

METSÄ BOARD

FINANCIAL STATEMENTS BULLETIN

2017



METSÄ BOARD'S COMPARABLE OPERATING RESULT IN 2017 WAS EUR 194 MILLION

JANUARY–DECEMBER 2017 (1–12/2016)

- Sales were EUR 1,848.6 million (1,720.3).
- Comparable operating result was EUR 193.5 million (137.5), or 10.5 per cent (8.0) of sales. The operating result was EUR 207.1 million (132.3).
- Comparable earnings per share were EUR 0.39 (0.26), and earnings per share were EUR 0.42 (0.25).
- Comparable return on capital employed was 11.2 per cent (8.1).

OCTOBER–DECEMBER 2017 (7–9/2017)

- Sales were EUR 451.3 million (478.6).
- Comparable operating result was EUR 54.4 million (50.4), or 12.0 per cent (10.5) of sales. The operating result was EUR 54.4 million (60.6).
- Comparable earnings per share were EUR 0.12 (0.08), and earnings per share were EUR 0.12 (0.11).
- Comparable return on capital employed was 12.4 per cent (11.5).

EVENTS IN OCTOBER–DECEMBER 2017

- In December, Metsä Board raised its result guidance for the fourth quarter due to the stronger-than-expected pulp market.
- Sales prices of paperboard rose, but deliveries were at a lower level than in the previous quarter, mainly due to the seasonal decline in December.
- The annual maintenance shutdown at the Husum integrated mill had a significant negative effect on the fourth quarter result.
- Thanks to the strong cash flow and the improved result, the ratio of interest-bearing net debt to comparable EBITDA fell to 1.2. Interest-bearing net debt decreased by nearly EUR 80 million.
- CDP recognised Metsä Board's responsibility. The company was included on the A List in the Climate and Water programmes, and received Leadership status in the Forests programme.

EVENTS AFTER THE REVIEW PERIOD

- Due to suspected information security breach, Metsä Board announced preliminary information on the sales, comparable operating result and earnings per share for the fourth quarter of 2017 on 9 January 2018. The suspected information security breach has not had financial impacts on Metsä Board.
- Metsä Board announced an increase of EUR 50 per tonne in the white kraftliner prices in Europe as of 1 February 2018.
- Metsä Board introduced a biobased, biodegradable paperboard with a special eco-barrier treatment, developed particularly for food service packaging. In addition to being environmentally friendly, the new product offers efficiencies in printing and converting.

RESULT GUIDANCE FOR JANUARY–MARCH 2018

Metsä Board's comparable operating result in the first quarter of 2018 is expected to improve slightly compared to the fourth quarter of 2017.

DIVIDEND PROPOSAL

The Board of Directors proposes to the Annual General Meeting to be held on 27 March 2018 that a dividend of EUR 0.21 per share will be paid for the 2017 financial period. The proposed dividend is equal to 50 per cent of the earnings per share for 2017.

Metsä Board's CEO Mika Joukio:

"The average prices of our paperboards rose during the fourth quarter of 2017. Due to the seasonal decline in December, the delivery volumes of paperboards remained at a lower level than in the previous quarter. We also continued measures to improve the geographical sales mix of folding boxboard. Due to the strong pulp market, we raised the previously announced result guidance for the fourth quarter.

Year 2017 was Metsä Board's first full year as a pure-play paperboard company. It was also a year of strong growth – our paperboard deliveries grew by 15 per cent from the previous year and amounted to approximately 1.8 million tonnes. Five of our eight production units set new annual production records.

Our comparable operating result improved by 41 per cent from the previous year and was EUR 194 million. In addition to an increase in paperboard deliveries, our profitability improved due to the strong pulp market. The new bioproduct mill of our associated company Metsä

Fibre at Äänekoski started up in August in an excellent market situation, in addition to which the mill's production volumes have been higher than forecast. The global market situation for white kraftliners remained good throughout the year.

Our cash flow from operations grew clearly in 2017, and our balance sheet is strong. We issued a ten-year bond, and the strong demand for it is also an indication of the credit market's trust in Metsä Board's future.

We begin 2018 in a good market situation. The prices of paperboard are on the rise and demand is at a good level in the market areas that are important for us. On the other hand, the weakening of the US dollar has a negative impact on our result. We have not yet reached the targeted profitability in Husum's folding boxboard, and we are continuing our measures on this front.

As part of our business development, we renewed our key marketing messages, and harmonised our product and service portfolio in 2017. This strengthens Metsä Board's market position as a company focused on premium, lightweight paperboards. The *Better with Less* concept reflects our desire to promote packaging solutions that create better consumer experiences with less environmental impact.

Metsä Board will continue to invest in growth, but at the same time, we want to reward our shareholders. The Board of Directors proposes that a dividend of EUR 0.21 per share will be paid for 2017. I would also like to extend my thanks for the past year to our customers, employees and other stakeholders."

