

METSÄ BOARD

HALF-YEAR FINANCIAL REPORT

JANUARY–JUNE 2019



MetsäBoard

METSÄ BOARD'S COMPARABLE OPERATING RESULT IN JANUARY–JUNE 2019 WAS EUR 103 MILLION

JANUARY–JUNE 2019 (1–6/2018)

- Sales were EUR 964.2 million (1,011.1).
- Comparable operating result was EUR 102.8 million (128.2), or 10.7% (12.7%) of sales. Operating result was EUR 118.3 million (122.6).
- Comparable earnings per share were EUR 0.23 (0.28), and earnings per share were EUR 0.27 (0.27).
- Comparable return on capital employed was 11.7% (15.1%).

APRIL–JUNE 2019 (1–3/2019)

- Sales were EUR 477.1 million (487.1).
- Comparable operating result was EUR 41.0 million (61.8), or 8.6% (12.7%) of sales. Operating result was EUR 46.4 million (71.9).
- Comparable earnings per share were EUR 0.09 (0.14), and earnings per share were EUR 0.10 (0.17).
- Comparable return on capital employed was 9.7% (14.4%).

EVENTS IN APRIL–JUNE 2019

- Deliveries of paperboard increased slightly from the previous quarter.
- The prices of folding boxboard were stable. Changes in the sales mix had a negative effect on the average price of white kraftliner.
- The global decline in pulp prices had a clear negative impact on the result.
- Several annual maintenance shutdowns took place at Metsä Board's mills in Finland during the second quarter, while there were no annual maintenance shutdowns at Metsä Board's mills during the first quarter.
- Metsä Board renewed its folding boxboard portfolio and announced that it would establish an excellence centre focusing on paperboard and packaging innovations in Äänekoski.
- Metsä Board launched pre-engineering phase for an investment to renew the Husum pulp mill in Sweden in phases. The size of the first-phase investment would be approximately EUR 300 million.

- Metsä Board's associated company Metsä Fibre launched pre-engineering phases for the construction of a new bioproduct mill in Kemi, Finland, and for the construction of a new pine sawmill in Rauma, Finland. If these investments are implemented, their total size would be around EUR 1.7 billion.
- Camilla Wikström, M.Sc. (Eng.), was appointed Metsä Board's SVP, Human Resources and a member of the Corporate Management Team as of 1 June 2019.

EVENTS AFTER THE REVIEW PERIOD

Metsä Board announced its sustainability targets for 2030. One of the company's targets is to use only fossil-free energy at its own mills and in terms of purchased energy by 2030. More information about new sustainability targets is available at www.metsaboard.com/sustainability.

RESULT GUIDANCE FOR JULY–SEPTEMBER 2019

Metsä Board's comparable operating result for the third quarter of 2019 is expected to weaken compared with the second quarter of 2019.

Metsä Board's CEO Mika Joukio:

"Our comparable operating result in April–June was EUR 41 million, which was weaker than in the first quarter, as expected. The result was burdened by the continued weakening of the pulp market and several planned annual maintenance shutdowns at our mills in Finland. Metsä Board's total paperboard deliveries increased slightly. The demand and price levels for folding boxboard remained stable. In the Americas, we have achieved good results by optimising sales mix, and the average price of our folding boxboard has improved significantly in this region within a year. The weaker linerboard market, particularly in Europe, has slightly affected the average price of our white kraftliner sales in comparison with last year.

Our comparable operating result in January–June was EUR 103 million. Our operating result was supported by the favourable price development of paperboards, particularly folding boxboard, as well as a favourable foreign exchange effect. However, our profitability was burdened by lower delivery volumes, higher production costs and by the decline in pulp prices that started in

China in autumn 2018 and later spread into Europe. Our profitability will continue to be burdened by lower pulp prices, at least during the coming months.

In April, we announced that we will launch a pre-engineering phase for a significant investment to gradually renew the Husum pulp mill in Sweden. The renewal would improve the cost-efficiency and reliability of production of the Husum integrated mill, as well as increase electricity generation based on renewable sources of energy. In addition, it would create favourable conditions for the long-term development of the paperboard capacity of the Husum integrated mill. We are now waiting for the Swedish authorities' decision on continuing our current environmental permit for the production of up to 750,000 tonnes of pulp annually. We expect to make the final investment decision in the fourth quarter of this year, at the earliest.

