

# METSÄ BOARD

INTERIM REPORT

**JANUARY–SEPTEMBER 2017**



## METSÄ BOARD'S COMPARABLE OPERATING RESULT IN JANUARY–SEPTEMBER 2017 WAS EUR 139 MILLION

### JANUARY–SEPTEMBER 2017 (1–9/2016)

- Sales were EUR 1,397.3 million (1,298.5).
- Comparable operating result was EUR 139.1 million (104.7), or 10.0 per cent (8.1) of sales. The operating result was EUR 152.7 million (93.8).
- Comparable earnings per share were EUR 0.27 (0.21), and earnings per share were EUR 0.30 (0.18).
- Comparable return on capital employed was 10.6 per cent (8.3).

### JULY–SEPTEMBER 2017 (4–6/2017)

- Sales were EUR 478.6 million (474.2).
- Comparable operating result was EUR 50.4 million (43.5), or 10.5 per cent (9.2) of sales. The operating result was EUR 60.6 million (46.9).
- Comparable earnings per share were EUR 0.08 (0.09), and earnings per share were EUR 0.11 (0.09).
- Comparable return on capital employed was 11.5 per cent (10.3).

### EVENTS IN JULY–SEPTEMBER 2017

- Demand for packaging materials made from fresh fibre was at a good level in Metsä Board's main market areas.
- Market prices in local currencies remained stable or rose slightly. Metsä Board announced an increase in the price of white fresh fibre linerboard in Europe of EUR 50 per tonne (as of 15 September 2017) and in the price of folding boxboard of EUR 90 per tonne (as of 1 November 2017).
- Metsä Board's paperboard deliveries remained roughly at the level of the previous quarter. Geographic sales mix improved the average price of folding boxboard.
- Net cash flow from operations was strong at EUR 67.5 million (4–6/2017: 37.1).
- Metsä Fibre's new bioproduct mill started up according to plan in August.
- Metsä Board issued an unsecured bond of EUR 250 million maturing in 2027.

### EVENTS AFTER THE REVIEW PERIOD

Metsä Board was once again recognized as a global leader in terms of its responsible water consumption and measures to mitigate the effects of climate change. The company was included on CDP's Water A and Climate A lists, and achieved Leadership status in CDP's Forest programme.

### RESULT GUIDANCE FOR OCTOBER–DECEMBER 2017

Mainly due to the maintenance shutdown at the Husum integrated mill, Metsä Board's comparable operating result in the fourth quarter of 2017 is expected to weaken slightly from the third quarter of 2017.

#### Metsä Board's CEO Mika Joukio:

*"Third quarter developed according to our expectations. Paperboard delivery volumes remained roughly at the level of the previous quarter, but our comparable operating result improved by 16 per cent. The result improved due to an increase in average paperboard prices as well as the higher production volumes of pulp and paperboard. Cash flow from operations was strong due to the improved result and release in working capital. Our associated company Metsä Fibre's new bioproduct mill at Äänekoski started up according to plan in August, and pulp deliveries to customers started at the beginning of September.*

*Demand for packaging materials made from fresh fibre has remained strong, and market prices in local currencies have increased, particularly in white fresh fibre linerboard. The growth in demand has also been visible in the order books of our paperboard mills, which are now clearly higher than before.*

*The annual maintenance shutdown at the Husum integrated mill after the review period resulted in losses, particularly in the production and sales of pulp. The total delivery volumes of paperboard will also decline slightly for seasonal reasons towards the end of the year. Due to these reasons, we expect the fourth quarter results to weaken slightly.*

*We aim to further improve the average price of folding boxboard, production efficiency and profitability at the Husum mill. We estimate that the 2019 operating result of the Husum mill will be EUR 100 million better than in 2016.*

*Metsä Board's strategy is clear: we focus on high-quality, light and ecological fresh fibre paperboards in growing markets. We develop our products and services in cooperation with our customers to gain an even stronger market position. Thanks to our skilled and competent personnel, I am confident about the company's development."*

**FINANCIAL KEY FIGURES**

	2017	2017	2017	2016	2017	2016	2016
	Q3	Q2	Q1	Q3	Q1–Q3	Q1–Q3	Q1–Q4
Sales, EUR million	478.6	474.2	444.5	440.0	1,397.3	1,298.5	1,720.3
EBITDA, EUR million	85.2	67.0	68.8	60.6	220.9	175.7	234.6
comparable, EUR million	75.0	67.5	68.8	59.4	211.2	178.0	231.1
EBITDA, % of sales	17.8	14.1	15.5	13.8	15.8	13.5	13.6
comparable, % of sales	15.7	14.2	15.5	13.5	15.1	13.7	13.4
Operating result, EUR million	60.6	46.9	45.2	26.6	152.7	93.8	132.3
comparable, EUR million	50.4	43.5	45.2	34.0	139.1	104.7	137.5
Operating result, % of sales	12.7	9.9	10.2	6.0	10.9	7.2	7.7
comparable, % of sales	10.5	9.2	10.2	7.7	10.0	8.1	8.0
Result before taxes, EUR million	43.8	40.3	39.9	19.8	124.0	73.0	101.6
comparable, EUR million	33.5	36.9	39.9	27.1	110.3	84.0	106.8
Result for the period, EUR million	39.3	35.0	34.2	18.6	108.4	65.7	90.4
comparable, EUR million	29.0	32.2	34.2	24.1	95.4	74.4	93.6
Result per share, EUR	0.11	0.09	0.10	0.05	0.30	0.18	0.25
comparable, EUR	0.08	0.09	0.10	0.07	0.27	0.21	0.26
Return on equity, %	14.2	13.2	13.1	7.4	13.3	8.6	8.7
comparable, %	10.5	12.2	13.1	9.6	11.7	9.8	9.0
Return on capital employed, %	13.9	11.1	10.6	6.3	11.7	7.4	7.8
comparable, %	11.5	10.3	10.6	8.0	10.6	8.3	8.1
Equity ratio at end of period, %	51	51	47	48	51	48	48
Net gearing ratio at end of period, %	39	45	44	49	39	49	44
Interest-bearing net liabilities/EBITDA <sup>1)</sup>	1.7	2.0	1.9	2.1	1.7	2.1	2.0
Shareholders' equity per share at end of period, EUR	3.14	3.06	2.90	2.82	3.14	2.82	2.96
Interest-bearing net liabilities, EUR million	436.9	495.2	457.8	487.6	436.9	487.6	463.8
Gross investments, EUR million	7.3	12.4	19.0	16.4	38.7	119.0	162.4
Net cash flow from operating activities, EUR million	67.5	37.1	25.6	67.0	130.2	22.5	77.0
Personnel at the end of period	2,369	2,581	2,450	2,493	2,369	2,493	2,466

**DELIVERY AND PRODUCTION VOLUMES**

	2017	2017	2017	2016	2016	2017	2016	2016
1000 t	Q3	Q2	Q1	Q4	Q3	Q1–Q3	Q1–Q3	Q1–Q4
<b>Deliveries</b>								
Paperboard <sup>1)</sup>	469	477	428	399	422	1,375	1,208	1,607
Paper	0	0	0	2	7	0	33	35
Market Pulp	123	134	138	116	128	395	385	500
<b>Production</b>								
Paperboard <sup>1)</sup>	458	444	456	418	456	1,358	1,290	1,708
Paper	0	0	0	0	2	0	23	23
Metsä Fibre pulp <sup>2)</sup>	152	140	147	149	144	439	428	577
Metsä Board pulp	353	344	328	306	314	1,025	930	1,236

<sup>1)</sup> Includes wallpaper base deliveries and production, which was discontinued in Q3 2016.

