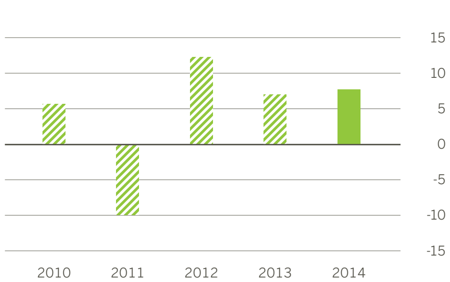
## INVESTMENTS

Gross investments in 2014 totalled EUR 44.2 million (2013: 66.9 and 2012: 66.0).

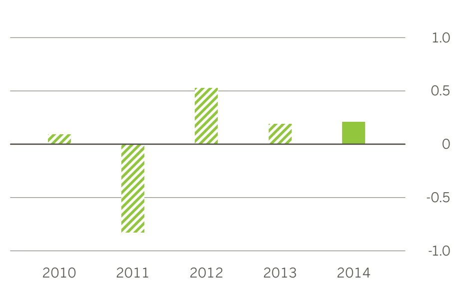
## BUSINESS DEVELOPMENT

In December 2014, Metsä Board announced that it would launch new measures to complete the final steps of its transformation into a paperboard company. The company also announced that it would invest approximately EUR 170 million in a new folding boxboard machine at the Husum mill in Sweden. The machine has an annual production capacity of around 400,000 tonnes, and it will begin opera-

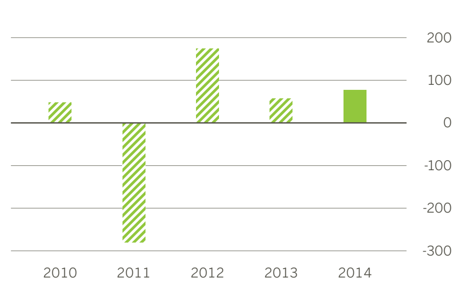
**RETURN ON CAPITAL EMPLOYED**
%




**EARNINGS PER SHARE**
EUR




**RESULT BEFORE TAX**
EUR MILLION



tion in early 2016. It is expected to reach full production capacity by the end of 2016. Paper production at the Husum mill is planned to be discontinued for the most part at the end of 2015 and completely by the end of 2017. It is estimated that these measures at the Husum mill and the growing sales volumes of fresh forest fibre linerboard will have a positive effect of EUR 50 million on Metsä Board's annual operating result compared to the company's actual result for 2014. Most of the result improvement is expected to be realised as of 2017 and to take full effect as of 2018.

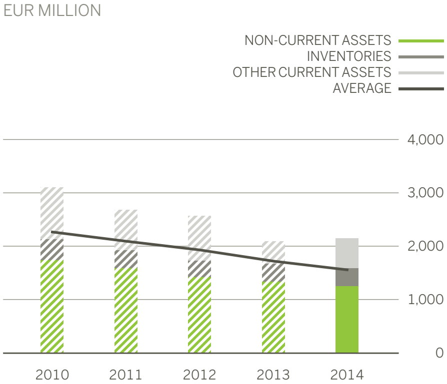
In addition, Metsä Board is planning to carry out new measures to eliminate the losses of the Gohrsmühle mill in Germany. The primary goal is to sell the mill during the first half of 2015. If the mill is not sold in the targeted schedule, Metsä Board will launch other measures to eliminate the mill's heavy losses, which may also include partly or completely closing down the mill. The Gohrsmühle mill has approximately 480 employees, and its main products are cast-coated speciality papers and label paper. The mill's sales in 2014 were around EUR 90 million, with an operating loss of approximately EUR 20 million.

Metsä Fibre, an associated company of Metsä Board, is planning to build a bioproduct mill to replace the existing pulp mill in Äänekoski. The cost of the bioproduct mill is around EUR 1.1 billion. The mill's annual pulp capacity would be 1.3 million tonnes, which is around 800,000 tonnes higher than the current production at the Äänekoski mill. Metsä Fibre intends to make the final decision on the investment in spring 2015, which would mean that the mill would be commissioned during 2017. Metsä Board would invest no more than EUR 30 million of capital in the project. Metsä Board's holding in Metsä Fibre will remain at 24.9 per cent even if the plans for the Äänekoski investment are realised.

Metsä Board is planning to finance these measures through its current cash and cash equivalents, credit facilities and cash flow from operating activities, and possibly also through a rights issue of around EUR 100 million in the first quarter of 2015, based on an authorisation granted to the Board of Directors by the Annual General Meeting. Metsäliitto Cooperative, the principal owner of Metsä Board, is committed to participating in the possible rights issue with around EUR 43 million in accordance with its holding.

In March 2014, Metsä Board divested its property in Lielahti in Tampere to the City of Tampere for EUR 26 million. In December 2014, it entered into an agreement on a property transaction of around EUR 7.5 million in Lielahti, as well. A sales gain of around EUR 32 million was recognised for the transactions. Metsä Board discontinued high-yield pulp production in its mill in Lielahti in 2008 and has had no production operations in the area since.

**ASSETS AND CAPITAL EMPLOYED**
EUR MILLION




### DISPUTES

In May 2014, Metsä Board requested that the District Court of Helsinki revoke the judgment issued by the arbitral tribunal on 11 February 2014 that ordered Metsä Board to pay EUR 19.7 million in damages, including costs related to the arbitration proceedings and penalty interests to UPM-Kymmene Corporation.

### RESEARCH AND DEVELOPMENT

Metsä Board carries out long-term work in order to develop new products and improve existing ones. The key objective of R&D activities is to manufacture increasingly light-weight folding boxboards and linerboards in the future, without compromising their end-use properties.

In 2014, Metsä Board's R&D operations were strengthened, and they support the growth of the packaging paperboard operations.

Metsä Board's R&D is divided into the following areas:

- Services and products adding value for customers
- Improvements in process efficiency
- Renewable raw materials as the basis of competitiveness

In 2014, Metsä Board introduced new products to the market in the food service packaging segment, which is targeting global operations of a minimum of 150,000 tonnes. The coated light-weight fully bleached linerboards of the Husum mill have been developed to complement Metsä Board's linerboard product range. Expertise in pulp as well as the company's own pulp grades and high-yield pulp form the basis of Metsä Board's strategy of developing increasingly light-weight yet high-quality products. The importance of product safety is continuously increasing in packaging. Metsä Board works in close cooperation with its customers in order to ensure that all essential factors have been taken into consideration in product development.

Metsä Board's goal is to develop product properties to minimise the environmental impact of products. Metsä Board also develops bio-based coatings and barrier solutions.

In addition, Metsä Board is in the process of developing an innovation process tool in order to further enhance its R&D operations.

A variable cost savings programme was launched as a project, but today it is part of everyday operations. Having a systematic approach, following up and disseminating best practices will provide additional savings.

By developing the approach beyond the traditional formula and energy savings into new areas, such as reducing water usage, additional savings can be achieved. Several theses which collected background information and clarified the goals have been utilised in this work. The work required seamless cooperation between the mills, purchasing and R&D.

Metsä Board's R&D costs were approximately EUR 6 million in 2014, or approximately 0.3 per cent of operating expenses (2013: EUR 5 million and 0.3 per cent, and 2012: 5 and 0.3 per cent, respectively).

## SUSTAINABILITY

Metsä Board is committed to promoting sustainable development, continuously improving its operations and conducting responsible business.

In addition to its own operations, Metsä Board is committed to sustainability throughout the supply chain and supports sustainable forest management.

The wood fibre used is 100 per cent traceable and always comes from sustainably managed forests. In 2014, Metsä Board's mills used 8.3 million cubic metres of wood (2013: 8.1) including the use of wood according to the ownership share in Metsä Fibre as well as external pulp purchases. 77 per cent (74) of the fibre originated from certified forests.

In terms of other raw materials, the procurement function launched a systematic audit of raw materials and the countries processing them in accordance with the sustainable development criteria during the year under review.

The majority of wood used by Metsä Board in Finland comes from forests owned by Metsäliitto Cooperative members. In 2014, other wood procurement 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 procurement organisation.

In its operations, Metsä Board aims to mitigate climate change. Metsä Board's energy efficiency improved by 7 per cent in 2009–2014. Efficiency is improved by means of equipment and process modernisation, as well as by developing operating methods. The improvement of energy efficiency is an essential part of all investments related to production processes.

Wood-based bioenergy accounted for 59 per cent of Metsä Board's total energy consumption in 2014. The majority of this bioenergy is produced using Metsä Group's production by-products, such as bark and black liquor. The rest is forest energy originating from wood supply.

Metsä Board continuously looks for ways to reduce the usage of fresh water in its production by reusing water efficiently, 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 survey opportunities to reduce water usage and fibre loss, as well as to improve the efficiency of sludge and wastewater management. In 2014, water consumption was 74 million cubic metres (73). The usage of process water has decreased by approximately 15 per cent during 2010–2014.

All of Metsä Board's production units have ISO 9001 quality system and ISO 14001 environmental system in place, as well as a Chain of Custody system, enabling reliable verification of the proportion of certified wood in the products. A certified OHSAS 18001 occupational and product safety system, ISO 22000 food safety management system, and ISO 50001 energy efficiency system are in place in nearly all of Metsä Board's production units.

No significant deviations resulting in significant environmental effects occurred in Metsä Board's production units during the year under review. Some short-term deviations from permit conditions were, however, recorded.

Metsä Board also has environmental liabilities related to former operations at sites that have since been closed, sold or leased, as well as at decommissioned landfill sites. Financial provisions for the cost of land rehabilitation work have been made in cases where it has been possible to measure the company's liability for land contamination.

Metsä Board's environmental liabilities in 2014 totalled EUR 10.9 million (20.0) and the environmental expenses amounted to EUR 18 million (17). They consist mainly of expenses related to the use and maintenance of environmental protection equipment, expenses related to waste management and environmental insurance, and depreciation of capitalised environmental expenses.

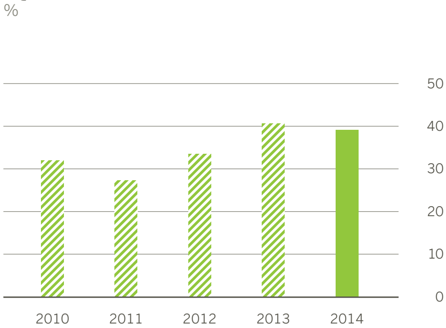
## PERSONNEL

Metsä Board's number of personnel at the end of December was 3,111 (31 December 2013: 3,116; 31 December 2012: 3,279), of whom 1,469 worked in Finland (2013: 1,465 and 2012: 1,536). In 2014, Metsä Board employed an average of 3,200 people (2013: 3,245 and 2012: 3,552). Salaries in 2014 totalled EUR 166 million (2013: 157 and 2012: 156).

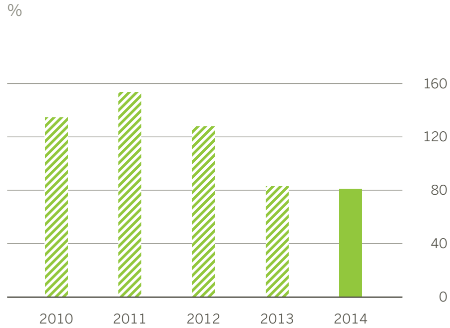
Metsä Board Corporation's number of personnel at the end of December was 1,149 (31 December 2013: 1,147 and on 31 December 2012: 1,181). Salaries at Metsä Board Corporation totalled EUR 55 million (2013: 52 and 2012: 52).

Safety at work is Metsä Board's top priority. Safety at work is continuously developed, in particular by striving to impact attitudes and proactive thinking. The goal is also to harmonise occupational safety practices between units and to pay attention to reporting safety incidents and dangerous situation observations. The goal is to improve the safety of the work environment and reduce the number of lost-time

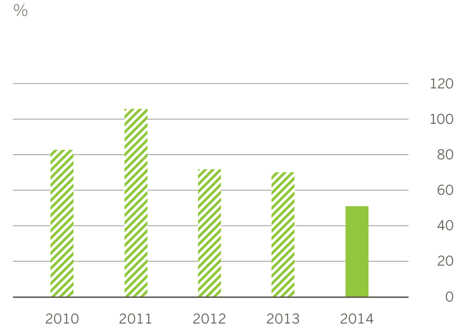
**EQUITY RATIO**
%




**GEARING RATIO**
%




**NET GEARING RATIO**
%



accidents by 10 per cent each year. The long-term goal concerning lost-time accidents is zero. In 2014, the number of accidents at work resulting in an absence of at least one day was 12.0 (2013: 12.2) per one million hours worked.

Metsä Board focuses on maintaining working ability. Our target is to keep absences due to illness at the best European level, in other words below 3 per cent. In 2014, the rate of absences due to illness was 3.9 per cent (2013: 3.9).

## FINANCING

Metsä Board's equity ratio at the end of the year was 39.2 per cent (31 December 2013: 40.7), and its gearing ratio was 81 per cent (83). The net gearing ratio was 51 per cent (70).

The change in the fair value of investments available for sale during the period under review was approximately EUR -0.6 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, despite the decreased interest rate level.

The amount of defined benefit pension obligations increased by approximately EUR 26.3 million, and EUR -18.6 million after taxes was recognised in other comprehensive income items. The increase in pension obligations resulted from the continued decrease in the discount rate.

At the end of the year, net interest-bearing liabilities stood at EUR 426.7 million (597.2). Foreign currency-denominated loans accounted for 0.5 per cent and floating-rate loans for 23 per cent, with the rest being fixed-rate loans. At the end of the year, the average interest rate on loans was 4.0 per cent (4.8), and the average maturity of long-term loans was 3.5 years (2.7). The interest rate maturity of loans was 27.2 months at the end of the year (18.3). During the period, the interest rate maturity varied between 17 and 34 months.

Cash flow from operations amounted to EUR 210.3 million (Q1–Q4/2013: 127.1). Working capital decreased by EUR 59.0 million (an increase of 10.8 million).

At the end of the review period, an average of 5.6 months of the net foreign currency exposure was hedged. The degree of hedging varied between 5 and 7 months during the period.

In March, Metsä Board issued a EUR 225 million unsecured bond. The bond matures on 13 March 2019, and it carries a fixed coupon interest rate of 4.0 per cent per annum. In March, Metsä Board also signed an agreement on a new unsecured syndicated credit facility. The new facility consists of a term loan facility of EUR 150 million and a revolving credit facility of EUR 100 million, which will both mature in 2018. Most of the funds from the financing arrangements were used for the early repayment of a secured loan of EUR 350 million that would have matured in 2016. The new revolving credit facility replaced the undrawn EUR 100 million revolving credit facility maturing in 2015.

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 and changes in the statutory majority in shareholding. Metsä Board has considerable headroom in relation to the covenants set in the credit agreements.

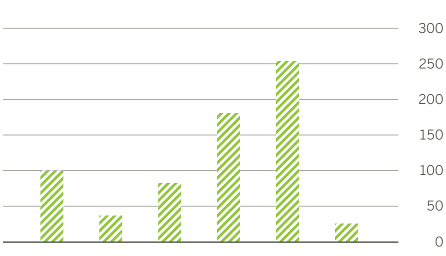
Metsä Board's liquidity has remained strong. At the end of the period under review, the available liquidity was EUR 396.0 million (2013: 208.6), of which EUR 100.0 million consisted of revolving credit, EUR 45.6 consisted of undrawn pension premium (TyEL) funds and EUR 250.4 million of liquid assets and investments. Of the liquid assets, EUR 14.4 million consisted of cash funds and investments and EUR 236.0 million were interest-bearing receivables comparable to cash funds and short-term deposits with Metsä Group Treasury Oy. These deposits are comparable to cash funds and are available immediately from Metsä Group's internal bank Metsä Group Treasury. Since 30 September 2013, they have been recognised in financial assets on the balance sheet. In addition, Metsä Board had other interest-bearing receivables totalling EUR 6.9 million. Metsä Board's liquidity reserve is complemented by Metsä Group's internal undrawn short-term credit facility of EUR 150.0 million.

In November 2014, Moody's Investors Service upgraded Metsä Board Corporation's credit rating from B2 to B1. The outlook of the rating is positive. The upgrade has no impact on Metsä Board's current financing costs.

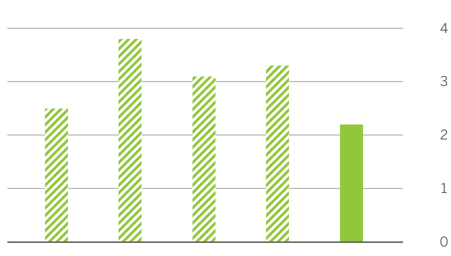
## SIGNIFICANT RISKS AND UNCERTAINTIES

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

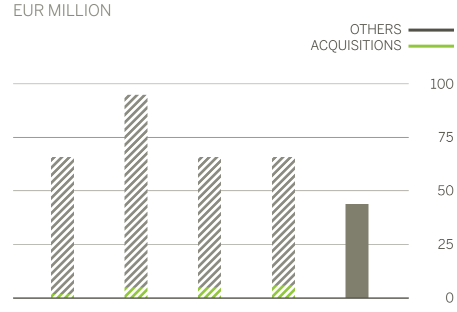
**REPAYMENT OF NON-CURRENT LOANS**
(2015–2020), EUR MILLION




**INVESTMENTS**
% OF SALES




**GROSS INVESTMENTS**
EUR MILLION



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 in 2014 identified the following risks and uncertainties which have 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 paperboard, paper and pulp 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.

### CHANGES IN THE OPERATING ENVIRONMENT

Metsä Board operates in a cyclical 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

With the exception of the Husum mill in Sweden and the Gohrsmühle mill in Germany, all of Metsä Board's production units are located in Finland. Finland has a history of labour disputes in both the forest industry and 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 outside Finland until 2016, nor most of the fresh forest fibre linerboard portfolio. This may impair the company's competitiveness and profitability.

The majority of Metsä Board's paper production, which it is planned to cease for the most part at the end of 2015 and completely in 2017, is carried out at the Husum mill in Sweden. The majority of market pulp and a portion of fresh forest linerboard are also produced at Husum. Labour disputes in the Swedish forest industry or distribution chain could impair Metsä Board's ability to deliver paper, market pulp and, to a smaller extent, fresh forest fibre linerboard, and therefore the company's profitability could weaken.

### CUSTOMER RETENTION 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. Nearly all 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 2014. Measures are taken to reduce the risk further by intensifying internal credit control and its processes. The main principles of credit control are defined in the credit guidelines of the risk management policy approved by the company's Board of Directors.

### CHANGES IN CONSUMER HABITS

Changes in the market, such as new consumer trends, packaging materials and printing technologies may have an adverse effect on the demand for Metsä Board's products.

### BUSINESS DEVELOPMENT

Metsä Board is focusing on the development and growth of its paperboard business operations. Business development and growth require several strategic choices that involve risks. These uncertainties are related to the product range, targeting of investments and selection of customer segments, for example.

Metsä Board aims to increase its delivery volumes in Europe, but also in market areas outside Europe, particularly in North America. Achieving growth in sales outside the company's home market areas involves cost risks as well as uncertainties related to the introduction of new products.

### 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, for example related to the EU's emissions trading or other obligations, 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. The company strives 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. The mills have drawn up continuity and recovery plans in preparation for the realisation of such risks. The property and interruption risks of the production units 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 strives to prepare for retirement and other risks related to personnel by means of career planning and job rotation.

### RISKS ASSOCIATED WITH THE AVAILABILITY OF FINANCING

Metsä Board implemented a significant refinancing arrangement which extended the maturity distribution and decentralised sources of financing. 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 purpose is to hedge against considerable financial risks, balance cash flow and give the business units enough time to adjust their operations according to the 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 2014, despite the weak economic situation in its European home markets. The company is growing its paperboard business and planning to discontinue its paper business. Measures are under way which are expected to have a considerable positive impact on the result in the upcoming years. The execution of the growth and profit improvement measures involves uncertainties, and the profit improvement sought may not necessarily be fully accomplished.

The exchange rate of the euro in relation to, in particular, the US dollar, British pound and Swedish krona impacts Metsä Board's profitability. The company is growing its operations in North America, in particular, which is why the sensitivity of the result to the exchange rate fluctuations of the US dollar continues to increase.

Metsä Board's financial risks, related primarily to currencies, interest rates, liquidity, counterparty risks and the use of derivative instruments as well as the management thereof, are described in greater 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 units have prepared for potential disturbances to operations by drawing up continuity and recovery plans. The company's crisis management plan directs crisis management in the business areas and production units.

Some of the risks are borne by the company itself, whereas some of them are selectively transferred by means of, for example, insurance contracts, derivative contracts and other contract terms and conditions 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
- general third-party and product liability insurance
- liability insurance for Directors and Officers
- credit insurance
- cargo insurance.

### SHARES

In 2014, the highest price for Metsä Board's A share on the NASDAQ OMX Helsinki was EUR 4.75, the lowest price was EUR 2.95 and the average price was EUR 3.53. At the end of 2014, the price of the A share was EUR 4.60. At the end of 2013, the price of the A share was EUR 3.08, while the average price in 2013 was EUR 2.59.

In 2014, the highest price for Metsä Board's B share was EUR 4.57, the lowest price was EUR 2.92 and the average price was EUR 3.47. At the end of the year, the price of the B share was EUR 4.47. At the end of 2013, the price of the B share was EUR 3.15, while the average price in 2013 was EUR 2.58.

The trading volume of the A share was EUR 4 million, or 3 per cent of the share capital. The trading volume of the B share was EUR 205 million, or 20 per cent of the share capital. The market value of the A and B shares totalled EUR 1,472 million at the end of 2014.

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

At the end of the year, Metsäliitto Cooperative owned 40 per cent of the shares, and the voting rights conferred by these shares amounted to 61 per cent. International investors' holdings increased to 15 per cent of the shares. At the end of the year, the company's CEO and Board members owned a total of approximately 0.3 per cent of the shares, including indirect ownership.

The company does not hold any treasury shares.

In October 2014, Metsä Board achieved an excellent ranking in the Nordic Climate Disclosure Leadership Index (CDLI), with a score of 98 out of 100. The high score is recognition of thorough, high-quality reporting to investors and markets on issues related to climate change. Only companies listed in the Nordic countries with a score in the top 10 per cent are awarded a position in the CDLI, having shown a particularly high level of progress in reporting information pertaining to climate change.

## CHANGES IN THE MANAGEMENT

Mika Joukio, 50, M.Sc. (Tech.), MBA, became CEO of Metsä Board on 1 October 2014.

Joukio previously worked at Metsä Tissue Corporation, which is part of Metsä Group. He had worked as CEO of Metsä Tissue Corporation since the beginning of 2012. Before joining Metsä Tissue, Joukio worked as head of Metsä Board's paperboard business operations from 2006 to 2011. He held various positions in business management in Metsä Board and its predecessors, Metsä-Serla Corporation and M-real Corporation, between 1990 and 2006.

In December 2014, Metsä Board announced that it would reform its management and reporting structure to ensure the successful implementation of its growth strategy. As of 1 January 2015, its Corporate Management Team consists of Mika Joukio, CEO; Markus Holm, CFO; Seppo Puotinen, Senior Vice President, Marketing and Sales; Ari Kiviranta, Senior Vice President, Production and Technology; Sari Pajari, Senior Vice President, Business Development; and Susanna Tainio, Senior Vice President, Human Resources. Tainio is a new member of Metsä Board's Corporate Management Team.

## CHANGES IN THE REPORTING SEGMENTS

As of the first quarter of 2015, Metsä Board's reporting segments are Paperboard and Non-core Operations. The Paperboard segment includes the folding boxboard, fresh forest fibre linerboard, wallpaper base and market pulp business operations. The Non-core Operations segment includes the remaining standard paper business operations at the Husum mill until their planned discontinuation by the end of 2017, as well as the cast-coated and label paper business operations at the Gohrsmühle mill. Other operations are reported as before.

## DISTRIBUTABLE FUNDS AND DIVIDEND

The distributable funds of the parent company on 31 December 2014 were EUR 388,415,184.20, of which the result for the financial year is EUR 68,018,109.20. In its meeting on 5 February 2015, the Board of Directors decided to propose to the Annual General Meeting to be held on 25 March 2015 that a dividend of 0.12 euros per share be distributed for the financial year 2014. The dividend will be paid to shareholders who are registered in the company's shareholders register held by Euroclear Finland Oy on the dividend payment record date of 27 March 2015. The Board of Directors proposes 8 April 2015 as the dividend payment date. A dividend of 0.09 euros per share was paid for 2013.

## BOARD OF DIRECTORS AND AUDITORS

The Annual General Meeting held in April 2014 confirmed the number of members of the Board of Directors as nine and re-elected the following individuals as members of the Board of Directors: Mikael Aminoff, M.Sc. (Forestry); Martti Asunta, metsäneuvos (Finnish honorary title); Kari Jordan, vuorineuvos (Finnish honorary title); Kirsi Komi, LL.M.; Kai Korhonen, M.Sc. (Eng); Liisa Leino, teollisuusneuvos (Finnish honorary title); Juha Niemelä, vuorineuvos (Finnish honorary title); Veli Sundbäck, Ambassador; and Erkki Varis, M.Sc. (Eng). The term of office of the Board members expires at the end of the next Annual General Meeting.

At its constitutive meeting, the Board of Directors elected Kari Jordan as its Chairman and Martti Asunta as its Vice Chairman. The Board further resolved to organise the Board committees as follows: the members of the 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.

Authorised Public Accountants KPMG Oy Ab was elected as the company's auditor, with APA Raija-Leena Hankonen as the principal auditor. The term of office of the auditor expires at the end of the next Annual General Meeting.

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

## EVENTS AFTER THE PERIOD

In February 2015, Metsä Board updated its public long-term objectives to better present the company's situation as the leading producer of fresh forest fibre paperboard in Europe.

The updated long-term financial objectives are:

– Return on capital employed (ROCE) of at least 12 per cent starting from 2017
– Net gearing ratio of no more than 70 per cent

Previously, the targeted return on capital employed was 10 per cent and the targeted net gearing ratio a maximum of 100 per cent.

Metsä Board's dividend policy remains unchanged. The objective is to pay a dividend of a minimum of one third of the company's earnings per share, taking the net gearing ratio target into consideration.

## BUSINESS ENVIRONMENT AND NEAR-TERM OUTLOOK

The delivery volumes of paperboards are estimated to increase slightly in the first quarter of 2015 compared to the previous quarter. No material changes in the prices of paperboard are currently foreseen.

In terms of market pulp, no significant market-based changes are in sight in the first quarter. Metsä Board's paper deliveries are estimated to increase slightly in the first quarter, while the average price of paper is estimated to decrease.

