METSÄ BOARD

FINANCIAL STATEMENTS BULLETIN

2016

MetsäBoard

METSÄ BOARD'S COMPARABLE OPERATING RESULT IN 2016 WAS EUR 137 MILLION

JANUARY–DECEMBER 2016 (1–12/2015)

- Sales amounted to EUR 1,720.3 million (2,007.5).
- Comparable operating result was EUR 137.5 million (179.9), or 8.0 per cent (9.0) of sales. Operating result was EUR 132.3 million (199.0).
- Comparable result before taxes was EUR 106.8 million (150.2). Result before taxes was EUR 101.6 million (167.1).
- Comparable earnings per share were EUR 0.26 (0.34), and earnings per share were EUR 0.25 (0.39).

OCTOBER–DECEMBER 2016 (7–9/2016)

- Sales amounted to EUR 421.8 million (440.0).
- Comparable operating result was EUR 32.8 million (34.0), or 7.8 per cent (7.7) of sales. Operating result was EUR 38.5 million (26.6).
- Comparable result before taxes was EUR 22.8 million (27.1). Result before taxes was EUR 28.6 million (19.8).
- Comparable earnings per share were EUR 0.05 (0.07), and earnings per share were EUR 0.07 (0.05).

ESSENTIAL IN OCTOBER–DECEMBER 2016

- Paperboard deliveries fell short of the previous quarter due to seasonality.
- At the Husum integrated mill, the annual maintenance shutdown in October was extended by a week to resolve the pulp mill's technical problems. Following the shutdown, pulp production has continued normally.
- The average price of orders for Husum's new folding boxboard increased, and deliveries remained roughly on par with the previous quarter.
- CDP recognised Metsä Board's responsibility in a notable way. The company was included on the A List in the Climate and Water programmes and received Leadership status in the Forests programme.

PROFIT GUIDANCE FOR JANUARY–MARCH 2017

Metsä Board's comparable operating result in the first quarter of 2017 is expected to improve compared to the fourth quarter of 2016.

DIVIDEND PROPOSAL

The Board of Directors proposes to the Annual General Meeting to be held on 23 March 2017 that a dividend of EUR 0.19 per share be paid for the 2016 financial period. The proposed dividend is equal to 76 per cent of the earnings per share for 2016 and 73 per cent of the comparable earnings per share.

Mika Joukio, CEO:

“Our paperboard deliveries in 2016 grew by 12 per cent, which clearly exceeds the average growth rate of the premium fresh fibre paperboard market growth. Our sales declined as planned due to the reduced paper business. Our comparable operating result weakened compared to the previous year and was EUR 137 million. The profit development of our Finnish mills was stable overall, and five mills out of seven achieved new records in their annual production. Our operating result was burdened by the start-up of Husum's new folding boxboard production line, the technical issues in the new production line and the pulp mill, as well as the lower price level of the start-up volumes of the new folding boxboard. The decline in the pulp market price also had a negative impact on our result.

The restructuring work, which has lasted for several years, was concluded when the last fine paper reels were produced at the Husum mill in Sweden. We also discontinued the loss-making wallpaper base business at the Kyro mill in Hämeenkyrö, Finland. From now on, we will produce only premium fresh fibre paperboard for consumer goods, retail-ready and food service packaging.

At Husum, we started the installation of the extrusion coating line for food service packaging. The line will be commissioned in 2017. We will also continue the development of other barrier solutions. We will closely evaluate their commercial potential.

Technical problems in the folding boxboard production line at Husum have now been solved. With determined work carried out over several years, we have created for ourselves a growing market position in North America, where there is good demand for Metsä Board's premium paperboards. We are therefore ideally placed for continued profitable growth and increasing our market share in North America. Europe will continue to be our biggest and most important market; here, we aim to keep our leading position as a producer of folding boxboard with healthy pricing.”

FINANCIAL KEY FIGURES

	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2016 Q1–Q4	2015 Q1–Q4
Sales, EUR million	421.8	440.0	422.9	435.6	462.2	1,720.3	2,007.5
EBITDA, EUR million	58.9	60.6	59.6	55.5	59.1	234.6	302.5
comparable, EUR million	53.1	59.4	60.7	57.8	59.7	231.1	283.3
EBITDA, % of sales	14.0	13.8	14.1	12.7	12.8	13.6	15.1
comparable, % of sales	12.6	13.5	14.4	13.3	12.9	13.4	14.1
Operating result, EUR million	38.5	26.6	34.5	32.7	34.1	132.3	199.0
comparable, EUR million	32.8	34.0	35.8	35.0	35.1	137.5	179.9
Operating result, % of sales	9.1	6.0	8.2	7.5	7.4	7.7	9.9
comparable, % of sales	7.8	7.7	8.5	8.0	7.6	8.0	9.0
Result before taxes, EUR million	28.6	19.8	25.5	27.7	29.4	101.6	167.1
comparable, EUR million	22.8	27.1	26.8	30.0	30.4	106.8	150.2
Result for the period, EUR million	24.7	18.6	23.2	23.9	26.5	90.4	137.3
comparable, EUR million	19.2	24.1	24.6	25.7	27.5	93.6	120.2
Result per share, EUR	0.07	0.05	0.06	0.07	0.07	0.25	0.39
comparable, EUR	0.05	0.07	0.07	0.07	0.07	0.26	0.34
Return on equity, %	9.6	7.4	9.4	9.5	10.4	8.7	14.7
comparable, %	7.5	9.6	9.9	10.2	10.8	9.0	12.9
Return on capital employed, %	9.0	6.3	8.2	7.8	8.1	7.8	12.5
comparable, %	7.7	8.0	8.5	8.3	8.3	8.1	11.3
Equity ratio at end of period, %	48	48	47	44	46	48	46
Net gearing ratio at end of period, %	44	49	54	42	32	44	32
Interest-bearing net liabilities/EBITDA[1)]	2.0	2.1	2.1	1.5	1.2	2.0	1.2
Shareholders' equity per share at end of period, EUR	2.96	2.82	2.81	2.77	2.89	2.96	2.89
Interest-bearing net liabilities, EUR million	463.8	487.6	541.4	412.3	333.4	463.8	333.4
Gross investments, EUR million	43.3	16.4	48.3	54.3	60.8	162.4	177.8
Net cash flow from operating activities, EUR million	54.6	67.0	-22.2	-22.3	65.9	77.0	246.7
Personnel at the end of period	2,466	2,493	2,762	2,573	2,601	2,466	2,601