FINANCIAL KEY FIGURES

	2017	2017	2017	2017	2016	2017	2016
	Q4	Q3	Q2	Q1	Q4	Q1–Q4	Q1–Q4
Sales, EUR million	451.3	478.6	474.2	444.5	421.8	1,848.6	1,720.3
EBITDA, EUR MILLION	77.8	85.2	67.0	68.8	58.9	298.7	234.6
comparable, EUR million	77.8	75.0	67.5	68.8	53.1	289.1	231.1
EBITDA, % of sales	17.2	17.8	14.1	15.5	14.0	16.2	13.6
comparable, % of sales	17.2	15.7	14.2	15.5	12.6	15.6	13.4
Operating result, EUR million	54.4	60.6	46.9	45.2	38.5	207.1	132.3
comparable, EUR million	54.4	50.4	43.5	45.2	32.8	193.5	137.5
Operating result, % of sales	12.0	12.7	9.9	10.2	9.1	11.2	7.7
comparable, % of sales	12.0	10.5	9.2	10.2	7.8	10.5	8.0
Result before taxes, EUR million	46.8	43.8	40.3	39.9	28.6	170.8	101.6
comparable, EUR million	46.8	33.5	36.9	39.9	22.8	157.2	106.8
Result for the period, EUR million	42.1	39.3	35.0	34.2	24.7	150.5	90.4
comparable, EUR million	42.1	29.0	32.2	34.2	19.2	137.5	93.6
Result per share, EUR	0.12	0.11	0.09	0.10	0.07	0.42	0.25
comparable, EUR	0.12	0.08	0.09	0.10	0.05	0.39	0.26
Return on equity, %	14.8	14.2	13.2	13.1	9.6	13.6	8.7
comparable, %	14.8	10.5	12.2	13.1	7.5	12.4	9.0
Return on capital employed, %	12.4	13.9	11.1	10.6	9.0	11.9	7.8
comparable, %	12.4	11.5	10.3	10.6	7.7	11.2	8.1
Equity ratio at end of period, %	53	51	51	47	48	53	48
Net gearing ratio at end of period, %	31	39	45	44	44	31	44
Interest-bearing net liabilities/EBITDA ¹⁾	1.2	1.7	2.0	1.9	2.0	1.2	2.0
Shareholders' equity per share at end of period, EUR	3.28	3.14	3.06	2.90	2.96	3.28	2.96
Interest-bearing net liabilities, EUR million	358.4	436.9	495.2	457.8	463.8	358.4	463.8
Gross investments, EUR million	26.7	7.3	12.4	19.0	43.3	65.4	162.4
Net cash flow from operating activities, EUR million	106.1	67.5	37.1	25.6	54.6	236.3	77.0
Personnel at the end of period	2,351	2,369	2,581	2,450	2,466	2,351	2,466

DELIVERY AND PRODUCTION VOLUMES

	2017	2017	2017	2017	2016	2017	2016
1000 t	Q4	Q3	Q2	Q1	Q4	Q1–Q4	Q1–Q4
Deliveries							
Paperboard ¹⁾	429	469	477	428	399	1,803	1,607
Paper	0	0	0	0	2	0	35
Market Pulp	120	123	134	138	116	515	500
Production							
Paperboard ¹⁾	459	458	444	456	418	1,817	1,708
Paper	0	0	0	0	0	0	23
Metsä Fibre pulp ²⁾	180	152	140	147	149	619	577
Metsä Board pulp	305	353	344	328	306	1,330	1,236

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

²⁾ Equal to Metsä Board's 24.9 per cent holding in Metsä Fibre.

**FINANCIAL STATEMENTS BULLETIN FOR
1 JANUARY – 31 DECEMBER 2017****OCTOBER–DECEMBER 2017 (7–9/2017)****SALES AND RESULT**

Metsä Board's sales amounted to EUR 451.3 million (478.6). Sales decreased due to the delivery volumes of paperboard and market pulp, which were lower than in the previous quarter. The operating result was EUR 54.4 million (60.6), and the comparable operating result was EUR 54.4 million (50.4). There were no items affecting comparability during the review period. Items affecting comparability during the comparison period consisted of the recognition of translation differences accumulated by the subsidiaries dissolved in the United Kingdom.

The comparable operating result for October–December improved due to stronger-than-expected pulp market. Because of this, Metsä Board raised its previously announced result guidance for the fourth quarter on 13 December 2017. The average prices of paperboards increased, but the delivery volumes remained lower, mainly due to the seasonal decline in December. Exchange rate fluctuations including hedges had a negative effect of EUR 4 million on the operating result.

The annual maintenance shutdown of the Husum integrated mill had a significant negative impact on the result. In addition to maintenance costs, the result of Husum mill decreased due to the lower production and delivery volumes of paperboards, and particularly pulp. The start-up phase of Metsä Fibre's bioproduct mill has proceeded well, and the mill's production volumes have been higher than expected.

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

In October–December, deliveries of Metsä Board's folding boxboard and white kraftliners declined by 8 per cent and 10 per cent, respectively, from the previous quarter. Correspondingly, deliveries by European folding boxboard producers declined by 1 per cent. Deliveries by European producers of white kraftliners declined by 2 per cent.

In Europe, the euro-denominated market price of long-fibre pulp increased by 6 per cent, while its dollar-denominated market price increased by 7 per cent compared to the previous quarter. The euro- and dollar-denominated market prices of short-fibre pulp increased by 8 per cent. In China, the dollar-denominated market price of long-fibre pulp increased by 27 per cent and that of short-fibre pulp by 13 per cent.

Financial income and expenses totalled EUR -7.5 million (-16.8), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -0.5 million (-0.0). The financial expenses of the comparison period include EUR -10.9 million in

costs related to the early repurchase of the bond maturing in 2019.

The result before taxes in October–December was EUR 46.8 million (43.8). The comparable result before taxes was EUR 46.8 million (33.5). Income taxes amounted to EUR -4.7 million (-4.5).