No material changes in production costs are expected in the first quarter of 2015.

Foreign exchange rates developed favourably for Metsä Board in the second half of 2014 and at the beginning of 2015. The duration of the company's net cash flow hedges is approximately six months. For this reason, the positive effect of foreign exchange rates on the result is expected to be more clearly visible as of the first half of 2015.

Metsä Board's operating result excluding non-recurring items in the first quarter of 2015 is expected to improve slightly compared to the last quarter of 2014.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR million | Note | 1 JAN – 31 DEC 2014 | 1 JAN – 31 DEC 2013 |
|---|---|---|---|
| **SALES** | 3, 31 | **2,008.4** | **2,019.3** |
| Change in stocks of finished goods and work in progress | 6 | 10.3 | 31.9 |
| Other operating income | 5, 31 | 69.6 | 53.0 |
| Materials and services | 6, 31 | -1,449.4 | -1,513.6 |
| Employee costs | 6 | -252.6 | -241.0 |
| Share of result from associated companies and joint ventures | 13, 31 | 43.7 | 37.1 |
| Depreciation, amortization and impairment charges | 3, 7 | -125.6 | -101.3 |
| Other operating expenses | 6, 31 | -187.9 | -171.8 |
| **OPERATING RESULT** | | **116.5** | **113.6** |
| Share of result from associated companies and joint ventures | 13 | 0.3 | 0.1 |
| Net exchange gains/losses | 8 | 2.7 | -1.1 |
| Other financial income | 8, 31 | 1.6 | 8.8 |
| Interest and other financial expenses | 8, 31 | -43.5 | -63.6 |
| **RESULT BEFORE TAX** | | **77.6** | **57.8** |
| Income taxes | 9 | -9.1 | 6.3 |
| **RESULT FOR THE PERIOD** | | **68.5** | **64.1** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS** | 20 | | |
| Actuarial gains/losses on defined pension plans | | -26.3 | -4.8 |
| Income tax relating to items that will not be reclassified | | 7.7 | 1.5 |
| Total | | -18.6 | -3.3 |
| **ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS** | 20 | | |
| Cash flow hedges | | -11.2 | -7.6 |
| Available for sale investments | | -0.6 | -41.5 |
| Translation differences | | -15.1 | -9.0 |
| Share of result from other comprehensive income of associated companies and joint ventures | | -4.4 | -3.8 |
| Income tax relating to components of other comprehensive income | | 2.4 | 19.9 |
| Total | | -28.9 | -42.0 |
| Other comprehensive income, net of tax | | -47.5 | -45.3 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **21.0** | **18.8** |
| **RESULT FOR THE PERIOD ATTRIBUTABLE TO:** | | | |
| Shareholders of parent company | | 68.5 | 63.9 |
| Non-controlling interest | | 0.0 | 0.2 |
| | | 68.5 | 64.1 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:** | | | |
| Shareholders of parent company | | 21.0 | 18.6 |
| Non-controlling interests | | 0.0 | 0.2 |
| | | 21.0 | 18.8 |
| **BASIC AND DILUTED EARNINGS PER SHARE FOR RESULT ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY, EUR** | 10 | 0.21 | 0.19 |

The notes are an integral part of these financial statements.

# CONSOLIDATED BALANCE SHEET

| EUR million | Note | 31 DEC 2014 | Restate [1)] 31 DEC 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Goodwill | 11 | 12.7 | 12.7 |
| Other intangible assets | 11 | 15.1 | 22.6 |
| Tangible assets | 12, 32 | 737.7 | 833.8 |
| Investments in associated companies and joint ventures | 13 | 223.1 | 208.7 |
| Available for sale investments | 13, 14, 27 | 233.3 | 233.8 |
| Other non-current financial assets | 15, 27 | 11.2 | 15.3 |
| Deferred tax receivables | 16 | 17.3 | 10.5 |
| | | **1,250.4** | **1,337.4** |
| **CURRENT ASSETS** | | | |
| Inventories | 17 | 339.8 | 332.9 |
| Accounts receivables and other receivables | 18, 23, 27, 31 | 308.2 | 331.2 |
| Current income tax receivables | | 0.0 | 0.7 |
| Derivative financial instruments | 26, 27 | 0.0 | 0.6 |
| Cash and cash equivalent | 19, 23, 27,31 | 250.4 | 94.2 |
| | | **898.4** | **759.6** |
| **TOTAL ASSETS** | | **2,148.8** | **2,097.0** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY** | 20 | | |
| Share capital | | 557.9 | 557.9 |
| Translation differences | | 6.9 | 25.9 |
| Fair value and other reserves | | 132.1 | 142.0 |
| Reserve for invested unrestricted equity | | 284.8 | 284.8 |
| Retained earnings | | -140.3 | -161.0 |
| | | 841.4 | 849.6 |
| **NON-CONTROLLING INTERESTS** | | 0.0 | 0.0 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **841.4** | **849.6** |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | 16 | 78.2 | 84.5 |
| Post employment benefit obligations | 21 | 112.2 | 92.6 |
| Provisions | 22, 32 | 24.7 | 8.6 |
| Borrowings | 23, 26, 27 | 580.8 | 647.9 |
| Other liabilities | 24, 26, 27 | 1.4 | 2.9 |
| Derivative financial instruments | 26, 27 | 6.4 | 8.1 |
| | | **803.7** | **844.6** |
| **CURRENT LIABILITIES** | | | |
| Provisions | 22, 32 | 10.1 | 28.4 |
| Current borrowings | 23, 26, 27,31 | 103.2 | 53.4 |
| Accounts payable and other liabilities | 25, 26, 27, 31 | 370.3 | 313.5 |
| Current income tax liabilities | | 0.0 | 0.1 |
| Derivative financial instruments | 26, 27 | 20.1 | 7.4 |
| | | **503.7** | **402.8** |
| **TOTAL LIABILITIES** | | **1,307.4** | **1,247.4** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **2,148.8** | **2,097.0** |

[1)] Cash and cash equivalent and accounts receivables and other receivables have been adjusted

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 2013 | | 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** |
| Shareholders' equity, 1 Jan 2014 | | 557.9 | 25.9 | 142.0 | 284.8 | -161.0 | 849.6 | 0.0 | 849.6 |
| Result for the period | | | | | | 68.5 | 68.5 | 0.0 | 68.5 |
| Other comprehensive income net of tax | 20 | | -19.0 | -9.9 | | -18.6 | -47.5 | | -47.5 |
| **COMPREHENSIVE INCOME TOTAL** | | | **-19.0** | **-9.9** | | **49.9** | **21.0** | **0.0** | **21.0** |
| Share based payments | | | | | | 0.3 | 0.3 | | 0.3 |
| Related party transaction | | | | | | | | | |
| Dividends relating to 2013 | | | | | | -29.5 | -29.5 | | -29.5 |
| **SHAREHOLDERS' EQUITY, 31 DEC 2014** | | **557.9** | **6.9** | **132.1** | **284.8** | **-140.3** | **841.4** | **0.0** | **841.4** |

The notes are an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

| EUR million | Note | 2014 | Restate [1] 2013 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Profit for the period | | 68.5 | 64.1 |
| Adjustments to the result, total | 28 | 82.8 | 73.8 |
| Interest received | | 1.4 | 9.5 |
| Interest paid | | -40.4 | -69.2 |
| Dividends received | 8, 13 | 25.2 | 25.2 |
| Other financial items, net | | 4.5 | -11.1 |
| Income taxes paid | | -2.8 | 0.7 |
| Change in working capital | 28 | 59.0 | -10.8 |
| **NET CASH FLOW FROM OPERATING ACTIVITIES** | | **198.2** | **82.2** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Acquisition of other shares | | -1.5 | -1.5 |
| Capital expenditure | | -42.5 | -60.5 |
| Proceeds from disposal of shares in subsidiary, net of cash | 4, 28 | | -264.6 |
| Proceeds from disposal of shares in associated companies | 28 | | 0.5 |
| Proceeds from sale of tangible and intangible assets | | 44.5 | 33.9 |
| Proceeds from non-current receivables | | 3.0 | |
| Increase in non-current receivables | | | -0.8 |
| **NET CASH FLOW FROM INVESTING ACTIVITIES** | | **3.5** | **-293.0** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from non-current interest bearing liabilities | | 381.1 | 630.9 |
| Payment of non-current interest bearing liabilities | | -395.6 | -758.8 |
| Proceeds from current liabilities, net | | -5.6 | -72.8 |
| Change in current interest bearing receivables, net | | 2.6 | 97.8 |
| Proceeds from non-current non-interest bearing liabilities | | 1.9 | |
| Acquisition of interest in a subsidiary from non-controlling interest | 4 | | -0.1 |
| Dividends paid | | -29.5 | -20.2 |
| **NET CASH FLOW FROM FINANCING ACTIVITIES** | | **-45.1** | **-123.2** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | | **156.6** | **-334.0** |
| Cash and cash equivalents at beginning of period | | 94.2 | 428.5 |
| Translation adjustments | | -0.4 | -0.3 |
| Changes in cash and cash equivalents | | 156.6 | -334.0 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | 19 | **250.4** | **94.2** |

[1] Cash and cash equivalent and accounts receivables and other receivables have been adjusted.

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: Cartonboard and Lineboard and Paper. 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 2014 Metsäliitto Cooperative owned 40.5 per cent of the shares, and the voting rights conferred by these shares was 61.5 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 5 February 2015.

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 2014. 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, unless otherwise mentioned.

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, which have been recognized at fair value.

### GOING CONCERN

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 2013 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 2014.

IFRS 10 Consolidated Financial Statements and subsequent amendments: 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 did not have any impact on consolidated financial statements.

IFRS 11 Joint Arrangements and subsequent amendments: 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 did not have any impact on consolidated financial statements.

IFRS 12 Disclosures of Interests in Other Entities and subsequent amendments: 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): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted.

Amendments to IAS 32 Financial Instruments: Presentation: 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.

Amendments to IAS 36 Impairment of Assets: 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.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement: 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.

## PRINCIPLES OF CONSOLIDATION

### SUBSIDIARIES

Subsidiaries include all companies (including structured entities) in which the Group has the right to control the principles of finances and operations. The Group controls the entity when it is exposed, or has right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 combined amount by which the sum of a consideration paid, the fair value of the proportion of non-controlling shareholders, and the fair value of the previously owned proportion of the target exceed the fair value of the itemisable net assets is reported on the balance sheet as goodwill. If the combined amount of the consideration paid, the fair value of the proportion of non-controlling shareholders, and the fair value of the previously owned proportion is smaller than the fair value of the acquired net assets of a subsidiary, the difference is recognised through profit and loss.

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.

### STRUCTURED ENTITIES

In the consolidated financial statements, Alrec Boiler Oy, which was established for the combustion of Metsä Board's Kaskinen high-yield pulp mill's own concentrate in 2009, was consolidated in a similar manner as the subsidiary. The project is a fixed-term (seven years) product development project, and Metsä Board has a redemption right to the company's assets; it is likely that Metsä Board will exercise its redemption right.

### TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Business transactions with non-controlling interests are processed in the same way as those with Group shareholders. When shares are purchased from non-controlling interest, 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 interest is recognised in equity.

### JOINT OPERATIONS

A joint operation is a joint arrangement in which parties who have joint control in the arrangement have rights concerning the assets related to the arrangement and obligations concerning liabilities. "Joint control" means considering the control concerning the arrangement shared based on an agreement, and it prevails only when decisions concerning important operations require the unanimous approval of the parties sharing the control.

The Group consolidates in its financial statements its proportion of the assets, liabilities, income and expenses of the joint operation. The relevant assets, liabilities, income and expenses accounting items related to the Group's proportion of the joint operation are treated in accordance with IFRS.

The Group recognises the gains or losses caused by assets sold to a joint operation only in the extent of the proportion of the other parties to the joint operation. When such business transactions provide evidence of a decreased net realisation value of assets to be sold to the joint operation or an impairment loss concerning these assets, the Group recognises these losses in full.

The Group does not recognise its proportion of the gains and losses of the joint operation generated by assets the Group purchased from the joint operation until it sells the said assets on to a third party. When such business transactions provide evidence of a decreased net realisation value of assets to be purchased or an impairment loss concerning these assets, the Group recognises its proportion of these losses.

### ASSOCIATED COMPANIES AND JOINT VENTURES

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% of the voting rights. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associated companies and joint ventures are processed using the equity method, and they are initially recognized at cost. The Group's shares in associated companies and joint ventures also include the goodwill measured at the time of acquisition less any impairment.

The Group's share of profits or losses of associated companies and joint ventures 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' and joint ventures' losses is as large or larger than its share of the associated company and joint venture including any other unsecured receivables, the Group will not recognise additional losses unless it has commitments concerning the associated companies and joint ventures 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 and joint ventures. Unrealised losses are also eliminated unless the transaction indicates an impairment of the value of the asset. The accounting principles followed by associated companies and joint ventures 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 and joint venture investments decreases are recognised in the income statement.

On the closing day of each reporting period, the Group assesses whether there are any indications of impairment of an investment made in an associated company or joint venture. If any such indications are detected, the Group tests the entire book value as one asset item by comparing the amount recoverable from it to its book value.

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

### 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 accounts 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 is 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 Team 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

The Group has received emission allowances in accordance with the European Union Emissions Trading System. Allowances are treated as intangible assets and are measured at fair value. Since allowances from governments are received without consideration, their acquisition cost is zero. Emission allowances are used simultaneously with the carbon dioxide emissions generated during their validity period. Surplus emission allowances are sold, and the earnings generated are recognized in other operating income.

If the emission allowances received free of charge are not sufficient to cover the amount of the emissions produced, the Group purchases additional allowances from the market. The allowances purchased are recognized in intangible rights at the fair value of the acquisition date. The provision to fulfil the obligation to return the emission allowances is recognised at the fair value on the closing date of the reporting period if the emission allowances received free of charge and purchased are not sufficient to cover the amount of the actual emissions.

### 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 2014

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 2010–2012 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.

IFRIC 21 Levies (effective for financial years beginning on or after 1 January 2014; in the EU to be applied at the latest, as from the commencement date of its first financial year starting on or after 17 June 2014): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation will not have significant impact on consolidated financial statements.

Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The amendment is not assessed to have significant impact on consolidated financial statements.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016): The amendments clarify IAS 16 and IAS 38 that revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments will have no impact on consolidated financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for financial years beginning on or after 1 January 2016): The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not assessed to have an impact on consolidated financial statements.

Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016): The amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendments are not assessed to have an impact on consolidated financial statements.

Annual Improvements to IFRSs, 2012–2014 cycle*) (effective for financial years beginning on or after 1 January 2016): 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 four standards. Their impacts vary standard by standard but are not significant.

New IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2017): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15.

New IFRS 9 Financial Instruments* (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the impact of IFRS 9.

Other new or amended standards or interpretations are not assessed to have an impact on consolidated financial statements.

## 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. In 2014 an impairment loss of EUR 26.1 million was recognized in Metsä Board Zanders' Gohrsmühle mill 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.

### 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 Pohjolan Voima shares was on 31 December 2014 EUR 228.7 million. The carrying amount of Pohjolan Voima shares would be estimated to be EUR 0.6 million lower or EUR 0.6 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 Pohjolan Voima shares would be estimated to be EUR 28.1 million higher lower or EUR 28.1 million lower should, if energy prices used for calculating the fair value differ by 10% from prices estimated by the management.

### 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 2014 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.

### 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 339.8 million on 31 December 2014.

### 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 2014 included accounts receivables amounting to EUR 240.1 million and impairment losses recorded for accounts receivables amounting to EUR 0.2 million.

### 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.

### 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 34.8 million on Metsä Board's balance sheet at 31 December 2014.

### 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 2014 includes some EUR 3.8 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.

### LEGAL RESPONSIBILITIES

The management's assessment is required in measuring and recognising the provisions related to ongoing legal proceedings. A provision is recognised when, as a result of an earlier event, the Group has a legal or actual obligation, the realisation of a payment obligation is likely, and the amount of the obligation can be reliably estimated. Due to the course of legal proceedings being difficult to foresee, the actual cost of the proceedings may differ considerably from the original estimate.

# 3. Segment information

The Corporate Management Team is the chief operating decision-maker. The Corporate Management Team has determined that the operating segments are based on the reports used by the management board in strategic decision-making. The Corporate Management Team 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**

Cartonboard

Linerboard and Paper

Other operations

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.

**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.

**Linerboard and Paper** business area is the world's leading manufacturer of coated white fresh forest fibre linerboards and growing producer of uncoated fresh forest fibre linerboards. Linerboards 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.

Cartonboard business area includes the Kyro, Simpele, Tako and Äänekoski board mills, Kyro wallpaper base machine and Joutseno high-yield pulp mill located in Finland as well as Gohrsmühle mill in Germany. Linerboard and Paper business area includes Husum paper and pulp mill in Sweden, Kemi liner and Kaskinen high-yield pulp mill in Finland.

**Other operations** include 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**

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| EUR million | EXTERNAL | INTERNAL | TOTAL | EXTERNAL | INTERNAL | TOTAL |
| Cartonboard | 887.0 | 0.5 | 887.5 | 867.4 | 0.1 | 867.5 |
| Linerboard and Paper | 1,059.2 | 8.6 | 1,067.8 | 1,065.6 | 9.4 | 1,075.0 |
| Other operations | 62.2 | 225.3 | 287.5 | 86.3 | 214.6 | 300.9 |
| Elimination of the inter-segment sales | | -234.4 | -234.4 | | -224.1 | -224.1 |
| Total | 2,008.4 | | 2,008.4 | 2,019.3 | | 2,019.3 |

**OPERATING RESULT AND RETURN ON CAPITAL EMPLOYED BY OPERATING SEGMENT**

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| EUR million | Operating result | Excl. non-recurring items | Return on capital employed, % | Operating result | Excl. non-recurring items | Return on capital employed, % |
| Cartonboard | **47.8** | **72.3** | **9.4** | 61.7 | 56.9 | 11.8 |
| Linerboard and Paper | **79.1** | **90.2** | **11.5** | 53.1 | 54.3 | 7.0 |
| Other operations | **-10.4** | **-26.0** | | -1.3 | -6.8 | |
| Total | **116.5** | **136.5** | **7.7** | 113.6 | 104.4 | 7.0 |
| Share of results from associated companies | **0.3** | | | 0.1 | | |
| Finance costs, net | **-39.2** | | | -55.9 | | |
| Income taxes | **-9.1** | | | 6.3 | | |
| Result for the period | **68.5** | | | 64.1 | | |

**NON-RECURRING ITEMS IN OPERATING RESULT IN 2014**

| EUR million | Cartonboard | Linerboard and Paper | Other operations | Total |
|---|---|---|---|---|
| Profit on sale in other operating income | | | **32.1** | **32.1** |
| Employee costs | | **-9.2** | **-0.5** | **-9.7** |
| Share of result from asociated companies | **1.5** | **2.5** | | **4.0** |
| Impairment charges and reverse of impairment charges | **-25.8** | | | **-25.8** |
| Other operating expenses | **-0.2** | **-4.2** | **-16.2** | **-20.5** |
| Total | **-24.5** | **-10.8** | **15.4** | **-19.9** |

Cartonboard business area includes an impairment loss of EUR 26.1 million was recognized in Metsä Board Zanders Gohrsmühle mill based on impairment testing as well as a reverse of impairment charges EUR 0.3 million related to disposal of old papermachine at Simpele mill. Metsä Board's share of profit on sale of Pohjolan Voima shares disposed by Metsä Fibre was EUR 4.0 million of which EUR 1.5 million included in Cartonboard business area.

Linerboard and Paper business area includes a provision of EUR 13.4 million (EUR 9.2 million employee costs and EUR 4.2 million other operating expenses) related to reorganisation recognised in Metsä Board Sverige AB. Metsä Board's share of profit on sale of Pohjolan Voima shares disposed by Metsä Fibre was EUR 4.0 million of which EUR 2.5 million included in Linerboard and Paper business area.

Other operations include EUR 32.1 million gain from a sale of property in Finland and EUR 19.6 million (EUR 17.4 in operating result and EUR 2.2 million in financial items) in damages to UPM-Kymmene related to Metsä Fibre Oy's share transaction in 2012 as well as EUR 1.1 million rental provision unused reversed.

**NON-RECURRING ITEMS IN OPERATING RESULT IN 2013**

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

Cartonboard business area 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.

Linerboard and Paper business area 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 operations include 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.

#### ASSETS, LIABILITIES AND GOODWILL BY OPERATING SEGMENT

| | Assets | | Liabilities | | Goodwill | |
|---|---|---|---|---|---|---|
| EUR million | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Cartonboard | **736.6** | 752.0 | **253.4** | 221.4 | **4.4** | 4.4 |
| Linerboard and Paper | **846.2** | 930.2 | **211.1** | 190.0 | **8.3** | 8.3 |
| Other operations | **369.6** | 366.1 | **146.0** | 109.8 | | |
| Elimination | **-78.3** | -66.7 | **-78.3** | -66.7 | | |
| Unallocated | **274.7** | 115.4 | **775.2** | 791.9 | | |
| Total | **2,148.8** | 2,097.0 | **1,307.4** | 1,247.4 | **12.7** | 12.7 |

#### CAPITAL EXPENDITURE, DEPRECIATION AND IMPAIRMENT CHARGES BY OPERATING SEGMENT

| | Capital expenditure | | Depreciation | | Impairment charges and reverse of impairment charges | |
|---|---|---|---|---|---|---|
| EUR million | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Cartonboard | **18.1** | 29.6 | **41.2** | 40.8 | **25.8** | -2.5 |
| Linerboard and Paper | **24.7** | 28.7 | **55.7** | 59.7 | | |
| Other operations | **1.4** | 8.6 | **2.9** | 3.1 | | 0.2 |
| Total | **44.2** | 66.9 | **99.8** | 103.6 | **-25.8** | -2.3 |

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 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Germany | **220.2** | 265.6 | **9.0** | 38.5 | **0.9** | 3.1 |
| Finland | **203.2** | 207.4 | **952.4** | 970.7 | **28.3** | 42.1 |
| Great Britain | **175.6** | 185.2 | **4.4** | 4.7 | | |
| Italy | **130.9** | 120.2 | **0.0** | 0.0 | | |
| Sweden | **110.1** | 116.7 | **266.3** | 311.5 | **14.9** | 21.3 |
| France | **109.1** | 98.6 | **0.0** | 0.6 | | |
| Russia | **82.9** | 97.0 | **0.0** | 0.0 | | |
| Poland | **76.6** | 76.4 | **0.0** | 0.0 | | |
| Spain | **56.9** | 49.1 | **0.0** | 0.0 | | |
| The Netherlands | **54.7** | 86.8 | **0.0** | 0.0 | | |
| Belgium | **39.7** | 39.2 | **0.0** | 0.0 | **0.0** | 0.2 |
| Austria | **34.3** | 36.3 | **0.0** | 0.0 | | |
| Switzerland | **17.8** | 23.8 | **0.0** | 0.0 | | |
| Other Europe | **145.7** | 149.6 | **0.5** | 0.6 | **0.0** | 0.1 |
| North America | **202.1** | 144.7 | **0.2** | 0.1 | **0.1** | |
| Asia | **232.6** | 249.1 | **0.3** | 0.3 | **0.0** | 0.1 |
| Other countries | **116.0** | 73.6 | **0.0** | 0.0 | | |
| Total | **2,008.4** | 2,019.3 | **1,233.1** | 1,327.0 | **44.2** | 66.9 |

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

#### PERSONNEL AT YEAR END BY COUNTRY

| | 2014 | 2013 |
|---|---|---|
| Finland | **1,469** | 1,465 |
| Sweden | **866** | 869 |
| Germany | **540** | 534 |
| Belgium | **49** | 47 |
| China | **42** | 57 |
| Great Britain | **32** | 37 |
| Other countries | **113** | 107 |
| Total | **3,111** | 3,116 |

#### PERSONNEL BY OPERATING SEGMENT, AVERAGE

| | 2014 | 2013 |
|---|---|---|
| Cartonboard | **1,541** | 1,650 |
| Linerboard and Paper | **1,024** | 1,048 |
| Other operations | **635** | 547 |
| Group total | **3,200** | 3,245 |

Group's income from one customer exceeded to some EUR 281 million (314) or some 14 (16) 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 2014 or 2013. Metsä Board disposed in September 2013 51 per cent holding in Metsä Group Treasury Oy to parent company Metsäliitto Cooperative. Selling price was EUR 5.2 million and cash and cash equivalents of disposed subsidiary were EUR 269.8 million, net of cash was EUR -264.6 million. Loss of EUR 0.1 million was recognised.

#### METSÄ GROUP TREASURY OY, DISPOSED ASSETS

| EUR million | 2013 |
|---|---|
| Accounts receivables and other receivables | **221.6** |
| Cash and cash equivalents | **269.8** |
| 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 | **-269.8** |
| Proceed from disposal of subsidiary shares, net of cash | **-264.6** |

#### ACQUISITION OF NON-CONTROLLING INTEREST

The group acquired in 2013 18 per cent additional share of BGE Eisenbahn Güterverkehr 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 | 2014 | 2013 |
|---|---|---|
| Gains on disposal | **36.5** | 10.5 |
| Rental income | **1.4** | 1.8 |
| Service revenue | **8.4** | 9.4 |
| Government grants | **4.7** | 3.9 |
| Other allowances and subsidies | **6.4** | 10.8 |
| Scrap and waste sale | **4.3** | 3.4 |
| Other operating income | **7.9** | 13.2 |
| Total | **69.6** | 53.0 |

The most significant gains on disposals in 2014 were the EUR 33.8 million gain on sales of property in Finland and some EUR 2.6 million related to electricity certificates disposed by Metsä Board Sverige.

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.

Government grants concern the subsidies of training, healthcare and R&D expenses, energy subsidies as well as carbon dioxide emission permits in accordance with the EU emission trading scheme.

## 6. Operating expenses

| EUR million | 2014 | 2013 |
|---|---|---|
| Change in stocks of finished goods and work in progress | **10.3** | 31.9 |
| **MATERIALS AND SERVICES** | | |
| Raw materials and consumables | **1,152.6** | 1,224.5 |
| Change in inventories | **-1.3** | 0.5 |
| External services | | |
| Logistics expenses | **238.5** | 230.7 |
| Other external services | **59.6** | 57.9 |
| | **1,449.4** | 1,513.6 |
| **EMPLOYEE COSTS** | | |
| Wages and salaries | **164.2** | 157.3 |
| Share-based payments (note 30) | **1.9** | 0.2 |
| Social security costs | | |
| Pension costs | | |
| Defined benefit plans | **1.0** | 1.0 |
| Defined contribution plans | **21.0** | 21.4 |
| Social security costs | **64.5** | 61.1 |
| | **86.5** | 83.5 |
| Employee costs, total | **252.6** | 241.0 |
| **OTHER OPERATING EXPENSES** | | |
| Rents and other real estate expenses | **11.8** | 15.4 |
| Purchased services | **79.5** | 82.2 |
| Losses on sale of fixed assets | **0.3** | 0.4 |
| Other operating expenses | **96.3** | 73.8 |
| Total | **187.9** | 171.8 |

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.