After the review period, we announced our new, ambitious sustainability targets for 2030. We will continue our work towards a low-carbon society, and we aim for completely fossil-free production, together with Metsä Group by 2030. We will also continue our work to develop plastic-free barrier solutions for food service use in particular.

Early into the second half of the year, there is still uncertainty concerning the operating environment, particularly in terms of pulp and linerboards. However, the market situation for folding boxboard is favourable, according to many of our customers as well. In addition, we have received a great deal of positive feedback from

our customers on our recently renewed and improved folding boxboard portfolio.

Finally, I would like to take this opportunity to thank our employees, customers and other stakeholders for the first half of 2019."

FINANCIAL KEY FIGURES

	2019	2019	2018	2018	2019	2018	2018
	Q2	Q1	Q2	Q1	Q1–Q2	Q1–Q2	Q1–Q4
Sales, EUR million	477.1	487.1	518.7	492.3	964.2	1,011.1	1,944.1
EBITDA, EUR million	73.6	99.3	78.5	94.3	172.9	172.7	338.2
comparable, EUR million	68.1	89.3	84.1	94.3	157.5	178.4	343.8
EBITDA, % of sales	15.4	20.4	15.1	19.2	17.9	17.1	17.4
comparable, % of sales	14.3	18.3	16.2	19.2	16.3	17.6	17.7
Operating result, EUR million	46.4	71.9	53.6	69.0	118.3	122.6	246.3
comparable, EUR million	41.0	61.8	59.2	69.0	102.8	128.2	251.9
Operating result, % of sales	9.7	14.8	10.3	14.0	12.3	12.1	12.7
comparable, % of sales	8.6	12.7	11.4	14.0	10.7	12.7	13.0
Result before taxes, EUR million	41.9	67.9	47.8	61.0	109.8	108.8	224.2
comparable, EUR million	36.4	57.9	53.5	61.0	94.3	114.5	229.7
Result for the period, EUR million	36.3	59.6	41.8	53.9	95.9	95.7	203.4
comparable, EUR million	31.9	50.2	46.2	53.9	82.2	100.1	207.8
Earnings per share, EUR	0.10	0.17	0.12	0.15	0.27	0.27	0.57
comparable, EUR	0.09	0.14	0.13	0.15	0.23	0.28	0.58
Return on equity, %	11.4	18.4	14.4	18.7	14.7	16.3	16.3
comparable, %	10.0	15.5	15.9	18.7	12.6	17.0	16.7
Return on capital employed, %	10.9	16.7	12.6	15.8	13.4	14.4	14.0
comparable, %	9.7	14.4	13.9	15.8	11.7	15.1	14.4
Equity ratio at the end of period, %	57	56	55	50	57	55	58
Net gearing ratio at the end of period, %	30	23	33	29	30	33	25
Interest-bearing net liabilities/comparable EBITDA	1.2	0.9	1.2	1.1	1.2	1.2	1.0
Shareholder's equity per share at the end of period, EUR	3.60	3.57	3.32	3.21	3.60	3.32	3.72
Interest-bearing net liabilities, EUR million	380.2	296.6	388.1	334.7	380.2	388.1	334.6
Gross investments, EUR million	17.9	6.4	15.3	10.5	24.3	25.7	70.3
Net cash flow from operations, EUR million	30.7	36.4	36.3	30.2	67.1	66.6	150.9
Personnel at the end of period	2,591	2,382	2,578	2,402	2,591	2,578	2,352

DELIVERY AND PRODUCTION VOLUMES

	2019	2019	2018	2018	2018	2019	2018	2018
1000 t	Q2	Q1	Q4	Q3	Q2	Q1–Q2	Q1–Q2	Q1–Q4
Deliveries								
Paperboard	445	440	426	447	489	886	957	1,830
Market pulp	109	109	95	108	131	218	254	458
Production								
Paperboard	446	460	470	451	468	906	945	1,866
Metsä Fibre pulp ¹⁾	186	181	193	191	179	366	356	740
Metsä Board pulp	352	346	338	334	338	698	690	1,363

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

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SALES AND RESULT

April–June 2019 (1–3/2019)

Metsä Board's sales amounted to EUR 477.1 million (487.1). Of the total sales, 58% came from folding boxboard, 25% came from white kraftliner and 17% came from market pulp.