Earnings per share were EUR 0.12 (0.11). The return on equity was 14.8 per cent (14.2), and the comparable return on equity was 14.8 per cent (10.5). The return on capital employed was 12.4 per cent (13.9), and the comparable return on capital employed was 12.4 per cent (11.5).

JANUARY–DECEMBER 2017 (1–12/2016)**SALES AND RESULT**

Metsä Board's sales amounted to EUR 1,848.6 million (1,720.3). Sales increased due to the increased delivery volumes of paperboards and market pulp as well as higher pulp prices. The operating result was EUR 207.1 million (132.3), and the comparable operating result was EUR 193.5 million (137.5). Items affecting comparability during the financial period consisted mainly of the reversal of a previously recognised impairment loss on the closed and sold paper machine at Kyro mill, and the recognition of translation differences accumulated by the subsidiaries dissolved in the United Kingdom.

The comparable operating result improved due to the increased delivery volumes of paperboards and market pulp, and the discontinued paper operations. The result also improved due to the strong pulp market and the successful start-up of the new bioproduct mill of our associated company Metsä Fibre in the second half of the year. The positive momentum in the linerboard market globally increased the price of white kraftliners in local currencies. Exchange rate fluctuations including hedges had a positive effect of approximately EUR 13 million on the operating result for the financial period.

The average price of Metsä Board's folding boxboard fell due to the sales mix of Husum, particularly during the first half of the year. The company aims to continue to improve the average price and increase sales, particularly in North America.

The prices of latex were high in the first half of the year, but returned to a normal level during the third quarter. In other respects, there were no significant changes in the total production costs of paperboards. The production costs per tonne of folding boxboard produced at Husum continued to be higher than the production costs at other mills. This was due to the lower capacity utilisation rate.

Deliveries of Metsä Board's folding boxboard and white kraftliners in the financial period increased by 16 per cent and 14 per cent, respectively, compared to the previous year. Correspondingly, deliveries by European folding boxboard producers increased by 4 per cent, and deliveries by producers of white kraftliner by 7 per

cent. Metsä Board's share of the total deliveries by European folding boxboard producers was 39 per cent, and 67 per cent of exports from Europe.

The euro-denominated market price of long-fibre pulp increased by 8 per cent, while its dollar-denominated market price increased by 10 per cent compared to the previous year. The euro-denominated market price of short-fibre pulp increased by 16 per cent, while its dollar-denominated market price increased by 18 per cent.

Financial income and expenses totalled EUR -36.3 million (-30.7), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -1.1 million (-4.9). Financial expenses include EUR -11.2 million of costs related to the early repurchase of the bond maturing in 2019.

The result before taxes for the financial period was EUR 170.8 million (101.6). The comparable result before taxes was EUR 157.2 million (106.8). Income taxes amounted to EUR -20.3 million (-11.3).

Earnings per share were EUR 0.42 (0.25). Comparable earnings per share were EUR 0.39 (0.26). The return on equity was 13.6 per cent (8.7), and the comparable return on equity was 12.4 per cent (9.0). The return on capital employed was 11.9 per cent (7.8), and the comparable return on capital employed was 11.2 per cent (8.1).

CASH FLOW

Net cash flow from operations in October–December was EUR 106.1 million (7–9/2017: 67.5). Cash flow increased mainly due to changes in trade receivables and trade payables. Working capital decreased by EUR 58.8 million (7–9/2017: decreased by EUR 24.2 million). The net cash flow of the comparison period was burdened by the costs related to the early repurchase of the bond maturing in 2019.

Net cash flow from operations in 2017 was EUR 236.3 million (1–12/2016: 77.0). Cash flow increased due to the improved operating result and changes in working capital. Working capital decreased by EUR 34.1 million in the financial period (2016: increased by 74.5). In 2016, working capital increased due to the investment programme at Husum.

INVESTMENTS

Gross investments in 2017 totalled EUR 65.4 million (2016: 162.4) 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.

BALANCE SHEET AND FINANCING

Metsä Board's equity ratio at the end of the year was 53 per cent (31 December 2016: 48) and its net gearing ratio was 31 per cent (44). The ratio of interest-bearing net debt to comparable EBITDA in the last 12 months was 1.2 at the end of the financial period (31 December 2016: 2.0).

At the end of the year, interest-bearing liabilities totalled EUR 577.0 million (31 December 2016: 688.0). Foreign currency-denominated loans accounted for 1.1 per cent of loans and floating-rate loans for 18.5 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 December 2016: 3.3), and the average maturity of long-term loans was 5.4 years (31 December 2016: 2.2). The interest rate maturity of loans at the end of the year was 67.9 months (31 December 2016: 14.9).

At the end of the year, net interest-bearing liabilities totalled EUR 358.4 million (31 December 2016: 463.8).

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 has a bond maturing in 2019, with an original amount of EUR 225 million, of which there remains outstanding a nominal amount of EUR 60.4 million, following the repurchases made in 2017.