Share based payments are presented in the Note 30 and the compensations paid to the key management are presented in the Note 31.

In May 2014, Metsäliitto Cooperative and Metsä Board Corporation requested that the District Court of Helsinki revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 ordering Metsäliitto Cooperative to pay EUR 47.3 million in damages to UPM-Kymmene and Metsä Board to pay EUR 19.6 million. Metsä Board recognised EUR 17.4 million of the damages in other operating expenses and EUR 2.2 million in interest expenses in 2014.

Reorganisation provision of EUR 13.4 million made by Metsä Board Sverige AB in December 2014 increased employee expenses by some EUR 9.2 million and other operaing expenses by some EUR 4.2 million.

The research and development costs during the financial period 2014 were EUR 6.0 million and in 2013 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 | 2014 | 2013 |
|---|---|---|
| Audit fees | **0.5** | 0.5 |
| Tax consultancy | **0.0** | 0.0 |
| Other fees | **0.0** | 0.0 |
| Total | **0.5** | 0.5 |

In 2014 fees paid to other auditors than KPMG were EUR 0.05 million. In 2013 fees paid to other auditors were EUR 0.05 million.

## 7. Depreciation, amortization and impairment charges

| EUR million | 2014 | 2013 |
|---|---|---|
| **DEPRECIATION AND AMORTIZATION** | | |
| Other intangible assets | **3.3** | 2.8 |
| Buildings | **8.5** | 11.6 |
| Machinery and equipment | **86.3** | 87.4 |
| Other tangible assets | **1.7** | 1.8 |
| Total | **99.8** | 103.6 |
| | | |
| **IMPAIRMENT CHARGES AND REVERSED IMPAIRMENT CHARGES** | | |
| Other intangible assets | **1.3** | |
| Land and water areas | **3.1** | |
| Buildings | **1.4** | |
| Machinery and equipment | **18.2** | -2.3 |
| Other tangible assets | **1.8** | |
| Total | **25.8** | -2.3 |
| | | |
| Depreciation, amortization and impairment charges, total | **125.6** | 101.3 |

| IMPAIRMENT CHARGES AND REVERSED IMPAIRMENT CHARGES BY SEGMENT | | |
|---|---|---|
| Cartonboard | **25.8** | -2.5 |
| Other operations | | 0.2 |
| Total | **25.8** | -2.3 |

Depreciation, amortization and impairment charges for 2014 includes an impairment loss of EUR 26.1 million recognized in Metsä Board Zanders' Gohrsmühle mill based on impairment testing as a result of the weak profitability as well as a reverse of impairment charges EUR 0.3 million related to disposal of old papermachine at Simpele mill.

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 at 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.

### 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 2013 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 2014 testing all recoverable amounts are based on value in use of cash-generating units, except for Zanders.

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 2013 testing.

Metsä Board's share of Metsä Fibre's recoverable amounts, carrying amount and goodwill included in "Investment in associated companies and joint ventures" (EUR 45.2 million) are allocated to Cash-generating units in the proportion of their pulp purchases. For the situation on 30 September 2014 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 2014, the WACC after taxes was 5.41 per cent (2013: 6.11) and for Metsä Fibre 4.88 per cent (5.30). 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 2014 as well as their testing result as of 30 September 2014:

| | Goodwill | Test result (V-B)/B |
|---|---|---|
| Folding boxboard [1] | 21.9 | over 50% |
| Kemi [1] | 18.6 | over 50% |
| Kyro Paper [1] | 1.3 | over 50% |
| Husum paper and liner | 7.7 | over 50% |
| Zanders [1] | no allocation | <0% |
| Market pulp [1] | 8.4 | 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 and joint ventures" 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 | - net selling price | - no change is needed |

[1] EUR million

## 8. Financial income and expenses

| EUR million | 2014 | 2013 |
|---|---|---|
| **EXCHANGE DIFFERENCES** | | |
| Commercial items | **19.6** | -0.2 |
| Hedging / hedge accounting not applied | **-16.6** | -0.8 |
| The ineffectiveness from hedges of net investment in foreign operations | **0.0** | 0.1 |
| Other items | **-0.3** | -0.2 |
| Total | **2.7** | -1.1 |
| | | |
| **OTHER FINANCIAL INCOME** | | |
| Interest income on loas, other receivables and cash and cash equivilants | **1.4** | 8.6 |
| Divided income | **0.2** | 0.2 |
| Other financial income total | **1.6** | 8.8 |
| | | |
| **VALUATION OF FINANCIAL ASSETS AND LIABILITIES** | | |
| Impairment charges from financial assets | **0.0** | 0.0 |
| Gains and losses on derivatives / hedge accounting not applied | **-0.8** | 0.4 |
| Gains and losses on hedging instrument in fair value hedges | **0.7** | -4.9 |
| Gains and losses on hedged item in fair value hedges | **-0.1** | 9.1 |
| Valuation total | **-0.2** | 4.6 |
| | | |
| Interest expenses from financial liabilities carried at amortized cost using the effect interest rate method | **-41.4** | -64.4 |
| Other financial expenses | **-1.8** | -3.8 |
| Interest and other financial expenses, total | **-43.2** | -68.2 |
| Valuation of financial assets and liabilities and interest and other financial expenses, total | **-43.5** | -63.6 |

In May 2014, Metsäliitto Cooperative and Metsä Board Corporation requested that the District Court of Helsinki revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 ordering Metsäliitto Cooperative to pay EUR 47.3 million in damages to UPM-Kymmene and Metsä Board to pay EUR 19.6 million. Metsä Board recognised EUR 17.4 million of the damages in other operating expenses and EUR 2.2 million in interest expenses in 2014.

Due the disposal of Metsä Group Treasury Oy to Metsäliitto Cooperative in September 2013 both interest income and expenses have decreased.

## 9. Income taxes

| EUR million | 2014 | 2013 |
|---|---|---|
| Income taxes for the financial period | **7.6** | 5.3 |
| Income taxes from previous periods | **0.2** | -2.1 |
| Change in deferred taxes | **1.2** | -9.5 |
| Other taxes | **0.1** | 0.0 |
| Total | **9.1** | -6.3 |

**INCOME TAX RECONCILIATION**

| | | |
|---|---|---|
| Result before taxes | **77.6** | 57.8 |
| Computed tax at Finnish statutory rate or 20.0% (24.5%) | **15.5** | 14.2 |
| Change in Finnish statutory rate from 24.5% to 20.0% | | -0.8 |
| Difference between Finnish and foreign rates | **-5.0** | -1.2 |
| Tax exempt income | **0.0** | -0.3 |
| Non-deductible expenses | **0.4** | 0.3 |
| Previous years tax losses used during period | **-0.3** | -13.9 |
| Losses from subsidiaries, of which no deferred tax asset have been recognized | **7.0** | 6.4 |
| Share of result from associated companies and joint ventures | **-8.8** | -9.1 |
| Income taxes from previous periods | **0.2** | -2.1 |
| Other | **0.1** | 0.2 |
| Income tax expense | **9.1** | -6.3 |
| Effective tax rate, % | **11.7** | -10.9 |

Internal restructuring within the Group reduced income taxes for 2014. 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 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME** — **2014**

| EUR million | Before taxes | Taxes | After taxes |
|---|---|---|---|
| Items that will not be reclassified to profit or loss | | | |
| Actuarial gains/losses on defined pension plans | **-26.3** | **7.7** | **-18.6** |
| Items that may be reclassified to profit or loss | | | |
| Cash flow hedges | **-11.2** | **2.3** | **-8.9** |
| Available for sale investments | **-0.6** | **0.1** | **-0.5** |
| Share of other comprehensive income of associated companies | **-0.5** | **0.0** | **-0.5** |
| Translation differences | **-15.1** | **0.0** | **-15.1** |
| Share of other comprehensive income of associated companies, translation differences | **-3.9** | **0.0** | **-3.9** |
| Total | **-31.3** | **2.4** | **-28.9** |

**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 |

## 10. Earnings per share

| | 2014 | 2013 |
|---|---|---|
| **RESULT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY, EUR MILLION** | **68.5** | 63.9 |
| Adjusted number of shares (average) in thousands | **328,166** | 328,166 |
| Basic and diluted earnings per share, EUR | **0.21** | 0.19 |

# 11. Intangible assets

| EUR million | Goodwill | Other intangible assets | Construction in progress | Total |
|---|---|---|---|---|
| Acquisition costs, 1 Jan 2014 | **12.7** | **169.8** | **8.1** | **190.6** |
| Translation differences | | **-0.9** | **0.0** | **-0.9** |
| Increases | | **8.8** | **0.0** | **8.8** |
| Decreases | | **-11.7** | **1.6** | **-13.3** |
| Transfers between items | | **6.4** | **-6.4** | **0.0** |
| Acquisition costs, 31 Dec 2014 | **12.7** | **172.4** | **0.1** | **185.2** |
| | | | | |
| Accumulated depreciation, amortization and impairment charges, 1 Jan 2014 | | **-155.3** | | **-155.3** |
| Translation differences | | **0.6** | | **0.6** |
| Accumulated amortization on deduction and transfers | | **1.9** | | **1.9** |
| Amortization for the period | | **-3.3** | | **-3.3** |
| Impairments for the period | | **-1.3** | | **-1.3** |
| Accumulated depreciation, 31 Dec 2014 | | **-157.4** | | **-157.4** |
| | | | | |
| Book value, 1 Jan 2014 | **12.7** | **14.5** | **8.1** | **35.3** |
| Book value, 31 Dec 2014 | **12.7** | **15.0** | **0.1** | **27.8** |

| 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 |
| 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 |

Impairment charges for 2014 includes an impairment loss of EUR 1.3 million recognized in Metsä Board Zanders' Gohrsmühle mill based on impairment testing. 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 2014 | **24.8** | **672.2** | **3,322.2** | **80.1** | **18.3** | **4,117.6** |
| Translation differences | **-0.1** | **-7.9** | **-69.0** | **-1.7** | **-0.3** | **-79.0** |
| Increases | **0.2** | **1.0** | **14.8** | **0.4** | **14.5** | **30.9** |
| Decreases | **-1.4** | **-0.3** | **-95.4** | **0.0** | **-4.8** | **-101.9** |
| Transfers between items | **0.1** | **2.0** | **8.2** | **2.0** | **-12.3** | **0.0** |
| Acquisition costs, 31 Dec 2014 | **23.6** | **667.0** | **3,180.8** | **80.8** | **15.4** | **3,967.6** |
| | | | | | | |
| Accumulated depreciation, 1 Jan 2014 | **-2.2** | **-521.1** | **-2,691.0** | **-69.5** | | **-3,283.8** |
| Translation differences | **0.0** | **6.6** | **55.0** | **1.4** | | **63.0** |
| Accumulated depreciation on deduction and transfers | | **0.0** | **111.9** | | | **111.9** |
| Depreciation for the period | | **-8.5** | **-86.3** | **-1.7** | | **-96.5** |
| Impairment charges and reversed impairment charges | **-3.1** | **-1.4** | **-18.2** | **-1.8** | | **-24.5** |
| Accumulated depreciation and impairment charges, 31 Dec 2014 | **-5.3** | **-524.4** | **-2,628.8** | **-71.6** | | **-3,229.9** |
| | | | | | | |
| Book value, 1 Jan 2014 | **22.6** | **151.1** | **631.2** | **10.6** | **18.3** | **833.8** |
| Book value, 31 Dec 2014 | **18.3** | **142.6** | **552.2** | **9.2** | **15.4** | **737.7** |

| 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 |

Impairment charges for 2014 includes impairment losses of EUR 24.8 million recognized in Metsä Board Zanders' Gohrsmühle mill based on impairment testing as a result of the weak profitability as well as a reverse of impairment charges of EUR 0.3 million related to disposal of old papermachine at Simpele mill.

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 at 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.

Real estate mortgages for loans from financial institutions, pension loans and other liabilities amounted to EUR 232.8 million (832.8). Commitments are presented in the Note 30.

There were no capitalization of interest expenses in 2014 or in 2013.

At 31 December 2014 tangible assets include assets acquired under finance lease agreements:

| EUR million | Buildings | Machinery and equipment | Total |
|---|---|---|---|
| Acquisition costs | **0.8** | **42.5** | **43.3** |
| Accumulated depreciation | **-0.1** | **-31.8** | **-31.9** |
| | | | |
| Book value, 1 Jan 2014 | **0.8** | **10.9** | **11.7** |
| Book value, 31 Dec 2014 | **0.7** | **10.7** | **11.4** |

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

| EUR million | Buildings | Machinery and equipment | Total |
|---|---|---|---|
| Acquisition costs | 0.8 | 39.9 | 40.7 |
| Accumulated depreciation | | -29.0 | -29.0 |
| | | | |
| Book value, 1 Jan 2013 | | 15.1 | 15.1 |
| Book value, 31 Dec 2013 | 0.8 | 10.9 | 11.7 |

Additions include assets of EUR 0.4 million (2013: EUR 0.8 million) acquired under finance lease agreements.

# 13. Group structure

### THE PRINCIPAL SUBSIDIARIES 31 DECEMBER 2014

| | 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 |
| Metsä Board IBP Deals Americas Ltd | USA | 100.00 | 50 |
| Metsä Board NL Holding B.V. | The Netherlands | 100.00 | 15,350 |
| Metsä Board Reinsurance 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)] Structured entity, in which Metsä Board has a purchase option and it is propably that Metsä Board will utilize the option.

| | Country | Group's holding, % | Number of shares |
|---|---|---|---|
| **SUBGROUPS IN FINLAND** | | | |
| **METSÄ BOARD INTERNATIONAL OY** | | | |
| 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 |

| | Country | Group's holding, % | Number of shares |
|---|---|---|---|
| **JOINT OPERATIONS** | | | |
| Äänevoima Oy 1) | Finland | 56.25 | 4,500,000 |
| Ääneverkko Oy 1) | Finland | 56.25 | 51,000 |

1) The primary purpose of the arrangement is to produce energy for the parties, and liabilities incurred in the arrangement shall in actuality be paid from cash flows obtained when the parties purchase the energy generated.

### JOINT OPERATIONS

Äänevoima Oy and Ääneverkko Oy 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 | 2014 | 2013 |
|---|---|---|
| Non-current assets | **12.1** | 14.5 |
| Current assets | **4.5** | 4.1 |
| Assets total | **16.6** | 18.6 |
| | | |
| Non-current liabilities | **1.4** | 19.7 |
| Current liabilities | **19.6** | 2.7 |
| Liabilities total | **21.0** | 22.4 |
| | | |
| Sales | **13.2** | 13.3 |
| Expenses | **13.6** | 13.8 |
| The result for the period | **-0.5** | -0.9 |

### MATERIAL SUBSIDIARIES

Metsä Board has three material subsidiaries:

- Metsä Board Sverige AB
- Metsä Board Kemi Oy
- Metsä Board Zanders GmbH

Metsä Board Sverige AB is located in Örnsköldsvik, Sweden. Metsä Board Sverige AB produces fresh forest fibre linerboard, uncoated paper and coated fine paper. In addition, Metsä Board Sverige AB produces pulp for its own needs. Metsä Board Sverige AB's sales are approximately EUR 627 million (626). The company's capacity is 170,000 tonnes of liner, 640,000 tonnes of uncoated and coated paper and 750,000 tonnes of chemical pulp. Metsä Board Sverige AB's liner and paper are included in the Linerboard and Paper segment. The result as well as assets and liabilities of pulp are allocated to different segments based on usage. Metsä Board Sverige AB's pulp is allocated almost completely to the Linerboard and Paper segment, with a small portion allocated to the Cartonboard segment.

Metsä Board Kemi Oy is located in Kemi, Finland. Metsä Board Kemi Oy produces fresh forest fibre linerboard, and the company's capacity is 410,000 tonnes. The company's sales are approximately EUR 278 million (273). Metsä Board Kemi is included in the Linerboard and Paper segment.

Metsä Board Zanders GmbH is located in Gohrsmühle, Germany. The company produces speciality paper. Its capacity is 50,000 tonnes and sales are EUR 93 million (90). Metsä Board Zanders GmbH is included in the Cartonboard segment.

Non-controlling interests in the condolidated Balance sheet is EUR 0.0 million.

#### INVESTMENTS IN ASSOCIATED COMPANIES AND IN JOINT VENTURES

| EUR million | 2014 | 2013 |
|---|---|---|
| At 1 Jan | **208.7** | 200.3 |
| Share of results from associated companies and joint ventures | | |
| Share of result from Metsä Fibren (operating result) | **43.7** | 37.1 |
| Share of results from other associated companies and joint ventures | **0.3** | 0.1 |
| Dividends received | **-25.0** | -25.0 |
| | | |
| Share of other comprehensive income from associated companies and joint ventures | | |
| Fair value reserve | **-0.5** | -2.7 |
| Translation differences | **-4.1** | -1.1 |
| At 31 Dec | **223.1** | 208.7 |

#### AMOUNTS IN INCOME STATEMENT

| EUR million | 2014 | 2013 |
|---|---|---|
| Associated companies | **43.7** | 37.2 |
| Joint ventures | **0.3** | 0.0 |
| Total | **44.0** | 37.2 |

#### AMOUNTS IN BALANCE SHEET

| EUR million | 2014 | 2013 |
|---|---|---|
| Associated companies | **222.9** | 208.6 |
| Joint ventures | **0.2** | 0.0 |
| Total | **223.1** | 208.7 |

The carrying amount in associated companies at 31 December 2014 includes goodwill EUR 45.2 million (45.2).

### FINANCIAL INFORMATION SUMMARY OF ESSENTIAL ASSOCIATED COMPANIES

In the view of the management, the only essential associated company is Metsä Fibre Group, which produces chemical pulp. Metsä Board owns 24.9 per cent of Metsä Fibre. Metsä Board's parent company, Metsäliitto Cooperative, owns 50.2 per cent, and Itochu Corporation from Japan owns 24.9 per cent. Metsä Fibre has operations primarily in Finland, and its production capacity is approximately 2.5 million tonnes of chemical pulp.

### SUMMARISED FINANCIAL INFORMATION FOR METSÄ FIBRE

#### METSÄ FIBRE GROUP

| EUR million | 2014 | 2013 |
|---|---|---|
| Sales | **1,295.7** | 1,313.8 |
| Profit for the period | **179.0** | 151.8 |
| Other comprehensive income | **-17.8** | -15.2 |
| Total comprehensive income for the period | **161.2** | 136.6 |
| | | |
| Dividends received | **24.9** | 24.9 |
| | | |
| Non-current assets | **460.2** | 551.9 |
| Current assets | **555.6** | 307.2 |
| Non-current liabilities | **67.9** | 85.0 |
| Current liabilities | **275.3** | 162.7 |
| Net assets | **672.6** | 611.4 |

#### RECONCILIATION OF FINANCIAL INFORMATION FOR METSÄ FIBRE TO THE VALUE RECOGNISED IN CONSOLIDATED BALANCE SHEET

| EUR million | 2014 | 2013 |
|---|---|---|
| Group's share of net assets | **167.5** | 152.2 |
| Goodwill | **45.2** | 45.2 |
| Other purchase price allocations (PPA) | **11.0** | 12.1 |
| Other items | **-1.2** | -1.3 |
| Carrying amount in consolidated Balance sheet | **222.5** | 208.2 |

Metsä Fibre has been consolidated according to equity method based on its respective consolidated financial statement prepared with IFRS.

#### FINANCIAL INFORMATION SUMMARY OF OTHER THAN ESSENTIAL ASSOCIATED COMPANIES

| EUR million | 2014 | 2013 |
|---|---|---|
| Share of results from other associated companies | **0.0** | 0.1 |
| Carrying amount in consolidated balance sheet | **0.4** | 0.5 |

### JOINT VENTURES

Metsä Board has one joint venture, Kemishipping Oy. Kemishipping Oy offers logistics services in Kemi, in Finland. Parties have joint control of relevant activities. Kemishipping Oy has been consolidated according to equity method. Metsä Board's ownership is 15 per cent.

| EUR million | 2014 | 2013 |
|---|---|---|
| Sales | **18.3** | 17.3 |
| Profit for the period | **1.1** | 0.1 |
| Profit for the period includes the following items: | | |
| Depreciation and impairment charges | **1.7** | 1.7 |
| Interest expenses | **0.6** | 0.5 |
| Income taxes | **0.2** | 0.0 |
| | | |
| Dividends received | **0.0** | 0.0 |
| | | |
| Non-current assets | **10.6** | 12.0 |
| Current assets | | |
| Cash and cash equivalents | **3.4** | 1.7 |
| Other current assets | **2.0** | 2.4 |
| Non-current liabilities | | |
| Non-current financial liabilities | **10.0** | 12.4 |
| Other non-current liabilities | **0.1** | 0.2 |
| Current liabilities | | |
| Current financial liabilities | **1.7** | 0.8 |
| Other current liabilities | **2.8** | 2.5 |
| Net assets | **1.4** | 0.0 |
| | | |
| Group's share of net assets | **0.2** | 0.0 |
| Carrying amount in consolidated Balance sheet | **0.2** | 0.0 |

None of the associated companies or joint ventures were listed. Transaction and balances with associated companies and joint ventures are presented in the Note 31.

## 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 | 2014 | 2013 |
|---|---|---|
| Shares in other companies | | |
| Listed companies | 0.4 | 0.3 |
| Other companies | 232.9 | 233.5 |
| Total | 233.3 | 233.8 |

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 2.48 (2013: 3.9) percentage and 6.48 percentage (6.9) 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 (39.1) and the fair value EUR 228.7 million (229.3). The fair value of nuclear power shares (B and B2 shares) was some EUR 223.1 million (221.8), of which EUR 224.9 million (217.1) B-shares and EUR -1.8 million (4.7) B2 shares, coal-fired power shares (C2-shares) some EUR -6.4 million (-4.5) and G10-shares some EUR 12.0 million (12.0).

The shareholder agreement prevents free selling of shares to others than shareholders. The sensitivity analysis of Pohjolan Voima Oy's shares based on changes of the key assumptions is presenetd in the Note 2.

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 | 2014 | 2013 |
|---|---|---|
| **INTEREST-BEARING LOAN RECEIVABLES** | | |
| Loans from Group companies | | |
| Loans from associated companies and joint ventures | 0.3 | 0.3 |
| Other loan receivables | 6.3 | 6.3 |
| | 6.6 | 6.6 |
| **NON-INTEREST BEARING RECEIVABLES** | | |
| Loans from Group companies | 0.0 | 3.8 |
| Other loan receivables | 0.2 | 0.3 |
| Defined benefit pension plans (note 21) | 4.4 | 4.6 |
| | 4.6 | 8.7 |
| Other non-current financial assets total | 11.2 | 15.3 |

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 2014 BALANCE SHEET**

| EUR million | **As at 31 Jan 2014** | Charged in income statement | Charged to other item of com-prehensive income | Translation differences | **As at 31 Dec 2014** |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Pension obligations and other provisions | **12.5** | **-0.9** | **7.5** | **-0.1** | **19.0** |
| Intercompany margins | **1.5** | **-0.4** | | | **1.1** |
| Unused operating loss carry-forwards | **3.9** | **-0.1** | | | **3.8** |
| Financial instruments | **5.1** | **0.5** | **2.2** | | **7.8** |
| Deferred tax assets, total | **23.0** | **-0.9** | **9.7** | **-0.1** | **31.7** |
| Netting against liabilities | **-12.5** | **0.2** | **-2.3** | **0.2** | **-14.4** |
| Deferred tax assets in Balance sheet | **10.5** | **-0.7** | **7.4** | **0.1** | **17.3** |
| Deferred tax liabilities | | | | | |
| Pension obligations | **0.7** | **0,0** | **-0.2** | **0,0** | **0,5** |
| Appropriations | **57.4** | **-1.6** | | **-2.5** | **53.3** |
| Available for sale financial assets recognized at fair value | **38.1** | | **-0.1** | | **38.0** |
| Hedge of net investments in foreign operations | | **2.1** | | **-2.1** | **0.0** |
| Other temporary differences | **0.8** | **-0.2** | | **0.2** | **0.8** |
| Deferred tax liabilities, total | **97.0** | **0.3** | **-0.3** | **-4.4** | **92.6** |
| Netting against assets | **-12.5** | **0.2** | **-2.3** | **0.2** | **-14.4** |
| Deferred tax liabilities in Balance sheet | **84.5** | **0.5** | **-2.6** | **-4.2** | **78.2** |

**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 com-prehensive 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 | | | | | |
| Pension obligations | 0,4 | 0,1 | 0,2 | | 0,7 |
| 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 | 2.5 | -1.3 | -0.1 | -0.3 | 0.8 |
| Deferred tax liabilities, total | 121.5 | -3.0 | -18.6 | -2.9 | 97.0 |
| Netting against assets | -4.5 | -6.8 | -1.2 | | -12.5 |
| Deferred tax liabilities in Balance sheet | 117.0 | -9.8 | -19.8 | -2.9 | 84.5 |

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 has recognised deferred tax assets related to operating loss carry-forwards for EUR 3.8 million in Finland. Management assesses that taxable profit will be available against which loss carry-forward can be utilized.

The operating loss carry-forwards mainly in Germany for which deferred tax assets have not been recognized due to uncertainty of the utilization of these loss carry-forwards amounted to appr. EUR 1,128 (1,225). The deferred tax assets for these non recognised loss carry forwards amounted to approximately EUR 265 (354) million. Of these losses will expire as a result of internal restructuring within the Group between 2014–2019 some EUR 148 million and between 2020–2024 some EUR 233 million. The rest, some EUR 747 million, do not expire.

## 17. Inventories

| EUR million | 2014 | 2013 |
|---|---|---|
| Raw materials and consumables | **81.2** | 81.6 |
| Work in progress | **9.0** | 9.4 |
| Finished goods and goods for sale | **238.4** | 231.7 |
| Advance payments | **11.2** | 10.2 |
| Total | **339.8** | 332.9 |

The cost of inventories recognized as expense to lower the carrying amount to equal the net realizable value was EUR 1.3 million in Metsä Board Zanders and EUR 1.7 million in Metsä Board Sverige AB.