The comparable operating result was EUR 41.0 million (61.8), and the operating result was EUR 46.4 million (71.9). Items affecting comparability during the period totalled EUR 5.5 million and consisted of the sale of a land area not related to business operations.

Total deliveries of paperboard were 445,000 (440,000) tonnes. Deliveries of folding boxboard amounted to 299,000 (302,000) tonnes, and deliveries of white kraftliner totalled 146,000 (138,000) tonnes. Metsä Board's own market pulp deliveries were 109,000 (109,000) tonnes.

The average sales price of folding boxboard increased, while that of white kraftliner decreased. The slightly lower average price of white kraftliner was mainly due to a change in the sales mix. The market prices of pulp decreased from the first quarter of the year.

Several planned annual maintenance shutdowns took place at Metsä Board's mills in Finland during the second quarter, while there were no annual maintenance shutdowns during the first quarter. This had a negative effect of EUR 7 million on the result in comparison with the first quarter. In addition, the production of white kraftliner was limited in accordance with demand.

The total production costs of paperboard remained relatively stable.

The associated company Metsä Fibre's share of Metsä Board's comparable operating result decreased and was EUR 15.6 million (22.8) in April–June. Lower delivery volumes and sales prices had a negative effect on the result.

Exchange rate fluctuations, including hedges, had a neutral effect on the result.

Financial income and expenses totalled EUR -4.6 million (-4.0), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -0.8 million (-0.4).

Result before taxes was EUR 41.9 million (67.9). Comparable result before taxes was EUR 36.4 million (57.9). Income taxes amounted to EUR 5.6 million (8.3).

Earnings per share were EUR 0.10 (0.17). The return on equity was 11.4% (18.4%), and the comparable return on equity was 10.0% (15.5%). The return on capital

employed was 10.9% (16.7%), and the comparable return on capital employed was 9.7% (14.4%).

January–June 2019 (1–6/2018)

Metsä Board's sales decreased and were EUR 964.2 million (1,011.1). The decrease was due to lower white kraftliner and market pulp sales in comparison with last year. Of the total sales, 57% came from folding boxboard, 24% came from white kraftliner and 17% came from market pulp.

The comparable operating result was EUR 102.8 million (128.2), and the operating result was EUR 118.3 million (122.6). Items affecting comparability during the period totalled EUR 15.5 million and consisted of following items: A disposal gain on a non-operative investment in shares of EUR 3.3 million, the Äänevoima shares sold to Metsä Fibre, which had a net impact of EUR 6.8 million, and from the sale of land area not related to business operations of EUR 5.5 million.

Total deliveries of Metsä Board's paperboards were 886,000 (957,000) tonnes in the review period. Deliveries of folding boxboard were 602,000 (625,000) tonnes, of which 72% was delivered to the EMEA region, 20% to the Americas, and 8% to the APAC region. Deliveries of white kraftliner were 284,000 (332,000) tonnes, of which 65% was delivered to the EMEA region, 34% to the Americas, and 1% to the APAC region. Metsä Board's own market pulp deliveries were 218,000 (254,000) tonnes.

The higher sales prices of paperboards, especially in folding boxboard, had a positive effect on the comparable operating result of the review period. In addition, the average price of Metsä Board's market pulp was slightly higher than in the comparison period. The lower delivery volumes of paperboard and market pulp had a negative effect on profitability.

The production costs of paperboard and pulp were higher than in the comparison period and had a significant negative effect on the result. Cost inflation in 2018 was rapid. The price of wood raw material, in particular, increased and logistics costs in North America rose. Towards the end of the review period, the price of wood raw material in the Baltic countries started to decline.

The associated company Metsä Fibre's share of Metsä Board's January–June comparable operating result was EUR 38.5 million (57.6). Lower sales prices of pulp, particularly in China, together with higher raw material costs had a negative effect on the result.

Exchange rate fluctuations, including hedges, had a positive impact of approximately EUR 21 million on the result.

Financial income and expenses totalled EUR -8.6 million (-13.8), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -1.2 million (-3.2).