<sup>2)</sup> Equal to Metsä Board's 24.9 per cent holding in Metsä Fibre.

## INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2017

### JULY–SEPTEMBER 2017 (4–6/2017)

#### SALES AND RESULT

Metsä Board's sales amounted to EUR 478.6 million (474.2). The operating result was EUR 60.6 million (46.9), and the comparable operating result was EUR 50.4 million (43.5). Items affecting comparability during the review period consisted of the recognition of translation differences accumulated by the subsidiaries dissolved in England.

The comparable operating result for July–September improved due to an increase in average folding boxboard price in local currencies and growth in the production volumes of paperboard and pulp. Exchange rate fluctuations including hedges had a small positive impact on results compared to the previous quarter. The market prices in local currency of white fresh fibre linerboard rose slightly in North America.

The annual maintenance shutdown of the Kemi integrated mill in September went according to plan. The costs incurred in maintenance shutdowns in the third quarter were lower than in the previous quarter. The start-up phase of Metsä Fibre's bioproduct mill had only a small negative impact on the operating result.

There were no significant changes in the total production costs of paperboards. The production costs per tonne of folding boxboard produced at Husum continue to be higher than the production costs at other mills. This is due to the lower capacity utilisation rate.

In July–September, deliveries of Metsä Board's folding boxboard and white fresh fibre linerboards declined by 2 per cent and 2 per cent, respectively, from the previous quarter. Correspondingly, deliveries by European folding boxboard producers declined by 5 per cent. Deliveries by producers of white fresh fibre linerboard remained unchanged.

The euro-denominated market price of long-fibre pulp decreased by 3 per cent, while its dollar-denominated market price increased by 4 per cent compared to the previous quarter. The euro-denominated market price of short-fibre pulp increased by 5 per cent, while its dollar-denominated market price increased by 12 per cent.

Financial income and expenses totalled EUR -16.8 million (-6.7), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -0.0 million (-1.0). Financial expenses include EUR -10.9 million of costs related to the early repurchase of the bond maturing in 2019.

The result before taxes for July–September was EUR 43.8 million (40.3). The comparable result before taxes was EUR 33.5 million (36.9). Income taxes amounted to EUR -4.5 million (-5.3).

Earnings per share were EUR 0.11 (0.09). The return on equity was 14.2 per cent (13.2), and the comparable return on equity was 10.5 per cent (12.2). The return on capital employed was 13.9 per cent (11.1), and the comparable return on capital employed was 11.5 per cent (10.3).

### JANUARY–SEPTEMBER 2017 (1–9/2016)

#### SALES AND RESULT

Metsä Board's sales amounted to EUR 1,397.3 million (1,298.5). The operating result was EUR 152.7 million (93.8), and the comparable operating result was EUR 139.1 million (104.7). Items affecting comparability during the review period consisted mainly of a reversal of previously recognized impairment loss on the closed and sold paper machine at Kyrö mill and the recognition of translation differences accumulated by the subsidiaries dissolved in England.

The comparable operating result in January–September improved due to positive development in the linerboard and market pulp operations as well as the discontinued paper operations. Exchange rate fluctuations including hedges had a positive impact on the operating result of the review period.

The euro-denominated market prices of paperboards remained roughly at the level of the comparison period. There was no significant change in the total production costs of paperboards.

During the review period, deliveries of Metsä Board's folding boxboard and white fresh fibre linerboards increased by 17 per cent and 16 per cent, respectively, compared to the same period last year. Correspondingly, deliveries by European folding boxboard producers increased by 5 per cent, and deliveries by producers of white fresh fibre linerboard by 7 per cent. Metsä Board's share of the total deliveries of European folding boxboard producers was 39 per cent, and 69 per cent of exports beyond Europe.

The euro-denominated market price of long-fibre pulp increased by 8 per cent, while its dollar-denominated market price increased by 7 per cent compared to the corresponding period last year. The euro-denominated market price of short-fibre pulp increased by 10 per cent, while its dollar-denominated market price increased by 10 per cent.

Financial income and expenses totalled EUR -28.8 million (-20.8), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -0.6 million (-1.0). Financial expenses include EUR -10.9 million of costs related to the early repurchase of the bond maturing in 2019.

The result before taxes in the review period was EUR 124.0 million (73.0). The comparable result before taxes was EUR 110.3 million (84.0). Income taxes amounted to EUR -15.6 million (-7.3).



Earnings per share were EUR 0.30 (0.18). Comparable earnings per share were EUR 0.27 (0.21). The return on equity was 13.3 per cent (8.6), and the comparable return on equity was 11.7 per cent (9.8). The return on capital employed was 11.7 per cent (7.4), and the comparable return on capital employed was 10.6 per cent (8.3).

## CASH FLOW

Net cash flow from operations in July–September was EUR 67.5 million (4–6/2017: 37.1). Cash flow increased due to the improved operating result and changes in working capital. Cash flow weakened due to costs related to the early repurchase of the bond maturing in 2019. Working capital decreased by EUR 24.2 million (4–6/2017: increased by EUR 2.7 million).

Net cash flow from operations in January–September was EUR 130.2 million (1–9/2016: 22.5). Working capital increased by EUR 24.7 million in January–September (1–9/2016: increased by 88.8). The working capital of the comparison period increased due to investment programme at Husum.

## INVESTMENTS

Gross investments in January–September totalled EUR 38.7 million (1–9/2016: 119.0) consisting mainly of maintenance investments and the extrusion coating line at the Husum mill. In 2016, investments totalled EUR 162.4 million, the most significant investments being the investment programme at Husum and the extrusion coating line, as well as the equity investment in Metsä Fibre's new bioproduct mill.

## FINANCING

Metsä Board's equity ratio at the end of September was 51 per cent (30 September 2016: 48) and its net gearing ratio was 39 per cent (30 September 2016: 49). The ratio of interest-bearing net liabilities to comparable EBITDA in the previous 12 months was 1.7 at the end of the review period (30 September 2016: 2.1).

In September, Metsä Board issued an unsecured bond of EUR 250 million. The bond matures in 2027 and carries a fixed coupon rate of 2.75 per cent. The bond has a Standard & Poor's credit rating of BB+. In addition, Metsä Board made a cash offer on the early repurchase of the EUR 225 million bond maturing in 2019. The nominal value of the bonds repurchased totalled EUR 157.7 million.

At the end of September, interest-bearing liabilities totalled EUR 650.8 million (30 September 2016: 693.0). Foreign currency-denominated loans accounted for 1.0 per cent of loans and floating-rate loans for 24 per cent, with the rest being fixed-rate loans. At the end of September, the average interest rate on loans was 3.2 per cent (30 September 2016: 3.3), and the average maturity of long-term loans was 5.4 years (30 September 2016: 2.4). The interest rate maturity of loans at the end

of September was 64.0 months (30 September 2016: 16.7). In 2017, Metsä Board plans to decrease interest-bearing liabilities by at least EUR 100 million in order to improve the effectiveness of the balance sheet.