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

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

## 18. Accounts receivables and other receivables

| EUR million | 2014 | 2013 |
|---|---|---|
| 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.

| INTEREST-BEARING LOAN RECEIVABLES | 2014 | 2013 |
|---|---|---|
| Other loan receivables | **0.3** | 3.4 |
| Total | **0.3** | 3.4 |
| **ACCOUNTS RECEIVABLES AND OTHER NON-INTEREST-BEARING RECEIVABLES** | | |
| From group companies | | |
| Accounts receivables | **12.5** | 13.8 |
| Other receivables | **0.0** | 1.2 |
| Prepayment and accrued income | **1.8** | 5.0 |
| | **14.3** | 20.0 |
| From associated companies and joint ventures | | |
| Accounts receivables | **0.2** | 0.2 |
| | **0.2** | 0.2 |
| From others | | |
| Accounts receivables | **240.1** | 242.0 |
| Other receivables | **35.3** | 45.2 |
| Prepayment and accrued income | **17.9** | 20.4 |
| | **293.3** | 307.6 |
| Accounts receivables and other receivables | **308.2** | 331.2 |

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

Metsä Board has reclassified interest-bearing receivables comparable to cash funds and available immediately from Metsä Group's internal bank Metsä Group Treasury Oy from 30 September 2013 on as Cash and cash equivalents. Metsä Board disposed its 51 per cent shareholding in Metsä Group Treasury Oy to Metsäliitto Cooperative on 30 September 2013. As of 31 December 2013 these receivables were EUR 81.3 million.

### DOUBTFUL ACCOUNTS RECEIVABLES

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

| EUR million | 2014 | 2013 |
|---|---|---|
| At 1 Jan | **4.5** | 3.5 |
| Increases | **2.0** | 4.9 |
| Decreases | **-1.8** | -3.9 |
| At 31 Dec | **4.7** | 4.5 |

EUR 0.3 million of credit loss was recognised during 2014 (EUR 0.7 million in 2013).

| AGEING ANALYSIS OF ACCOUNTS RECEIVABLES, EXTERNAL | 2014 | 2013 |
|---|---|---|
| No overdue | **199.1** | 228.5 |
| Overdue | | |
| Less than 30 days | **34.9** | 12.9 |
| Between 31 and 60 days | **2.4** | 1.8 |
| Between 61 and 90 days | **2.0** | -0.8 |
| Between 91 and 180 days | **0.5** | 0.0 |
| More than 180 days | **1.2** | -0.4 |
| Total | **240.1** | 242.0 |

## 19. Cash and cash equivalents

| EUR million | 2014 | 2013 |
|---|---|---|
| Current investments | **4.3** | 1.0 |
| Cash at bank and in hand | **246.1** | 93.2 |
| Total | **250.4** | 94.2 |

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. Metsä Board has reclassified interest-bearing receivables comparable to cash funds and available immediately from Metsä Group's internal bank Metsä Group Treasury Oy from 30 September 2013 on as Cash and cash equivalents. Metsä Board disposed its 51 per cent shareholding in Metsä Group Treasury Oy to Metsäliitto Cooperative on 30 September 2013. As of 31 December 2013 these receivables were EUR 81.3 million.

# 20. Shareholders' equity

**CHANGES IN SHARE CAPITAL**

| EUR million | Share capital Series A | Series B | Total |
|---|---|---|---|
| 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 |
| At 1 Jan 2014 | 61.2 | 496.7 | 557.9 |
| no changes in 2014 | | | |
| At 31 Dec 2014 | **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 2013 | 36,339,550 | 291,826,062 | 328,165,612 |
| A conversion of A-shares into B-shares | -353,899 | 353,899 | |
| At 31 Dec 2013 | 35,985,651 | 292,179,961 | 328,165,612 |
| No changes in 2014 | | | |
| At 31 Dec 2014 | **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 | 2014 | 2013 |
|---|---|---|
| Fair value reserve | **130.4** | 140.4 |
| Legal reserve and reserves stipulated by the Articles of Association | **1.7** | 1.7 |
| Total | **132.1** | 142.1 |
| 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 0.12 per share.

**OTHER COMPREHENSIVE INCOME AFTER TAXES 2014**

| | 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 | | | -26.3 | -26.3 | | -26.3 |
| Income tax relating to items that will not be reclassified | | | 7.7 | 7.7 | | 7.7 |
| Cash flow hedges | | | | | | |
| Currency flow hedges | | | | | | |
| Gains and losses recorded in equity | | -20.0 | | -20.0 | | -20.0 |
| Transferred to adjust sales | | 9.9 | | 9.9 | | 9.9 |
| Interest flow hedges | | | | | | |
| Gains and losses recorded in equity | | | | | | |
| Transferred to adjust financial items | | -1.3 | | -1.3 | | -1.3 |
| Commodity hedges | | | | | | |
| Gains and losses recorded in equity | | -3.4 | | -3.4 | | -3.4 |
| Transferred to adjust purchases | | 3.6 | | 3.6 | | 3.6 |
| Cash flow hedges, total | | -11.2 | | -11.2 | | -11.2 |
| Available for sale financial assets | | | | | | |
| Gains and losses recorded in equity | | -0.6 | | -0.6 | | -0.6 |
| Transferred to other operating income | | | | | | |
| Share of other comprehensive income of associated companies | | -0.5 | | -0.5 | | -0.5 |
| Available for sale financial assets, total | | -1.1 | | -1.1 | | -1.1 |
| Translation differences | -15.1 | | | -15.1 | | -15.1 |
| Net invest hedge | | | | | | |
| Share of other comprehensive income of associated companies | -3.9 | | | -3.9 | | -3.9 |
| Translation differences, total | -19.0 | | | -19.0 | | -19.0 |
| Income tax relating to items that may be reclassified | | 2.4 | | 2.4 | | 2.4 |
| Other comprehensive income after taxes | -19.0 | -9.9 | -18.6 | -47.5 | | -47.5 |

**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 |

# 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 | 2014 | 2013 |
|---|---|---|
| Amounts recognised in Balance sheet | | |
| Defined benefit pension plans | 108.6 | 86.0 |
| Defined contribution plans | 3.6 | 6.6 |
| Liability in Balance sheet | 112.2 | 92.6 |
| | | |
| Defined benefit pension plans | | |
| Liability in Balance sheet | 108.6 | 86.0 |
| Surplus of funded plans in assets | -4.4 | -4.6 |
| Net liability of defined benefit pension plans inn Balance sheet | 104.2 | 81.3 |

**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.

**AMOUNTS IN BALANCE SHEET**

| EUR million | 2014 | 2013 |
|---|---|---|
| Present value of funded obligations | 63.8 | 53.4 |
| Fair value of plans assets | -63.8 | -54.8 |
| Deficit of funded plans | 0.0 | -1.4 |
| Present value of unfunded obligations | 104.2 | 82.7 |
| Deficit of defined benefit pension plans, total | 104.2 | 81.3 |
| Impact of minimum funding requirement/asset ceiling | 0.0 | 0.0 |
| Net liability in Balance sheet | 104.2 | 81.3 |

**CHANGE OF DEFINED BENEFIT PENSION OBLIGATIONS IN 2014**

| EUR million | Present value of obligation | Fair value of plan assets | Total |
|---|---|---|---|
| 1 Jan 2014 | 136.1 | -54.8 | 81.3 |
| Current service cost | 1.0 | 0.0 | 1.0 |
| Administrative costs | 0.0 | 0.0 | 0.0 |
| Interest expense (+) or interest income (-) | 4.5 | -2.1 | 2.4 |
| Past service cost | -0.2 | 0.0 | -0.2 |
| Total amount recognised in profit and loss | 5.3 | -2.1 | 3.2 |
| | | | |
| Remeasurements in other comprehensive income | | | |
| The return on plan assets, excl. amounts included in interest | 0.0 | -5.9 | -5.9 |
| Gains (-) and losses (+) from change in demographic assumptions | 0.0 | 0.0 | 0.0 |
| Gains (-) and losses (+) from change in financial assumptions | 31.7 | 0.0 | 31.7 |
| Experience gains and losses | -0.5 | 0.0 | -0.5 |
| Total remeasuments in other comprehensive income | 31.2 | -5.9 | 25.3 |
| | | | |
| Translation differences | 2.1 | -2.4 | -0.3 |
| Contribution | | | |
| Employers | 0.0 | -0.9 | -0.9 |
| Plan participants | 0.0 | 0.0 | 0.0 |
| Payments from plans | | | |
| Benefit payments | -6.5 | 2.4 | -4.1 |
| Settlements | -0.3 | 0.0 | -0.3 |
| 31 Dec 2014 | 168.0 | -63.8 | 104.2 |

**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 |

#### DEFINED BENEFIT PENSION OBLIGATIONS AND PLAN ASSETS BY COUNTRY IN 2014

| EUR million | Germany | Great Britain | Finland | Other countries | Total |
|---|---|---|---|---|---|
| Present value of obligations | 104.2 | 35.4 | 14.7 | 13.7 | 168.0 |
| Fair value of plan assets | | -39.7 | -13.0 | -11.1 | -63.8 |
| Total | 104.2 | -4.3 | 1.7 | 2.6 | 104.2 |

#### 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 |

#### SIGNIFICANT ACTUARIAL ASSUMPTIONS 2014

| | Germany | Great Britain | Finland | Other countries |
|---|---|---|---|---|
| Discount rate, % | 1.4 | 3.55 | 1.6 | 1.27–2.09 |
| Salary growth rate, % | 3.0 | 2.0 | 2.0 | 1.0–3.0 |
| Pension growth rate, % | 2.0 | 3.0 | 2.1 | 1.0–2.0 |
| Retiring at the end of the reporting period | | | | |
| Male | 21.1 | 22.1 | 19.0 | 17.2–21.4 |
| Female | 25.4 | 24.3 | 24.7 | 23.0–24.3 |
| Retiring 20 years after the end of reporting period | | | | |
| Male | 23.9 | 23.5 | 20.6 | 17.2–24.3 |
| Female | 28.0 | 25.8 | 26.4 | 23.0–26.8 |

#### SIGNIFICANT ACTUARIAL ASSUMPTIONS 2013

| | 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 |

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 2014

| | | Impact on benefit obligation | |
|---|---|---|---|
| | Change of assumption | Increase | Decrease |
| Discount rate, | 0.5% | 7.8% decrease | 8.9% increase |
| Increase in salary growth rate | 0.5% | 0.3% increase | 0.3% decrease |
| Increase in pension growth rate | 0.5% | 4.9% increase | 4.7% decrease |

| | Increase in assumption one year | Decrease in assumption one year |
|---|---|---|
| Life expectancy | 5.0% increase | 5.0% decrease |

#### SENSITIVITY OF BENEFIT OBLIGATION TO CHANGES IN ESSENTIAL WEIGHTED ASSUMPTIONS 2013

| | | 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. The sensitivity analysis has been calculated using the same methods and same assumptions as in previous year.

**PLAN ASSETS IN 2014 ARE COMPRISED AS FOLLOWS:**

| EUR million | Quoted | Unquoted | Total | % |
|---|---|---|---|---|
| Equity instruments | 1.0 | 0.1 | 1.1 | 2 |
| Debt instruments | | | | |
| Corporate bonds (investment grade) | 1.8 | | 1.8 | |
| Other loans | | 6.3 | 6.3 | |
| Total | 1.8 | 6.3 | 8.1 | 13 |
| Property | | 4.5 | 4.5 | 7 |
| Qualifying insurance policies | 9.0 | | 9.0 | 14 |
| Cash and cash equivalents | 1.1 | | 1.1 | 2 |
| Investments funds | 40.0 | | 40.0 | 62 |
| Total | 52.9 | 10.9 | 63.8 | 100 |

**PLAN ASSETS IN 2013 ARE COMPRISED AS FOLLOWS:**

| EUR million | Quoted | Unquoted | Total | % |
|---|---|---|---|---|
| Equity instruments | 1.5 | 0.1 | 1.6 | 3 |
| Debt instruments | | | | |
| 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 |

Assets included in the pension arrangements include Metsäliitto Cooperative's participations with a fair value of EUR 0.1 million (2013: 0.1) and Metsä Board Corporation's B shares with a fair value of EUR 0.5 million (0.8).

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 5.1 million in the 2015 financial period.

The weighted average duration of the defined benefit obligation is 15.3 years (15.2).

## 22. Provisions

| EUR million | Restructuring | Environmental obligations | Other provisions | Total |
|---|---|---|---|---|
| At 1 Jan 2014 | **6.7** | **20.0** | **10.3** | **37.0** |
| Translation differences | **-0.2** | **-0.4** | **-0.3** | **-0.9** |
| Increases | **12.9** | **0.0** | **1.7** | **14.6** |
| Decreases | **-4.5** | **-8.7** | **-1.6** | **-14.8** |
| Unused amounts reversed | **0.0** | **0.0** | **-1.1** | **-1.1** |
| At 31 Dec 2014 | **14.9** | **10.9** | **9.0** | **34.8** |

| | 2014 | 2013 |
|---|---|---|
| Non-current | **24.7** | 8.6 |
| Current | **10.1** | 28.4 |
| Total | **34.8** | 37.0 |

The most significant increase in provisions was a provision of EUR 12.9 million related to reorganization recognized in Metsä Board Sverige AB in Linerboard and Paper business area. Unused amounts reversed was a reverse of rental provision in Great Britain.

Other provison include provision related to leases, taxes and legal action. The non-current portion is estimated to be paid by the end of the year 2017.

## 23. Borrowings

| EUR million | 2014 | 2013 |
|---|---|---|
| **NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES** | | |
| Bonds | **220.7** | |
| Loans from financial institutions | **198.4** | 394.6 |
| Pension loans | **154.3** | 177.8 |
| Finance lease liabilities | **3.6** | 21.8 |
| Other liabilities | **3.8** | 53.7 |
| Total | **580.8** | 647.9 |
| **CURRENT INTEREST-BEARING FINANCIAL LIABILITIES** | | |
| Current portion of non-current debt | **99.7** | 44.2 |
| Interest bearing current liabilities to Group companies | **3.5** | 9.2 |
| Total | **103.2** | 53.4 |
| Interest-bearing financial liabilities, total | **684.0** | 701.3 |
| **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 | **0.3** | 3.4 |
| Current investments at amortized cost | **4.3** | 1.0 |
| Cash at bank and in hand and deposit in Metsä Group Treasury | **246.1** | 93.2 |
| | **250.8** | 97.6 |
| Interest-bearing financial assets, total | **257.4** | 104.2 |
| Interest-bearing net liabilities, total | **426.7** | 597.2 |

Metsä Board has reclassified interest-bearing receivables comparable to cash funds and available immediately from Metsä Group's internal bank Metsä Group Treasury Oy from 30 September 2013 on as Cash and cash equivalents. Metsä Board disposed its 51 per cent shareholding in Metsä Group Treasury Oy to Metsäliitto Cooperative on 30 September 2013. As of 31 December 2013 these receivables were EUR 81.3 million.

**BONDS**

| EUR million | Interest % | 2014 | 2013 |
|---|---|---|---|
| 2014–2019 | 4.00 | **220.7** | 0.0 |
| Total | | **220.7** | |

**MATURITY OF FINANCE LEASE LIABILITIES**

| | Minimum lease payments | | The present value of minimum lease payments | |
|---|---|---|---|---|
| EUR million | **2014** | **2013** | **2014** | **2013** |
| Not later than 1 year | **20.1** | 3.1 | **19.6** | 2.6 |
| 1–2 years | **1.3** | 19.8 | **1.2** | 19.5 |
| 2–3 years | **1.0** | 0.9 | **0.9** | 0.9 |
| 3–4 years | **0.8** | 0.6 | **0.8** | 0.6 |
| 4–5 years | **0.3** | 0.4 | **0.2** | 0.4 |
| Later than 5 years | **0.5** | 0.5 | **0.5** | 0.5 |
| Total | **24.0** | 25.3 | **23.2** | 24.5 |
| | | | | |
| Future finance charges | **0.8** | 0.8 | | |
| The present value of minimum lease payments | **23.2** | 24.5 | | |

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.

## 24. Other non-current liabilities

| EUR million | 2014 | 2013 |
|---|---|---|
| Non-interest bearing non-current liabilities to Group companies | | |
| Non-interest bearing non-current liabilities to others | | |
| Accruals and deferred income | **0.1** | 0.1 |
| Other liabilities | **1.3** | 2.8 |
| Total non-interest bearing non-current liabilities | **1.4** | 2.9 |

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

## 25. Accounts payable and other liabilities

| EUR million | 2014 | 2013 |
|---|---|---|
| Non-interest bearing current liabilities to Group companies | | |
| Accounts payable | **47.1** | 66.1 |
| Other liabilities | **26.6** | 5.9 |
| Non-interest bearing current liabilities to associated companies and joint ventures | | |
| Accounts payable | **1.2** | 1.0 |
| Other liabilities | **0.0** | 0.0 |
| Non-interest bearing current liabilities to others | | |
| Advance payments | **4.6** | 8.9 |
| Accounts payable | **189.0** | 101.6 |
| Other liabilities | **2.2** | 28.7 |
| Accruals and deferred income | **99.6** | 101.3 |
| Total | **370.3** | 313.5 |

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

# 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. Metsäliitto Cooperative's holding is 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 Russian rouble´s share of the direct currency transaction exposure is minor. 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 5.6 months on average (2013: 5.9). During the reporting period, the hedging level has varied between 5 and 7 months (4–6). The dollar's hedging level was 4.3 months (3.5), of which the portion of hedge accounting was 2.4 months (2.6). The Swedish krona's hedging level was 7.8 months (8.7), of which the portion of hedge accounting was 3.2 months (3.6). The pound's hedging level was 5.1 months (5.3), of which the portion of hedge accounting was 3.1 months (3.1). 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 115 per cent of the norm determined in the hedging policy has been hedged (113).

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 0 per cent (1) of the equity position was hedged and at the end of the reporting period 0 per cent (0). Hedging has for the time been abandoned.

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 1 per 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 8.0 million (10.0) and the VaR is at the end of the reporting period EUR 3.2 million (3.4). Average during the period has been EUR 2.6 million (2.3).

### INTEREST RATE RISK

The interest rate risk is related mainly in the interest bearing receivables and loans and currency hedging. 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 is twelve months. The duration can, however, deviate from the hedging policy norm so that the decision of a deviation exceeding four months has to be made by the Board of Directors. The average duration of loans was 27.2 months at the end of the year (18.3). During the reporting period duration has varied between 17 and 34 months (8–19). At the end of 2014, an increase of one per cent in interest rates would decrease net interest rate costs of the next 12 months by EUR 0.7 million (increase of -2.3).

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 is EUR 265.3 million (320.7). All interest rate derivatives have been allocated to hedge accounting. The maturity of interest rate swap contracts varies between 1–6 years (1–7).

### 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, gas oil 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 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.

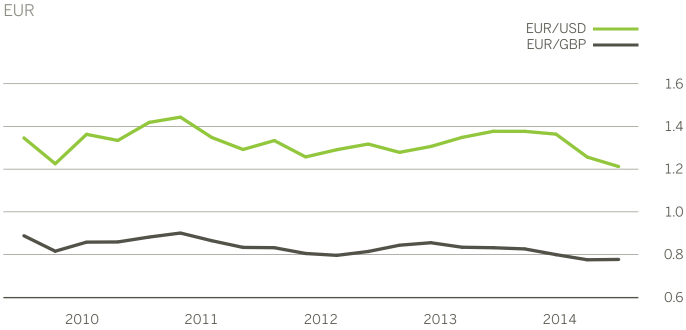
Approximately a quarter of Metsä Board's mills' purchase of fuel is based on natural gas. The hedging of natural gas price risks has been done with physical, fixed-price contracts. The prices of natural gas have typically been fixed to Fuel-Oil and/or Gas-Oil prices. In addition, the prices of gas supply 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 9 per cent (19) of electricity hedges have been carried out by using physical supply contracts and 91 per cent (81) as so-called financial hedges by using electricity derivatives. At the end of the year, 99 per cent (99) 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.

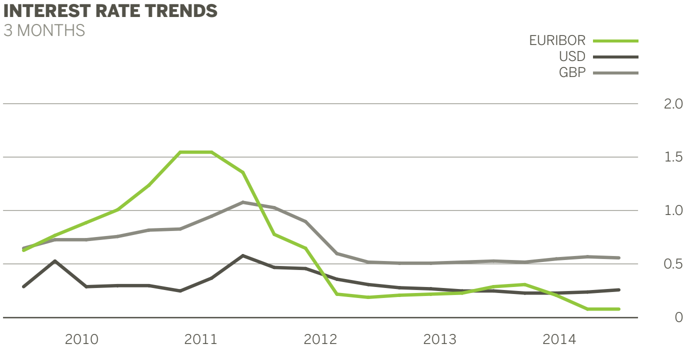
Metsä Board has started gas oil price risk hedging related to logistics costs (sea freights), as gas oil price and consequently logistics costs are subject to uncertainty due to the implementation of sulphur directive since the beginning of 2015. The company has hedged the gas oil price risk of year 2015 with financial hedges and IFRS hedge accounting is applied.

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 some valid price risk hedges at the end of 2014 within Metsä Board.

**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 of the Group's liquidity requirement for the first 12 months and 50–100 per cent of the following 12–24 months liquidity requirement. The objective is that at the most 20 per cent of the Group's loans, including committed credit facilities, are allowed to mature within the next 12 months and at least 25 per cent 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. Metsä Board is using short-term working capital financing related to accounts receivables and accounts payables.

In March 2014, Metsä Board issued an unsecured bond of EUR 225 million, which will mature in 2019. In March, Metsä Board also signed an agreement of a new unsecured syndicated credit facility. The facility consists of a term loan facility of EUR 150 million and a revolving credit facility of EUR 100 million, which will mature in 2018. The financing arrangements were used to refinance the secured loan of EUR 350 million that would have matured in 2016 and the undrawn credit facility of EUR 100 million, which would have matured in 2015.

Metsä Board's liquidity has remained strong. At the end of the review period, available liquidity was EUR 396.0 million (208.6), of which EUR 100.0 million (100.0) consisted of a revolving credit facility, EUR 45.6 million (14.4) consisted of undrawn pension premium (TyEL) funds and EUR 250.4 million (94.2) of liquid assets and investments. Of the liquid funds, EUR 14.4 million consisted of cash and cash equivalents and investments and EUR 236.0 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 6.9 million (10.0). Metsä Board liquidity reserve is supplemented by Metsä Group internal EUR 150.0 million unused short-term funding limit.

At the end of 2014, the liquidity reserve covers fully the forecasted financing need of 2015–2016. 12 per cent (5) of long-term loans and committed facilities fall due in a 12 month period and 40 per cent (13) have a maturity of over four years. The average maturity of long-term loans is 3.5 years (2.7). The share of short-term financing of the Group's interest bearing liabilities is 0.5 per cent (1.3).

### 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 in 2013 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 0.2 million (0.5). The portion of overdue client receivables of all accounts receivable is at the time of financial statements 17.2 per cent (18.6), of which 0.2 per cent (0.0) is overdue between 90–180 days and 0.6 per cent (2.1) over 180 days. The specification of doubtful receivables is in the Notes.

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, Italy, Belgium, USA, France, Germany, Finland, Sweden, Poland and Russia (around 66 per cent of total external receivables (68)). 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 2014 represented 12 per cent (15) of total external accounts receivable. 34 per cent (38) of accounts receivable was owed by ten largest customer groups (individual companies or groups of companies under common ownership). At the end of 2014, 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 below the 70 per cent level.

The key ratios describing the capital structure and the capital amounts used for the calculation of the key ratio were on 31 December 2014 and 31 December 2013 the following:

| EUR million | 2014 | 2013 |
|---|---|---|
| Net gearing ratio, % | 51 | 70 |
| Interest-bearing borrowings | 684.0 | 701.4 |
| ./. Liquid funds | 250.4 | 94.2 |
| ./. Interest-bearing recaivables | 6.9 | 10.0 |
| | 426.7 | 597.2 |
| Equity attributable to shareholders of parent company | 841.4 | 849.6 |
| + Non-controlling interest | 0.0 | 0.0 |
| Total | 841.4 | 849.6 |

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 2014 and 2013.

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

| 31 DEC 2014 | Annual transaction exposure | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | USD | GBP | SEK | NOK | DKK | AUD | Other long | Other short | **2014 TOTAL** | **2013 TOTAL** |
| Transaction exposure, net (mill. currency units) | 591 | 145 | -3,220 | 108 | 123 | 20 | | | | |
| Transaction exposure, net (EUR million) | 486 | 185 | -340 | 12 | 17 | 13 | 17 | 0 | **1,070** | 833 |
| Transaction exposure hedging (EUR million) | -174 | -79 | 220 | -4 | -6 | -7 | -6 | 0 | **-496** | -409 |
| Hedging at the end of the year (months) | 4.3 | 5.1 | 7.8 | 4.4 | 4.2 | 6.3 | 4.0 | | **5.6** | 5.9 |
| Average hedging in 2014 (months) | 4.1 | 5.8 | 8.4 | 4.6 | 4.4 | 6.2 | 4.3 | | **5.8** | 5.2 |

### HEDGING OF NET INVESTMENTS IN A FOREIGN ENTITY

| 31 DEC 2014 | Equity exposure | | | | |
|---|---|---|---|---|---|
| | GBP | SEK | Others | **2014 TOTAL** | **2013 TOTAL** |
| Equity exposure (mill. currency units) | 7 | 2,767 | | | |
| Equity exposure (EUR million) | 9 | 295 | 7 | **311** | 320 |
| Equity hedging (EUR million) | 0 | 0 | 0 | **0** | 0 |
| Hedging at the end of the year (%) | 0 | 0 | 0 | **0** | 0 |
| Average hedging in 2014 (%) | 0 | 0 | 0 | **0** | 1 |

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

| 31 DEC 2014 | | | | | | | | | | | 31 DEC 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Loan amount (mill. EUR) | Duration (months) | Average interest rate (%) | Interest rate sensitivity[1] (mill. EUR) | Re-pricing structure of interest rates of loans 1–4/2015 | 5–8/2015 | 9–12/2015 | 2016 | 2017 | 2018 | –>2018 | Loan amount (mill. EUR) | Duration (months) | Average interest rate (%) | Interest rate sensitivity[1] (mill. EUR) |
| 684 | 27.2 | 4.0 | -0.7 | 102 | 47 | 10 | 122 | 21 | 121 | 261 | 701 | 18.3 | 4.8 | 2.3 |

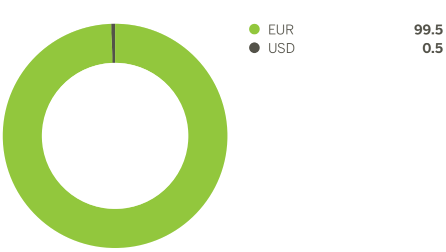
[1] Interest rate sensitivity is an estimate of the effect of an interest rate change of one percent in one direction on net interest cost based on year end exposure.