Metsä Board's liquidity has remained strong. At the end of the review period, the available liquidity was EUR 449.2 million (31 December 2016: 422.6), consisting of the following items: liquid assets and investments of EUR 215.1 million, a syndicated credit facility of EUR 100.0 million, and undrawn pension premium (TyEL) funds of EUR 134.1 million. Of the liquid assets, EUR 207.0 million consisted of short-term deposits with Metsä Group Treasury, and EUR 8.1 million were cash funds and investments. Other interest-bearing receivables amounted to EUR 3.5 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 240.3 million at the end of the review period (31 December 2016: 195.9). The change in fair value from the beginning of the review period, EUR 44.4 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 8.0 months of the net foreign currency exposure was hedged, including the hedging of the balance sheet position of trade receivables and trade payables (31 December 2016: 6.4). 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 norm level, the aim is to allocate the hedges 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 2017, the number of personnel was 2,351 (2,466), of whom 1,344 (1,442) people worked in Finland. In January–December, Metsä Board employed 2,456 people on average (1–12/2016: 2,588). Personnel expenses in 2017 totalled EUR 198.0 million (211.0).

CHANGES IN THE CORPORATE MANAGEMENT TEAM

Ms Sari Pajari, M.Sc. (Eng.), was appointed Metsä Board's SVP, Sales and Marketing, on 6 June 2017. Her previous area of responsibility in the Corporate Management Team was business development. Mr Seppo Puotinen, the Corporate Management Team member previously in charge of marketing and sales, left the company.

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.

As of 6 September 2017, the area of responsibility of Mr Ari Kiviranta, D.Sc. (Tech.), previously in charge of production and technology, has included research, product development and technology, as well as business development.

Pajari, Pihlajaniemi and Kiviranta report to Mr Mika Joukio, CEO of Metsä Board.

BUSINESS DEVELOPMENT

Demand for Metsä Board's lightweight, ecological and recyclable fresh fibre paperboards remained at a good level in 2017. By exploiting Husum's folding boxboard capacity, Metsä Board is increasingly well positioned to meet the growing global demand for premium fresh fibre paperboards.

The good global demand for fresh fibre paperboards was visible in the average order books of Metsä Board's paperboard mills, which were at a higher level than normal during the second half of the year. Five Metsä Board production units – Tako, Simpele, Husum, Kaskinen and Joutseno – set new annual production records in 2017.

In 2017, Metsä Board's total paperboard deliveries grew by 15 per cent from the previous year and were approximately 1.80 million tonnes (2016: 1.57). Folding boxboard deliveries in 2017 totalled 1.14 million tonnes, of which approximately 70 per cent was delivered to the EMEA region, 20 per cent to the Americas and 10 per cent to the APAC region. Linerboard deliveries in 2017

totalled 658,000 tonnes, of which approximately 70 per cent was delivered to the EMEA region and 30 per cent to the Americas. Total paperboard deliveries to the Americas grew by 23 per cent in 2017.

Metsä Board announced an increase of EUR 90 per tonne in the price of folding boxboard in Europe as of November. The company also announced to increase the price of white kraftliners in April and September. Price increase announcements relating to kraftliners were EUR 50 per tonne each.

The capacity utilisation rate for folding boxboard at the Husum mill was 71 per cent in 2017. In the first half of the year, the average price of folding boxboard was weakened by the geographical sales mix, as part of Husum's paperboard deliveries were targeted to the Middle East. Towards the end of the year, the share of sales to North America grew, and the average price of folding boxboard in local currencies improved. The annual maintenance shutdown at the Husum integrated mill, which took place in the fourth quarter, lasted longer than expected and resulted in lost production and sales, particularly in terms of pulp.

Deliveries of Metsä Board's own PE-coated paperboards from the Husum mill began during the second quarter of the year. The company is continuing to develop other barrier solutions, and is investigating the exploitation of dispersion coating and biobased coating solutions as well as their commercial potential. After the review period, Metsä Board launched an innovative biobased, biodegradable paperboard with a special barrier treatment, mainly for use in food service packaging.

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 May, Metsä Board launched its renewed product and service portfolio. The product names of all paperboards were brought under the MetsäBoard product family. The *Better with Less* concept promotes packaging solutions that create better consumer experiences with less environmental impact.

Metsä Board was again successful in a number of international competitions organised by the packaging industry during the year. Metsä Board's packaging solutions and the high-quality materials used in them received recognition for their environmental friendliness, innovativeness and functionality. The company was also recognised for its responsibility by CDP and EcoVadis, among others.

The new bioproduct mill of Metsä Board's associated company Metsä Fibre started up in August 2017, and the pulp deliveries to customers began in September. The mill's start-up phase has progressed better than

expected. The new bioproduct mill will increase Metsä Board's annual pulp capacity by approximately 200,000 tonnes as of 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. Metsä Board's strategic objective is to grow profitably and faster than average market growth. Global demand for high-quality paperboard made from fresh fibre is expected to grow by approximately 3–4 per cent a year. Metsä Board's profitability is based on superior cost-effectiveness and healthy sales prices, combined with high-quality fibre raw materials and unique technical know-how.

Metsä Board's Board of Directors updated the company's long-term financial goals and decided on a new dividend policy, effective as of 1 June 2017.

- A comparable return on capital employed (ROCE) of, at minimum, 12 per cent (Actual in 2017: 11.2)
- A ratio of interest-bearing net liabilities to comparable EBITDA of, at maximum, 2.5 (Actual in 2017: 1.2)
- Growth in paperboard deliveries exceeding average market growth (In 2017, paperboard deliveries grew by 15 per cent)

In addition, Metsä Board aims to distribute at least 50 per cent of the result for the financial period in dividends every year. The Board of Directors' proposal to the Annual General Meeting concerning the dividend to be paid for the 2017 financial year corresponds to 50 per cent of the result for the financial period.