At the end of September, net interest-bearing liabilities totalled EUR 436.9 million (30 September 2016: 487.6).

Metsä Board's liquidity has remained strong. At the end of the review period, the available liquidity was EUR 412.3 million (30 September 2016: 366.5), consisting of the following items: liquid assets and investments of EUR 210.3 million, a syndicated credit facility of EUR 100.0 million, and undrawn pension premium (TyEL) funds of EUR 102.0 million. Of the liquid assets, EUR 202.7 million consisted of short-term deposits with Metsä Group Treasury, and EUR 7.6 million were cash funds and investments. Other interest-bearing receivables amounted to EUR 3.6 million. In addition, Metsä Board's liquidity reserve is complemented by Metsä Group's internal undrawn short-term credit facility of EUR 150.0 million.

The fair value of investments available for sale was EUR 214.4 million at the end of the review period (30 September 2016: 184.8). The change in fair value from the beginning of the review period, EUR 18.5 million, related to the increase in the fair value of the shares in Pohjolan Voima Oyj.

At the end of the review period, an average of 7.8 months of the net foreign currency exposure was hedged, including the hedging of the balance sheet position of trade receivables and trade payables. The degree of hedging during the period varied between six and eight months, on average. In addition to the balance sheet position, half of the projected annual net foreign currency exposure is hedged. The amount of hedging may deviate from the norm by 40 per cent in either direction. When hedging is at the normal level, the aim is to allocate it primarily to the following two quarters.

In August, Moody's Investors Service upgraded Metsä Board Corporation's credit rating from Ba2 to Ba1. The outlook of the rating is stable.

## PERSONNEL

At the end of September, the number of personnel was 2,369 (30 September 2016: 2,493), of whom 1,349 (1,474) were based in Finland. In January–September, Metsä Board employed 2,490 people on average (1–9/2016: 2,628). Personnel expenses in January–September totalled EUR 146.3 million (1–9/2016: 162.2).

## BUSINESS DEVELOPMENT

Demand for Metsä Board's fresh fibre paperboards has remained good in all of the company's main market areas. On average, the order books of the company's paperboard mills have been higher than normal over the past few months. The delivery volumes of Metsä

Board's paperboards in January–September grew by 17 per cent compared to the corresponding period in the previous year.

The market prices of folding boxboard remained stable during the review period. Metsä Board announced to increase the price of folding boxboard in Europe by EUR 90 million per tonne as of 1 November 2017. The market situation of fresh fibre linerboards has also been good. Metsä Board announced an increase in the price of white fresh fibre linerboard in Europe of EUR 50 million per tonne as of 15 September 2017.

The production volumes of folding boxboard at the Husum mill in July–September grew compared to previous quarters and the capacity utilisation rate was 76 per cent. However, the full year capacity utilisation rate of Husum's folding boxboard is estimated to be slightly below the earlier estimate of 75 per cent.

Metsä Board is focusing on increasing the sales of folding boxboard in all market areas. In addition to existing customer accounts, the company is strongly focused on acquiring new customer accounts. Metsä Board's folding boxboard deliveries to the Americas in January–September grew by 65 per cent compared to the corresponding period in the previous year.

Metsä Board has estimated the results improvement potential of the Husum integrated mill to be approximately EUR 100 million between 2016 and 2019. The most significant part of this improvement will be achieved if the capacity utilisation rate of folding boxboard is at least 95 per cent and if the sales price is at a normal level. The rest of the improved result is due to an increase in the delivery volumes of pulp and cost savings.

In June 2016, Metsä Board invested EUR 24.9 million in the new bioproduct mill of its associated company, Metsä Fibre. The bioproduct mill started up in August 2017, and pulp deliveries to customers commenced in September. The mill's start-up phase has progressed according to plan. The new bioproduct mill will increase Metsä Board's annual pulp capacity by approximately 200,000 tonnes as of 2018.

Metsä Board was once again successful in the European Carton Excellence Awards. The 2017 finalists included a total of eight packages made from Metsä Board's paperboard. The winners of the Food & Beverages, Healthcare & Pharmaceuticals and Public Award categories were made from Metsä Board's paperboard.

## LEGAL PROCEEDINGS

In May 2014, Metsä Board petitioned the District Court of Helsinki to revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 that orders Metsä Board to pay EUR 19.7 million in damages to UPM Kymmene Corporation. In a judgment issued in June 2015, the District Court rejected Metsä Board's petition. Metsä Board appealed the decision of the District Court to the Court of Appeal. The Court of Appeal dismissed Metsä

Board's appeal on 21 October 2016. Metsä Board has applied for leave to appeal the matter to the Supreme Court.

In the autumn of 2015, the Finnish Tax Administration gave an opinion against the deductibility of certain losses in Metsä Board's 2014 taxation. Metsä Board has appealed against the decision issued by the Tax Administration, as the company believes the losses are deductible.

## SHARES

At the end of the review period, the price for Metsä Board's B share on the Nasdaq Helsinki was EUR 5.80. The share's highest and lowest prices in January–September were EUR 7.05 and EUR 5.34, respectively. At the end of the review period, the price for Metsä Board's A share on the Nasdaq Helsinki was EUR 5.84. The share's highest and lowest prices in January–September were EUR 6.85 and EUR 5.43, respectively.

In January–September, the average daily trading volumes of the B and A shares on the Nasdaq Helsinki were 688,302 shares and 5,579 shares, respectively. The total trading volumes of the B and A shares were EUR 820.2 million and EUR 6.6 million, respectively.

In addition to the Nasdaq Helsinki, Metsä Board's shares are traded on other marketplaces, such as Chi-X and BATS. The Nasdaq Helsinki's share of total trading during the review period was 74 per cent.

At the end of the period under review, there were 35,886,682 A shares and 319,626,064 B shares.

At the end of the period under review, the market value of all Metsä Board's shares was EUR 2,063 million, of which the market value of the B shares and the A shares accounted for EUR 1,854 million and EUR 210 million, respectively.

At the end of the review period, Metsäliitto Cooperative owned 42 per cent of the shares, and the voting rights conferred by these shares amounted to 61 per cent. At the end of September, international and nominee-registered investors held 18 per cent of all the shares (30 September 2016: 15).

The company does not hold any treasury shares.

## CHANGES IN THE CORPORATE MANAGEMENT TEAM

Mr Harri Pihlajaniemi, M.Sc. (Eng.), took up his position as Metsä Board's SVP, Production and a member of the Corporate Management Team on 6 September 2017. He reports to CEO Mika Joukio. Pihlajaniemi came to Metsä Board from Stora Enso, where he had worked in various managerial positions in production since 2004.

## NEAR-TERM RISKS AND UNCERTAINTIES

Considerable uncertainties still exist in the global and, particularly, European economies. If realised, they may result in weakened demand and reduced prices for paperboard and pulp products. The imbalance in supply and demand may impact the prices of end products and Metsä Board's profitability.

Metsä Board is focusing on the active development and growth of its paperboard business. Growing the paperboard business and introducing new production to the market are dependent on the successful growth of sales in Europe, and particularly in the Americas. Increasing sales at the global level also involves cost and exchange rate risks.