The result before taxes in the review period was EUR 109.8 million (108.8). The comparable result before taxes was EUR 94.3 million (114.5). Income taxes were EUR 13.9 million (13.2).

Earnings per share were EUR 0.27 (0.27). Comparable earnings per share were EUR 0.23 (0.28). The return on equity was 14.7% (16.3%), and the comparable return on equity was 12.6% (17.0%). The return on capital employed was 13.4% (14.4%), and the comparable return on capital employed was 11.7% (15.1%).

MARKET DEVELOPMENT

April–June 2019 (1–3/2019)

Deliveries by European folding boxboard producers, as well as market prices, remained stable in comparison with the previous quarter. Deliveries by European producers of white kraftliner remained stable and market prices declined.

In North America, the production of solid bleached boxboard and food service paperboard for local consumption decreased compared with the previous quarter. Market prices remained stable.

In Europe, the dollar-denominated market price of long-fibre pulp declined by 9% compared with the previous quarter, calculated from the difference between the average prices of the quarters. The dollar-denominated market price of short-fibre pulp declined by 6%.

In China, the dollar-denominated market price of long-fibre pulp declined by 4% and that of short-fibre pulp by 3%.

January–June 2019 (1–6/2018)

Deliveries by European producers of folding boxboard in January–June decreased by 5% and market prices rose from the corresponding period in the previous year. Correspondingly, deliveries by producers of white kraftliner decreased by 3%, and market prices remained stable.

Metsä Board's share of the total deliveries by European folding boxboard producers increased slightly and was 36% (35%), and 59% (55%) in exports from Europe.

In North America, the production of solid bleached boxboard decreased, but production of food service paperboard for local consumption increased. Market prices for both rose slightly.

In Europe, the dollar-denominated market price of long-fibre pulp declined by 1% compared with the previous year. The dollar-denominated market price of short-fibre pulp declined by 6%.

In China, the dollar-denominated market price of long-fibre pulp declined by 23% and that of short-fibre pulp by 14%.

CASH FLOW

Net cash flow from operations in January–June was EUR 67.1 million (1–6/2018: 66.6). Working capital increased by EUR 89.0 million (1–6/2018: increased by EUR 67.9 million). Working capital increased due to growth in inventories and trade receivables.

INVESTMENTS

Gross investments during the review period totalled EUR 24.3 million (1–6/2018: 25.7).

BALANCE SHEET AND FINANCING

Metsä Board's equity ratio at the end of June was 57% (30 June 2018: 55%) and the net gearing ratio was 30% (33%). The ratio of interest-bearing net liabilities to comparable EBITDA in the previous 12 months was 1.2 (1.2) at the end of the review period.

At the end of June, interest-bearing liabilities totalled EUR 466.3 million (30 June 2018: 483.1). Foreign currency-denominated loans accounted for 2% of loans and floating-rate loans for 20%, with the rest being fixed-rate loans. At the end of June, the average interest rate on loans was 2.5% (30 June 2018: 3.3), and the average maturity of long-term loans was 6.2 years (30 June 2018: 5.8). The interest rate maturity of loans at the end of June was 55.0 months (30 June 2018: 61.7). During the review period, the company repaid the remaining EUR 60.3 million share of the bond it issued in 2014.

At the end of June, net interest-bearing liabilities totalled EUR 380.2 million (30 June 2018: 388.1).

Metsä Board's liquidity has remained strong. At the end of the review period, the available liquidity was EUR 398.7 million (30 June 2018: 375.6), consisting of the following items: liquid assets and investments of EUR 83.1 million, a syndicated credit facility (revolving credit facility) of EUR 150.0 million, and undrawn pension premium (TyEL) funds of EUR 165.6 million. Of the liquid assets, EUR 75.4 million consisted of short-term deposits with Metsä Group Treasury, and EUR 7.7 million were cash funds and investments. Other interest-bearing receivables amounted to EUR 2.9 million. In addition, Metsä Board's liquidity reserve is supplemented by an undrawn share of EUR 125.4 million of Metsä Group's internal short-term credit facility of EUR 150.0 million.

The fair value of long-term investments was EUR 253.2 million at the end of the review period (30 June 2018: 254.6). The change in fair value from the beginning of the review period, EUR -16.9 million, was related to the decrease in the fair value of the shares in Pohjolan Voima Oyj.