DECISIONS MADE AT THE 2017 ANNUAL GENERAL MEETING

Metsä Board's Annual General Meeting held on 23 March 2017 adopted the company's financial statements for the financial year 2016 and decided to distribute a dividend of EUR 0.19 per share.

The Annual General Meeting decided to raise the Board of Directors' annual remuneration by 8 per cent in such a way that the Chair of the Board of Directors is paid annual remuneration of EUR 95,000, the Deputy Chair is paid EUR 80,000 and each member of the Board is paid EUR 62,500, and that a meeting fee of EUR 700 will be paid for each meeting of the Board and committees of the Board that a member attends. The Annual General Meeting decided to pay roughly half of the remuneration in the form of the company's B shares acquired through public trading. Furthermore, the Annual General Meeting decided to pay the Chair of the Audit Committee monthly remuneration of EUR 800.

The Annual General Meeting confirmed the number of members of the Board of Directors as nine (9) and elected the following individuals as members of the Board of Directors: Martti Asunta, metsäneuvos (Finnish honorary title); Kari Jordan, vuorineuvos (Finnish honorary title); Kirsi Komi, LL.M.; Kai Korhonen, M.Sc. (Eng.); Liisa Leino, teollisuusneuvos (Finnish honorary title); Jussi Linnaranta, M.Sc. (Agriculture and Forestry); Juha Niemelä, vuorineuvos (Finnish honorary title); Veli Sundbäck, ambassador; and Erkki Varis, M.Sc. (Eng). The Board members' term of office expires at the end of the next Annual General Meeting.

Metsä Board published a stock exchange release on the decisions made by the Annual General Meeting and the constitution of the Board of Directors on 23 March 2017. 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 against the decision issued by the Tax Administration, as the company believes the losses are deductible.

SHARES

At the end of the financial period, the price for Metsä Board's B share on the Nasdaq Helsinki was EUR 7.15. The share's highest and lowest prices in 2017 were EUR 7.36 and EUR 5.34, respectively. At the end of the financial period, the price for Metsä Board's A share on the Nasdaq Helsinki was EUR 7.13. The share's highest and lowest prices in 2017 were EUR 7.28 and EUR 5.43, respectively.

In 2017, the average daily trading volumes of the B and A shares on the Nasdaq Helsinki were 688,995 shares and 5,944 shares, respectively. The total trading volumes of the B and A shares were EUR 1,101.6 million and EUR 9.5 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 financial period was 73 per cent.

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

At the end of the financial period, the market value of all Metsä Board's shares was EUR 2,539.6 million, of which the market value of the B shares was EUR 2,283.7 million, and that of the A shares was EUR 255.9 million.

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 20 per cent of all the shares (31 December 2016: 15).

In 2017, a total of 8,969 of Metsä Board Corporation's A shares were converted to B shares. At the end of the year, the total number of Metsä Board shares was 355,512,746, of which 35,886,682 were A shares and 319,626,064 were B shares.

The company does not hold any treasury shares.

NEAR-TERM RISKS AND UNCERTAINTIES

Considerable uncertainties still exist in the global economy. If realised, they may result in weakened demand and reduced prices for paperboard and pulp products. An 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 US dollar strengthening by 10 per cent against the euro would have a positive impact of approximately EUR 65 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 39 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.

Wood accounts for more than a quarter of Metsä Board's total costs. The availability of the wood raw material becoming more difficult or a sudden increase in

prices would have a weakening effect on 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 other main currencies.

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. The market prices of folding boxboard and white kraftliners in local currencies are expected to rise as a result of the price increases announced in 2017. Metsä Board aims to further improve the average price of Husum's folding boxboard and increase sales in North America.

Metsä Board's paperboard deliveries in January–March are expected to grow from the previous quarter. No significant maintenance shutdowns will take place during the first quarter.

The weakening of the US dollar against the euro, including the impact of hedges, will have a negative effect on the operating result in at least the first half of the year.

The rainy and mild weather in last autumn and early winter has made the situation in the wood supply tougher. For now, the weaker availability of wood has not led to production curtailments at Metsä Board.

Production costs in 2018 are expected to rise from the previous year. Wood prices are expected to increase, particularly in Sweden and the Baltic countries. In addition, the general cost inflation has accelerated slightly.

EVENTS AFTER THE REVIEW PERIOD

Due to suspected information security breach, Metsä Board announced preliminary information on the sales, comparable operating result and earnings per share for the fourth quarter of 2017 on 9 January 2018. The suspected information security breach has not had financial impacts on Metsä Board.

Metsä Board announced an increase of EUR 50 per tonne in the white kraftliner prices in Europe as of 1 February 2018.

Metsä Board is launching a biobased, biodegradable paperboard with a special eco-barrier treatment, developed particularly for food service packaging. In addition to being environmentally friendly, the new product offers efficiencies in printing and converting.

RESULT GUIDANCE FOR JANUARY–MARCH 2018

Metsä Board's comparable operating result in the first quarter of 2018 is expected to improve slightly compared to the fourth quarter of 2017.

BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF PROFIT

The distributable funds of the parent company on 31 December 2017 were EUR 529.0 million, of which the retained earnings are EUR 144.1 million.

The Board of Directors proposes to the Annual General Meeting to be held on 27 March 2018 that a dividend of EUR 0.21 per share, or a total of EUR 74.7 million, will be paid for the 2017 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 29 March 2018.