There are several geopolitical risk concentrations around the world, and forecasting developments in them is difficult. Changes in these areas may be very sudden and unpredictable. There have been, and will continue to be, international sanctions related to these crises, and they may also have a direct or indirect impact on the demand for paperboards and, therefore, on Metsä Board's result. Negative developments in international free trade would, if realised, weaken Metsä Board's result.

The forward-looking estimates and statements in this interim financial report are based on current plans and estimates. For this reason, they contain risks and other uncertainties that may cause the results to differ from the statements concerning them. In the short term, Metsä Board's result will be particularly affected by the price of and demand for finished products, raw material costs, the price of energy, and the exchange rate development of the euro compared to the company's other main currencies.

The US dollar strengthening by 10 per cent against the euro would have a positive impact of approximately EUR 64 million on Metsä Board's annual operating result. Correspondingly, the Swedish krona strengthening by 10 per cent would have a negative impact of approximately EUR 38 million. The British pound strengthening by 10 per cent would have a positive impact of approximately EUR 7 million. The impact of weakened exchange rates would be the opposite. The sensitivities do not include the impact of hedging.

Additional information on long-term risks is also available on pages 24–25 of Metsä Board's 2016 Annual Report, and on pages 26–36 of the prospectus concerning the bond issued in 2017.

## NEAR-TERM OUTLOOK

Growth in the demand for high-quality consumer packaging paperboard made from fresh fibre is expected to continue in market areas important for Metsä Board. Linerboard prices have already increased, and the impact of the announced price increases in consumer packaging board is expected to be visible mainly in early 2018.

Metsä Board's paperboard deliveries have grown strongly in 2017. Delivery volumes in October–December are expected to decline slightly compared to the previous quarter, due to the seasonal decline in December. The company aims to improve the average price of Husum's folding boxboard and increase sales particularly in North America.

The fourth quarter production volume of Metsä Fibre's new bioproduct mill is expected to be higher than the average three-month production of Äänekoski's closed-down pulp mill. The bioproduct mill's impact on Metsä Board's fourth quarter operating result is expected to be positive.

The annual maintenance shutdown at the Husum integrated mill in October will have a remarkable negative impact on fourth quarter result.

The production costs of paperboards in October–December are expected to remain at the level of the previous quarter.

The positive result impact from the hedging of the US dollar will dilute towards the end of the year.

## EVENTS AFTER THE REVIEW PERIOD

Metsä Board was once again recognized as a global leader in terms of its responsible water consumption and measures to mitigate the effects of climate change. The company was included on CDP's Water A and Climate A lists, and achieved Leadership status in CDP's Forest programme.

## RESULT GUIDANCE FOR OCTOBER–DECEMBER 2017

Mainly due to the maintenance shutdown at the Husum integrated mill, Metsä Board's comparable operating result in the fourth quarter of 2017 is expected to weaken slightly from the third quarter of 2017.

**METSÄ BOARD CORPORATION**

Espoo, Finland, 1 November 2017  
BOARD OF DIRECTORS

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Further information will be available as of 1 p.m. on 1 November 2017. A conference call held for investors and analysts in English will begin at 3 p.m. Conference call participants are requested to dial in and register a few minutes earlier on the following numbers:

Finland +358 9 7479 0404

Sweden +46 8 5065 3942

United Kingdom +44 330 336 9411

United States +1 719-457-1036

The conference ID is 6378283.

**Metsä Group will publish the following financial reports in 2018:**

8 February, Financial Statements Bulletin for 2017

3 May, Interim Report for January–March 2018

2 August, Half-year Financial Report for January–June 2018

8 November, Interim Report for January–September 2018



## CALCULATION OF KEY RATIOS

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

## COMPARABLE OPERATING RESULT AND COMPARABLE RETURN ON CAPITAL EMPLOYED

New European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures are effective for the financial year 2016. From Q3 2016 Metsä Board has relabeled the previously referenced "excluding non-recurring items" non-IFRS financial measures with "comparable" performance measures. Exceptional and material items outside the ordinary course of business have been eliminated from the comparable operating result, and they have been allocated to the operating segments. The change in terminology does not affect the definition of items affecting comparability and therefore no restatement of historical data is necessary.

Reconciliation of operating result under IFRS and comparable operating result is presented in this interim financial report. Comparable return on capital employed

has been calculated using the same adjustments as the comparable operating result, and it has been further adjusted with financial items affecting comparability when applicable. Metsä Board considers that key figures derived in this manner improve comparability between reporting periods.

None of these key figures with items affecting comparability eliminated are key figures used in IFRS reporting, and they cannot be compared with other companies' key figures identified with the same names. Typical items affecting comparability include material gains and losses on disposals of assets, impairments and impairment reversals in accordance with IAS 36 Impairment of Assets, restructuring costs and their adjustments as well as items arising from legal proceedings.

**FINANCIAL STATEMENTS**
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

EUR million	Note	Q3 2017	Q3 2016	Q1–Q3 2017	Q1–Q3 2016	Q1–Q4 2016
<b>Sales</b>	<b>2, 6</b>	<b>478.6</b>	<b>440.0</b>	<b>1,397.3</b>	<b>1,298.5</b>	<b>1,720.3</b>
Change in stocks of finished goods and work in progress		-3.5	-10.8	-13.9	29.9	38.5
Other operating income	<b>2, 6</b>	13.1	14.4	21.7	28.6	40.2
Material and services	<b>6</b>	-333.2	-309.0	-965.8	-946.8	-1,249.5
Employee costs		-47.1	-52.9	-146.3	-162.2	-211.0
Share of result of associated company		11.8	11.7	35.7	35.5	45.0
Depreciation, amortisation and impairment losses		-24.6	-34.0	-68.2	-81.9	-102.3
Other operating expenses		-34.5	-32.7	-107.7	-107.8	-148.9
<b>Operating result</b>	<b>2</b>	<b>60.6</b>	<b>26.6</b>	<b>152.7</b>	<b>93.8</b>	<b>132.3</b>
Share of results of associated companies and joint ventures		-0.1	0.0	0.0	0.0	0.1
Net exchange gains and losses		0.0	-0.7	-0.6	-1.0	-4.9
Other net financial items	<b>2, 6</b>	-16.8	-6.1	-28.2	-19.8	-25.8
<b>Result before income tax</b>		<b>43.8</b>	<b>19.8</b>	<b>124.0</b>	<b>73.0</b>	<b>101.6</b>
Income taxes	<b>3</b>	-4.5	-1.2	-15.6	-7.3	-11.3
<b>Result for the period</b>		<b>39.3</b>	<b>18.6</b>	<b>108.4</b>	<b>65.7</b>	<b>90.4</b>