[1)] Ratio of end of period interest-bearing net liabilities to 12-month rolling comparable EBITDA

DELIVERY AND PRODUCTION VOLUMES

1000 t	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2016 Q1–Q4	2015 Q1–Q4
Deliveries							
Paperboard	399	422	408	378	365	1,607	1,449
Paper	2	7	11	15	65	35	478
Market Pulp	116	128	113	144	134	500	549
Production							
Paperboard	418	456	428	405	375	1,708	1,481
Paper	0	2	9	12	38	23	430
Metsä Fibre pulp [1)]	149	144	139	146	148	577	586
Metsä Board pulp	306	314	307	309	257	1,236	1,206

[1)] Equal to Metsä Board's 24.9 per cent holding in Metsä Fibre.

FINANCIAL STATEMENTS BULLETIN 1 JANUARY– 31 DECEMBER 2016

OCTOBER–DECEMBER 2016 (7–9/2016)

SALES AND RESULT

Metsä Board’s sales amounted to EUR 421.8 million (440.0). Sales declined due to the delivery volumes of paperboard and market pulp, which were lower than in the previous quarter. The operating result was EUR 38.5 million (26.6), and the comparable operating result was EUR 32.8 million (34.0). Items affecting comparability totalled EUR 5.8 million and related primarily to an additional sales price acquired from an old divestment.

The comparable operating result remained roughly at the same level as in the previous quarter. The result was burdened by the production and delivery volumes of Finnish folding boxboard mills, which were lower than in the previous quarter, and the extended annual maintenance shutdown at Husum. The operating result was improved by the better average price of Husum's folding boxboard and the positive development in the fresh fibre linerboards business. Exchange rate fluctuations after hedging had only a minor positive overall impact on the operating result for October–December.

There were no significant changes in the production costs of paperboards.

The combined delivery volume of Metsä Board's folding boxboard and white fresh fibre linerboard in October–December totalled 387,000 tonnes (413,000). The paper delivery volume was 2,000 tonnes (7,000), and the delivery volume of market pulp was 116,000 tonnes (128,000).

Metsä Board's folding boxboard deliveries were 8 per cent lower than in the previous quarter. Deliveries by European folding boxboard producers decreased by 5 per cent.

The average prices of Metsä Board's paperboards remained stable or increased slightly. Price increases were supported by, among other things, the increase in the average price of folding boxboard from Husum and the stronger US dollar. The euro-denominated market price of long-fibre pulp increased slightly, while its dollar-denominated market price remained stable. The euro-denominated market price of short-fibre pulp remained stable, while its dollar-denominated market price declined slightly.

Net cash flow from operations was EUR 54.6 million (67.0).

Financial income and expenses during October–December totalled EUR -9.9 million (-6.8), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments; totalling EUR -3.9 million (-0.7).

The result before taxes in October–December was EUR 28.6 million (19.8). The comparable result before taxes was EUR 22.8 million (27.1). Income taxes amounted to EUR -3.9 million (-1.2).

Earnings per share were EUR 0.07 (0.05). The return on equity was 9.6 per cent (7.4), and the comparable return on equity was 7.5 per cent (9.6). The return on capital employed was 9.0 per cent (6.3), and the comparable return on capital employed was 7.7 per cent (8.0).

JANUARY–DECEMBER 2016 (1–12/2015)

SALES AND RESULT

Metsä Board’s sales amounted to EUR 1,720.3 million (2,007.5). Sales declined due to a considerable decrease in paper deliveries. The operating result was EUR 132.3 million (199.0), and the comparable operating result was EUR 137.5 million (179.9). Items affecting comparability were EUR -5.2 million net and related primarily to the discontinuation of the wallpaper base business.

The operating result was weakened by the start-up of the new folding boxboard machine at Husum, which impacted on the production volumes of pulp and paperboard, especially during the first half of the year. A leak in the pulp mill's recovery boiler and production challenges in the new folding boxboard production line delayed customer deliveries in the second and third quarters. The result for the financial period was also negatively impacted by the clearly lower price of the start-up volumes of folding boxboard from Husum and the fall in market pulp prices compared to the previous year. All in all, the profit development of Metsä Board's Finnish mills was stable. Five Finnish mills set new records in terms of annual production. Exchange rate fluctuations after hedging had a clearly positive total impact on the operating result of the financial period.

The production costs of paperboards declined slightly from the previous year.

The total delivery volume of Metsä Board’s folding boxboard and white linerboards made from fresh fibre totalled 1,568,000 tonnes (1,404,000) in January–December. The delivery volume of papers amounted to 35,000 tonnes (478,000). Deliveries of market pulp amounted to 500,000 tonnes (549,000). The volume of pulp deliveries declined due to the downtime attributable to the investment programme at Husum and the discontinued trading activity with Sappi.