### HEDGING OF ELECTRICITY PRICE RISK EXPOSURE

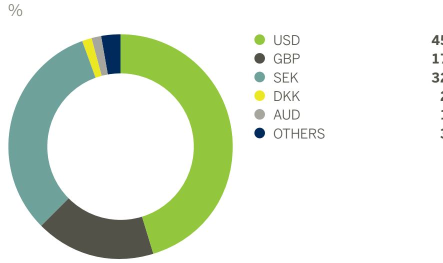
| GWh | **31 DEC 2014** | **31 DEC 2013** |
|---|---|---|
| Electricity exposure, net 2015 | **1,034** | 1,022 |
| Electricity hedging 2015 | **792** | 847 |
| Hedging at the end of the year 2014 (%) | **77** | 83 |

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 FOR LOANS**
%




**FOREIGN CURRENCY BREAKDOWN FOR CURRENCY EXPOSURE**
%



| MARKET RISK SENSITIVITY 31 DEC 2014 | 31 DEC 2014 | IMPACT ON EQUITY EXPOSURE AND ANNUAL TRANSACTION EXPOSURE 31 DEC 2014 | | | |
|---|---|---|---|---|---|
| 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 | | | 0.7 | 5.6 |
| Effect on other change in equity | 4.5 | | | | |
| **COMMODITY RISK (ELECTRICITY PRICE + 20%)** | | | | | |
| Effect on profit | 0.1 | | | -6.6 | 3.4 |
| Effect on other change in equity | 9.9 | | | | |
| **FX RISK (USD - 10%)** | | | | | |
| Effect on profit | 2.6 | | | -48.7 | -31.3 |
| Effect on other change in equity | 9.6 | -0.1 | -0.1 | | |
| **FX RISK (GBP - 10%)** | | | | | |
| Effect on profit | 0.3 | | | -18.6 | -10.7 |
| Effect on other change in equity | 4.8 | -0.9 | -0.9 | | |
| **FX RISK (SEK - 10%)** | | | | | |
| Effect on profit | -6.6 | | | 34.3 | 12.3 |
| Effect on other change in equity | -8.9 | -29.5 | -29.5 | | |

| 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 | | |

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 over 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 2014**

| EUR million | Carrying amount | 2015 | 2016 | 2017 | 2018 | 2019 | 2020- |
|---|---|---|---|---|---|---|---|
| Bonds | 220,7 | | | | | | |
| Installments | | | | | | -220,7 | |
| Interest payment | | -9,0 | -9,0 | -9,0 | -9,0 | -9,0 | |
| Loans from financial institutions | 199.1 | | | | | | |
| Installments | | -0.7 | -0.4 | -50.0 | -148.0 | 0.0 | 0.0 |
| Interest payment | | -4.6 | -5.2 | -4.7 | -1.3 | | |
| Pension loans | 183.7 | | | | | | |
| Installments | | -29.5 | -32.5 | -32.5 | -32.5 | -32.6 | -24.1 |
| Interest payment | | -7.9 | -6.5 | -5.1 | -3.6 | -2.1 | -0.7 |
| Finance lease liabilities | 23.2 | | | | | | |
| Installments | | -19.6 | -1.2 | -0.9 | -0.8 | -0.2 | -0.5 |
| Interest payment | | -0.5 | -0.1 | -0.1 | -0.1 | 0.0 | 0.0 |
| Interest-bearing liabilities | 53.7 | | | | | | |
| Installments | | -49.9 | -2.7 | 0.0 | | | -1.1 |
| Interest payment | | -0.7 | -0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **NON-CURRENT INTEREST-BEARING LIABILITIES, TOTAL** | **680.5** | | | | | | |
| **REPAYMENTS IN 2014** | **-99.7** | | | | | | |
| **NON-CURRENT INTEREST-BEARING LIABILITIES IN BALANCE SHEET** | **580.8** | | | | | | |
| Total | | | | | | | |
| Installments | | -99.7 | -36.8 | -83.4 | -181.3 | -253.5 | -25.7 |
| Interest payment | | -22.7 | -20.8 | -18.9 | -14.0 | -11.2 | -0.7 |
| Current interest-bearing liabilities | 3.5 | | | | | | |
| Installments | | -3.5 | | | | | |
| Interest payment | | 0.0 | | | | | |
| Accounts payables and other liabilities | 371.7 | | | | | | |
| Repayment | | -370.3 | -1.3 | -0.0 | 0.0 | 0.0 | -0.1 |
| **TOTAL LIABILITIES** | **1 055.7** | | | | | | |
| Installments | | -473.5 | -38.1 | -83.4 | -181.3 | -253.5 | -25.8 |
| Interest payment | | -22.7 | -20.8 | -18.9 | -14.0 | -11.2 | -0.7 |
| | Carrying amount | | | | | | |
| Guarantees agreement | 3.2 | -0.6 | -0.3 | -0.2 | 0.0 | 0.0 | -2.1 |
| Derivative financial instrument liabilities | 26.5 | | | | | | |
| Interest rate swaps, interest payment | | -2.0 | -1.7 | -0.1 | 0.1 | 0.3 | 0.1 |
| Currency derivatives, interest payment | | -576.9 | | | | | |
| Commodity derivatives, interest payment | | -7.3 | -2.3 | -0.5 | -0.2 | | |
| **DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES TOTAL** | | **-586.2** | **-4.0** | **-0.6** | **-0.1** | **0.3** | **0.1** |
| Derivative financial instrument assets | 0.0 | | | | | | |
| Interest rate swaps, interest payment | | | | | | | |
| Currency derivatives, interest payment | | 564.1 | | | | | |
| Commodity derivatives, interest payment | | | | | | | |
| **DERIVATIVE FINANCIAL INSTRUMENT ASSETS TOTAL** | | **564.1** | | | | | |
| Derivative financial instruments cash flow | | -22.1 | -4.0 | -0.6 | -0.1 | 0.3 | 0.1 |

**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 |

### 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 2014 | | | |
|---|---|---|---|---|
| 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 (pulp) | Highly probable commodity cash flows (others) |
| Q 1 | 80.3 | -0.7 | 5.6 | -10.9 |
| Q 2 | 86.9 | -1.3 | 5.6 | -9.5 |
| Q 3 | 49.7 | -1.3 | 5.6 | -7.0 |
| Q 4 | 10.4 | -1.3 | 5.6 | -6.8 |
| Total 2015 | 227.3 | -4.5 | 22.3 | -34.3 |
| 2016 | 6.9 | -4.0 | | -14.2 |
| 2017 | | -3.2 | | -9.2 |
| 2018 | | -0.9 | | -6.7 |
| 2019 | | | | -0.6 |
| Cash flows total | 234.3 | -12.7 | 22.3 | -65.0 |
| Total nominal values of derivatives directed to hedge accounting | 234.3 | 200.0 | 22.3 | 65.0 |

| 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 |

# 27. Fair value of financial assets and liabilities

**FINANCIAL ASSETS 31 DEC 2014**

| 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 | | 233.3 | | | | 233.3 | 233.3 |
| Other non-current financial assets | 15 | | | 11.2 | | | 11.2 | 11.2 |
| Accounts receivables and other receivables | 18 | | | 307.5 | | | 307.5 | 307.5 |
| Cash and cash equivalents | 19 | | | 250.4 | | | 250.4 | 250.4 |
| Derivative financial instruments | 27 | 0.0 | | | 0.0 | | 0.0 | 0.0 |
| Total | | 0.0 | 233.3 | 569.1 | 0.0 | | 802.4 | 802.4 |
| **FINANCIAL LIABILITIES** | | | | | | | | |
| Non-current interest-bearing financial liabilities | 23 | | | | | 580.8 | 580.8 | 605.9 |
| Other non-current financial liabilities | 24 | | | | | 1.4 | 1.4 | 1.4 |
| Current interest-bearing financial liabilities | 23 | | | | | 103.2 | 103.2 | 105.0 |
| Accounts payable and other financial liabilities | 25 | | | | | 332.9 | 332.9 | 332.9 |
| Derivative financial instruments | 27 | 2.8 | | | 23.7 | | 26.5 | 26.5 |
| Total | | 2.8 | | | 23.7 | 1,018.3 | 1,044.8 | 1,071.7 |

**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 | | | 331.0 | | | 331.0 | 331.0 |
| Cash and cash equivalents | 19 | | | 94.2 | | | 94.2 | 94.2 |
| 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 |

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 0.8–3.1 per cent (2013: 0.9–4.1). Of interest bearing liabilities 23 per cent (55) is subject to variable rates and the rest to fixed rates. The average interest rate of interest-bearing liabilities at the end of 2014 was 4.0 per cent (2013: 4.8 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**

| | | 2014 | | | |
|---|---|---|---|---|---|
| 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 | 0.4 | | 232.9 | 233.3 |
| Financial assets at fair value through profit or loss, current | 18 | | | | |
| Derivative financial assets | 27 | | 0.0 | | 0.0 |
| Derivative financial liabilities | 27 | 10.2 | 16.3 | | 26.5 |
| Financial assets not measured at fair value | | | | | |
| Cash and cash equivalent | 19 | | 250.4 | | 250.4 |
| Financial liabilities not measured at fair value | | | | | |
| Non-current interest-bearing financial liabilities | 23 | | 605.9 | | 605.9 |
| Current interest-bearing financial liabilities | 23 | | 105.0 | | 105.0 |

| | | 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 | | 94.2 | | 94.2 |
| 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 |

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

| EUR million | 2014 | 2013 |
|---|---|---|
| Opening balance | **233.5** | 269.3 |
| Total gains and losses in profit or loss | **0.0** | 0.0 |
| Total gains and losses in other comprehensive income | **-0.6** | -41.5 |
| Purchases | | 5.7 |
| Settlements | | 0.0 |
| Closing balance | **232.9** | 233.5 |

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, natural gas and gas oil 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 |
| **2014** | | | | | | | | |
| Interest forward agreements | | | | | | | | |
| Interest rate options | | | | | | | | |
| Interest rate swaps | 265.3 | | 3.4 | -3.4 | 3.2 | -6.6 | | |
| **INTEREST RATE DERIVATIVES** | **265.3** | | **3.4** | **-3.4** | **3.2** | **-6.6** | | |
| Currency forward agreements | 564.1 | | 11.4 | -11.4 | | -10.0 | | -1.4 |
| Currency option agreements | 169.5 | | 1.4 | -1.4 | | | | -1.4 |
| Currency swap agreements | 0.0 | | | | | | | |
| **CURRENCY DERIVATIVES** | **733.6** | | **12.8** | **-12.8** | | **-10.0** | | **-2.8** |
| Electricity derivatives | 62.8 | | 6.7 | -6.7 | | -6.6 | | -0.1 |
| Pulp derivatives | 22.3 | | 0.1 | -0.1 | | -0.1 | | |
| Other commodity derivatives | 10.8 | | 3.6 | -3.6 | | -3.6 | | |
| **COMMODITY DERIVATIVES** | **95.9** | | **10.3** | **-10.3** | | **-10.3** | | **-0.1** |
| **DERIVATIVES TOTAL** | **1,094.8** | | **26.5** | **-26.5** | **3.2** | **-26.8** | | **-2.9** |

| EUR million | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **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** |

## 28. Notes to the Consolidated cash flow statement

| EUR million | 2014 | 2013 |
|---|---|---|
| **ADJUSTMENTS TO THE RESULT FOR THE PERIOD** | | |
| Taxes | **9.1** | -6.3 |
| Depreciation, amortization and impairment charges | **125.6** | 101.3 |
| Share of results from associated companies | **-43.9** | -37.2 |
| Gains and losses on sale of non-current assets | **-40.4** | -10.6 |
| Finance costs, net | **39.2** | 55.9 |
| Provisions | **-6.7** | -29.3 |
| | **82.8** | 73.8 |
| **CHANGE IN WORKING CAPITAL** | | |
| Inventories | **-12.7** | -33.1 |
| Accounts receivables and other receivables | **13.3** | 25.7 |
| Accounts payable and other liabilities | **58.4** | -3.4 |
| Total | **59.0** | -10.8 |

### RESULT FOR THE PERIOD

In May 2014, Metsäliitto Cooperative and Metsä Board Corporation requested that the District Court of Helsinki revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 ordering Metsäliitto Cooperative to pay EUR 47.3 million in damages to UPM-Kymmene and Metsä Board to pay EUR 19.6 million. Metsä Board recognised EUR 17.4 million of the damages in other operating expenses and EUR 2.2 million in interest expenses in 2014.

### DISPOSAL OF SUBSIDIARY

Metsä Board disposed in September 2013 51 per cent holding in Metsä Group Treasury Oy to parent company Metsäliitto Cooperative. Selling price was EUR 5.2 million and cash and cash equivalents of disposed subsidiary were EUR 269.8 million, net of cash was EUR -264.6 million. Loss of EUR 0.1 million was recognised.

### DISPOSAL OF ASSOCIATED COMPANY

Metsä Board disposed in 2012 shares of associated company Plastiroll Oy. Selling price was EUR 7.2 million. In 2013 Metsä Board received additional selling price of EUR 0.5 million.

## 29. Contingent liabilities

### DISPUTES AND CLAIMS

In May 2014, Metsäliitto Cooperative and Metsä Board Corporation requested that the District Court of Helsinki revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 ordering Metsäliitto Cooperative to pay EUR 47.3 million in damages to UPM-Kymmene and Metsä Board to pay EUR 19.6 million.

Metsä Board companies have been sellers in several share transactions in recent years. In these divestments, the companies have issued regular seller's assurances. Claims presented against the companies and costs incurring to the companies due to these assurances cannot be ruled out.

| EUR million | 2014 | 2013 |
|---|---|---|
| **FOR OWN LIABILITIES** | | |
| Liabilities secured by pledges | | |
| Loans from financial institutions | **0.0** | 368.0 |
| Pension loans | **53.2** | 72.5 |
| Pledges granted | **78.8** | 535.3 |
| Liabilities secured by floating charges | | |
| Other liabilities | **3.0** | 3.0 |
| Floating charges | **3.0** | 603.0 |
| Liabilities secured by mortgages | | |
| Pension loans | **124.6** | 138.8 |
| Real estate mortages | **232.8** | 832.8 |
| As security of own commitments | | |
| Pledged assets | | |
| Guarantees and counter-indemnities | **16.2** | 16.5 |
| Other leasing commitments | **7.2** | 5.8 |
| Other labilities | **9.0** | 9.0 |
| On behalf of associated companies | | |
| Guarantee liabilities | **0.2** | 0.3 |
| On behalf of others | | |
| Guarantee liabilities | **0.1** | 0.1 |
| **TOTAL** | | |
| Pledges | **78.8** | 535.3 |
| Floating charges | **3.0** | 603.0 |
| Real estate mortages | **232.8** | 832.8 |
| Guarantees and counter-indemnities | **16.5** | 16.9 |
| Other leasing commitments | **7.2** | 5.8 |
| Other commitments | **9.0** | 9.0 |
| Total | **347.3** | 2,002.8 |

Pledges granted are sister company's shares (Metsä Fibre) as well as bank assets securing the Nord-Pool liabilities.

The decrease of commitments is related to the fact, that Metsä Board Corporation issued in March 2014 a EUR 225 million senior unsecured bond. The bond matures on 13 March 2019. Metsä Board has also signed an agreement on a new unsecured syndicated credit facility in March 2014. The new facility consists of a EUR 150 million term loan facility and a EUR 100 million revolving credit facility, both maturing in March 2018. The proceeds of the new loan arrangements were mainly used to prepay the existing EUR 350 million secured term loan maturing in March 2016. The new revolving credit facility replaced the undrawn EUR 100 million secured revolving credit facility maturing in May 2015.

### 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 | 2014 | 2013 |
|---|---|---|
| Operating leases | | |
| Not later than one year | 2.7 | 2.4 |
| Later than one year and not later than five years | 4.2 | 3.3 |
| Later than five years | 0.3 | 0.1 |
| Total | 7.2 | 5.8 |

## 30. Share based payment

### METSÄLIITTO MANAGEMENT OY

A share-based incentive scheme covering the members of the Group's Executive Management Team was adopted in 2010 and executed through Metsäliitto Management Oy. The adoption date of the scheme was 10 August 2010, and 6.8 million Metsä Board Corporation B shares were purchased in the scheme. The share purchases were funded by means of capital inputs from Executive Management Team members and a loan granted by Metsäliitto Cooperative. As the conditions of the dissolution of the scheme were met, the scheme was dissolved in the first quarter of 2014 by selling the shares owned by the company to Metsäliitto Cooperative. In 2014, EUR 0.0 million of income (EUR 0.13 million expense) was recognised in the Group's result related to Metsäliitto Management Oy's shareholding programme.

### SHARE INCENTIVE SCHEMES

During 2014 Metsä Board had two 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 2010 and Share incentive scheme 2014, which Metsä Boards Board of Directors decided to adopt 6 December 2014.

In 2014, EUR 1,907,287 (2013: 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.Based on the realisation of the criteria of the share incentive scheme 2011–2013, a total of 125,750 Metsä Board Corporation B shares and a cash portion were paid in order to cover the taxes and tax-like charges incurred from the bonus at the time of the transfer.

The basic information and transactions related to the Share incentive scheme 2011 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 | 1 | 2 | 3 | |
| Number of key personnel 31 Dec 2014 | 10 | 10 | 9 | |
| Exercise price, EUR | 3.26 | | | |
| **FAIR VALUE MEASURING 1)** | | | | |
| Share price at grant date, EUR | 3.12 | 2.01 | 2.92 | |
| Fair value of share at grant date, EUR | 2.75 | 1.95 | 2.71 | |
| Assumed dividends | 0.12 | 0.02 | 0.09 | |
| Share price at the end of financial period, EUR | 3.26 | 4.47 | 4.47 | |
| Fair value at end of financial period | 0 | 541,078 | 1,020,293 | 1,561,371 |
| **EFFECT ON RESULT AND FINANCIAL POSITION** | | | | |
| Expense for 2014, share based payment | 828,027 | 463,230 | 359,041 | 1,650,298 |
| Expense for 2014, share based payment, settled as equity | 345,813 | 125,118 | 106,553 | 577,484 |
| Liability at the end of period | | 338,112 | 319,719 | 657,831 |
| Number of shares 1 Jan 2014 2) | | | | |
| Outstanding at the beginning of period | 419,166 | 394,167 | 372,500 | 1,185,833 |
| Changes during the period | | | | |
| Shares granted | | 35,834 | 100,833 | 136,667 |
| Shares forfeited | | 150,000 | 150,000 | 300,000 |
| Shares exercised | 125,750 | 0 | | 125,750 |
| Shares expired | 293,416 | 0 | | 293,416 |
| Number of shares 31 Dec 2014 | | | | |
| Outstanding at the end of period | 0 | 280,001 | 323,333 | 603,334 |
| Exercisable at the end of the period | 0 | 280,001 | 323,333 | 603,334 |

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.

### SHARE INCENTIVE SCHEME 2014

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 2014–2016, 2015–2017 and 2016–2018. 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 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 vesting period. If the employment relationship of a key person ends during the incentive period, the key person should, as a rule, return the transferred shares to the company without consideration.

The basic information and transactions related to the Share incentive scheme 2014 are presented in the following table:

| Share incentive scheme 2014 | Issued by the Board of Director's decision 6 Feb 2014 Share based reward sheme | |
|---|---|---|
| | 2014–2016 | Total |
| Maximum number of shares | 427,500 | 427,500 |
| Grant date | 17 March 2014, 10 Jun 2014 | |
| Vesting period starts | 1 Jan 2014 | |
| Vesting period ends | 31 Dec 2016 | |
| Obligation to hold shares, years | 2 | |
| Conditions of vesting requirements | Obligation to work | |
| Criteria | Equity ratio, ROCE, EBIT | |
| Date of vesting requirement | 1 Jan 2019 | |
| Release of the bonus | 1 Jan 2019 | |
| Maximum validity, years | 5 | |
| Payment method | Shares and cash | |
| Binding time left, years | 4 | |
| Number of key personnel 31 Dec 2014 | 8 | |
| Exercise price, EUR | - | |
| **FAIR VALUE MEASURING 1)** | | |
| Share price at grant date, EUR | 3.37 | |
| Fair value of share at grant date, EUR | 2.99 | |
| Assumed dividends | 0.10 | |
| Share price at the end of financial period, EUR | 4.47 | |
| Fair value at end of financial period | 1,681,067 | 1,681,067 |
| **EFFECT ON RESULT AND FINANCIAL POSITION** | | |
| Expense for 2014, share based payment | 256,989 | 256,989 |
| Expense for 2014, share based payment, settled as equity | 91,242 | 91,242 |
| Liability at the end of period | 165,747 | 165,747 |
| Number of shares 1 Jan 2014 2) | | |
| Outstanding at the beginning of period | 0 | 0 |
| Changes during the period | | |
| Shares granted | 548,334 | 548,334 |
| Shares forfeited | 150,000 | 150,000 |
| Shares exercised | 0 | 0 |
| Shares expired | 0 | 0 |
| Number of shares 31 Dec 2014 | | |
| Outstanding at the end of period | 398,334 | 398,334 |
| Exercisable at the end of the period | 398,334 | 398,334 |

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.

## 31. Related party transactions

To related parties belong Metsä Board's ultimate parent company Metsäliitto Cooperative, who owns 42.5 per cent of Metsä Board's shares and 62.1 per cent of the voting rights (including Metsäliitto Management Oy), other subsidiaries of Metsäliitto, associated companies and joint ventures as well as Metsäliitto Employees' Pension Foundation. The members of The Board of Directors, Metsä Group's Executive Management Team and Metsä Board's Corporate Management Team as well as their close family members belong also to related parties.

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, joint operations as well as associated companies and joint ventures of Metsä Board are listed in the Note 13.

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 114.2 million in 2014 (2013: 104.9). The price used was market price.

Other operating income 2013 include EUR 0.7 million profit on property sales in Finland to Metsäliitto Cooperative.

Metsä Board is participating in extra pension arrangement related to executive management of Metsä Group. Payments were in 2014 EUR 0.6 million (0.3).

Metsäliitto Employees' Pension Foundation is a separate legal unit which grants additional defined benefit pension plans for some salaried employees and manages the Foundation's assets. The Pension Foundation owns 0.18 per cent of the subsidiary Metsä Board Corporation, and 0.2 per cent of the associated company Finsilva Oyj. In addition, the Pension Foundation has invested EUR 0.2 million in Metsäliitto Cooperative shares. In 2014 and 2013, the Group did not pay contributions to the Pension Foundation. The employer loans granted by the Pension Foundation to Metsä Board totalled EUR 5.9 million in 2014 (5.9).

| EUR million | Transactions with parent company | | Transactions with sister companies | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Sales | **10.6** | 11.1 | **58.5** | 65.1 |
| Other operating income | **3.4** | 4.5 | **1.5** | 1.1 |
| Purchases | **138.0** | 128.2 | **536.6** | 586.1 |
| Share of result from associated companies | | | **43.7** | 37.1 |
| Dividend income | **0.0** | 0.0 | **24.9** | 24.9 |
| Interest income | **0.0** | 2.5 | **0.4** | 2.2 |
| Interest expenses | **0.0** | 0.7 | **1.0** | 1.1 |
| Receivables | | | | |
| Other non-current financial assets | **0.0** | 0.0 | **0.0** | 3.8 |
| Accounts receivables and other receivables | **1.6** | 2.5 | **12.7** | 17.5 |
| Cash and cash equivalents | | | **236.0** | 81.3 |
| Liabilities | | | | |
| Accounts payable and other liabilities | **8.1** | 13.7 | **69.0** | 67.5 |

**TRANSACTION AND BALANCES WITH ASSOCIATED COMPANIES AND JOINT VENTURES**

| EUR million | **2014** | **2013** |
|---|---|---|
| Sales | **0.7** | 0.2 |
| Purchases | **7.7** | 7.0 |
| Interest income | **0.0** | 0.0 |
| Interest expenses | **0.0** | 0.0 |
| Receivables | | |
| Other non-current financial assets | **0.3** | 0.3 |
| Accounts receivables and other receivables | **0.2** | 0.2 |
| Liabilities | | |
| Accounts payable and other liabilities | **1.2** | 0.9 |

Metsä Board has reclassified interest-bearing receivables comparable to cash funds and available immediately from Metsä Group's internal bank Metsä Group Treasury Oy from 30 September 2013 on as Cash and cash equivalents. Metsä Board disposed its 51 per cent shareholding in Metsä Group Treasury Oy to Metsäliitto Cooperative on 30 September 2013.

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.

Key management includes members of the Board as well as Corporate Management Team.

### REMUNERATION PAID TO THE KEY MANAGEMENT

| EUR | 2014 | 2013 |
|---|---|---|
| Wages and salaries | **3,208,044.78** | 2,548,534.78 |
| Pension costs | **1,034,533.10** | 787,442.30 |
| Total | **4,242,577.88** | 3,335,977.08 |

### THE REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS OF THE PARENT COMPANY AND SHAREHOLDING

| | Shareholding | 2014 EUR | 2013 EUR |
|---|---|---|---|
| Kari Jordan<br>Chairman | 206,178 | **89,711.95** | 89,311.99 |
| Martti Asunta<br>Vice chairman | 58,332 | **77,615.95** | 76,215.99 |
| Mikael Aminoff | 61,346 | **63,403.18** | 63,003.18 |
| Kirsi Komi | 48,651 | **63,403.18** | 62,003.18 |
| Kai Korhonen | 167,446 | **70,603.18** | 63,103.18 |
| Liisa Leino | 135,966 | **63,403.18** | 62,503.18 |
| Juha Niemelä | 135,966 | **63,403.18** | 63,003.18 |
| Veli Sundbäck | 18,369 | **63,403.18** | 58,603.18 |
| Erkki Varis | 94,051 | **63,403.18** | 63,103.18 |
| Total | 926,305 | **618,350.16** | 600,850.24 |
| | | | |
| Former members of the Board | | | |
| Antti Tanskanen | | | 4,500.00 |
| | | **618,350.16** | 605,350.24 |

Pension payments of the members of the Board were in 2014 EUR 104,668.20 (2013: 106,195.48).

Metsä Board's Annual General Meeting 2014 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 2014.