EUR million	Note	Q3 2017	Q3 2016	Q1–Q3 2017	Q1–Q3 2016	Q1–Q4 2016
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit or loss</b>						
Actuarial gains/losses on defined pension plans		0.6	-9.6	1.4	-11.7	1.3
Income tax relating to items that will not be reclassified		-0.1	2.0	-0.3	2.5	0.3
<b>Total</b>		<b>0.5</b>	<b>-7.6</b>	<b>1.0</b>	<b>-9.2</b>	<b>1.6</b>
<b>Items that may be reclassified to profit or loss</b>						
Cash flow hedges		-1.1	6.5	19.3	24.6	27.0
Available for sale financial assets	8	-1.9	-6.7	18.5	-25.3	-14.2
Translation differences		-10.9	-5.7	-14.3	-14.1	-12.3
Share of other comprehensive income of associated company		-1.2	-0.9	4.7	-6.8	-5.6
Income tax relating to components of other comprehensive income		0.5	-0.1	-7.6	-0.1	-2.8
<b>Total</b>		<b>-14.7</b>	<b>-6.9</b>	<b>20.6</b>	<b>-21.7</b>	<b>-7.9</b>
<b>Other comprehensive income, net of tax</b>		<b>-14.2</b>	<b>-14.4</b>	<b>21.6</b>	<b>-30.8</b>	<b>-6.4</b>
<b>Total comprehensive income for the period</b>		<b>25.1</b>	<b>4.2</b>	<b>130.0</b>	<b>34.8</b>	<b>84.0</b>
<b>Result for the period attributable to</b>						
Shareholders of parent company		39.3	18.6	108.4	65.7	90.4
Non-controlling interests		0.0	0.0	0.0	0.0	0.0
<b>Total comprehensive income for the period attributable to</b>						
Shareholders of parent company		25.1	4.2	130.0	34.8	84.0
Non-controlling interests		0.0	0.0	0.0	0.0	0.0
Total		25.1	4.2	130.0	34.8	84.0
<b>Earnings per share for result attributable to shareholders of parent company (EUR/share)</b>		<b>0.11</b>	<b>0.05</b>	<b>0.30</b>	<b>0.18</b>	<b>0.25</b>

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

EUR million	Note	As of 30 Sep 2017	As of 30 Sep 2016	As of 31 Dec 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		12.4	12.4	12.4
Other intangible assets		14.5	11.7	14.6
Tangible assets	4	792.6	811.1	829.8
Investments in associated companies and joint ventures		300.9	281.0	291.6
Available for sale investments	8	214.4	184.8	195.9
Other non-current financial assets	6, 8	21.5	5.3	19.0
Deferred tax receivables	2	4.2	4.7	4.3
		<b>1,360.3</b>	<b>1,310.9</b>	<b>1,367.7</b>
<b>Current assets</b>				
Inventories		317.2	324.2	332.5
Accounts receivables and other receivables	6, 8	317.9	277.8	273.4
Cash and cash equivalents	6, 8	210.3	201.8	220.6
		<b>845.4</b>	<b>803.7</b>	<b>826.5</b>
<b>Total assets</b>		<b>2,205.8</b>	<b>2,114.6</b>	<b>2,194.2</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Equity attributable to shareholders of parent company		1,114.6	1,003.3	1,052.5
Non-controlling interests		0.0	0.0	0.0
<b>Total equity</b>		<b>1,114.6</b>	<b>1,003.3</b>	<b>1,052.5</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities		80.7	68.4	74.7
Post-employment benefit obligations	2	14.6	18.0	15.1
Provisions	5	6.9	8.2	6.9
Borrowings	8	543.9	544.6	469.0
Other liabilities	8	0.6	2.5	1.7
		<b>646.7</b>	<b>641.7</b>	<b>567.5</b>
<b>Current liabilities</b>				
Provisions	5	1.5	3.3	3.0
Current borrowings	6, 8	106.9	148.4	219.1
Accounts payable and other liabilities	6, 8	336.1	318.0	352.1
		<b>444.5</b>	<b>469.7</b>	<b>574.2</b>
<b>Total liabilities</b>		<b>1,091.2</b>	<b>1,111.4</b>	<b>1,141.7</b>
<b>Total shareholders' equity and liabilities</b>		<b>2,205.8</b>	<b>2,114.6</b>	<b>2,194.2</b>

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interests	Total
Shareholders' equity, 1 January 2016		557.9	14.2	111.7	383.1	-38.0	1,028.9	0.0	1,028.9
<b>Comprehensive income for the period</b>									
Result for the period						65.7	65.7	0.0	65.7
Other comprehensive income net of tax total			-13.3	-8.4		-9.2	-30.8		-30.8
<b>Comprehensive income total</b>			<b>-13.3</b>	<b>-8.4</b>		<b>56.5</b>	<b>34.8</b>	<b>0.0</b>	<b>34.8</b>
Share based payments						-0.1	-0.1		-0.1
<b>Related party transactions</b>									
Dividends paid						-60.4	-60.4		-60.4
<b>Shareholders' equity, 30 September 2016</b>		<b>557.9</b>	<b>0.9</b>	<b>103.3</b>	<b>383.1</b>	<b>-42.0</b>	<b>1,003.3</b>	<b>0.0</b>	<b>1,003.3</b>

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interests	Total
Shareholders' equity, 1 January 2017		557.9	3.2	114.7	383.1	-6.4	1,052.5	0.0	1,052.5
<b>Comprehensive income for the period</b>									
Result for the period						108.4	108.4		108.4
Other comprehensive income net of tax total			-14.8	35.4		1.0	21.6		21.6
<b>Comprehensive income total</b>			<b>-14.8</b>	<b>35.4</b>		<b>109.4</b>	<b>130.0</b>	<b>0.0</b>	<b>130.0</b>
Share based payments						-0.3	-0.3		-0.3
<b>Related party transactions</b>									
Dividends paid						-67.5	-67.5		-67.5
<b>Shareholders' equity, 30 September 2017</b>		<b>557.9</b>	<b>-11.6</b>	<b>150.1</b>	<b>383.1</b>	<b>35.1</b>	<b>1,114.6</b>	<b>0.0</b>	<b>1,114.6</b>

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



**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

		Q1–Q3 2017	Q1–Q3 2016	Q1–Q4 2016	Q3 2017
EUR million	Note				
Result for the period		108.4	65.7	90.4	39.3
Total adjustments	7	64.3	55.5	73.4	23.2
Change in working capital		-24.7	-88.8	-74.5	24.2
<b>Cash flow from operations</b>		<b>148.0</b>	<b>32.4</b>	<b>89.3</b>	<b>86.6</b>
Net financial items	7	-6.6	17.8	13.6	-15.7
Income taxes paid		-11.2	-27.8	-25.8	-3.5
<b>Net cash flow from operating activities</b>		<b>130.2</b>	<b>22.5</b>	<b>77.0</b>	<b>67.5</b>
Acquisition of other shares		-1.2			-1.2
Investments in intangible and tangible assets		-37.7	-121.1	-158.4	-7.3
Disposals and other items	6,7	5.2	0.8	15.3	-0.1
<b>Net cash flow from investing activities</b>		<b>-33.7</b>	<b>-120.3</b>	<b>-143.2</b>	<b>-8.7</b>
Changes in non-current loans and in other financial items	6	-39.2	39.4	24.7	10.1
Dividends paid		-67.5	-60.4	-60.4	
<b>Net cash flow from financing activities</b>		<b>-106.7</b>	<b>-21.1</b>	<b>-35.7</b>	<b>10.1</b>
<b>Changes in cash and cash equivalents</b>		<b>-10.2</b>	<b>-118.9</b>	<b>-101.9</b>	<b>68.9</b>
Cash and cash equivalents at beginning of period	6	220.6	321.8	321.8	141.1
Translation difference in cash and cash equivalents		-0.1	-1.2	0.7	0.3
Changes in cash and cash equivalents		-10.2	-118.9	-101.9	68.9
<b>Cash and cash equivalents at end of period</b>	6	<b>210.3</b>	<b>201.8</b>	<b>220.6</b>	<b>210.3</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

### NOTE 1 – BACKGROUND AND BASIS OF PREPARATION

Metsä Board Corporation and its subsidiaries comprise a forest industry group whose main product areas are fresh fibre cartonboards and linerboards. Metsä Board Corporation, the parent company, is domiciled in Helsinki and the registered address of the company is Revontulenpuisto 2, 02100 Espoo, Finland. Metsä Board's ultimate parent company is Metsäliitto Cooperative.