Metsä Board's folding boxboard deliveries grew by 14 per cent compared to the previous year. Deliveries by European folding boxboard producers increased by 3 per cent. Metsä Board's share of the total deliveries of European folding boxboard producers was 38 per cent and, of exports outside of Europe, 68 per cent.

The average prices of paperboards produced at Metsä Board’s mills in Finland decreased slightly in 2016. The euro- and dollar-denominated market prices of long-fibre and particularly short-fibre pulps decreased.

Net cash flow from operations was EUR 77.0 million (246.7). Cash flow was impacted by the weaker result and the increase in working capital due to the investment programme at Husum.

Financial income and expenses totalled EUR -30.7 million (-32.0), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments; totalling EUR -4.9 million (-3.4) .

The result before taxes for the financial period was EUR 101.6 million (167.1). The comparable result before taxes was EUR 106.8 million (150.2). Income taxes amounted to EUR -11.3 million (-29.8). Income taxes of approximately EUR 9.6 million unrecognised in the previous year were recognised in the comparison period.

Earnings per share were EUR 0.25 (0.39). Comparable earnings per share were EUR 0.26 (0.34). The return on equity was 8.7 per cent (14.7), and the comparable return on equity was 9.0 per cent (12.9). The return on capital employed was 7.8 per cent (12.5), and the comparable return on capital employed was 8.1 per cent (11.3).

FINANCING

Metsä Board’s equity ratio at the end of 2016 was 48.2 per cent (31 Dec 2015: 46.5) and the net gearing ratio was 44 per cent (31 Dec 2015: 32). The ratio of interest-bearing net liabilities to the comparable EBITDA of the previous 12 months was 2.0 at the end of the financial period (31 Dec 2015: 1.2).

The fair value of investments available for sale at the end of the financial period was EUR 195.9 million (31 Dec 2015: EUR 210.2). The change in fair value from the beginning of the financial period, EUR -14.2 million, related to the decrease in the fair value of the shares in Pohjolan Voima Oy.

At the end of 2016, net interest-bearing liabilities amounted to EUR 463.8 million (31 Dec 2015: 333.4). Foreign currency-denominated loans accounted for 1.1 per cent of loans and floating-rate loans for 39 per cent, with the rest being fixed-rate loans. At the end of the year, the average interest rate on loans was 3.3 per cent (31 Dec 2015: 3.8), and the average maturity of long-term loans was 2.2 years (31 Dec 2015: 2.6). The interest rate maturity of loans was 14.9 months at the end of the year (31 Dec 2015: 20.6). During the period, the interest rate maturity has varied between 14 and 21 months.

Net cash flow from operations in January–December was EUR 77.0 million (1–12/2015: 246.7). Working capital increased by EUR 74.5 million (1–12/2015: -72.2) in January–December. Working capital grew as a result of the increase in the finished products inventory of folding boxboard and reduced trade payables related to the investment programme at Husum.

At the end of the financial period, an average of 6.4 months of the net foreign currency exposure was hedged, including the hedging of the balance sheet position. Hedging level during the period varied between three and seven months, on average. After the financial period, the company has decided to change the normal level of hedging in such a way that, instead of the previous 25 per cent, 50 per cent of the projected annual net foreign currency flow will be hedged in addition to the balance sheet position. The amount of the hedging may deviate from the normal level 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.

The financing agreement includes financial covenants concerning the Group’s financial performance and capital structure. The company has considerable headroom in relation to covenants set in the credit agreements.

Metsä Board’s liquidity has remained strong. At the end of the financial period, the available liquidity was EUR 422.6 million (31 Dec 2015: 486.5), consisting of the following items: liquid assets and investments of EUR 220.6 million, revolving credit facility of EUR 100.0 million, and undrawn pension premium (TyEL) funds of EUR 102.0 million. Of the liquid assets, EUR 215.5 million consisted of short-term deposits with Metsä Group Treasury, and EUR 5.1 million were cash funds and investments. Other interest-bearing receivables amounted to EUR 3.7 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.

In February, Standard & Poor’s Ratings Services raised Metsä Board Corporation's credit rating by one notch from BB to BB+. The rating outlook was raised from stable to positive. The upgrade of the ratings has had no impact on Metsä Board’s current financing costs.

In June, Metsä Board agreed on extending its current syndicated credit agreement by two years. Following the extension, the facility, which consists of a loan facility of EUR 150 million and a revolving credit facility of EUR 100 million, will mature in March 2020.

In 2017, Metsä Board plans to lower the amount of interest-bearing liabilities by at least EUR 100 million, to improve the effectiveness of the balance sheet.

CHANGES IN THE CORPORATE MANAGEMENT TEAM

Jussi Noponen was appointed Metsä Board's Chief Financial Officer and a member of the Corporate Management Team as of 16 September 2016. Noponen reports to CEO Mika Joukio. Markus Holm, Metsä Board's previous CFO, transferred to another company.

PERSONNEL

At the end of 2016, the number of personnel was 2,466 (2,601), of whom 1,442 (1,494) people worked in Finland. In January–December, Metsä Board employed 2,588 (2,851) people on average. Personnel expenses in 2016 totalled EUR 211.0 million (234.5).

INVESTMENTS

Gross investments in 2016 totalled EUR 162.4 million (177.8), primarily concerning the investment programme at Husum. These also include Metsä Board's EUR 24.9 million investment in Metsä Fibre's new bioproduct mill.