At the end of the review period, an average of 7.8 months of the net foreign currency exposure was hedged, including the hedging of the balance sheet position of trade receivables and trade payables (30 June 2018: 8.1). The degree of hedging during the period

varied between seven and eight months, on average. In addition to the balance sheet position, half of the projected annual net foreign currency exposure at the normal level is hedged. The amount of hedging may deviate from the normal level by 40% in either direction. When hedging is at the normal level, the aim is to allocate the hedges primarily to the following two quarters.

Metsä Board has investment grade credit ratings by S&P Global and Moody's Investor Service. The company's rating by S&P Global is BBB-, with a stable outlook. The company's rating by Moody's is Baa3, with a stable outlook.

PERSONNEL

At the end of the review period, the number of personnel was 2,591 (30 June 2018: 2,578), of whom 1,563 (1,576) were based in Finland. During the review period, Metsä Board employed 2,441 people on average (1–6/2018: 2,455). Personnel expenses in January–June totalled EUR 98.6 million (1–6/2018: 106.8, including cost provisions related to the operational efficiency programme at the Husum mill).

BUSINESS DEVELOPMENT

Metsä Board is Europe's largest producer of folding boxboard and white kraftliner. The company's share of folding boxboard and white kraftliner produced in Europe is around one-third in terms of capacity. Demand for folding boxboard has remained stable in the EMEA region, and Metsä Board's deliveries during the review period remained at the same level as in the comparison period. In 2018, Metsä Board announced an increase of EUR 80 per tonne in the price of folding boxboard in Europe, of which roughly a third was achieved. The increased prices took effect primarily at the beginning of the year.

Demand for white kraftliner decreased in the EMEA region compared with last year, and caused deliveries to decline. On the other hand, demand for linerboard in Europe was exceptionally strong during the first half of 2018. Metsä Board's white kraftliner deliveries have also decreased, but sales prices have remained relatively stable. During the second quarter of the year, average sales prices decreased slightly in comparison with the previous quarter, mainly due to changes in the white kraftliner sales mix.

Metsä Board's deliveries to the Americas consist of folding boxboard and coated white kraftliner. The company is the biggest European supplier of folding boxboard in North America. Metsä Board's deliveries of folding boxboard decreased slightly during the second quarter, mainly due to the company's own measures to improve the average price. Through sales mix optimisation, the average price of folding boxboard has improved by around EUR 100 per tonne over the past year. Market prices have also increased in the Americas. The market situation for white kraftliner remained stable in the Americas.

In the APAC region, Metsä Board focuses on demanding end uses in cooperation with international brand owners, primarily in folding boxboard. Metsä Board's deliveries of folding boxboard decreased from the comparison period in the APAC region.

Several annual maintenance shutdowns took place at Metsä Board's mills in Finland during the second quarter. At Kemi, the production of coated white kraftliner has been adjusted downwards in accordance with market demand. Metsä Board's other paperboard mills have been operating at full capacity. There were no additional production shutdowns at Midsummer.

Metsä Board's annual market pulp position, composed of Metsä Board's own pulp production and consumption, as well as of its 24.9% shareholding in Metsä Fibre, shows a surplus of approximately 600,000 tonnes. Metsä Board's own market pulp deliveries in the review period were lower than in the comparison period, which was mainly due to lower demand in the EMEA region. In Europe, the price level of market pulp has declined during the first half of the year, which will also affect the profitability of the pulp business in the coming months. In the review period, Metsä Fibre's pulp delivery volumes were at the same level as in the comparison period, but the average sales price was lower. The price of pulp has decreased in China, one of Metsä Fibre's main market areas, and this has had a particularly strong impact on the company's result.

FINANCIAL TARGETS

Metsä Board updated its financial targets during the review period. Metsä Board removed its earlier target of paperboard volume growth that exceeds average market growth. Instead of aiming for growth, Metsä Board focuses on improving its profitability and keeping its comparable return on capital employed (ROCE) a minimum of 12% at all times. Profitability is sought by improving efficiency at the mills and optimising the paperboard sales mix, as well as through investments that meet the targets set for the return on capital employed. In other respects, the company's financial targets and dividend policy remained unchanged.