This unaudited interim financial report has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2016 IFRS financial statements. The same accounting policies have been applied as in the 2016 IFRS financial statements with the following exception:

Depreciation of machinery and equipment during the financial year has been adjusted between the quarters when applicable in order to correspond with the use of the economic benefit of the asset.

The Group has adopted the following new standards and amendments to existing standards on 1 January 2017:

Amendments to IAS 7 *Statement of Cash Flows – Disclosure Initiative*. The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have an impact on the disclosures in consolidated financial statements.

Amendments to IAS 12 *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at

the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments have no significant impact on Group's consolidated financial statements.

*Annual Improvements to IFRSs (2014–2016 cycle)*: 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. In 2017, the amendments apply to one standard, and they do not have a significant impact on Group's consolidated financial statements.

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

This interim financial report was authorised for issue by the Board of Directors of Metsä Board on 1 November 2017.

### NOTE 2 – SEGMENT INFORMATION

The Corporate Management Team is the chief operational decision-maker monitoring business operations performance based on the operating segments.

After Metsä Board's uncoated paper production ended in July 2016, the remaining business operations of the Group consist solely of folding boxboard, fresh fibre linerboard and market pulp businesses previously reported under Paperboard segment and complemented by the discontinued wallpaper base production at Kyro mill. As the paper business previously reported under Non-core operations segment has been fully discontinued, Metsä Board will report on its financial performance using only one reporting segment starting from third quarter of 2016.

**Reconciliation of operating result**

EUR million	Q1–Q3 2017	Q1–Q3 2016	Q1–Q4 2016
<b>Operating result (IFRS)</b>	<b>152.7</b>	<b>93.8</b>	<b>132.3</b>
Items affecting comparability:			
Gains and losses on disposal in other operating income and expenses	-10.2	-5.4	-9.8
Employee costs	-	6.6	5.2
Share of result of associated company	-	-1.8	-1.8
Impairment charges and reversals of impairments	-3.9	8.7	8.7
Other operating expenses	0.5	2.9	2.8
Total	-13.6	10.9	5.2
<b>Comparable operating result</b>	<b>139.1</b>	<b>104.7</b>	<b>137.5</b>

“+” sign items = expense affecting comparability

“-” sign items = income affecting comparability

Items affecting comparability during the review period consisted mainly of a reversal of previously recognized impairment loss on the closed and sold paper machine at Kyro mill and release to profit and loss of cumulative translation difference arising from liquidation of non-operational English subsidiaries in accordance with IFRS accounting rules.

Comparable operating result for the reporting period included a net disposal gain of EUR 5.4 million consisting of disposals of assets related to wallpaper base business and the sale of Alrec Boiler Oy, a structured entity previously owning the combustion facility in operation at Kaskinen pulp mill and consolidated to group accounts as a subsidiary. Employee costs affecting comparability in January–September 2016 consisted of restructuring costs arising from Simpele mill, Belgian sales office and Kyro board and paper mills. Furthermore, a disposal gain of EUR 1.8 million realized by associated company Metsä Fibre was deducted from operating result as an item affecting comparability. Impairment charges of EUR 8.7 million affecting comparability arose from the remaining carrying values of tangible assets related to the discontinued wallpaper base production at Kyro mill and the closed Belgian sales office while other operating expenses of EUR 2.9 million mainly comprised the expense of writing wallpaper base inventories down to their net realizable value.

Comparable operating result for the financial year 2016 included a net disposal gain of EUR 9.8 million. Among other things, it consisted of disposals of assets related to wallpaper base business and the sale of Alrec Boiler Oy, a structured entity previously owning the combustion facility in operation at Kaskinen pulp mill and consolidated to group accounts as a subsidiary. Furthermore, the net gain included an earn-out received from the sale of subsidiary receivables in connection with a subsidiary disposal carried out in 2011 and treated as a reversal of previously recognized disposal loss.

Employee costs of EUR 5.2 million affecting comparability consisted of restructuring costs arising from Simpele mill, Belgian sales office and Kyro board and paper mills. Furthermore, a disposal gain of EUR 1.8 million realized by associated company Metsä Fibre was deducted from operating result as an item affecting comparability. Impairment charges of EUR 8.7 million affecting comparability arose from the remaining carrying values of tangible assets related to the discontinued wallpaper base production at Kyro mill and the closed Belgian sales office while other operating expenses of EUR 2.8 million mainly comprised other expenses arising from wallpaper production discontinuation and the related expense of writing wallpaper base inventories to their net realizable value.

**NOTE 3 – INCOME TAXES**

EUR million	Q1–Q3 2017	Q1–Q3 2016	Q1–Q4 2016
Taxes for the current period	16.6	13.9	17.0
Taxes for the prior periods	0.0	-0.2	-0.6
Change in deferred taxes	-1.1	-6.3	-5.1
Total income taxes	15.6	7.3	11.3

**NOTE 4 – CHANGES IN PROPERTY, PLANT AND EQUIPMENT**

EUR million	Q1–Q3 2017	Q1–Q3 2016	Q1–Q4 2016
Carrying value at beginning of period	829.8	812.3	812.3
Capital expenditure	36.2	93.7	133.3
Decreases	-3.7	0.0	-3.1
Depreciation, amortization and impairment losses	-65.8	-79.5	-99.2
Translation difference	-3.9	-15.4	-13.5
<b>Carrying value at end of period</b>	<b>792.6</b>	<b>811.1</b>	<b>829.8</b>

A reversal of EUR 3.9 million of previously recognized impairment loss on the closed and sold paper machine at Kyro mill was recognized in the review period. Impairments in the financial year 2016 included an impair-

ment of EUR 8.5 million at Kyro mill related to the discontinued wallpaper base operations and an impairment reversal of EUR 2.0 million for a sold paper machine at Husum mill.

**NOTE 5 – PROVISIONS**

EUR million		Restructuring	Environmental obligations	Other provisions	Total
	<b>1 Jan 2017</b>	<b>1.3</b>	<b>6.2</b>	<b>2.5</b>	<b>10.0</b>
Translation differences		-	-	-0.0	-0.0
Increases		0.0	-	0.1	0.1
Utilised during the year		-1.0	-0.1	-0.3	-1.4
Unused amounts reversed		-	-0.3	-	-0.3
	<b>30 Sep 2017</b>	<b>0.2</b>	<b>5.8</b>	<b>2.3</b>	<b>8.4</b>

The non-current part of provisions was EUR 6.9 million and the current part EUR 1.5 million, total provisions

amount to EUR 8.4 million. Non-current provisions are estimated to be utilised mainly by the end of 2025.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

Related parties include Metsä Board's ultimate parent company Finnish Metsäliitto Cooperative, other subsidiaries of Metsäliitto, associated companies and joint ventures as well as Metsäliitto Employees' Pension Foundation. The members of The Board of Directors and Metsä Group's Executive Management Team and Metsä Board's Corporate Management Team as well as their close family members are also included in related parties.