BUSINESS DEVELOPMENT

Demand for Metsä Board's lightweight, ecological and recyclable fresh fibre paperboards remained good in all of the company's main market areas in 2016. By exploiting Husum's new folding boxboard capacity, Metsä Board is well-positioned to meet the growing global demand for premium fresh fibre paperboards. Metsä Board's total paperboard deliveries grew by 12 per cent from the previous year.

Husum's investment programme was brought to a conclusion in 2016, and the new folding boxboard production line in Sweden started up in February, slightly behind the original schedule. A leak in the pulp mill's recovery boiler and technical problems in the finishing area of the new folding boxboard production line during the second and third quarters delayed customer deliveries. Due to the repair work on the recovery boiler, the planned annual maintenance shutdown of the Husum integrated mill was extended by a week in the fourth quarter. By the end of the year, technical problems in the folding boxboard production line had been solved, and the average price of the order intake was at a good level. The EUR 10 million efficiency improvement programme launched at the Husum integrated mill in May progressed according to plan.

The installation of the main equipment for the extrusion coating line began in Husum in the third quarter. The coating line will be commissioned in 2017, and its paperboard coating capacity will be approximately 100,000 tonnes per year. The investment is valued at EUR 38 million, allocated primarily to 2016. Metsä Board also evaluates the commercial potential of other barrier solutions. The company is in a position to provide new barrier solutions, provided that there will be a profitable market for them.

The production of Metsä Board's uncoated fine paper at Husum came to an end in July, and the last paper deliveries were made in the fourth quarter of the year.

In September, the company discontinued the production of wallpaper base at the Kyro mill in Hämeenkyrö, Finland.

In June, Metsä Board invested EUR 24.9 million in the new bioproduct mill of its associated company, Metsä Fibre. The company has no other financial commitments in the project. The investment will increase Metsä Board's annual pulp capacity by approximately 200,000 tonnes starting from 2018.

STRATEGY AND FINANCIAL TARGETS

Metsä Board is a leading European producer of fresh fibre paperboards. The company focuses on lightweight, premium fresh fibre paperboards used in consumer goods, retail-ready and food service packaging. The company's customers include brand owners, converters and merchant customers around the world. Metsä Board's strategic objective is to grow profitably and faster than the average market growth. Profitability is based on superior cost-effectiveness and healthy sales prices, driven by high-quality fibre raw materials and unique technical know-how.

The financial targets are:

- Return on capital employed (ROCE) of at least 12 per cent starting from 2017
- Net gearing a maximum of 70 per cent

The aim is to pay an annual dividend of at least one third of the earnings per share.

In 2016, the actualised financial targets were:

- Comparable return on capital employed of 8.1 per cent
- A net gearing ratio of 44 per cent

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.19 per share be paid for the 2016 financial period. The proposed dividend is equal to 76 per cent of the earnings per share for 2016 and 73 per cent of the comparable earnings per share.

DECISIONS MADE AT THE 2016 ANNUAL GENERAL MEETING

Metsä Board's Annual General Meeting held on 23 March 2016 adopted the company's financial statements for the financial year 2015 and decided to distribute a dividend of EUR 0.17 per share.

The Annual General Meeting confirmed the number of members of the Board of Directors as nine and re-elected the following individuals to the Board of Directors: Mikael Aminoff, Martti Asunta, Kari Jordan, Kirsi Komi, Kai Korhonen, Liisa Leino, Juha Niemelä, Veli Sundbäck and Erkki Varis. The Board members' term of office expires at the end of the next Annual General Meeting.

Metsä Board issued a stock exchange release on the decisions made by the Annual General Meeting and the organisation of the Board of Directors on 23 March 2016. More detailed information on the decisions of the Annual General Meeting and introductions of the Board members are available on Metsä Board's website at: www.metsaboard.com/investors/general-meeting.

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 the decision issued by the Tax Administration, as the company believes the losses are deductible.

SHARES

In January–December, the highest price for Metsä Board's B share on the Nasdaq Helsinki was EUR 7.15, the lowest price was EUR 4.23, and the average price was EUR 5.34. At the end of the year, the price of the B share was EUR 6.80. In January–December, the highest price for Metsä Board's A share was EUR 6.93, the lowest price was EUR 4.80, and the average price was EUR 5.85. At the end of the year, the price of the A share was EUR 6.75.

In 2016, the average daily trading volume of the B and A shares on the Nasdaq Helsinki was 734,042 shares and 3,070 shares, respectively. The total trading volume of the B and A shares was EUR 992.4 million and EUR 4.5 million, respectively. At the end of the year, the market value of all Metsä Board shares was EUR 2.4 billion, of which the market value of the B shares and the A shares accounted for EUR 2.2 billion and EUR 242 million, respectively.

In addition to the Nasdaq Helsinki, Metsä Board's shares are traded on other marketplaces, such as Chi-X and BATS.

At the end of the year, 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 the year, international and nominee-registered investors held 15 per cent of the shares (31 December 2015: 20 per cent).

The company does not hold any treasury shares.

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 sales growth 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 development in international free trade would, if realised, weaken Metsä Board's result.

The forward-looking estimates and statements in this financial statements bulletin 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 main currencies.

The US dollar strengthening by 10 per cent against the euro would have a positive impact of approximately EUR 70 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 40 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. These sensitivities are presented before the impact of hedging.

Additional information on long-term risks is also available in Metsä Board's 2015 Annual Report on pages 23–25 and in the 2016 Annual Report to be published in the first quarter of 2017.

NEAR-TERM OUTLOOK

Metsä Board's paperboard deliveries in January–March are expected to grow from the previous quarter. The growth is supported by Husum's new folding boxboard production, primarily sold to the Americas.