The Board of Directors proposes 10 April 2018 as the dividend payment date.

METSÄ BOARD CORPORATION

Espoo, Finland, 8 February 2018
BOARD OF DIRECTORS

Further information:

Jussi Noponen, CFO
tel. +358 10 465 4913

Katri Sundström, VP, Investor Relations,
tel. +358 400 976 333

Further information will be available as of 1 p.m. on 8 February 2018. 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 (0)9 7479 0361
Sweden: +46 (0)8 5033 6574
UK: 44 (0)330 336 9105
US: +1 323-794-2149

The conference ID is 6742592.

Metsä Board's financial reporting in 2018:

Annual Report 2017, week 9
Interim Report for January–March 2018, 3 May
Half-year Financial Report for January–June 2018, 2 August
Interim Report for January–September 2018, 8 November

Other events in 2018:

Annual General Meeting of 2018, 27 March
Capital Markets Day 2018, 14 November

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. ESMA guidelines define alternative performance measures as a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined in the applicable financial reporting framework, in Metsä Board's case International Financial Reporting Standards as adopted in the EU pursuant to Regulation (EC) No 1606/2002. With the exception of Result per share defined in IAS 33 Earnings Per Share, performance measures provided in the financial statements bulletin all qualify as alternative performance measures under the ESMA guidelines.

Metsä Board sees the presentation of alternative performance measures as providing users of financial statements with an improved view of the company's financial performance and position, including among other things the efficiency of its capital utilization, operational profitability and debt servicing capabilities.

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. Metsä Board has

defined operating result as follows: Result for the period presented in IFRS income statement before income taxes, financial income and expense as well as share of result of associate companies and joint ventures.

Reconciliation of operating result under IFRS and comparable operating result as well as EBITDA and comparative EBITDA is presented in this financial statements bulletin. 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.

In Metsä Board's view, comparable performance measures better reflect the underlying operational performance of the Company by eliminating the result effect arising from items and transactions outside ordinary course of business..

FINANCIAL STATEMENTS
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	Q4 2017	Q4 2016	Q1–Q4 2017	Q1–Q4 2016
Sales	2, 6	451.3	421.8	1,848.6	1,720.3
Change in stocks of finished goods and work in progress		10.4	8.6	-3.5	38.5
Other operating income	2, 6	7.6	11.6	29.3	40.2
Material and services	6	-324.3	-302.7	-1,290.1	-1,249.5
Employee costs		-51.7	-48.8	-198.0	-211.0
Share of result of associated company		23.2	9.5	58.9	45.0
Depreciation, amortisation and impairment losses		-23.4	-20.4	-91.6	-102.3
Other operating expenses		-38.7	-41.1	-146.4	-148.9
Operating result	2	54.4	38.5	207.1	132.3
Share of results of associated companies and joint ventures		-0.0	0.0	0.0	0.1
Net exchange gains and losses		-0.5	-3.9	-1.1	-4.9
Other net financial items	2, 6	-7.1	-6.0	-35.2	-25.8
Result before income tax		46.8	28.6	170.8	101.6
Income taxes	3	-4.7	-3.9	-20.3	-11.3
Result for the period		42.1	24.7	150.5	90.4

EUR million	Note	Q4 2017	Q4 2016	Q1–Q4 2017	Q1–Q4 2016
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains/losses on defined pension plans		2.8	12.9	4.2	1.3
Income tax relating to items that will not be reclassified		-0.4	-2.2	-0.7	0.3
Total		2.4	10.7	3.4	1.6
Items that may be reclassified to profit or loss					
Cash flow hedges		-8.7	2.4	10.6	27.0
Available for sale financial assets	8	25.9	11.1	44.4	-14.2
Translation differences		-6.0	1.8	-20.3	-12.3
Share of other comprehensive income of associated company		0.3	1.2	5.0	-5.6
Income tax relating to components of other comprehensive income		-3.4	-2.8	-11.0	-2.8
Total		8.0	13.8	28.6	-7.9
Other comprehensive income, net of tax		10.4	24.5	32.0	-6.4
Total comprehensive income for the period		52.5	49.1	182.5	84.0
Result for the period attributable to					
Shareholders of parent company		42.1	24.7	150.5	90.4
Non-controlling interests		-	-	-	0.0
Total comprehensive income for the period attributable to					
Shareholders of parent company		52.5	49.1	182.5	84.0
Non-controlling interests		-	-	-	0.0
Total		52.5	49.1	182.5	84.0
Earnings per share for result attributable to shareholders of parent company (EUR/share)		0.12	0.07	0.42	0.25