Remuneration of Corporate Management Team 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 Mika Joukio is EUR 37,000. The salary includes car and mobile phone benefits and an extended cover for travel and accident. In addition, the Board may, in accordance with the managing director's service contract, decide that the CEO receives bonus pay based to his seven month salary. In 2014 from the beginning of October till year end CEO Mika Joukio's salary including benefits was EUR 116,262.09, total fixed salary. Mikko Helander's salary including benefits till end of September was EUR 444,183.36 (2013 from January to December EUR 535,129.96). In addition, the Board could, 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. Mikko Helander's bonus pay in 2014, was EUR 130,382.63. Mikko Helander's bonus pay in 2013 was 71,404. In addition Mikko Helander received as share based incentive EUR 320,049.83 (2013: 0). All in all Mikko Helander's total salary was EUR 894,615.82 (2013: 606,533.63).

The members of Corporate Management Team 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 the financial years 2014 and 2013 based on the Company's and its business areas' operating results development. Salaries and emoluments including benefits paid to other memebers of Corporate Management Team than CEOs were EUR 1,156,108.51 (2013: EUR 1,192,652), bonuses EUR 180,483.74 (143,999) and share-based incentive EUR 242,224.46 (0) and total EUR 1,578,816.71 (2013: EUR 1,336,651).

Share based incentive schemes and the shareholding programme for Board of Directors are presented in Note 31.

The shareholding system of Metsä Group Corporate Management Team, which was arranged through Metsäliitto Management Oy, was dismantled in the first quarter of 2014 by selling the company's shares to Metsäliitto Cooperative.

CEO Mika Joukio owns 68,552 Metsä Board's B-shares and other members of the Corporate Management Team 81,810 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 12-month salary.

The period of notice for other members of Corporate Management Team is six months. For other members of Corporate Management Team the period of additional severance compensation varies from six to twelve months in case of severance due to other reasons than member related.

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 Managemnt Team 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 Team member's defined contribution pension plans were EUR 0.9 million (2013 EUR 0.7 million), which include defined contribution pension the costs of extra pension insurance policy EUR 0.6 million (EUR 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 2014, the Company's CEO or the members of the Board had no loans outstanding from the Company or its subsidiares.

## 32. 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 | 2014 | 2013 |
|---|---|---|
| **INCOME STATEMENT** | | |
| Materials and services | **8.9** | 8.9 |
| Employee costs | | |
| Wages and fees | **1.5** | 1.5 |
| Other employee costs | **0.7** | 0.7 |
| Depreciation and amortization | **5.7** | 5.3 |
| Other operating expenses | **1.6** | 0.2 |
| | **18.4** | 16.6 |
| **BALANCE SHEET** | | |
| Tangible assets | | |
| Acquisition costs, 1 Jan | **152.6** | 171.8 |
| Increases | **0.5** | 0.6 |
| Decreases | **-4.7** | -19.8 |
| Depreciation | **-95.5** | -88.7 |
| Carrying amount, 31 Dec | **52.9** | 63.9 |
| **PROVISIONS** | | |
| Environmental obligations | **10.9** | 20.0 |
| **THE NOTES** | | |
| Other commitments for environmental obligations | **0.4** | 0.2 |

### EMISSION ALLOWANCES

Metsä Board Group participates in the European Union Emissions Trading System. In 2014, the Group received 737 kilotonnes of emission allowances free of charge. On the balance sheet date, the company had 396 kilotonnes of emission allowances. Actual emissions during the financial period were 398 kilotonnes.

The Group has recognised the emission allowances in accordance with the net method. The difference between the emissions and the emission allowances received has been recognised through profit and loss if the actual emissions have exceeded the allowances received. Actual emission during the period did not have any effect on profit and loss or on balance sheet.

In 2014, the Group sold emission allowances worth of EUR 5.1 million.

On the balance sheet date the fair value of emission right was 7.24 EUR/ton and total value some EUR 2.9 million.

## 33. Events after the Balance sheet date

Metsä Board updated its long-term financial targets in February 2015. The updated targets are return on capital employed (ROCE) minimum 12 per cent from 2017 onwards and net gearing maximum 70 per cent.

# SHARES AND SHAREHOLDERS

## SHARE CAPITAL AND SHARES AT 31 DECEMBER 2014

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 2014 no shares were converted.

## STOCK EXCHANGE LISTINGS AND SHARE PRICE DEVELOPMENT

Close to 90 per cent of the trading with Metsä Board's shares was done on NASDAQ OMX Helsinki Ltd stock exchange in 2014 based on information by Euroland.

In 2014, the highest price for Metsä Board's A share on NASDAQ OMX Helsinki Ltd. was EUR 4.75, the lowest EUR 2.95, and the average price was EUR 3.53. At the end of the year, the price of the A share was EUR 4.60. At the end of 2013, the price of the A share was EUR 3.08, while the average price in 2013 was EUR 2.59.

In 2014, the highest price of Metsä Board's B share was EUR 4.57, the lowest EUR 2.92, and the average price was EUR 3.47. At the end of the year, the price of the B share was EUR 4.47. At the end of 2013, the price of the B share was EUR 3.15, while the average price in 2013 was EUR 2.58.

The trading volume of the A shares was EUR 4 million, 3 per cent of the share capital. The trading volume of the B shares was EUR 205 million, or 20 per cent of the share capital. The market value of the A and B shares totalled EUR 1,472 million at the end of 2014.

Metsäliitto Cooperative owned approximately 40 per cent of the shares at the end of 2014. The voting rights conferred by these shares amounted to approximately 61 per cent. Share of international investors increased to 15 per cent.

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 Team are presented on pages 112–115.

## BOARD OF DIRECTORS' AUTHORITY TO ISSUE SHARES

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.

### CHANGES IN SHARE CAPITAL AND NUMBER OF SHARES 1 JAN 2004 – 31 DEC 2014

| | | 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 |
| 2005–2014 | No changes | | |
| | Share capital 31 Dec 2014 | 328,165,612 | 557.9 |

## 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, nonetheless taking into account the Company's gearing target.

| MAJOR SHAREHOLDERS 31 DEC 2014[1)] | A-SERIES | B-SERIES | TOTAL SHARES | | VOTES |
|---|---|---|---|---|---|
| SHAREHOLDERS | NO. OF SHARES | NO. OF SHARES | NO. OF SHARES | % | % |
| 1. Metsäliitto Cooperative | 25,751,535 | 107,026,130 | 132,777,665 | 40.46 | 61.47 |
| 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 | 12,166,295 | 15,700,625 | 4.78 | 8.19 |
| 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-Delta Mutual Fund | 0 | 4,180,590 | 4,180,590 | 1.27 | 0.41 |
| 7. The State Pension Fund | 0 | 3,900,000 | 3,900,000 | 1.19 | 0.39 |
| 8. Maa- ja metsätaloustuottajain Keskusliitto MTK r.y. | 1,704,249 | 1,467,795 | 3,172,044 | 0.97 | 3.51 |
| 9. OP-Focus Fund | 0 | 2,900,000 | 2,900,000 | 0.88 | 0.29 |
| 10. OP-Finland Value Fund | 0 | 2,889,485 | 2,889,485 | 0.88 | 0.29 |
| 11. Nordea Fennia Fund | 0 | 2,300,000 | 2,300,000 | 0.70 | 0.23 |
| 12. Säästöpankki Kotimaa Mutual Fund | 0 | 2,266,956 | 2,266,956 | 0.69 | 0.22 |
| 13. OP-Finland Small Firms Fund | 0 | 2,089,173 | 2,089,173 | 0.64 | 0.21 |
| 14. Evli Finnish Small Cap Fund | 0 | 1,461,558 | 1,461,558 | 0.45 | 0.14 |
| 15. Danske Finnish Institutional Equity Fund | 0 | 1,390,388 | 1,390,388 | 0.42 | 0.14 |
| 16. SEB Gyllenberg Finlandia Fund | 0 | 1,175,900 | 1,175,900 | 0.36 | 0.12 |
| 17. OP-Henkivakuutus Ltd. | 0 | 1,065,334 | 1,065,334 | 0.32 | 0.11 |
| 18. Danske Invest Finnish Small Cap Fund | 0 | 956,482 | 956,482 | 0.29 | 0.09 |
| 19. Danske Invest Finnish Equity Fund | 0 | 903,612 | 903,612 | 0.28 | 0.09 |
| 20. FIM Fenno Mutual Fund | 0 | 767,900 | 767,900 | 0.23 | 0.08 |

[1)] Shareholders in the book entry system.

### METSÄ BOARD A SHARE

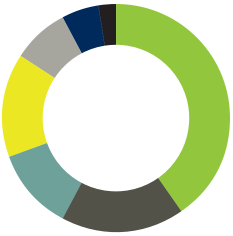
| NUMBER OF SHARES | NUMBER OF SHAREHOLDERS | % | NUMBER OF SHARES | % | NUMBER OF VOTES | % |
|---|---|---|---|---|---|---|
| 1–100 | 1,143 | 29.84 | 63,556 | 0.18 | 1,271,120 | 0.18 |
| 101–500 | 1,579 | 41.23 | 455,245 | 1.27 | 9,104,900 | 1.27 |
| 501–1,000 | 558 | 14.57 | 459,236 | 1.28 | 9,184,720 | 1.28 |
| 1,001–5,000 | 487 | 12.72 | 1,013,501 | 2.82 | 20,270,020 | 2.82 |
| 5,001–10,000 | 37 | 0.97 | 275,370 | 0.77 | 5,507,400 | 0.77 |
| 10,001–50,000 | 21 | 0.55 | 432,488 | 1.20 | 8,649,760 | 1.20 |
| 50,001–100,000 | 1 | 0.03 | 92,597 | 0.26 | 1,851,940 | 0.26 |
| 100,001–500,000 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 500,001– | 4 | 0.10 | 33,193,658 | 92.24 | 663,873,160 | 92.24 |
| Total | 3,830 | 100 | 35,985,651 | 100 | 719,713,020 | 100 |
| of which nominee registered | 7 | | 54,319 | 0.15 | 1,086,380,00 | 0.15 |
| 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 | 12,945 | 33.96 | 573,203 | 0.20 | 573,203 | 0.20 |
| 101–500 | 11,424 | 29.97 | 3,008,286 | 1.03 | 3,008,286 | 1.03 |
| 501–1,000 | 4,970 | 13.04 | 4,034,867 | 1.38 | 4,034,867 | 1.38 |
| 1,001–5,000 | 6,721 | 17.63 | 15,821,566 | 5.42 | 15,821,566 | 5.42 |
| 5,001–10,000 | 1,120 | 2.94 | 8,147,396 | 2.79 | 8,147,396 | 2.79 |
| 10,001–50,000 | 773 | 2.03 | 15,184,612 | 5.20 | 15,184,612 | 5.20 |
| 50,001–100,000 | 70 | 0.18 | 4,956,688 | 1.70 | 4,956,688 | 1.70 |
| 100,001–500,000 | 61 | 0.16 | 13,843,997 | 4.74 | 13,843,997 | 4.74 |
| 500,001– | 30 | 0.08 | 226,609,346 | 77.56 | 226,609,346 | 77.56 |
| Total | 38,114 | 100 | 292,179,961 | 100 | 292,179,961 | 100 |
| of which nominee registered | 13 | | 47,283,355 | 16.18 | 47,283,355 | 16.18 |
| 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 |

## SHAREHOLDERS 31 DEC 2014

%

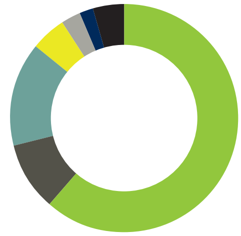


| | |
|---|---|
| METSÄLIITTO COOPERATIVE | 40.5 |
| HOUSEHOLDS | 17.5 |
| PUBLIC COMMUNITIES | 11.6 |
| NON-FINNISH NATIONALS [1] | 14.7 |
| FINANCIAL AND INSURANCE INSTITUTIONS | 8.1 |
| OTHER COMPANIES | 5.2 |
| NON-PROFITMAKING ORGANIZATIONS | 2.5 |

[1] Includes nominee registered

## VOTING RIGHTS 31 DEC 2014

%

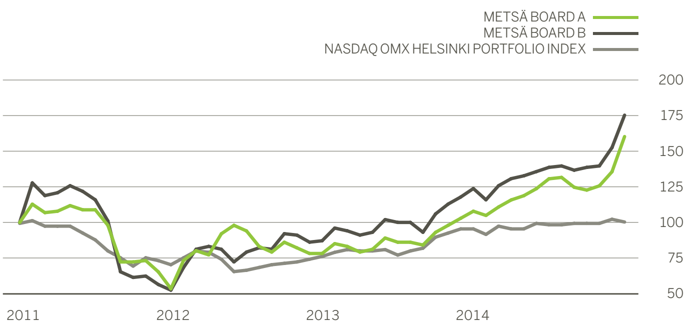


| | |
|---|---|
| METSÄLIITTO COOPERATIVE | 61.5 |
| HOUSEHOLDS | 9.9 |
| PUBLIC COMMUNITIES | 14.7 |
| NON-FINNISH NATIONALS [1] | 5.0 |
| FINANCIAL AND INSURANCE INSTITUTIONS | 2.6 |
| OTHER COMPANIES | 2.1 |
| NON-PROFITMAKING ORGANIZATIONS | 4.2 |

[1] Includes nominee registered

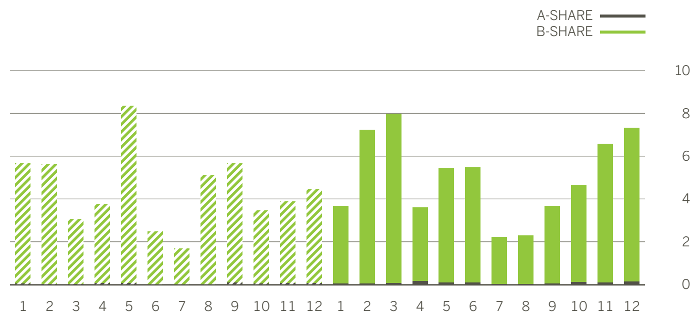
## SHARE PRICE DEVELOPMENT 2011–2014

INDEX 2011=100



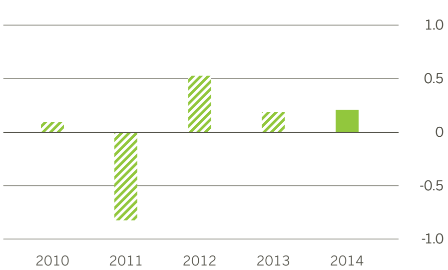

## TRADED VOLUME 2013–2014

MILLIONS



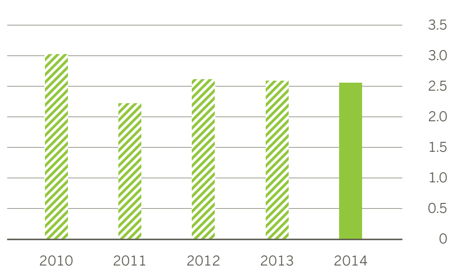

## EARNINGS PER SHARE

EUR



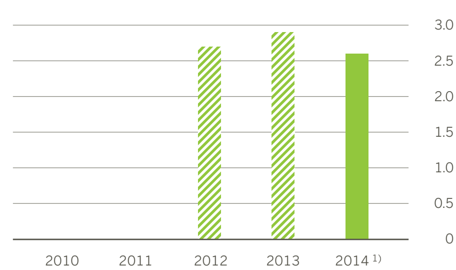

## SHAREHOLDER'S EQUITY PER SHARE

EUR




## DIVIDEND YIELD

%




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

**SHARE PERFORMANCE**

| | | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| Share prices, EUR | | | | | | |
| A share | high | **4.75** | 3.20 | 2.84 | 3.34 | 3.64 |
| | low | **2.95** | 2.20 | 1.52 | 1.49 | 1.93 |
| | at year end | **4.60** | 3.08 | 2.21 | 1.50 | 2.85 |
| | average | **3.53** | 2.59 | 2.34 | 2.87 | 2.85 |
| B share | high | **4.57** | 3.15 | 2.47 | 3.33 | 3.26 |
| | low | **2.92** | 2.18 | 1.33 | 1.16 | 1.46 |
| | at year end | **4.47** | 3.15 | 2.22 | 1.33 | 2.54 |
| | average | **3.47** | 2.58 | 2.00 | 2.18 | 2.44 |
| Trading in shares, units of NASDAQ OMX Helsinki | | | | | | |
| A share | | **1,136,611** | 713,546 | 992,596 | 1,579,107 | 1,968,018 |
| % of total no. of A shares | | **3.2** | 2.0 | 2.7 | 4.3 | 5.4 |
| B share | | **59,119,118** | 52,692,081 | 110,668,983 | 280,402,053 | 365,284,851 |
| % of total no. of B shares | | **20.2** | 18.0 | 37.9 | 96.1 | 125.2 |
| Number of shares at the year end | | | | | | |
| A share | | **35,985,651** | 35,985,651 | 36,339,550 | 36,339,550 | 36,339,550 |
| B share | | **292,179,961** | 292,179,961 | 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 | | **1,471.6** | 1,031.2 | 728.2 | 442.6 | 844.8 |
| Number of shareholders[1)] | | **40,235** | 40,390 | 41,232 | 42,463 | 43,937 |

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

**FIGURES PER SHARE**

| EUR million | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Calculation of earnings per share | | | | | |
| Result before tax | **77.6** | 57.8 | 173.9 | -280.9 | 48.1 |
| - non-controlling interest | **0.0** | -0.2 | -0.2 | -0.1 | 1.0 |
| - taxation | **-9.1** | 6.3 | -2.6 | 7.8 | -20.7 |
| = Earnings | **68.5** | 63.9 | 171.1 | -273.2 | 28.4 |
| Adjusted number of shares (average) | **328,165,612** | 328,165,612 | 328,165,612 | 328,165,612 | 328,165,612 |
| Earnings per share, EUR | | | | | |
| Basic and diluted | **0.21** | 0.19 | 0.52 | -0.83 | 0.09 |
| Earnings per share total, EUR | **0.21** | 0.19 | 0.52 | -0.83 | 0.09 |
| Shareholders' equity per share, EUR | **2.56** | 2.59 | 2.59 | 2.23 | 3.03 |
| Dividend per share, EUR | **0.12**[1)] | 0.09 | 0.06 | 0.00 | 0.00 |
| Dividend per profit, % | **57.1** | 47.4 | 11.5 | - | - |
| Nominal value per share, EUR | | | - | - | - |
| Dividend yield, % | | | | | |
| Series A | **2.6**[1)] | 2.9 | 2.7 | 0.0 | 0.0 |
| Series B | **2.7**[1)] | 2.9 | 2.7 | 0.0 | 0.0 |
| Price/earning ratio (P/E ratio) | | | | | |
| Series A | **21.9** | 16.2 | 4.3 | -1.8 | 31.7 |
| Series B | **21.3** | 16.6 | 4.3 | -1.6 | 28.2 |
| P/BV , % | | | | | |
| Series A | **179.7** | 118.9 | 85.3 | 67.3 | 94.1 |
| Series B | **174.6** | 121.6 | 85.7 | 59.6 | 83.8 |

[1)] Board of Directors proposes that a dividend of EUR 0.12 per share is paid for 2014.

# CALCULATION OF KEY RATIOS

## PROFITABILITY

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

## FINANCIAL POSITION

| | | |
|---|---|---|
| Equity ratio (%) | = | $\frac{\text{Shareholders' equity}}{\text{Total assets - advance payments received}}$ |
| Gearing ratio (%) | = | $\frac{\text{Interest-bearing borrowings}}{\text{Shareholders' equity}}$ |
| Net gearing ratio (%) | = | $\frac{\text{Interest-bearing borrowings - liquid funds - interest-bearing receivables}}{\text{Shareholders' equity}}$ |

## SHARE PERFORMANCE INDICATORS

| | | |
|---|---|---|
| Earnings per share | = | $\frac{\text{Profit attributable to shareholders of parent company}}{\text{Adjusted number of shares (average)}}$ |
| Shareholders' equity per share | = | $\frac{\text{Equity attributable to shareholders of parent company}}{\text{Adjusted number of shares at 31 December}}$ |
| Dividend per share | = | $\frac{\text{Dividends}}{\text{Adjusted number of shares at 31 December}}$ |
| Dividend per profit (%) | = | $\frac{\text{Dividend per share}}{\text{Earnings per share}}$ |
| Dividend yield (%) | = | $\frac{\text{Dividend per share}}{\text{Share price at 31 December}}$ |
| Price/earnings ratio (P/E ratio) (%) | = | $\frac{\text{Adjusted share price at 31 December}}{\text{Earnings per share}}$ |
| P/BV (%) | = | $\frac{\text{Adjusted share price at 31 December}}{\text{Shareholders' equity per share}}$ |
| Adjusted average share price | = | $\frac{\text{Total traded volume per share (EUR)}}{\text{Average adjusted number of shares traded during the financial year}}$ |
| Market capitalization | = | Number of shares x market price at 31 December |

## OTHER KEY FIGURES

| | | |
|---|---|---|
| Internal financing of capital expenditure (%) | = | $\frac{\text{Net cash flow arising from operating activities}}{\text{Gross capital expenditure}}$ |
| Interest cover | = | $\frac{\text{Net cash flow arising from operating activities + net interest expenses}}{\text{Net interest expenses}}$ |
| 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 2014 | 1 JAN – 31 DEC 2013 |
|---|---|---|---|
| **SALES** | 1 | **1,013.9** | 1,031.9 |
| Change in stocks of finished goods and in work | | **22.9** | 13.2 |
| Other operating income | 2 | **55.6** | 24.4 |
| | | | |
| Materials and services | | | |
| Raw materials and consumables | | | |
| Purchases during the financial period | | **-608.9** | -627.4 |
| Change in inventories | | **5.0** | -0.5 |
| External services | 3 | **-158.3** | -150.3 |
| | | **-762.2** | -778.2 |
| Employee costs | 4 | | |
| Wages and salaries | | **-54.9** | -51.6 |
| Social security expenses | | | |
| Pension expenses | | **-13.2** | -13.5 |
| Other social security expenses | | **-26.2** | -25.2 |
| | | **-94.3** | -90.3 |
| Depreciation, amortisation and impairment charges | 5 | | |
| Depreciation according to plan | | **-46.6** | -45.8 |
| Impairment charges and reverse of impairment charges | | **0.3** | 2.3 |
| | | **-46.3** | -43.5 |
| Other operating expenses | 6 | **-118.3** | -100.7 |
| **OPERATING RESULT** | | **71.3** | 56.8 |
| | | | |
| Financial income and expenses | 7 | | |
| Income from Group companies | | **45.5** | 41.4 |
| Other interest and financial income | | **0.5** | 0.1 |
| Net exchange gains/losses | | **-19.4** | -9.1 |
| Write-downs and reverse of write-downs on non-current investments | | **39.7** | -17.0 |
| Interest and other financial expenses | | **-42.5** | -61.8 |
| | | **23.8** | -46.4 |
| **RESULT BEFORE EXTRAORDINARY ITEMS** | | **95.1** | 10.4 |
| | | | |
| Extraordinary income and expenses | 8 | | |
| Extraordinary income and expenses | | **-21.5** | 19.1 |
| | | **-21.5** | 19.1 |
| **RESULT BEFORE APPROPRIATIONS AND TAXES** | | **73.6** | 29.5 |
| | | | |
| Appropriations | | | |
| Change in depreciation differences | | **-5.4** | -4.5 |
| Income taxes | 9 | **-0.2** | -2.2 |
| **RESULT FOR THE FINANCIAL PERIOD** | | **68.0** | 22.9 |

# PARENT COMPANY ACCOUNTS

## BALANCE SHEET

| EUR million | Note | 31 DEC 2014 | 31 DEC 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| **INTANGIBLE ASSETS** | 10 | | |
| Intangible rights | | **13.2** | 7.6 |
| Other capitalized expenditure | | **1.0** | 1.6 |
| Advance payments | | **0.1** | 8.1 |
| | | **14.3** | 17.3 |
| **TANGIBLE ASSETS** | 11, 25 | | |
| Land and water areas | | **12.5** | 13.5 |
| Buildings | | **105.6** | 111.3 |
| Machinery and equipment | | **277.5** | 295.8 |
| Other tangible assets | | **3.0** | 3.0 |
| Advance payment and construction in progress | | **5.5** | 9.2 |
| | | **404.1** | 432.8 |
| **INVESTMENTS** | 12, 16 | | |
| Shares in Group companies | | **559.5** | 469.5 |
| Receivables from Group companies | | **207.6** | 265.3 |
| Shares in associated companies | | **66.0** | 66.0 |
| Receivables from associated companies | | **40.6** | 40.6 |
| Other shares and holdings | | **2.8** | 2.5 |
| | | **876.6** | 843.9 |
| | | **1,294.9** | 1,294.0 |
| **CURRENT ASSETS** | | | |
| Inventories | | | |
| Raw materials and consumables | | **37.1** | 32.1 |
| Finished goods and goods for resale | | **129.8** | 106.9 |
| Advance payment | | **6.9** | 5.6 |
| | | **173.8** | 144.6 |
| **RECEIVABLES** | 13, 14, 15, 16 | | |
| Current | | | |
| Accounts receivables | | **118.2** | 110.1 |
| Receivables from Group companies | | **399.6** | 369.0 |
| Receivables from associated companies | | **0.2** | 0.1 |
| Other receivables | | **17.0** | 15.8 |
| Prepayment and accrued income | | **14.1** | 14.5 |
| | | **549.1** | 509.5 |
| Cash and cash equivalents | | **0.8** | 0.6 |
| **TOTAL ASSETS** | | **2,018.7** | 1,948.6 |

| EUR million | Note | 31 DEC 2014 | 31 DEC 2013 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** | 17 | | |
| Share capital | | **557.9** | 557.9 |
| Reserve for invested unrestricted equity | | **284.8** | 284.8 |
| Retained earnings | | **35.6** | 42.3 |
| Result for the financial period | | **68.0** | 22.9 |
| | | **946.3** | 907.8 |
| **APPROPRIATIONS** | | | |
| Accumulated depreciation difference | | **50.9** | 45.5 |
| **PROVISIONS** | 18, 25 | | |
| Provisions for pensions | | **3.4** | 6.4 |
| Other provisions | | **8.7** | 9.6 |
| | | **12.1** | 16.0 |
| **LIABILITIES** | | | |
| **NON-CURRENT** | 19, 20, 21 | | |
| Bond loans | | **223.5** | |
| Loans from financial institutions | | **200.0** | 400.0 |
| Pension loans | | **150.5** | 173.3 |
| Other liabilities | | **1.3** | 2.7 |
| | | **575.3** | 576.0 |
| **CURRENT** | 19, 20, 22, 23 | | |
| Pension loans | | **28.7** | 38.7 |
| Advance payments | | **3.3** | 6.7 |
| Accounts payable | | **96.5** | 37.4 |
| Payables to Group companies | | **244.1** | 244.9 |
| Payables to associated companies | | **0.3** | 0.4 |
| Other liabilities | | **8.7** | 21.5 |
| Accruals and deferred income | | **52.5** | 53.7 |
| | | **434.1** | 403.3 |
| | | **1,009.4** | 979.3 |
| **TOTAL EQUITY AND LIABILITIES** | | **2,018.7** | 1,948.6 |