The profit development of Finnish mills is expected to remain stable, and the production costs of paperboards in January–March are expected to remain at the level of the fourth quarter in 2016.

No planned maintenance shutdowns are set to take place in January–March; this will have a positive impact on the result of the first quarter compared to other quarters.

Demand for premium fresh fibre paperboards is expected to remain good in both Europe and the Americas. The market prices of folding boxboard and white fresh fibre linerboard are expected to remain stable. Global demand and supply for long-fibre and short-fibre pulp is expected to remain stable.

PROFIT GUIDANCE FOR JANUARY–MARCH 2017

Metsä Board's comparable operating result in the first quarter of 2017 is expected to improve compared to the fourth quarter of 2016.

BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF PROFIT

The distributable funds of the parent company on 31 December 2016 were EUR 491.1 million, of which the retained earnings for the financial year are EUR 106.3 million.

The Board of Directors proposes to the Annual General Meeting to be held on 23 March 2017 that a dividend of EUR 0.19 per share, or a total of EUR 67.5 million, be paid for the 2016 financial period.

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 2017. The Board of Directors proposes 3 April 2017 as the dividend payment date.

METSÄ BOARD CORPORATION

Espoo, Finland

2 February 2017

BOARD OF DIRECTORS

Further information:

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More information will be available as of 1 p.m. on 2 February 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 0361
Sweden +46 8 5033 6574
United Kingdom +44 330 336 9105
United States: +1 719-457-1036

The conference ID is 2804193.

The following financial reports are to be published:
2 February 2017, Financial Statements Bulletin for 2016
4 May 2017, Interim Report for January–March 2017
3 August 2017, Half-year Financial report for January–June 2017
1 November 2017, Interim Report for January–September 2017

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 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	Q4 2016	Q4 2015	Q1–Q4 2016	Q1–Q4 2015
Sales	**2, 6**	**421.8**	**462.2**	**1,720.3**	**2,007.5**
Change in stocks of finished goods and work in progress		8.6	-5.0	38.5	-15.1
Other operating income	**2, 6**	11.6	9.9	40.2	47.7
Material and services	**6**	-302.7	-326.8	-1,249.5	-1,408.0
Employee costs		-48.8	-56.8	-211.0	-234.5
Share of result of associated company		9.5	14.7	45.0	61.3
Depreciation, amortisation and impairment losses		-20.4	-25.0	-102.3	-103.5
Other operating expenses		-41.1	-39.1	-148.9	-156.4
Operating result	**2**	**38.5**	**34.1**	**132.3**	**199.0**
Share of results of associated companies and joint ventures		0.0	0.0	0.1	0.1
Net exchange gains and losses		-3.9	1.9	-4.9	-3.4
Other net financial items	**2, 6**	-6.0	-6.6	-25.8	-28.6
Result before income tax		**28.6**	**29.4**	**101.6**	**167.1**
Income taxes	**3**	-3.9	-2.9	-11.3	-29.8
Result for the period		**24.7**	**26.5**	**90.4**	**137.3**

EUR million	Note	Q4 2016	Q4 2015	Q1–Q4 2016	Q1–Q4 2015
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains/losses on defined pension plans		12.9	4.5	1.3	6.3
Income tax relating to items that will not be reclassified		-2.2	-1.8	0.3	-2.7
Total		**10.7**	**2.7**	**1.6**	**3.6**
Items that may be reclassified to profit or loss					
Cash flow hedges		2.4	-5.4	27.0	-2.9
Available for sale financial assets	**8**	11.1	-22.0	-14.2	-23.0
Translation differences		1.8	6.7	-12.3	7.0
Share of other comprehensive income of associated company		1.2	-1.5	-5.6	0.3
Income tax relating to components of other comprehensive income		-2.8	5.6	-2.8	5.5
Total		13.8	-16.6	-7.9	-13.1
Other comprehensive income. net of tax		**24.5**	**-13.9**	**-6.4**	**-9.5**
Total comprehensive income for the period		**49.1**	**12.6**	**84.0**	**127.8**
Result for the period attributable to					
Shareholders of parent company		24.7	26.5	90.4	137.3
Non-controlling interests		0.0	0.0	0.0	0.0
Total comprehensive income for the period attributable to					
Shareholders of parent company		49.1	12.6	84.0	127.8
Non-controlling interests		0.0	0.0	0.0	0.0
Total		49.1	12.6	84.0	127.8
Earnings per share for result attributable to share-holders of parent company (EUR/share)		0.07	0.07	0.25	0.39

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	Note	As of 31 Dec 2016	As of 31 Dec 2015
ASSETS			
Non-current assets			
Goodwill		12.4	12.4
Other intangible assets		14.6	13.7
Tangible assets	4	829.8	812.3
Investments in associated companies and joint ventures		291.6	260.2
Available for sale investments	8	195.9	210.2
Other non-current financial assets	6, 8	19.0	14.6
Deferred tax receivables	2	4.3	4.5
		1,367.7	**1,327.9**
Current assets			
Inventories		332.5	299.3
Accounts receivables and other receivables	6, 8	273.4	271.1
Cash and cash equivalents	6, 8	220.6	321.8
		826.5	**892.2**
Total assets		**2,194.2**	**2,220.1**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Equity attributable to shareholders of parent company		1,052.5	1,028.9
Non-controlling interests		0.0	0.0
Total equity		**1,052.5**	**1,028.9**
Non-current liabilities			
Deferred tax liabilities		74.7	80.2
Post-employment benefit obligations	2	15.1	14.6
Provisions	5	6.9	8.3
Borrowings	8	469.0	611.3
Other liabilities	8	1.7	11.5
		567.5	**725.9**
Current liabilities			
Provisions	5	3.0	13.8
Current borrowings	6, 8	219.1	47.6
Accounts payable and other liabilities	6, 8	352.1	403.9
		574.2	**465.3**
Total liabilities		**1,141.7**	**1,191.2**
Total shareholders' equity and liabilities		**2,194.2**	**2,220.1**