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	Note	As of 31 Dec 2017	As of 31 Dec 2016
ASSETS			
Non-current assets			
Goodwill		12.4	12.4
Other intangible assets		14.2	14.6
Tangible assets	4	788.6	829.8
Investments in associated companies and joint ventures		324.4	291.6
Available for sale investments	8	240.3	195.9
Other non-current financial assets	6, 8	23.4	19.0
Deferred tax receivables	2	4.3	4.3
		1,407.5	1,367.7
Current assets			
Inventories		322.9	332.5
Accounts receivables and other receivables	6, 8	280.6	273.4
Cash and cash equivalents	6, 8	215.1	220.6
		818.6	826.5
Total assets		2,226.1	2,194.2
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Equity attributable to shareholders of parent company		1,167.4	1,052.5
Non-controlling interests		0.0	0.0
Total equity		1,167.3	1,052.5
Non-current liabilities			
Deferred tax liabilities		86.1	74.7
Post-employment benefit obligations	2	14.5	15.1
Provisions	5	6.1	6.9
Borrowings	8	534.5	469.0
Other liabilities	8	0.7	1.7
		641.9	567.5
Current liabilities			
Provisions	5	1.3	3.0
Current borrowings	6, 8	42.5	219.1
Accounts payable and other liabilities	6, 8	373.1	352.1
		416.9	574.2
Total liabilities		1,058.7	1,141.7
Total shareholders' equity and liabilities		2,226.1	2,194.2

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
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

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
Comprehensive income for the period									
Result for the period						150.5	150.5		150.5
Other comprehensive income net of tax total			-21.0	49.6		3.4	32.0		32.0
Comprehensive income total			-21.0	49.6		153.9	182.5	-	182.5
Share based payments						-0.1	-0.1		-0.1
Related party transactions									
Dividends paid						-67.5	-67.5		-67.5
Shareholders' equity, 31 December 2017		557.9	-17.8	164.3	383.1	79.9	1,167.4	0.0	1,167.3

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Q1–Q4 2017	Q1–Q4 2016	Q4 2017
EUR million	Note			
Result for the period		150.5	90.4	42.1
Total adjustments	7	74.6	73.4	10.3
Change in working capital		34.1	-74.5	58.8
Cash flow from operations		259.2	89.3	111.3
Net financial items	7	-13.2	13.6	-6.7
Income taxes paid		-9.7	-25.8	1.5
Net cash flow from operating activities		236.3	77.0	106.1
Acquisition of other shares		-1.2		
Investments in intangible and tangible assets		-64.7	-158.4	-27.0
Disposals and other items	6,7	5.5	15.3	0.3
Net cash flow from investing activities		-60.5	-143.2	-26.7
Changes in non-current loans and in other financial items	6	-112.7	24.7	-73.6
Dividends paid		-67.5	-60.4	
Net cash flow from financing activities		-180.3	-35.7	-73.6
Changes in cash and cash equivalents		-4.5	-101.9	5.7
Cash and cash equivalents at beginning of period	6	220.6	321.8	210.3
Translation difference in cash and cash equivalents		-1.1	0.7	-1.0
Changes in cash and cash equivalents		-4.5	-101.9	5.7
Cash and cash equivalents at end of period	6	215.1	220.6	215.1

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

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 financial statements bulletin 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 financial statements bulletin was authorised for issue by the Board of Directors of Metsä Board on 8 February 2018.

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.

NOTE 2 – RECONCILIATION OF OPERATING RESULT AND EBITDA

EUR Million	Q4 2017	Q4 2016	Q1–Q4 2017	Q1–Q4 2016
Operating result	54.4	38.5	207.1	132.3
Depreciation, amortisation and impairment losses	23.4	20.4	91.6	102.3
EBITDA	77.8	58.9	298.7	234.6
Items affecting comparability:				
Gains and losses on disposal in other operating income and expenses	0.0	-4.4	-10.2	-9.8
Employee costs	-	-1.4	-	5.2
Share of result of associated company	-	-	-	-1.8
Other operating expenses	-	0.0	0.5	2.8
Total	0.0	-5.8	-9.7	-3.5
EBITDA, comparable	77.8	53.1	289.1	231.1
Depreciation, amortisation and impairment losses	-23.4	-20.4	-91.6	-102.3
Items affecting comparability:				
Impairment charges and reversals of impairments	-	-	-3.9	8.7
Operating result, comparable	54.4	32.8	193.5	137.5

“+” 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 of EUR 3.9 million on the closed and sold paper machine at Kyro mill and release to profit and loss of cumulative translation difference amounting to EUR 10.2 million and arising from liquidation of non-operational English subsidiaries in accordance with IFRS accounting rules.

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–Q4 2017	Q1–Q4 2016
Taxes for the current period	18.5	17.0
Taxes for the prior periods	0.1	-0.6
Change in deferred taxes	1.8	-5.1
Total income taxes	20.3	11.3

NOTE 4 – CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	Q1–Q4 2017	Q1–Q4 2016
Carrying value at beginning of period	829.8	812.3
Capital expenditure	62.3	133.3
Decreases	-3.8	-3.1
Depreciation, amortization and impairment losses	-88.5	-99.2
Translation difference	-11.3	-13.5
Carrying value at end of period	788.6	829.8

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
1 Jan 2017	1.3	6.2	2.5	10.0
Translation differences	-	-	-0.0	-0.0
Increases	0.0	0.0	0.1	0.1
Utilised during the year	-1.0	-0.4	-1.0	-2.4
Unused amounts reversed	-	-0.3	-	-0.3
31 Dec 2017	0.2	5.6	1.5	7.3

The non-current part of provisions was EUR 6.1 million and the current part EUR 1.3 million, total provisions

amount to EUR 7.3 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–Q4 2017	Q1–Q4 2016
Sales	67.1	68.6
Other operating income	4.4	13.6
Purchases	609.1	597.8
Share of result from associated company	58.9	45.0
Interest income	0.1	0.1
Interest expenses	2.1	2.9
Accounts receivables and other receivables	30.2	21.4
Cash and cash equivalents	207.0	215.5
Accounts payable and other liabilities	51.6	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–Q4 2017	Q1–Q4 2016
Sales	0.7	0.7
Purchases	5.5	6.1
Other non-current financial assets	0.3	0.3
Accounts receivables and other receivables	0.1	0.3
Accounts payable and other liabilities	1.3	1.2