Metsä Board enters into a significant number of transactions with related parties for the purchases of inventories, sale of goods, corporate services as well as financial transactions. Arm's length pricing has been followed in product and service transactions undertaken and interest rates set between Metsä Board and the related parties.

**Transactions with parent and sister companies**

EUR million	Q1–Q3 2017	Q1–Q3 2016	Q1–Q4 2016
Sales	47.1	51.4	68.6
Other operating income	3.3	10.0	13.6
Purchases	458.2	462.7	597.8
Share of result from associated company	35.7	35.5	45.0
Interest income	0.0	0.1	0.1
Interest expenses	1.7	2.6	2.9
Accounts receivables and other receivables	32.4	13.5	21.4
Cash and cash equivalents	202.7	190.2	215.5
Accounts payable and other liabilities	51.8	117.8	131.2

Metsä Fibre's net result is included within operating result line item "Share of result from associated company" and transactions with Metsä Fibre are included in transactions with sister companies.

Metsä Fibre paid a dividend of EUR 31.1 million to Metsä Board in the review period. Cash and cash equivalents include interest-bearing receivables comparable to cash funds and available from Metsä Group's internal bank Metsä Group Treasury Oy.

**Transactions with associated companies and joint ventures**

EUR million	Q1–Q3 2017	Q1–Q3 2016	Q1–Q4 2016
Sales	3.6	0.4	0.7
Purchases	4.1	4.5	6.1
Other non-current financial assets	0.3	0.3	0.3
Accounts receivables and other receivables	0.1	0.1	0.3
Accounts payable and other liabilities	1.0	0.9	1.2



**NOTE 7 – NOTES TO CONSOLIDATED CASH FLOW STATEMENT**
**Adjustments to the result for the period**

	Q1–Q3	Q1–Q3	Q1–Q4	Q3
EUR million	2017	2016	2016	2017
Taxes	15.6	7.3	11.3	4.5
Depreciation, amortization and impairment charges	68.2	81.9	102.3	24.6
Share of result from associated companies and joint ventures	-35.7	-35.5	-45.1	-11.8
Gains and losses on sale of fixed assets	-10.9	-9.4	-14.4	-10.5
Finance costs, net	28.8	20.8	30.7	16.8
Provisions	-1.8	-9.6	-11.5	-0.4
<b>Total</b>	<b>64.3</b>	<b>55.5</b>	<b>73.4</b>	<b>23.2</b>

**Net financial items**

Net financial items in consolidated cash flow statement for the review period include a dividend of EUR 31.1 million paid by Metsä Fibre (1–9/2016: EUR 32.9 million).

**Disposals and other items**

Disposals and other items of EUR 5.2 million for the nine months ended 30 September 2017 (1–9/2016: 0.8 million) consisted mostly of the disposal of the closed paper machine at Kyro mill (EUR 3.9 million) and sale of electricity certificates in Sweden (EUR 1.3 million).

Disposals and other items of EUR 0.8 million for the nine months ended 30 September 2016 included EUR -2.8 million cash flow effect from disposal of structured entity Alrec Boiler Oy consolidated to group accounts as a subsidiary as well as cash inflows arising from sale of emission rights and electricity certificates.

Disposals and other items of EUR 15.3 million for the financial year 2016 included a EUR -2.8 million cash flow effect from disposal of structured entity Alrec Boiler Oy consolidated to group accounts as a subsidiary and an earn-out of EUR 4.4 million received from sale of subsidiary receivables in connection with a subsidiary disposal in 2011. Disposals also included cash inflows amounting to EUR 14.5 million and arising from sale of emission rights and electricity certificates as well as amounts received for sale of assets mostly related to discontinued paper production in Kyro and Husum.

**NOTE 8 – FINANCIAL INSTRUMENTS**

Financial assets and liabilities and their fair values classified according to IAS 39 as of 30 September 2017:

**Financial assets 30 September 2017**

EUR million	Fair value through profit & loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Available for sale financial assets		214.4				214.4	214.4
Other non-current financial assets			17.6			17.6	17.6
Accounts receivables and other receivables			297.4			297.4	297.4
Cash and cash equivalent			210.3			210.3	210.3
Derivative financial instruments	0.7			18.1		18.8	18.8
<b>Total financial assets</b>	<b>0.7</b>	<b>214.4</b>	<b>525.3</b>	<b>18.1</b>	<b>-</b>	<b>758.5</b>	<b>758.5</b>

**Financial liabilities 30 September 2017**

EUR million	Fair value through profit & loss	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Non-current interest-bearing financial liabilities			543.9	543.9	552.9
Other non-current financial liabilities			0.1	0.1	0.1
Current interest-bearing financial liabilities			106.9	106.9	108.3
Accounts payable and other financial liabilities			297.3	297.3	297.3
Derivative financial instruments	0.1	1.3		1.3	1.3
<b>Total financial liabilities</b>	<b>0.1</b>	<b>1.3</b>	<b>948.2</b>	<b>949.5</b>	<b>959.9</b>

Financial assets and liabilities and their fair values classified according to IAS 39 as of 30 September 2016:

**Financial assets 30 September 2016**

EUR million	Fair value through profit & loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Available for sale financial assets		184.8				184.8	184.8
Other non-current financial assets			5.3			5.3	5.3
Accounts receivables and other receivables			267.2			267.2	267.2
Cash and cash equivalent			201.8			201.8	201.8
Derivative financial instruments				0.1		0.1	0.1
<b>Total financial assets</b>	<b>-</b>	<b>184.8</b>	<b>474.3</b>	<b>0.1</b>	<b>-</b>	<b>659.2</b>	<b>659.2</b>

**Financial liabilities 30 September 2016**

EUR million	Fair value through profit & loss	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Non-current interest-bearing financial liabilities			544.6	544.6	566.7
Other non-current financial liabilities			0.1	0.1	0.1
Current interest-bearing financial liabilities			148.4	148.4	150.2
Accounts payable and other financial liabilities			276.1	276.1	276.1
Derivative financial instruments	0.3	5.0		5.3	5.3
<b>Total financial liabilities</b>	<b>0.3</b>	<b>5.0</b>	<b>969.1</b>	<b>974.4</b>	<b>998.3</b>

Accounts receivables and other receivables do not include advance payments, accrued tax receivables and periodisations of employee costs.

Accounts payable and other financial liabilities do not include advance payments, accrued tax liabilities and periodisations of employee costs.

In Metsä Board all interest-bearing liabilities are valued in the balance sheet at amortised cost based on effective interest method. Interest bearing receivables are classified according to the IAS standards. Fair values in the table are based on present value of cash flow of each liability or assets calculated by market rate. The discount rates applied are between 0.3–2.6 per cent (30 September 2016: 0.3–2.0).