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 2015		557.9	6.9	132.1	284.8	-140.3	841.4	0.0	841.4
Comprehensive income for the period									
Result for the period						137.3	137.3	0.0	137.3
Other comprehensive income net of tax total			7.3	-20.4		3.6	-9.5		-9.5
Comprehensive income total			**7.3**	**-20.4**		**140.9**	**127.8**	**0.0**	**127.8**
Share based payments						0.8	0.8		0.8
Related party transactions									
Share issue net of transaction costs					98.3		98.3		98.3
Dividends paid						-39.4	-39.4		-39.4
Shareholders' equity, 31 December 2015		**557.9**	**14.2**	**111.7**	**383.1**	**-38.0**	**1,028.9**	**0.0**	**1,028.9**

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
Comprehensive income for the period									
Result for the period						90.4	90.4	0.0	90.4
Other comprehensive income net of tax total			-10.9	3.0		1.6	-6.4		-6.4
Comprehensive income total			-10.9	3.0		91.9	84.0	0.0	84.0
Share based payments						0.0	0.0		0.0
Related party transactions									
Dividends paid						-60.4	-60.4		-60.4
Shareholders' equity, 31 December 2016		**557.9**	**3.2**	**114.7**	**383.1**	**-6.4**	**1,052.5**	**0.0**	**1,052.5**

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	Q1–Q4 2016	Q1–Q4 2015	Q4 2016
Result for the period		90.4	137.3	24.7
Total adjustments	7	73.4	66.3	17.9
Change in working capital		-74.5	72.2	14.3
Cash flow from operations		**89.3**	**275.8**	**56.8**
Net financial items	7	13.6	-7.8	-4.3
Income taxes paid		-25.8	-21.3	2.0
Net cash flow from operating activities		**77.0**	**246.7**	**54.6**
Acquisition of other shares			-1.5	
Investments in intangible and tangible assets		-158.4	-175.0	-37.4
Disposals and other items	6,7	15.3	-30.6	14.5
Net cash flow from investing activities		**-143.2**	**-207.1**	**-22.9**
Right issue net of transaction costs			97.9	
Changes in non-current loans and in other financial items	6	24.7	-27.7	-14.7
Dividends paid		-60.4	-39.4	
Net cash flow from financing activities		**-35.7**	**30.8**	**-14.7**
Changes in cash and cash equivalents		**-101.9**	**70.4**	**17.0**
Cash and cash equivalents at beginning of period	6	321.8	250.4	201.8
Translation difference in cash and cash equivalents		0.7	1.0	1.9
Changes in cash and cash equivalents		-101.9	70.4	17.0
Cash and cash equivalents at end of period	6	**220.6**	**321.8**	**220.6**

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS BULLETIN

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 annual financial statements bulletin has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2015 IFRS financial statements. The same accounting policies have been applied as in the 2015 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 2016:

Amendment to IAS 1 *Presentation of Financial Statements: Disclosure Initiative*. The amendments clarify the guidance in IAS 1 in relation to applying the materiality concept, disaggregating line items in the balance sheet and in the income statement, presenting subtotals and to the structure and accounting policies in the financial statement. The amendments have not had a significant impact on Group's consolidated financial statements.

Amendments to IFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint operations:* The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments have had no impact on Group's consolidated financial statements.

Annual Improvements to IFRSs (2012–2014 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. The cycle contains amendments to four standards. Their impacts vary standard by standard but are not significant.

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 2 February 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–Q4 2016	Q1–Q4 2015
Operating result (IFRS)	**132.3**	**199.0**
Items affecting comparability:		
Gains and losses on disposal in other operating income and expenses	-9.8	-17.5
Employee costs	5.2	0.3
Share of result of associated company	-1.8	-
Impairment charges and reversals of impairments	8.7	0.1
Other operating expenses	2.8	-2.0
Total	5.2	-19.2
Comparable operating result	**137.5**	**179.9**

"+" sign items = expense affecting comparability
"-" sign items = income affecting comparability

Comparable operating result for the reporting period includes a net disposal gain of EUR 9.8 million. Among other things, it consists 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 includes 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.
As a result of the transactions concerning Alrec Boiler Oy, Metsä Board Oyj has become the direct owner of the combustion facility at Kaskinen while selling its shares in Alrec Boiler Oy to its partner company in accordance with the shareholder agreement between the parties.

Employee costs of EUR 5.2 million affecting comparability consist 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 has been deducted from operating result as an item affecting comparability. Impairment charges of EUR 8.7 million affecting comparability arise 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 comprise other expenses arising from wallpaper production discontinuation and the related expense of writing wallpaper base inventories to their net realizable value.

Items affecting comparability in comparison period 2015 amounted to a positive net effect of EUR 19.2 million including among other things disposal gain of Gohrsmühle mill in Germany amounting to EUR 17.5 million and the result improving reversal of unused provisions valued at EUR 2.6 million originally recognized for closure of the Alizay mill in France as well as an impairment reversal of a sold paper machine in Simpele mill amounting to EUR 0.3 million.