# PARENT COMPANY ACCOUNTS

## CASH FLOW STATEMENT

| EUR million | 2014 | 2013 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Operating result | **71.3** | 56.8 |
| Adjustments to operating result a) | **4.9** | 30.2 |
| Change in net working capital b) | **10.2** | 30.0 |
| Interest received | **11.8** | 16.0 |
| Interests paid | **-32.9** | -59.1 |
| Dividends received | **33.5** | 25.5 |
| Other financial items | **-16.4** | -11.3 |
| Taxes | **-0.6** | |
| **NET CASH FLOW FROM OPERATIONS** | **81.9** | 88.1 |
| **INVESTMENTS** | | |
| Acquisition of shares | **-1.5** | -1.5 |
| Capital expenditure | **-18.5** | -28.3 |
| Proceeds from disposal of shares in subsidiary | | 5.2 |
| Proceeds from disposal of shares in associated company | | 0.5 |
| Proceeds from sale of tangible and intangible assets | **38.7** | 8.8 |
| Decrease in other non-current investments | **23.4** | 0.1 |
| **TOTAL CASH USED IN INVESTMENTS** | **42.1** | -15.2 |
| **CASH FLOW BEFORE FINANCING** | **124.0** | 72.9 |
| **FINANCING** | | |
| Increase in non-current liabilities | **381.1** | 630.9 |
| Decrease in non-current liabilities | **-392.2** | -752.3 |
| Increase (-) or decrease (+) in interest-bearing non-current receivables | **-89.0** | 139.4 |
| Increase (-) or decrease (+) in interest-bearing current receivables | **5.9** | -71.4 |
| Dividends paid | **-29.5** | -19.7 |
| **TOTAL FINANCING** | **-123.7** | -73.1 |
| Change in liquid funds | **0.2** | -0.2 |
| Liquid funds at 1 Jan | **0.6** | 0.8 |
| **LIQUID FUNDS AT 31 DEC** | **0.8** | 0.6 |
| a) Adjustments to operating result | | |
| Depreciation | **46.3** | 43.5 |
| Gains (+) or losses (-) on sale of non-current assets | **-35.7** | -5.9 |
| Change in provisions | **-5.7** | -7.3 |
| Total | **4.9** | 30.2 |
| b) Change in net working capital | | |
| Increase (-) or decrease (+) in stocks | **-29.3** | -14.3 |
| Increase (-) or decrease (+) in non-interest bearing receivables | **17.7** | 32.1 |
| Increase (+) or decrease (-) in non-interest bearing liabilities | **21.8** | 12.2 |
| Total | **10.2** | 30.0 |

# 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, as wee as gains and losses on merger 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 | 2014 | 2013 |
|---|---|---|
| **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 | **0.9** | 1.1 |
| Gains on disposal of fixed assets | **33.8** | 6.3 |
| Service revenue | **13.1** | 14.1 |
| Government grants | **0.2** | 1.7 |
| Other allowances and subsidies | **0.8** | 1.1 |
| Scrap and waste sale | **1.7** | 0.1 |
| Other | **5.1** | 0.0 |
| Total | **55.6** | 24.4 |

| **3. EXTERNAL SERVICES** | | |
|---|---|---|
| Logistics expenses | **115.0** | 108.6 |
| Other external services | **43.4** | 41.6 |
| Total | **158.4** | 150.3 |

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 | **54.9** | 51.6 |
| Pension expenses | **13.2** | 13.5 |
| Other social security expenses | **26.2** | 25.2 |
| | **94.3** | 90.3 |
| Salaries and emoluments paid to management | | |
| Managing director | **1.0** | 0.6 |
| Members of the Board | **0.6** | 0.6 |
| Total | **1.6** | 1.2 |

**PENSION COMMITMENTS OF CEO**

CEO of the parent company has the right to retire on a pension at the age of 62 years.
Metsä Board Oyj employed an average of 1,212 people (2013: 1,219).

**PRINCIPAL AUDITORS FEES**

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

| | | |
|---|---|---|
| Audit fees | **0.12** | 0.09 |
| Tax consultancy | | |
| Other fees | | 0.00 |
| Total | **0.12** | 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 consultancy services and the like.

| EUR million | 2014 | 2013 |
|---|---|---|
| **5. DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENT CHARGES** | | |
| Depreciation according to plan | | |
| Intangible rights | **1.8** | 1.6 |
| Other capitalized expenditure | **0.8** | 0.8 |
| Buildings and constructions | **7.4** | 7.4 |
| Machinery and equipment | **36.3** | 35.7 |
| Other tangible assets | **0.3** | 0.3 |
| Total depreciation according to plan | **46.6** | 45.8 |
| Impairment charges and reverse of impairment charges | | |
| Machinery and equipment | **-0.3** | -2.3 |
| Change in depreciation difference | **5.4** | 4.5 |
| Total depreciation, amortization and impairment charges | **51.7** | 47.9 |

| **6. OTHER OPERATING EXPENSES** | | |
|---|---|---|
| Rents and other real estate expenses | **6.7** | 6.9 |
| Purchased services | **58.2** | 56.3 |
| Other operating expenses | **53.4** | 37.5 |
| Total | **118.3** | 100.7 |

| **7. FINANCIAL INCOME AND EXPENSES** | | |
|---|---|---|
| Dividend income | **33.5** | 25.4 |
| Interest income from non-current investments | **6.8** | 15.4 |
| Other interest income | **5.7** | 0.6 |
| Write-downs and reverse of write-downs on non-current investments | **39.7** | -17.0 |
| Interest expenses | **-35.0** | -53.5 |
| Other financial expenses | **-7.5** | -8.3 |
| | **43.2** | -37.4 |
| Net exchange differences | **-19.4** | -9.1 |
| Financial income and expenses, total | **23.8** | -46.4 |

| **EXCHANGE DIFFERENCES IN INCOME STATEMENT** | | |
|---|---|---|
| Exchange differences on sales | **4.3** | -1.8 |
| Exchange differences on purchases | **-0.2** | -0.1 |
| Exchange differences on financing | **-23.5** | -7.2 |
| Exchange differences, total | **-19.4** | -9.1 |

| **8. EXTRAORDINARY INCOME AND EXPENSES** | | |
|---|---|---|
| Extraordinary income | | |
| Group contribution received | **34.5** | 19.1 |
| Loss on merger | **-56.0** | |
| Total | **-21.5** | 19.1 |

| **9. INCOME TAXES** | | |
|---|---|---|
| Income taxes for the financial period | **0.0** | 2.2 |
| Income taxes for previous periods | **0.2** | |
| Total | **0.2** | 2.2 |
| | | |
| Income taxes on ordinary operations | **-6.7** | -2.5 |
| Income taxes on extraordinary items | **6.9** | 4.7 |

| EUR million | 2014 | 2013 |
|---|---|---|
| **10. INTANGIBLE ASSETS** | | |
| **INTANGIBLE RIGHTS** | | |
| Acquisition costs, 1 Jan | **102.1** | 103.0 |
| Increases | **8.3** | 2.8 |
| Transfers between items | **6.4** | -2.7 |
| Decreases | **-8.4** | -1.0 |
| Acquisition costs, 31 Dec | **108.3** | 102.1 |
| Accumulated depreciation, 1 Jan | **-94.5** | -95.6 |
| Accumulated depreciation on deduction and transfers | **1.2** | 2.7 |
| Depreciation for the period | **-1.8** | -1.6 |
| Accumulated depreciation, 31 Dec | **-95.1** | -94.5 |
| Book value, 31 Dec | **13.2** | 7.6 |
| | | |
| **OTHER CAPITALIZED EXPENDITURE** | | |
| Acquisition costs, 1 Jan | **15.0** | 14.9 |
| Increases | **0.2** | 0.1 |
| Acquisition costs, 31 Dec | **15.2** | 15.0 |
| Accumulated depreciation, 1 Jan | **-13.4** | -12.6 |
| Depreciation for the period | **-0.8** | -0.8 |
| Accumulated depreciation, 31 Dec | **-14.2** | -13.4 |
| Book value, 31 Dec | **1.0** | 1.6 |
| | | |
| **ADVANCE PAYMENTS** | | |
| Acquisition costs, 1 Jan | **8.1** | 0.0 |
| Increases | | 8.1 |
| Transfers between items | **-6.4** | |
| Decreases | **-1.6** | |
| Acquisition costs, 31 Dec | **0.1** | 8.1 |
| Book value, 31 Dec | **0.1** | 8.1 |

| EUR million | 2014 | 2013 |
|---|---|---|
| **11. TANGIBLE ASSETS** | | |
| **LAND AND WATER AREAS** | | |
| Acquisition costs, 1 Jan | **13.5** | 12.3 |
| Increases | **0.4** | 1.5 |
| Decreases | **-1.4** | -0.3 |
| Acquisition costs, 31 Dec | **12.5** | 13.5 |
| Book value, 31 Dec | **12.5** | 13.5 |
| | | |
| **BUILDINGS** | | |
| Acquisition costs, 1 Jan | **272.1** | 270.7 |
| Increases | **0.8** | 0.5 |
| Transfers between items | **0.8** | 1.0 |
| Decreases | **-0.0** | -0.1 |
| Acquisition costs, 31 Dec | **273.7** | 272.1 |
| Accumulated depreciation, 1 Jan | **-160.8** | -153.6 |
| Accumulated depreciation on deduction and transfers | **0.0** | 0.1 |
| Depreciation for the period | **-7.4** | -7.4 |
| Accumulated depreciation, 31 Dec | **-168.1** | -160.8 |
| Book value, 31 Dec | **105.6** | 111.3 |
| | | |
| **MACHINERY AND EQUIPMENT** | | |
| Acquisition costs, 1 Jan | **1,283.0** | 1,269.9 |
| Increases | **11.9** | 12.8 |
| Transfers between items | **6.5** | 7.9 |
| Decreases | **-112.6** | -7.6 |
| Acquisition costs, 31 Dec | **1,188.8** | 1,283.0 |
| Accumulated depreciation, 1 Jan | **-987.2** | -954.9 |
| Accumulated depreciation on deduction and transfers | **112.0** | 1.2 |
| Depreciation and impairment charges for the period | **-36.0** | -33.4 |
| Accumulated depreciation, 31 Dec | **-911.3** | -987.2 |
| Book value, 31 Dec | **277.5** | 295.8 |
| Production machinery and equipment, 31 Dec | **277.5** | 295.8 |
| | | |
| **OTHER TANGIBLE ASSETS** | | |
| Acquisition costs, 1 Jan | **9.0** | 9.0 |
| Increases | **0.4** | |
| Acquisition costs, 31 Dec | **9.4** | 9.0 |
| Accumulated depreciation, 1 Jan | **-6.0** | -5.7 |
| Depreciation for the period | **-0.3** | -0.3 |
| Accumulated depreciation, 31 Dec | **-6.4** | -6.0 |
| Book value, 31 Dec | **3.0** | 3.0 |
| | | |
| **CONSTRUCTION IN PROGRESS** | | |
| Acquisition costs, 1 Jan | **9.2** | 10.0 |
| Increases | **3.6** | 5.3 |
| Transfers between items | **-7.4** | -6.3 |
| Decreases | | 0.2 |
| Acquisition costs, 31 Dec | **5.5** | 9.2 |
| Book value, 31 Dec | **5.5** | 9.2 |

The undepreciated portion of capitalized interest expenses under the balance sheet item “Machinery and equipment” it was EUR 0.2 million (2013: EUR 0.6 million). There were no capitalized interest expenses during the 2014 financial year (2013: EUR 0,0 million).

| EUR million | 2014 | 2013 |
|---|---|---|
| **12. INVESTMENTS** | | |
| **SHARES IN GROUP COMPANIES** | | |
| Acquisition costs, 1 Jan | **469.5** | 474.6 |
| Decreases | | -5.1 |
| Reverse of write-downs | **90.0** | |
| Acquisition costs, 31 Dec | **559.5** | 469.5 |
| Book value, 31 Dec | **559.5** | 469.5 |
| **SHARES IN ASSOCIATED COMPANIES** | | |
| Acquisition costs, 1 Jan | **66.0** | 66.0 |
| Decreases | | |
| Acquisition costs, 31 Dec | **66.0** | 66.0 |
| Book value, 31 Dec | **66.0** | 66.0 |
| **OTHER SHARES AND HOLDINGS** | | |
| Acquisition costs, 1 Jan | **40.6** | 34.9 |
| Increases | | 5.7 |
| Acquisition costs, 31 Dec | **40.6** | 40.6 |
| Book value, 31 Dec | **40.6** | 40.6 |
| **RECEIVABLES FROM GROUP COMPANIES** | | |
| Acquisition costs, 1 Jan | **265.3** | 264.7 |
| Increases | | 17.6 |
| Decreases | **-7.4** | |
| Write-downs | **-50.3** | -17.0 |
| Acquisition costs, 31 Dec | **207.6** | 265.3 |
| Book value, 31 Dec | **207.6** | 265.3 |
| **OTHER RECEIVABLES** | | |
| Acquisition costs, 1 Jan | **2.5** | 2.0 |
| Increases | **0.3** | 0.5 |
| Acquisition costs, 31 Dec | **2.8** | 2.5 |
| Book value, 31 Dec | **2.8** | 2.5 |
| **INVESTMENTS, TOTAL** | | |
| Acquisition costs, 1 Jan | **843.9** | 842.2 |
| Increases | **0.3** | 23.8 |
| Decreases | **-7.4** | -5.1 |
| Reverse of write-downs | **90.0** | |
| Write-downs | **-50.3** | -17.0 |
| Acquisition costs, 31 Dec | **876.6** | 843.8 |
| Book value, 31 Dec | **876.6** | 843.9 |

**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 | 2014 | 2013 |
|---|---|---|
| **14. CURRENT RECEIVABLES** | | |
| Receivables from Group companies | | |
| Accounts receivables | **5.6** | 6.6 |
| Loan receivables | **336.8** | 315.4 |
| Other receivables | **53.9** | 40.0 |
| Prepayment and accrued income | **3.3** | 7.0 |
| Receivables from associated companies | | |
| Accounts receivables | **0.2** | 0.1 |
| Receivables from others | | |
| Accounts receivables | **118.2** | 110.1 |
| Other receivables | **17.0** | 15.8 |
| Prepayment and accrued income | **14.1** | 14.5 |
| Total | **549.1** | 509.5 |
| **15. PREPAYMENT AND ACCRUED INCOME** | | |
| Insurances | **0.5** | 1.1 |
| Taxes | **10.6** | 10.8 |
| Discounts | **3.0** | 2.6 |
| Total | **14.1** | 14.5 |
| **16. INTEREST-BEARING RECEIVABLES** | | |
| Loan receivables and other non-current assets | **210.5** | 267.7 |
| Liquid funds and other current assets | **337.7** | 316.0 |
| Total | **548.2** | 583.7 |
| **17. SHAREHOLDERS' EQUITY** | | |
| Share capital, 1 Jan | | |
| Series A shares | **61.2** | 61.8 |
| Series B shares | **496.7** | 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** | 61.2 |
| Series B shares | **496.7** | 496.7 |
| 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 | **65.2** | 62.0 |
| Dividends | **-29.5** | -19.7 |
| Profit for the period | **68.0** | 22.9 |
| Retained earnings, 31 Dec | **103.6** | 65.2 |
| Shareholders' equity, total | **946.3** | 907.8 |

| EUR million | 1 Jan | Increase | Decrease | 31 Dec |
|---|---|---|---|---|
| **18. PROVISIONS** | | | | |
| Provisions for pension | 2.3 | | -0.5 | 1.8 |
| Provisions for unemployment pension costs | 4.1 | | -2.4 | 1.7 |
| Restucturing | 0.0 | 0.7 | | 0.7 |
| Provision for rental costs | 2.0 | | -1.4 | 0.6 |
| Other provisions | 7.5 | 1.2 | -1.4 | 7.3 |
| Total | 16.0 | 1.9 | -5.7 | 12.1 |

| EUR million | 2014 | 2013 |
|---|---|---|
| **19. LIABILITIES** | | |
| Non-current | | |
| Non-interest-bearing | **1.3** | 2.7 |
| Interest-bearing | **574.0** | 573.3 |
| Total | **575.3** | 576.0 |
| | | |
| Current | | |
| Non-interest-bearing | **196.3** | 161.4 |
| Interest-bearing | **237.8** | 241.9 |
| Total | **434.1** | 403.3 |

| Bonds | Interest-% | EUR million |
|---|---|---|
| 2014–2019 | 4.0 | 223.5 |
| Total | | 223.5 |

| EUR million | 2014 | 2013 |
|---|---|---|
| **20. NON-CURRENT DEBTS WITH AMORTIZATION PLAN** | | |
| Bonds | | |
| 2019 | **223.5** | |
| Total, at the end of the financial period | **223.5** | |
| | | |
| Loans from financial institutions | | |
| 2014 | | |
| 2015 | | |
| 2016 | **50.0** | 350.0 |
| 2017 | **150.0** | 50.0 |
| 2018 | | |
| Total, at the end of the financial period | **200.0** | 400.0 |
| | | |
| Pension loans | | |
| 2014 | | 38.7 |
| 2015 | **28.7** | 22.8 |
| 2016 | **31.8** | 31.8 |
| 2017 | **31.8** | 31.8 |
| 2018 | **31.8** | 31.8 |
| 2019 | **31.8** | 55.1 |
| 2020- | **23.3** | |
| Total, at the end of the financial period | **179.2** | 212.0 |
| | | |
| Total | | |
| 2014 | | 38.7 |
| 2015 | **28.7** | 22.8 |
| 2016 | **81.8** | 381.8 |
| 2017 | **181.8** | 81.8 |
| 2018 | **31.8** | 31.8 |
| 2019 | **255.3** | 55.1 |
| 2020- | **23.3** | |
| Total, at the end of the financial period | **602.7** | 612.0 |

| EUR million | 2014 | 2013 |
|---|---|---|
| **21. NON-CURRENT LIABILITIES** | | |
| Other liabilities | | |
| Bonds | **223.5** | |
| Loans from financial institutions | **200.0** | 400.0 |
| Pension loans | **150.5** | 173.3 |
| Other liabilities | **1.3** | 2.7 |
| Total | **575.3** | 576.0 |
| **22. CURRENT LIABILITIES** | | |
| Liabilities from Group companies | **244.1** | 244.9 |
| Liabilities from associated companies | **0.3** | 0.4 |
| Other liabilities | | |
| Pension loans | **28.7** | 38.7 |
| Advance payment | **3.3** | 6.7 |
| Accounts payable | **96.5** | 37.4 |
| Other liabilities | **8.7** | 21.5 |
| Accruals and deferred income | **52.5** | 53.7 |
| Total | **434.1** | 403.3 |
| **23. ACCRUALS AND DEFERRED INCOME** | | |
| Current | | |
| Insurances | **1.1** | 4.2 |
| Personnel expenses | **18.7** | 13.9 |
| Interests | **7.9** | 5.8 |
| Accruals of purchases | **5.9** | 8.1 |
| Discounts | **12.3** | 12.5 |
| Others | **6.6** | 9.2 |
| Total | **52.5** | 53.7 |

## 24. CONTINGENT LIABILITIES

### DISPUTES

In May 2014, Metsäliitto Cooperative and Metsä Board Corporation requested that the District Court of Helsinki revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 ordering Metsäliitto Cooperative to pay EUR 47.3 million in damages to UPM-Kymmene and Metsä Board to pay EUR 19.6 million. Metsä Board recognised EUR 17.4 million of the damages in other operating expenses and EUR 2.2 million in interest expenses in 2014.

| EUR million | 2014 | 2013 |
|---|---|---|
| For own liabilities | | |
| Liabilities secured by pledges | | |
| Loans from financial institutions | | 368.0 |
| Pension loans | **53.2** | 72.5 |
| Pledges granted | **21.8** | 504.5 |
| Liabilities secured by corporate mortgages | | |
| Floating charges | | 600.0 |
| Liabilities secured by mortgages | | |
| Pension loans | **124.6** | 133.6 |
| Real estate mortgages | **232.8** | 832.8 |
| As security of own commitments | | |
| Guarantees and counter-indemnities | **25.0** | 25.9 |
| On behalf of associated companies | | |
| Guarantee liabilities | **0.1** | 0.2 |
| On behalf of others | | |
| Other liabilities | **9.0** | 9.0 |
| Other commitments | **49.9** | 49.9 |
| Leasing commitments | | |
| Payments due in the following year | **1.4** | 1.4 |
| Payments due in subsequent years | **2.8** | 3.2 |
| Total | | |
| Pledges | **21.8** | 504.5 |
| Floating charges | | 600.0 |
| Real estate mortgages | **232.8** | 832.8 |
| Guarantees and counter-indemnities | **25.1** | 26.1 |
| Other liabilities | **9.0** | 9.0 |
| Other commitments | **49.9** | 49.9 |
| Leasing liabilities | **4.2** | 4.6 |
| Total | **342.8** | 2,026.9 |

The decrease of commitments is related to the fact, that Metsä Board Corporation issued in March 2014 a EUR 225 million senior unsecured bond. The bond matures on 13 March 2019. Metsä Board has also signed an agreement on a new unsecured syndicated credit facility in March 2014. The new facility consists of a EUR 150 million term loan facility and a EUR 100 million revolving credit facility, both maturing in March 2018. The proceeds of the new loan arrangements were mainly used to prepay the existing EUR 350 million secured term loan maturing in March 2016. The new revolving credit facility replaced the undrawn EUR 100 million secured revolving credit facility maturing in May 2015. Other commitments concern sale and leaseback arrangement made by Metsä Board Corporation.

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 | 2014 | 2013 |
|---|---|---|
| Income statement | | |
| Materials and consumables | **3.8** | 4.0 |
| Employees costs | | |
| Wages and salaries | **0.7** | 0.6 |
| Social security costs | **0.3** | 0.3 |
| Depreciation | **3.0** | 2.5 |
| Other operating charges | **1.5** | |
| | **9.3** | 7.4 |
| Balance sheet | | |
| Intangible and tangible assets | | |
| Acquisition costs, 1 Jan | **68.5** | 69.2 |
| Increases | **0.5** | 0.5 |
| Decreases | **-1.7** | -1.2 |
| Depreciation | **-33.6** | -38.7 |
| Book value, 31 Dec | **33.7** | 29.8 |
| Provisions | | |
| Other provisions | **7.4** | 7.5 |

### EMISSION ALLOWANCES

Metsä Board Corporation participates in the European Union Emissions Trading System. In 2014, Metsä Board Corporation received 371 kilotonnes of emission allowances free of charge. On the balance sheet date, the company had 192 kilotonnes of emission allowances. Actual emissions during the financial period were 195 kilotonnes. Metsä Board Corporation has recognised the emission allowances in accordance with the net method. The difference between the emissions and the emission allowances received has been recognised through profit and loss if the actual emissions have exceeded the allowances received. Actual emission during the period did not have any effect on profit and loss or on balance sheet.

In 2014, Metsä Board Corporation sold emission allowances worth of EUR 3.0 million.

On the balance sheet date the fair value of emission right was 7.24 EUR/ton and total value some EUR 1.4 million.

# THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The distributable funds of the parent company are EUR 388,415,184.20 of which the result for the period is EUR 68,018,109.20. The Board of Directors proposes to the Annual General Meeting that the distributable funds be distributed as follows

| | |
|---|---|
| A dividend of EUR 0.12 per share be paid, or in total | 39,379,873.44 |
| To be transferred to the shareholders' equity | 349,035,310.76 |
| | 388,415,184.20 |

The Board of Directors proposes that the dividend will be paid on 8 April 2015.

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, 5 February 2015

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

Mika Joukio
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, 2014. 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, 23 February 2015

KPMG OY AB

Raija-Leena Hankonen
Authorised Public Accountant

# 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. The Finnish Corporate Governance Code is available at the website of the Finnish Securities Markets Association at www.cgifinland.fi.

Metsä Board is a Finnish public limited company whose A and B series shares are subject to public trading on the official 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 Team assists the CEO in the operative management of the Company and in coordinating its operations. Members of the management team are not members of the Board of Directors. The tasks and responsibilities of the different bodies are specified pursuant to the Finnish Companies Act.

Metsä Board has a function based organisation, including marketing and sales, production and technology, finance, business development and human resources. Functions are supported by centralized support functions, most of which are common with other Metsä Group companies. support functions are based on specific service agreements, the terms of which are at arm's length.

CORPORATE GOVERNANCE IN METSÄ BOARD

#### 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.

#### 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 Team 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/Investor Relations/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 2014, the Board held a total of 15 meetings, five of which were phone meetings. The attendance rate of the members was 100 per cent (98 per cent in both 2013 and 2012).

## 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 2014 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 March 25, 2015 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/Investor Relations/ 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 2014, 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/Investor Relations/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 six times during 2014 and the attendance rate of the members was on average 100 per cent (100 per cent in 2013 and 94 per cent in 2012).

## 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/Investor Relations/Corporate Governance).

Since the Annual General Meeting of 2014, 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 2014 and the attendance rate of the members was 100 per cent (93 per cent in 2013 and 88 per cent in 2012).

## CHIEF EXECUTIVE OFFICER

M.Sc.(Eng.), Mika Joukio, born 1964, started as the Company's Chief Executive Officer 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 businesses.

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 12-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 TEAM

In the operative management of Metsä Board, the CEO is assisted by the Corporate Management Team, which consists of Mika Joukio, CEO, together with function heads Ari Kiviranta (Production and Technology), Seppo Puotinen (Marketing and Sales), Markus Holm (Finance), Sari Pajari (Business Development) and Susanna Tainio (Human Resources) who are all reporting to the CEO.

Each Corporate Management Team member has a written employment or service contract, With the exception of the CEO members of the Corporate Management Team 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 team members is six months.

The Corporate Management Team'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 Team convenes at the Chairman's invitation once a month, as a rule, and also otherwise when necessary.

On 31 December 2014, 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 finance function is responsible for financial reporting. The units and businesses report the financial figures each month. The finance function check the units' monthly performance and report them further to the management. The result will be reported to the Board and the Corporate Management Team 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 the 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 Corporate Management Team 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. Internal auditing applies in its tasks a working order approved by the Board of Directors.