**Fair value hierarchy of financial assets and liabilities as of 30 September 2017**

EUR million	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Financial assets at fair value through profit or loss, non-current				-
Available for sale financial assets	0.0		214.4	214.4
Financial assets at fair value through profit or loss, current				-
Derivative financial assets	6.4	12.3		18.8
<b>Financial liabilities measured at fair value</b>				
Derivative financial liabilities	0.2	1.2		1.3
<b>Financial assets not measured at fair value</b>				
Cash and cash equivalent		210.3		210.3
<b>Financial liabilities not measured at fair value</b>				
Non-current interest-bearing financial liabilities		552.9		552.9
Current interest-bearing financial liabilities		108.3		108.3

**Fair value hierarchy of financial assets and liabilities as of 30 September 2016**

EUR million	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Financial assets at fair value through profit or loss, non-current				-
Available for sale financial assets	0.0		184.8	184.8
Financial assets at fair value through profit or loss, current				-
Derivative financial assets	0.1			0.1
<b>Financial liabilities measured at fair value</b>				
Derivative financial liabilities	2.1	3.1		5.3
<b>Financial assets not measured at fair value</b>				
Cash and cash equivalent		201.8		201.8
<b>Financial liabilities not measured at fair value</b>				
Non-current interest-bearing financial liabilities		566.7		566.7
Current interest-bearing financial liabilities		150.2		150.2

**Financial assets and liabilities measured at fair value based on Level 3**

	<b>2017</b>	<b>2016</b>
<b>EUR million</b>	<b>30.9.</b>	<b>30.9.</b>
Opening balance 1.1.	195.9	210.1
Total gains and losses in profit or loss	-0.0	0.1
Total gains and losses in other comprehensive income	18.5	-25.3
Purchases	-	-
Disposals	-	-0.1
Closing balance 30.9.	214.4	184.8

Financial assets and liabilities measured at fair value have been categorised according to IFRS 7

**Level 1** Fair value is based on quoted prices in active markets.

**Level 2** Fair value is determined by using valuation techniques that use observable price information from market.

**Level 3** Fair value are not based on observable market data, but company's own assumptions.

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

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

For financial instruments not traded on an open market, the fair value is determined by valuation techniques. Judgment 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).

The valuation techniques are described in more detail in the Annual report.

The most significant item at fair value not traded on an open market is the investment in Pohjolan Voima Oyj shares, reported under available-for-sale financial assets. The valuation technique applied to Pohjolan Voima shares is described in more detail in the 2016 Annual report.

The WACC used in Pohjolan Voima share valuation on 30 September 2017 was 2.40 percent (30.9.2016: 1.53) and 4.40 percent (4.53) for the Olkiluoto 3 under construction. The acquisition cost of shares in Pohjolan Voima Oy is EUR 39.1 million (39.1) and the fair value EUR 210.3 million (180.7).

The carrying amount of available-for-sale financial assets as of 30.9.2017 is estimated to change by EUR 2.3 million should the rate used for discounting the cash flows change by 10 percent from the rate estimated by management. The carrying amount of available-for-sale financial assets is estimated to change by EUR 33.3 million should the energy prices used for calculating the fair value differ by 10 percent from the prices estimated by management.



**Derivatives 30 September 2017**

EUR million	Nominal value	Fair value		Fair value			
		Derivative Assets	Liab.	Fair value Net	Fair value	Cash flow hedges	Derivatives with no hedge accounting
Interest forward agreements							
Interest rate options							
Interest rate swaps	300.0		1.2	-1.2		-1.1	-0.1
<b>Interest rate derivatives</b>	<b>300.0</b>		<b>1.2</b>	<b>-1.2</b>		<b>-1.1</b>	<b>-0.1</b>
Currency forward agreements	926.0	12.3		12.3		11.6	0.7
Currency option agreements							
Currency swap agreements							
<b>Currency derivatives</b>	<b>926.0</b>	<b>12.3</b>		<b>12.3</b>		<b>11.6</b>	<b>0.7</b>
Electricity derivatives	64.3	5.9		5.9		5.9	
Pulp derivatives							
Oil derivatives	7.6		0.2	-0.2		-0.2	
Other commodity derivatives	2.9	0.6		0.6		0.6	
<b>Commodity derivatives</b>	<b>74.8</b>	<b>6.4</b>	<b>0.2</b>	<b>6.3</b>		<b>6.3</b>	
<b>Derivatives total</b>	<b>1,300.8</b>	<b>18.8</b>	<b>1.3</b>	<b>17.4</b>		<b>16.8</b>	<b>0.6</b>

**Derivatives 30 September 2016**

EUR million	Nominal value	Fair value		Fair value			
		Derivative Assets	Liab.	Fair value Net	Fair value	Cash flow hedges	Derivatives with no hedge accounting
Interest forward agreements							
Interest rate options							
Interest rate swaps	100.0		2.0	-2.0		-2.0	
<b>Interest rate derivatives</b>	<b>100.0</b>		<b>2.0</b>	<b>-2.0</b>		<b>-2.0</b>	
Currency forward agreements	535.6		1.1	-1.1		-0.8	-0.3
Currency option agreements	53.8		0.0	0.0			0.0
Currency swap agreements							
<b>Currency derivatives</b>	<b>589.3</b>		<b>1.1</b>	<b>-1.1</b>		<b>-0.8</b>	<b>-0.3</b>
Electricity derivatives	59.5	0.1	0.2	-0.1		-0.1	
Pulp derivatives							
Oil derivatives	9.7		1.9	-1.9		-1.9	
Other commodity derivatives	3.3		0.0	0.0		0.0	
<b>Commodity derivatives</b>	<b>72.4</b>	<b>0.1</b>	<b>2.1</b>	<b>-2.0</b>		<b>-2.0</b>	
<b>Derivatives total</b>	<b>761.8</b>	<b>0.1</b>	<b>5.3</b>	<b>-5.1</b>		<b>-4.9</b>	<b>-0.3</b>

**NOTE 9 – COMMITMENTS AND GUARANTEES**

EUR million	30.9.2017	30.9.2016	31.12.2016
Liabilities secured by pledges, real estate mortgages and floating charges	105.4	138.0	121.7
Pledges granted	106.3	99.3	103.0
Floating charges	-	-	-
Real estate mortgages	232.8	232.8	232.8
Total pledges and mortgages	339.1	332.0	335.8
As security for other own commitments	15.4	8.7	16.1
On behalf of associated companies and joint ventures	0.1	0.1	0.1
On behalf of others	0.1	0.1	0.1
Total	354.7	341.0	352.1

Securities and guarantees include pledges, real estate mortgages, floating charges and guarantee liabilities. Metsä Board has entered into operating lease agreements for rental premises, machinery and equipment. The rent and lease commitments arising from these agreements are included in the table

above. The non-cancellable minimum lease payments arising from such agreements amounted to EUR 12.4 million (EUR 12.2 million 31 December 2016).

**Open derivative contracts**

EUR million	30.9.2017	30.9.2016	31.12.2016
Interest rate derivatives	300.0	100.0	100.0
Currency derivatives	926.0	589.3	754.6
Other derivatives	74.8	72.4	97.9
Total	1,300.8	761.8	952.5

The fair value of open derivative contracts calculated at market value at the end of the review period was EUR 17.4 million (EUR -5.1 million 30 September 2016).

**Commitments related to property, plant and equipment**

EUR million	30.9.2017	30.9.2016	31.12.2016
Payments due in following 12 months	2.3	21.3	11.2
Payments due later	-	1.8	-
Total	2.3	23.1	11.2