ONGOING PRE-ENGINEERING PHASES FOR INVESTMENTS

Metsä Board announced (stock exchange release on 26 April 2019) that it would launch the pre-engineering phase of the renewal of its Husum mill in Sweden. If implemented, the first phase of the investment would include the replacement of the pulp mill's existing recovery boiler and turbines. The value of the investment would be around EUR 300 million, divided between years 2019–2022. The second phase of the investment during 2020's would involve the replacement of the existing fibre lines with a new fibre line. The final investment decision concerning the first phase is expected to be made at the end of this year, at the earliest.

The purpose of the investment is to further develop Metsä Board's pulp and energy production, as well as

moving towards fossil-free production. In addition, the renewal of the pulp mill would enable the long-term development and growth of competitive paperboard business operations at the Husum integrated mill over the coming years.

Metsä Board will provide more information about the progress of the pre-engineering phase and the final investment decision in its interim reports and in separate press releases, if necessary.

Metsä Board's associated company Metsä Fibre has announced to launch pre-engineering phases for the construction of a bioproduct mill in Kemi and the construction of a pine sawmill next to the Rauma pulp mill. If the bioproduct mill investment is implemented, its value would be around EUR 1.5 billion. The final investment decision is expected to be made no earlier than summer 2020. If the pine sawmill investment in Rauma is implemented, its value would be around EUR 200 million. The final investment decision is expected to be made in early 2020.

SUSTAINABILITY

Responsibility and sustainability are integral parts of Metsä Board's day-to-day operations and management. In addition to its own operations, Metsä Board promotes sustainability throughout the supply chain.

Metsä Board has achieved good grades in a number of environmental, social and governance (ESG) assessments carried out by MSCI, Sustainalytics and ISS-oekom, for example. CDP has selected Metsä Board on its Water A and Climate A lists, and the company has achieved the A- level in the forest programme. CDP has also selected Metsä Board among the world's best companies in terms of supply chain commitment to combating climate change.

After the review period, Metsä Board announced its sustainable targets for 2030. Metsä Board is aiming for the use of completely fossil-free energy by 2030. Its mills will use fossil-free fuels (scope 1), and all the energy it purchases must also be fossil-free (scope 2). In addition, the company will further improve its water and energy efficiency, and will seek to increase the share of certified fibre of all the wood it uses. The company's sustainable targets are available in full on its website at www.metsaboard.com/sustainability.

RESEARCH AND DEVELOPMENT

Metsä Board has renewed and improved its folding boxboard selection in order to produce more environmentally friendly, sustainable and visually attractive packaging. At the same time, its folding boxboard product selection has been streamlined, which further improves the consistently high quality and supply reliability of its paperboards.

Metsä Board has announced that it will establish an excellence centre in Äänekoski. The centre will focus on paperboard and packaging innovation. The new excellence centre will combine expertise in packaging design

with research and development, facilitating the development of future paperboards and packaging solutions. The new excellence centre is scheduled to start operation in 2020.

LEGAL PROCEEDINGS

In the autumn of 2015, the Finnish Tax Administration refused 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. The Board of Adjustment dismissed the company's appeal in March 2018. The company has appealed the decision to the Administrative Court of Helsinki.

CHANGES IN THE CORPORATE MANAGEMENT TEAM

Camilla Wikström, M.Sc. (Eng.), was appointed Metsä Board's SVP, Human Resources and a member of the Corporate Management Team as of 1 June 2019. Susanna Tainio, who served as SVP, Human Resources at Metsä Board since 2011, was appointed VP, Human Resources Development at Metsä Group.

SHARES

At the end of the review period, the price for Metsä Board's B share on the Nasdaq Helsinki was EUR 4.72. The share's highest and lowest prices in January–June were EUR 6.60 and EUR 3.97, respectively. At the end of the review period, the price for Metsä Board's A share on the Nasdaq Helsinki was EUR 6.88. The share's highest and lowest prices in January–June were EUR 7.98 and EUR 5.46, respectively.

In January–June, the average daily trading volumes of the B and A shares on the Nasdaq Helsinki were 938,656 shares and 2,847 shares, respectively. The total trading volumes of the B and A shares were EUR 615 million and EUR 2.3 million, respectively.