NOTE 3 – INCOME TAXES

EUR million	Q1–Q4 2016	Q1–Q4 2015
Taxes for the current period	17.0	14.4
Taxes for the prior periods	-0.6	9.7
Change in deferred taxes	-5.1	5.7
Total income taxes	11.3	29.8

NOTE 4 – CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	Q1–Q4 2016	Q1–Q4 2015
Carrying value at beginning of period	812.3	737.7
Capital expenditure	133.3	176.1
Decreases	-3.1	-6.8
Depreciation, amortization and impairment losses	-99.2	-99.4
Translation difference	-13.5	4.7
Carrying value at end of period	829.8	812.3

Impairments in the reporting period include an impairment of EUR 8.5 million at Kyro mill related to the discontinued wall-paper base operations and an impairment reversal of EUR 2.0 million for a sold paper machine at Husum mill. In comparison period, an impairment reversal of EUR 0.3 million was recorded for a sold paper machine at Simpele mill.

NOTE 5 – PROVISIONS

EUR million		Restructuring	Environmental obligations	Other provisions	Total
	1 Jan 2016	**11.9**	**5.8**	**4.4**	**22.1**
Translation differences		-0.4	-0.0	-0.1	-0.5
Increases		0.8	0.6	0.4	1.7
Utilised during the year		-10.6	-0.1	-2.2	-12.9
Unused amounts reversed		-0.5	-0.0	-	-0.5
	31 Dec 2016	**1.3**	**6.2**	**2.5**	**10.0**

The non-current portion of provisions was EUR 6.9 million and the current portion EUR 3.0 million, total provisions amounting to EUR 10.0 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 inventory, 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–Q4 2016	Q1–Q4 2015
Sales	68.6	74.8
Other operating income	13.6	5.4
Purchases	597.8	700.3
Share of result from associated companies	45.0	61.3
Interest income	0.1	0.2
Interest expenses	2.9	2.4
Accounts receivables and other receivables	21.4	13.9
Cash and cash equivalents	215.5	311.3
Accounts payable and other liabilities	131.2	72.9

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 32.9 million to Metsä Board in 2016. 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–Q4 2016	Q1–Q4 2015
Sales	0,7	0.6
Purchases	6,1	7.4
Other non-current financial assets	0,3	0.3
Accounts receivables and other receivables	0,3	0.2
Accounts payable and other liabilities	1,2	1.5

NOTE 7 – NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Adjustments to the result for the period

EUR million	Q1–Q4 2016	Q1–Q4 2015	Q4 2016
Taxes	11.3	29.8	3.9
Depreciation, amortization and impairment charges	102.3	103.5	20.4
Share of result from associated companies and joint ventures	-45.1	-61.4	-9.5
Gains and losses on sale of fixed assets	-14.4	-23.7	-5.0
Finance costs, net	30.7	32.0	9.9
Provisions	-11.5	-13.9	-1.9
Total	73.4	66.3	17.9

Net financial items

Net financial items in consolidated cash flow statement for 2016 include a dividend of EUR 32.9 million paid by Metsä Fibre (2015: EUR 24.9 million).

Disposals and other items

Disposals and other items of EUR 15.3 million for 2016 include 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 include cash inflow 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. Cash flow effect from the sale of Alrec Boiler Oy totalled EUR -5.5 million, of which EUR -2.7 million is recognised in cash flow from financing activities.

Comparison year 2015 disposals and other items, EUR -30.6 million, include EUR 6.5 million disposals of fixed assets, EUR 1.1 million disposals of other shares as well as the EUR -38.2 million effect on cash flow statement related to disposal of Gohrsmühle mill in Germany.

NOTE 8 – FINANCIAL INSTRUMENTS

Financial assets and liabilities and their fair values classified according to IAS 39 as of 31 December 2016:

Financial assets 31 December 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		195.9				195.9	195.9
Other non-current financial assets			16.3			16.3	16.3
Accounts receivables and other receivables			264.8			264.8	264.8
Cash and cash equivalent			220.6			220.6	220.6
Derivative financial instruments				5.6		5.6	5.6
Total financial assets	**-**	**195.9**	**501.8**	**5.6**	**-**	**703.3**	**703.3**

Financial liabilities 31 December 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			469.0	469.0	489.1
Other non-current financial liabilities			0.1	0.1	0.1
Current interest-bearing financial liabilities			219.1	219.1	220.8
Accounts payable and other financial liabilities			303.2	303.2	303.2
Derivative financial instruments	6.6	8.0		14.6	14.6
Total financial liabilities	**6.6**	**8.0**	**991.4**	**1,006.0**	**1,027.8**

Financial assets and liabilities and their fair values classified according to IAS 39 as of 31 December 2015:

Financial assets 31 December 2015

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		210.2				210.2	210.2
Other non-current financial assets			14.6			14.6	14.6
Accounts receivables and other receivables			270.7			270.7	270.7
Cash and cash equivalent			321.8			321.8	321.8
Derivative financial instruments	1.5			-1.4		0.2	0.2
Total financial assets	**1.5**	**210.2**	**607.0**	**-1.4**	**-**	**817.4**	**817.4**

Financial liabilities 31 December 2015

EUR million	Fair value through profit & loss	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Non-current interest-bearing financial liabilities			611.3	611.3	636.3
Other non-current financial liabilities			0.1	0.1	0.1
Current interest-bearing financial liabilities			47.6	47.6	49.5
Accounts payable and other financial liabilities			355.2	355.2	355.2
Derivative financial instruments	-3.1	28.1		25.0	25.0
Total financial liabilities	**-3.1**	**28.1**	**1,014.2**	**1,039.2**	**1,066.2**

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 0.3–2.3 per cent (31 December 2015: 0.8–2.8).