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

	Q1–Q4	Q1–Q4	Q4
EUR million	2017	2016	2017
Taxes	20.3	11.3	4.7
Depreciation, amortization and impairment charges	91.6	102.3	23.4
Share of result from associated companies and joint ventures	-58.9	-45.1	-23.2
Gains and losses on sale of fixed assets	-11.5	-14.4	-0.6
Finance costs, net	36.3	30.7	7.5
Provisions	-3.3	-11.5	-1.5
Total	74.6	73.4	10.3

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 (1–12/2016: EUR 32.9 million).

Disposals and other items

Disposals and other items of EUR 5.5 million for the year ended 31 December 2017 (1–12/2016: 15.3 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 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 31 December 2017:

Financial assets 31 December 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		240.3				240.3	240.3
Other non-current financial assets			18.4			18.4	18.4
Accounts receivables and other receivables			271.7			271.7	271.7
Cash and cash equivalent			215.1			215.1	215.1
Derivative financial instruments	3.3			8.9		12.3	12.3
Total financial assets	3.3	240.3	505.2	8.9	-	757.7	757.7

Financial liabilities 31 December 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			534.5	534.5	545.7
Other non-current financial liabilities			0.2	0.2	0.2
Current interest-bearing financial liabilities			42.5	42.5	43.9
Accounts payable and other financial liabilities			330.3	330.3	330.3
Derivative financial instruments	0.0	0.8		0.9	0.9
Total financial liabilities	0.0	0.8	907.5	908.4	921.0

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

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 0.3–2.4 per cent (31 December 2016: 0.3–2.3).

Fair value hierarchy of financial assets and liabilities as of 31 December 2017

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		240.3	240.3
Financial assets at fair value through profit or loss, current				-
Derivative financial assets	7.3	4.9		12.3
Financial liabilities measured at fair value				
Derivative financial liabilities		0.9		0.9
Financial assets not measured at fair value				
Cash and cash equivalent		215.1		215.1
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		545.7		545.7
Current interest-bearing financial liabilities		43.9		43.9

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

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

EUR million	2017 31.12.	2016 31.12.
Opening balance 1.1.	195.9	210.1
Total gains and losses in profit or loss	-0.0	-0.0
Total gains and losses in other comprehensive income	44.4	-14.2
Purchases	-	-
Disposals	-0.0	-0.0
Closing balance 31.12.	240.3	195.9

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 31 December 2017 was 2.34 percent (31.12.2016: 2.06) and 4.34 percent (4.06) 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 236.2 million (191.8).

The carrying amount of available-for-sale financial assets as of 31.12.2017 is estimated to change by EUR 3.3 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 31.8 million should the energy prices used for calculating the fair value differ by 10 percent from the prices estimated by management.

Derivatives 31 December 2017

EUR million	Nominal value	Fair value			Fair value	
		Derivative Assets	Liab.	Fair value Net	Fair value hedges	Derivatives with no hedge accounting
Interest forward agreements						
Interest rate options						
Interest rate swaps	300.0		0.9	-0.9	-0.8	0.0
Interest rate derivatives	300.0		0.9	-0.9	-0.8	0.0
Currency forward agreements	1,097.8	4.9		4.9	1.6	3.3
Currency option agreements						
Currency swap agreements						
Currency derivatives	1,097.8	4.9		4.9	1.6	3.3
Electricity derivatives	56.6	5.8		5.8	5.8	
Pulp derivatives						
Oil derivatives	7.5	0.8		0.8	0.8	
Other commodity derivatives	3.1	0.8		0.8	0.8	
Commodity derivatives	67.1	7.3		7.3	7.3	
Derivatives total	1,465.0	12.3	0.9	11.4	8.1	3.3

Derivatives 31 December 2016

EUR million	Nominal value	Fair value			Fair value	
		Derivative Assets	Liab.	Fair value Net	Fair value hedges	Derivatives with no hedge accounting
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

NOTE 9 – COMMITMENTS AND GUARANTEES

EUR million	31.12.2017	31.12.2016
Liabilities secured by pledges, real estate mortgages and floating charges	89.2	121.7
Pledges granted	114.6	103.0
Floating charges	-	-
Real estate mortgages	232.8	232.8
Total pledges and mortgages	347.4	335.8
As security for other own commitments	14.4	16.1
On behalf of associated companies and joint ventures	0.1	0.1
On behalf of others	-	0.1
Total	361.9	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 11.6 million (EUR 12.2 million 31 December 2016).

OPEN DERIVATIVE CONTRACTS

EUR million	31.12.2017	31.12.2016
Interest rate derivatives	300.0	100.0
Currency derivatives	1,097.8	754.6
Other derivatives	67.1	97.9
Total	1,465.0	952.5

The fair value of open derivative contracts calculated at market value at the end of the review period was EUR 11.4 million (EUR -9.1 million 31 December 2016).

COMMITMENTS RELATED TO PROPERTY, PLANT AND EQUIPMENT

EUR million	31.12.2017	31.12.2016
Payments due in following 12 months	0.3	11.2
Payments due later	-	-
Total	0.3	11.2