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 functions 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 Team are responsible for the specification and adoption of the risk management principles. They are also responsible for ensuring that the risks are taken into account in the company's planning processes and that risk reporting is adequate and appropriate. The 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. Functions, including 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 2014, 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 2014, KPMG Oy Ab received EUR 222,690 (186,953 in 2013 and 187,025 in 2012) in auditing compensation, KPMG internationally received altogether EUR 447,954 (EUR 455,054 in 2013 and EUR 478,847 in 2012) and other auditing firms outside Finland were paid EUR 50,344 (EUR 22,550 in 2013 and EUR 37,001 in 2012). In addition, KPMG has received EUR 9,113 (EUR 3,500 in 2013 and EUR 5,211 in 2012) 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 Team 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 April 2014 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 2014. As a result, the Chairman received 11,531, the Vice Chairman 9,722 and each Board member 7,597 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. Further, the Annual General Meeting decided that an additional monthly compensation of EUR 800 be paid to the Chairman of the Audit Committee. The Nomination and Compensation Committee of the Board of Directors proposes to the Annual General Meeting convening on March 25, 2015 that the annual remuneration be increased by approximately 15 per cent and also that the practice of paying the remuneration in shares and in cash be continued. Meeting remuneration and Audit Committee Chairman's remuneration would be kept unchanged. The Board's annual remuneration has remain unchanged since 2006 and has been paid in shares and cash since 2009.

### 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 12-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 combined cost to the Company of the statutory pension contributions and voluntary pension insurance policies of CEOs Helander and Joukio amounted in 2014 to EUR 663,132 (EUR 413,599 in 2013 and EUR 394,188 in 2012). 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 Mika Joukio is EUR 37,000. The salary includes car and mobile phone benefits as well as an extended cover for travel and accident. 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 the period between January 1 and September 30 2014, the CEO Helander received a total of EUR 894,616 in salary, bonuses and other benefits (EUR 606,534 in 2013 and EUR 570,317 in 2012), of which EUR 444,183 (EUR 535,130 in 2013 and EUR 521,779 in 2012) was fixed compensation and EUR 130,383 (EUR 71,404 in 2013 and EUR 48,538 in 2012) was bonus pay and EUR 320,050 (EUR 0 in 2013 and EUR 0 in 2012) as share based incentive. CEO Joukio received EUR 116,262 in fixed compensation in the period between October 1 and December 31, 2014.

#### Long-term compensation

The CEO took 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 invested in August 2010 approximately EUR 500,000 of his own funds in Metsä Group's management holding company, in which he was a co-owner together with other Metsä Group's executive management members. The holding company entitled Metsäliitto Management Ltd. purchased in August 2010

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 Helander. 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, the system was dismantled in the spring of 2014. Upon dismantling of the system, Mr Helander was entitled to a share of Metsäliitto Management Oy's assets which share corresponds to his holding in such company, altogether approximately EUR 569,000.

## CORPORATE MANAGEMENT TEAM

Also other Corporate Management Team members have written employment contracts. With the exception of the CEO, the period of notice of Corporate Management Team members is six months. Termination of employment without cause entitles members of the Corporate Management Team to receive discharge compensation equal to their 6 to 12-month salary.

Excluding the CEO, Corporate Management Team 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 2014, other Corporate Management Team members received a total of EUR 1,578,817 (EUR 1,336,651 in 2013 and EUR 1,350,562 in 2012) in salary and bonuses of which EUR 1,156,109 (EUR 1,192,652 in 2013 and EUR 1,237,493 in 2012) were fixed salaries and benefits (car and mobile phone) and EUR 180,484 (EUR 143,999 in 2013 and EUR 113,069 in 2012) bonuses and EUR 242,224 (EUR 0 in 2013 and EUR 0 in 2012) as share based incentive. The size of the management board has decreased as a result of changes in the Company's structure in 2012. The members of the Corporate Management Team 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 2012–2014 based on the Company's and its business areas' (business area heads) operating results (EBIT). The 2015 bonus pay is based on the Company's and unit specific operating results (EBIT) and cash flow 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) during each earnings period. 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 125,750 B-series shares were paid to participants in the spring of 2014. Similarly the Board confirmed in February 2015 that the result for the earnings period 2011–2013 was 33,5 per cent, based on which 62,533 B-series shares were paid to participants in February 2015. CEO Helander was not entitled to any shares since his service relationship with the company ended during the earnings period. Mr Joukio was entitled to 4,653 shares for the time period August 1 through December 31, 2015. Similarly, the potential reward from the earnings period 2013–2015 will be paid in 2016 and can be a maximum of 372,499 B-shares, if there are no changes to participants during the earnings period. The maximum number of shares available to CEO Joukio for the earnings period 2013–2015 is 71,000 shares taking into account the time he has acted as CEO. 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 Team.

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 period during which a participant is not entitled to transfer or dispose of the shares.

The potential reward for the earnings period 2014–2016 will be paid in 2017 and is at the start of the period a maximum of 378,335 B-shares. Changes in participants such as the appointment of a new CEO in the fall of 2014 and changes to management team members in January 2015 do have an effect on the maximum number of shares available.

# 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 2013–2014), member of the Executive Committee (2015–)
- **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 the Federation's Working Group (2005–2009, 2014–), member of the Board (2012–2013)
- **Varma Mutual Pension Insurance Company**, member of the Supervisory Board (2006–2012), vice chairman 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 2014**: 206,178 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–)
- **Finnish Agry-Agency for Food and Forest Development**, member of the Board (2012–)
- **Cooperative Council of Finland**, chairman (2013–)

**Shares owned in Metsä Board Corporation 31 Dec 2014**: 58,332 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 2014**: 61,346 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 2014**: 48,651 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 2014**: 167,446 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 (2007–2014)
- **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–)

**Shares owned in Metsä Board Corporation 31 Dec 2014**: 135,966 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 (2005–2013)
- **Green Resources AS**, member of the Board and chairman of the Board (2009–2015)

**Shares owned in Metsä Board Corporation 31 Dec 2014**: 135,966 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 2014**: 18,369 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 2014**: 94,051 B shares.

# METSÄ BOARD CORPORATION'S CORPORATE MANAGEMENT TEAM

## MIKA JOUKIO

b.1964
**M.Sc. (Tech), MBA**
**Chief Executive Officer**

**Worked in Metsä Board in 1990–2012 and joined the company again in 2014. Chairman of the Corporate Management Team as of 1 Oct 2014.**

- **Metsä Board Corporation**, CEO (1 Oct 2014 –)
- **Metsä Tissue Corporation**, CEO (2012–2014)
- **M-real Corporation (present Metsä Board)**, Head of Consumer Packaging (2006–2012)
- **M-real Corporation**, Vice President and Mill Manager, M-real Kyro and M-real Tako (2006)
- **M-real Corporation**, Vice President and Mill Manager, M-real Kyro (2005–2006)
- **M-real Corporation**, Senior Vice President, Corporate Logistics and Supply Chain (2004–2005)
- **M-real Corporation**, Vice President and Mill Manager, M-real Äänekoski (2001–2004)
- **Various positions in management tasks at Metsä-Serla Corporation (present Metsä Board) and M-real Corporation since 1990**

**Shares owned in Metsä Board Corporation 31 Dec 2014**: 68,552 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 Team as of 2014.**

- **Metsä Board Corporation**, CFO (2014–)
- **Metsä Tissue Corporation**, CFO (2008–2013)
- **GlaxoSmithKline Oy**, Finance and ICT Director (2005–2008)
- **Huhtamäki Oyj**, various managerial positions in finance, treasury, global sourcing and investor relations (1994–2004) in Finland and Brazil (1999–2002)

**Shares owned in Metsä Board Corporation 31 Dec 2014**: 16,660 B shares

## ARI KIVIRANTA

b. 1963
**D.Sc. (Tech)**
**Senior Vice President, Production and Technology**

**Worked in Metsä-Serla (present Metsä Board) in 1993–1995 and joined the company again in 1999. Member of the Corporate Management Team as of 2014.**

- **Metsä Board Corporation**, Senior Vice President, Production and Technology (2015–)
- **Metsä Board Corporation**, Senior Vice President, Head of Cartonboard business area (2014)
- **Metsä Board Zanders GmbH**, Managing Director and Vice President, Mill Manager (2012–2013)
- **M-real Corporation (present Metsä Board)**, Vice President, R&D, Consumer Packaging business area (2008–2012) and mill manager, M-real Kyro and M-real Tako (2009–2010)
- **M-real Zanders GmbH**, Head of Production (2004– 2008)
- **M-real Corporation**, Vice President, R&D (2001–2004)
- **Metsä-Serla Corporation (present Metsä Board)**, Manager, Process Development (1999–2001)
- **Valmet Corporation**, Manager, Product Development (1997–1999)
- **Valmet Corporation**, USA, Manager, R&D (1995–1997)
- **Metsä-Serla Paper and Board Ltd. (present Metsä Board)**, Development Manager (1993–1995)

**Shares owned in Metsä Board Corporation 31 Dec 2014**: no ownership

## SARI PAJARI

b. 1968
**M.Sc. (Tech)**
**Senior Vice President, Business Development**

**Joined Metsä Group in 2007 and Metsä Board in 2011. Member of the Corporate Management Team since 2011.**

- **Metsä Board Corporation**, Senior Vice President, Business Development (2011–)
- **Tieto Corporation**, member of the Board (2012–)
- **Metsäliitto Group (present Metsä Group)**, CIO, Senior Vice President (2009–2011)
- **Metsäliitto Group**, Director, Group ICT (2007–2009)
- **IBM Corporation**, Principal Consultant and Business Development Executive (2002–2007)
- **PwC Management Consulting**, Principal Consultant (2000–2002)
- **Jaakko Pöyry Consulting**, various positions (Consultant, Senior Consultant, Vice President) in Finland and USA (1990–2000)

**Shares owned in Metsä Board Corporation 31 Dec 2014**: 9,000 B shares

## SEPPO PUOTINEN

b. 1955
**Lic.Sc. (Tech)**
**Senior Vice President, Marketing and Sales**

**Worked in Metsä-Serla (present Metsä Board) in 1986–2000 and joined the company again in 2004. Member of the Corporate Management Team since 2005.**

- **Metsä Board Corporation**, Senior Vice President, Marketing and Sales (2015–)
- **Metsä Board Corporation**, Senior Vice President, Head of Linerboard and Paper business area (2014) and Vice President and Mill Manager, Metsä Board Husum (2009–2014)
- **Metsä Board Corporation**, Senior Vice President, Head of Paper and Pulp business area (2005–2013) and Vice President and Mill Manager, Metsä Board Husum (2009–2014)
- **M-real Corporation (present Metsä Board)**, Executive Vice President, Corporate Strategy & Sales Services (2004–2005)
- **SCA**, President, Containerboard Division (2002–2004)
- **SCA Packaging Finland Oy**, Managing Director, Finland, Russia and the Baltic countries (2000–2002)
- **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)

**Shares owned in Metsä Board Corporation 31 Dec 2014**: 1,000 A shares; 45,000 B shares

## SUSANNA TAINIO

b. 1975
**Phil. Lic. (Comm)**
**Senior Vice President, Human Resources**

**Joined Metsä Board in 2011. Member of the Corporate Management Team as of 1 Jan 2015.**

- **Metsä Board Corporation**, Senior Vice President, Human Resources (2015–)
- **Metsä Board Corporation**, Vice President, Human Resources (2012–2014)
- **Metsä Board Corporation**, Vice President, Human Resources, Paperboard business area, and Group HRD Services at Metsä Group (2012)
- **Metsä Board Corporation**, Vice President, Human Resources, Consumer Packaging business area (2011–2012)
- **Oy Sinebrychoff Ab**, Head of HR Development (2011)
- **Oy Sinebrychoff Ab**, Human Resources Development Manager (2007–2011)

**Shares owned in Metsä Board Corporation 31 Dec 2014**: no ownership

# QUARTERLY DATA

| EUR million | Total year | | Quarterly | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **SALES** | **2014** | **2013** | **IV/2014** | **III/2014** | **II/2014** | **I/2014** | **IV/2013** | **III/2013** | **II/2013** | **I/2013** |
| Cartonboard | **887.5** | 867.5 | 224.4 | 229.9 | 219.4 | 213.7 | 207.6 | 220.0 | 218.4 | 221.5 |
| Linerboard and Paper | **1,067.9** | 1,075.0 | 264.5 | 271.0 | 261.8 | 270.6 | 250.3 | 267.4 | 269.1 | 288.3 |
| Other operations | **287.5** | 300.9 | 71.5 | 73.8 | 71.4 | 70.7 | 76.2 | 72.3 | 76.2 | 76.2 |
| Internal sales | **-234.4** | -224.1 | -60.9 | -61.0 | -58.7 | -53.8 | -54.8 | -57.5 | -60.9 | -50.9 |
| **TOTAL** | **2,008.4** | 2,019.3 | 499.4 | 513.8 | 494.0 | 501.2 | 479.2 | 502.3 | 502.8 | 535.0 |
| **OPERATING RESULT EXCLUDING NON-RECURRING ITEMS** | **2014** | **2013** | **IV/2014** | **III/2014** | **II/2014** | **I/2014** | **IV/2013** | **III/2013** | **II/2013** | **I/2013** |
| Cartonboard | **72.3** | 56.9 | 17.3 | 17.5 | 19.8 | 17.6 | 10.1 | 14.6 | 12.3 | 19.9 |
| Linerboard and Paper | **90.2** | 54.3 | 31.8 | 23.7 | 14.7 | 20.1 | 20.3 | 7.2 | 16.2 | 10.6 |
| Other operations | **-26.1** | -6.8 | -12.3 | -6.0 | -6.1 | -1.6 | -1.2 | -2.9 | -2.5 | -0.2 |
| **TOTAL** | **136.5** | 104.4 | 36.9 | 35.2 | 28.3 | 36.1 | 29.3 | 18.9 | 26.0 | 30.2 |
| **OPERATING RESULT AND RESULT BEFORE TAXES** | **2014** | **2013** | **IV/2014** | **III/2014** | **II/2014** | **I/2014** | **IV/2013** | **III/2013** | **II/2013** | **I/2013** |
| Cartonboard | **47.8** | 61.7 | -7.6 | 16.4 | 21.4 | 17.6 | 11.9 | 14.6 | 15.4 | 19.8 |
| Linerboard and Paper | **79.1** | 53.1 | 18.1 | 23.7 | 17.2 | 20.1 | 14.6 | 7.2 | 16.2 | 15.2 |
| Other operations | **-10.4** | -1.2 | -3.8 | -6.0 | -6.4 | 5.8 | 4.1 | -2.5 | -2.7 | -0.2 |
| **OPERATING RESULT** | **116.5** | 113.6 | 6.7 | 34.1 | 32.2 | 43.5 | 30.6 | 19.3 | 28.9 | 34.8 |
| Share of profit from associated companies | **0.3** | 0.1 | 0.0 | 0.1 | 0.2 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 |
| Exchange gains/losses | **2.7** | -1.1 | 3.3 | 0.0 | -0.5 | -0.1 | -0.9 | 1.4 | 0.3 | -1.9 |
| Other financial income and expenses | **-41.9** | -54.8 | -8.3 | -8.1 | -8.0 | -17.4 | -10.7 | -11.8 | -7.9 | -24.4 |
| **RESULT BEFORE TAXES** | **77.6** | 57.8 | 1.6 | 26.1 | 23.9 | 26.0 | 19.0 | 9.0 | 21.3 | 8.5 |
| **OPERATING RESULT, % OF SALES** | **2014** | **2013** | **IV/2014** | **III/2014** | **II/2014** | **I/2014** | **IV/2013** | **III/2013** | **II/2013** | **I/2013** |
| Cartonboard | **5.4** | 7.1 | -3.4 | 7.1 | 9.8 | 8.2 | 5.7 | 6.6 | 7.1 | 9.0 |
| Linerboard and Paper | **7.4** | 4.9 | 6.8 | 8.7 | 6.6 | 7.4 | 5.8 | 2.7 | 6.0 | 5.3 |
| **METSÄ BOARD** | **5.8** | 5.6 | 1.3 | 6.6 | 6.5 | 8.7 | 6.4 | 3.8 | 5.7 | 6.5 |

| 1,000 tonnes | Total year | | Quarterly | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **DELIVERIES** | **2014** | **2013** | **IV/2014** | **III/2014** | **II/2014** | **I/2014** | **IV/2013** | **III/2013** | **II/2013** | **I/2013** |
| Cartonboard | **911** | 872 | 229 | 237 | 226 | 219 | 209 | 225 | 220 | 217 |
| Linerboard and Paper | **1,035** | 1,027 | 255 | 265 | 250 | 265 | 250 | 247 | 250 | 279 |
| Market pulp | **611** | 635 | 148 | 153 | 158 | 152 | 146 | 163 | 155 | 171 |
| **PRODUCTION** | **2014** | **2013** | **IV/2014** | **III/2014** | **II/2014** | **I/2014** | **IV/2013** | **III/2013** | **II/2013** | **I/2013** |
| Cartonboard | **962** | 916 | 247 | 243 | 238 | 234 | 219 | 239 | 217 | 241 |
| Linerboard and Paper | **1,037** | 1,048 | 253 | 256 | 256 | 272 | 266 | 244 | 269 | 268 |
| Metsä Fibre's pulp [1)] | **562** | 572 | 143 | 140 | 132 | 147 | 146 | 141 | 141 | 143 |
| Metsä Board's pulp | **1,294** | 1,249 | 337 | 320 | 299 | 337 | 331 | 296 | 308 | 314 |

[1)] Corresponds to Metsä Board's ownership of 24.9 per cent in Metsä Fibre.

# PRODUCTION CAPACITIES

**PAPERBOARD AND PAPER MILLS**

| 1,000 tonnes | Country | Machines | Folding boxboard | White fresh forest fibre linerboard | Uncoated fine paper | Speciality paper | Coated 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 | | 410 | | | | 410 |
| Husum | Sweden | 3 | | 170 | 400 | | 240 | 810 |
| Bergisch Gladbach (Gohrsmühle) | Germany | 2 | | | | 50 | | 50 |
| Total | | 12 | 935 | 580 | 400 | 155 | 240 | 2,310 |

**PULP MILLS**

| 1,000 tonnes | Country | Chemical pulp | BCTMP | Total |
|---|---|---|---|---|
| Husum | Sweden | 750 | | 750 |
| Joutseno | Finland | | 310 | 310 |
| Kaskinen | Finland | | 310 | 310 |
| Total | | 750 | 620 | 1,370 |

**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

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **INCOME STATEMENT, EUR MILLION** | | | | | | | | | | |
| Sales | **2,008** | 2,019 | 2,108 | 2,485 | 2,605 | 2,432 | 3,236 | 3,499 | 3,698 | 3,342 |
| - change % | **-0.5** | -4.2 | -15.2 | -4.6 | 7.1 | -24.8 | -7.5 | -5.4 | 10.7 | n/a |
| Exports from Finland | **1,108** | 1,110 | 1,118 | 1,140 | 1,179 | 1,073 | 1,216 | 1,084 | 1,068 | 875 |
| Exports and foreign subsidiaries | **1,853** | 1,948 | 1,936 | 2,307 | 2,396 | 2,232 | 3,068 | 3,274 | 3,459 | 3,160 |
| Operating result | **117** | 114 | 221 | -214 | 146 | -267 | -61 | -49 | -172 | 11 |
| - % of sales | **5.8** | 5.6 | 10.5 | -8.6 | 5.6 | -11.0 | -1.9 | -1.4 | -4.6 | 0.3 |
| Result from continuing operations before tax [1)] | **78** | 58 | 174 | -281 | 48 | -358 | -204 | -191 | -280 | -117 |
| - % of sales | **3.9** | 2.9 | 8.3 | -11.3 | 1.8 | -14.7 | -6.3 | -5.5 | -7.6 | -3.5 |
| Result for the period from continuing oprations [2)] | **69** | 64 | 171 | -273 | 27 | -331 | -170 | -168 | -270 | -130 |
| - % of sales | **3.4** | 3.2 | 8.1 | -11.0 | 1.0 | -13.6 | -5.3 | -4.8 | -7.3 | -3.9 |
| **BALANCE SHEET, EUR MILLION** | | | | | | | | | | |
| Balance sheet total | **2,149** | 2,097 | 2,581 | 2,688 | 3,117 | 3,132 | 4,505 | 5,481 | 6,458 | 6,580 |
| Shareholders' equity | **841** | 850 | 851 | 732 | 994 | 916 | 1,329 | 1,830 | 2,055 | 2,459 |
| Non-controlling interest | **0** | 0 | 6 | 5 | 5 | 8 | 58 | 52 | 63 | 45 |
| Interest-bearing net liabilities | **427** | 597 | 625 | 783 | 827 | 777 | 1,254 | 1,867 | 2,403 | 2,205 |
| **DIVIDENDS AND FIGURES PER SHARE** | | | | | | | | | | |
| Dividends, EUR million | **39.4**[1)] | 29.5 | 19.7 | 0 | 0 | 0 | 0 | 19.7 | 19.7 | 39.4 |
| Dividend per share, EUR | **0.12**[1)] | 0.09 | 0.06 | 0 | 0 | 0 | 0 | 0.06 | 0.06 | 0.12 |
| Dividend/profit, % | **57.1**[1)] | 47.4 | 11.3 | 0 | 0 | 0 | 0 | -10.2 | -5.0 | -48.0 |
| Earnings per share, EUR | **0.21** | 0.19 | 0.52 | -0.83 | 0.09 | -1.09 | -1.58 | -0.59 | -1.21 | -0.25 |
| Shareholders' equity per share, EUR | **2.56** | 2.59 | 2.59 | 2.23 | 3.03 | 2.79 | 4.05 | 5.58 | 6.26 | 7.49 |
| **KEY FIGURES - PROFITABILITY** | | | | | | | | | | |
| Return on capital employed (ROCE), total, % | **7.7** | 7.0 | 12.4 | -9.9 | 5.7 | -8.9 | -1.3 | -0.8 | -5.5 | 0.9 |
| Return on equity, % | **8.1** | 7.5 | 21.5 | -31.5 | 2.8 | -28.6 | -10.4 | -8.5 | -14.8 | -4.0 |
| **KEY FIGURES - FINANCIAL POSITION** | | | | | | | | | | |
| Equity ratio, % | **39.2** | 40.7 | 33.2 | 27.4 | 32.1 | 29.6 | 30.8 | 34.4 | 32.8 | 38.1 |
| Gearing ratio, % | **81** | 83 | 130 | 154 | 135 | 153 | 152 | 124 | 132 | 101 |
| Net gearing ratio, % | **51** | 70 | 73 | 106 | 83 | 84 | 90 | 99 | 113 | 88 |
| Net cash flow arising from operating activities | **198** | 82 | -2 | 83 | -69 | 81 | -97 | 127 | 223 | 136 |
| Internal financing on capital expenditure, EUR million | **450** | 122 | -3 | 87 | -105 | 111 | -76 | 50 | 53 | 31 |
| Net interest expenses, EUR million | **42** | 60 | 70 | 66 | 64 | 92 | 156 | 148 | 109 | 81 |
| Interest cover | **5.7** | 2.4 | 1.0 | 2.3 | -0.1 | 1.9 | 0.4 | 1.9 | 3.0 | 2.7 |
| **OTHER KEY FIGURES** | | | | | | | | | | |
| Gross capital expenditure, EUR million | **44** | 67 | 66 | 95 | 66 | 73 | 128 | 259 | 428 | 452 |
| - % of sales [2)] | **2.2** | 3.3 | 3.1 | 3.8 | 2.5 | 3.0 | 3.2 | 5.9 | 9.9 | 11.9 |
| R&D expenditure, EUR million [3)] | **6** | 5 | 5 | 5 | 5 | 7 | 10 | 14 | 18 | 22 |
| - % of sales | **0.3** | 0.3 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.5 | 0.6 |
| Personnel, average [3)] | **3,200** | 3,245 | 3,552 | 4,428 | 4,772 | 5,913 | 6,849 | 8,267 | 9,849 | 10,429 |
| - of whom in Finland | **1,542** | 1,560 | 1,634 | 1,795 | 1,842 | 2,173 | 2,437 | 2,824 | 3,344 | 3,423 |

2005 figures have not been restated due to disposal of Map Merchant Group and the Graphic Papers Business.
Only 2012–2014 have been restated due to change of IAS19r Employee benefits.

1) Board of Directors' proposal
2) The key ratio for 2005–2014 has been calculated for continuing operations only

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.

### FOR SHAREHOLDERS' INFORMATION

In 2015, Metsä Board will publish financial reports as follows:

- Thursday 5 February 2015
  Financial result for 2014
- Thursday 7 May 2015
  Interim report January–March 2015
- Thursday 6 August 2015
  Interim report January–June 2015
- Thursday 5 November 2015
  Interim report January–September 2015

### ANNUAL GENERAL MEETING

The Annual General Meeting of Metsä Board Corporation will be held at Finlandiatalo, Hall A, Congress Wing, Mannerheimintie 13 E, Helsinki, on Wednesday 25 March 2015 at 1 p.m. EET.

Shareholders wishing to take part in the Annual General Meeting and to exercise their right to vote must be registered on 13 March 2015 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 20 March 2015 on the company's website at www.metsaboard.com; by e-mail to metsaboard.AGM2015@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 0.12 euros per share be distributed for the financial year 2014.

| CLOSED WINDOW | FINANCIAL REPORT | PUBLICATION DATE |
|---|---|---|
| 1 January to 5 February 2015 | Financial result for 2014 | Thursday 5 February 2015 |
| 1 April to 7 May 2015 | Interim report January–March | Thursday 7 May 2015 |
| 1 July to 6 August 2015 | Interim report January–June | Thursday 6 August 2015 |
| 1 October to 5 November 2015 | Interim report January–September | Thursday 5 November 2015 |

### 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.

### CONTACT INFORMATION

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General questions and comments on investor relations can be e-mailed to metsaboard.investors@metsagroup.com.

www.metsaboard.com

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**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)*
Czech Republic *(Prague)*
Finland *(Espoo)*
France *(Paris)*
Germany *(Bergisch Gladbach, Frankfurt)*
Greece *(Athens)*
Iceland *(Reykjavik)*
India *(Mumbai)*
Ireland *(Dublin)*
Israel *(Tel Aviv)*
Italy *(Milan)*
Japan *(Tokyo)*
Jordan *(Amman)*
Lebanon *(Beirut)*
Malta *(San Gwann)*
Mexico *(México)*
Netherlands *(Amsterdam)*
Peru *(Lima)*
Poland *(Warsaw)*
Romania *(Bucharest)*
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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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