Fair value hierarchy of financial assets and liabilities as of 31 December 2016

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Financial assets at fair value through profit or loss, non-current				-
Available for sale financial assets	0.0		195.9	195.9
Financial assets at fair value through profit or loss, current				-
Derivative financial assets	5.6			5.6
Financial liabilities measured at fair value				
Derivative financial liabilities		14.6		14.6
Financial assets not measured at fair value				
Cash and cash equivalent		220.6		220.6
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		489.1		489.1
Current interest-bearing financial liabilities		220.8		220.8

Fair value hierarchy of financial assets and liabilities as of 31 December 2015

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Financial assets at fair value through profit or loss, non-current				-
Available for sale financial assets	0.1		210.1	210.2
Financial assets at fair value through profit or loss, current				-
Derivative financial assets		0.2		0.2
Financial liabilities measured at fair value				
Derivative financial liabilities	24.1	0.9		25.0
Financial assets not measured at fair value				
Cash and cash equivalent		321.8		321.8
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		636.3		636.3
Current interest-bearing financial liabilities		49.5		49.5

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

EUR million	2016 31.12.	2015 31.12.
Opening balance 1.1.	210.1	232.9
Total gains and losses in profit or loss	-0.0	0.6
Total gains and losses in other comprehensive income	-14.2	-22.7
Purchases	-	-
Settlements	-0.0	-0.7
Closing balance 31.12.	195.9	210.1

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 shares, reported under available-for-sale financial assets. The valuation technique applied to Pohjolan Voima shares is described in more detail in the 2015 Annual report.

The WACC used in Pohjolan Voima share valuation on 31 December 2016 was 2.06 percent (31.12.2015: 2.72) and 4.06 percent (5.72) 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 191.8 million (206.0).

The carrying amount of available-for-sale financial assets as of 31.12.2016 is estimated to change by EUR 5.7 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 35.4 million should the energy prices used for calculating the fair value differ by 10 percent from the prices estimated by management.

Derivatives 31 December 2016

EUR million	Nominal value	Fair value			Fair value		
		Derivative		Fair value	Fair value	Cash flow	Derivatives with no hedge accounting
		Assets	Liab.	Net	hedges		
Interest forward agreements							
Interest rate options							
Interest rate swaps	100.0		1.7	-1.7		-1.7	
Interest rate derivatives	**100.0**		**1.7**	**-1.7**		**-1.7**	
Currency forward agreements	697.7		12.3	-12.3		-6.4	-6.0
Currency option agreements	56.9		0.6	-0.6			-0.6
Currency swap agreements							
Currency derivatives	**754.6**		**13.0**	**-13.0**		**-6.4**	**-6.6**
Electricity derivatives	83.1	4.1		4.1		4.1	
Pulp derivatives							
Oil derivatives	11.1	0.4		0.4		0.4	
Other commodity derivatives	3.7	1.0		1.0		1.0	
Commodity derivatives	**97.9**	**5.6**		**5.6**		**5.6**	
Derivatives total	**952.5**	**5.6**	**14.6**	**-9.1**		**-2.5**	**-6.6**

Derivatives 31 December 2015

EUR million	Nominal value	Fair value			Fair value		
		Derivative		Fair value	Fair value	Cash flow	Derivatives with no hedge accounting
		Assets	Liab.	Net	hedges		
Interest forward agreements							
Interest rate options							
Interest rate swaps	253.4		0.9	-0.9		-4.0	**3.1**
Interest rate derivatives	**253.4**		**0.9**	**-0.9**		**-4.0**	**3.1**
Currency forward agreements	465.5	0.2		0.2		-1.4	1.5
Currency option agreements	91.8	0.0		0.0			0.0
Currency swap agreements							
Currency derivatives	**557.4**	**0.2**		**0.2**		**-1.4**	**1.5**
Electricity derivatives	62.6		16.6	-16.6		-16.6	
Pulp derivatives							
Oil derivatives	16.7		6.4	-6.4		-6.4	
Other commodity derivatives	5.0		1.1	-1.1		-1.1	
Commodity derivatives	**84.3**		**24.1**	**-24.1**		**-24.1**	
Derivatives total	**895.1**	**0.2**	**25.0**	**-24.8**		**-29.4**	**4.6**

NOTE 9 – COMMITMENTS AND GUARANTEES

EUR million	31.12.2016	31.12.2015
Liabilities secured by pledges, real estate mortgages and floating charges	121.7	157.2
Pledges granted	103.0	91.9
Floating charges	-	3.0
Real estate mortgages	232.8	232.8
Total pledges and mortgages	335.8	327.7
As security for other own commitments	16.1	8.5
On behalf of associated companies and joint ventures	0.1	0.1
On behalf of others	0.1	0.1
Total	352.1	336.4

Securities and guarantees include pledges, real estate mortgages, floating charges and guarantee liabilities. Metsä Board holds operating leases for certain vehicles and equipment. Leasing liabilities are included in the table above.

Open derivative contracts

EUR million	31.12.2016	31.12.2015
Interest rate derivatives	100.0	253.4
Currency derivatives	754.6	557.4
Other derivatives	97.9	84.3
Total	952.5	895.1

The fair value of open derivative contracts calculated at market value at the end of the review period was EUR -9.1 million (EUR -24.8 million 31 December 2015).

Commitments related to property, plant and equipment

EUR million	31.12.2016	31.12.2015
Payments due in following 12 months	11.2	30.7
Payments due later	-	5.9
Total	11.2	36.6