In addition to the Nasdaq Helsinki, Metsä Board's shares are traded on other marketplaces, such as Chi-X and BATS. The Nasdaq Helsinki's share of total trading during the review period was around 75%.

At the end of the review period, there were 320,153,952 B shares and 35,358,794 A shares in Metsä Board.

At the end of the review period, the market value of all Metsä Board's shares was around EUR 1.7 billion, of which the market value of the B shares and the A shares accounted for around EUR 1.5 billion and EUR 0.2 billion, respectively.

At the end of the review period, Metsäliitto Cooperative owned 41% of the shares, and the voting rights conferred by these shares amounted to 62%. At the end of the review period, international and nominee-registered investors held 15% of all the shares (30 June 2018: 23%). 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. Increasing sales on a global scale 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. Internationally, sanctions related to these crises have been imposed, which may also have a direct or indirect impact on the demand for paperboards and, therefore, on Metsä Board's result.

Various countries have imposed new import duties on each other's products, in addition to other trade barriers, but these have not had a direct effect on Metsä Board's business operations so far. It is estimated that trade barriers also have negative effects on economic growth, which may have a negative impact on demand and prices in terms of Metsä Board's products.

Wood accounts for more than a quarter of Metsä Board's total costs, including its share of Metsä Fibre's 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.

Climate change may cause an increasing number of extreme weather phenomena, such as storms, floods and drought, and weaken the availability of the process water required by mills and result in breaks in production. Extreme weather conditions may also limit the availability of the wood raw material. Should they materialise, extreme weather phenomena could have a negative effect on Metsä Board's profitability.

The US dollar strengthening by 10% 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% would have a negative impact of approximately EUR 40 million. The British pound strengthening by 10% would have a positive impact of approximately EUR 8 million. The impact of weakened exchange rates would be the opposite. The sensitivities do not include the impact of hedging.

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

More information about longer-term risk factors can also be found on pages 24–25 of Metsä Board's 2018 Annual Report.

NEAR-TERM OUTLOOK

Metsä Board's paperboard deliveries in the third quarter are expected to be roughly at the same level as in the second quarter of the year.

The prices of folding boxboard are expected to remain stable. The market situation for linerboards is more uncertain which may have an impact on the average prices of Metsä Board's kraftliner in the third quarter.

The development of the global pulp market remains uncertain over the short term. However, the production curtailments announced by some pulp producers, as well as annual maintenance shutdowns scheduled for the third quarter, will balance the ratio between demand and supply. Producers' global stock levels continue to be high. The decrease in long-fibre pulp prices has stopped in China. In Europe, market prices decreased throughout the first half of the year, which will have a negative effect on the result of the second half of the year.

Annual maintenance shutdowns are scheduled for the third quarter at the Kemi integrated mill and Metsä Fibre's pulp mill in Rauma. The annual maintenance shutdown at the Husum integrated mill will begin at the end of September and end at the beginning of October, meaning that its negative impact on the result will be divided between the third and fourth quarters.

Production costs are expected to remain stable.

Changes in exchange rates, including the impact of hedges, during the third quarter will have a neutral effect compared with the second quarter and a clearly positive effect compared with the corresponding period in the previous year.

RESULT GUIDANCE FOR JULY–SEPTEMBER 2019

Metsä Board's comparable operating result for the third quarter of 2019 is expected to weaken compared with the second quarter of 2019.

METSÄ BOARD CORPORATION

Espoo, Finland, 1 August 2019
BOARD OF DIRECTORS

Further information:

Jussi Noponen, CFO
tel. +358 10 465 4913

Katri Sundström, VP, Investor Relations,
tel. +358 10 462 0101

Further information will be available as of 1 p.m. on 1
August 2019.

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 ear-
lier on the following numbers:

Finland +358 9 7479 0361

Sweden +46 8 5033 6574
United Kingdom +44 330 336 9105
United States +1 323-794-2093

The conference ID is 5218128.

Metsä Board's financial reporting in 2019:

31 October 2019, Interim Report for January–Septem-
ber 2019

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 PERFORMANCE MEASURES

European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures 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 half-year report 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.

Exceptional and material items outside the ordinary course of business have been eliminated from the comparable operating result. 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 comparable EBITDA is presented in this half year 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 items of financial income 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.

HALF YEAR FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	Q2 2019	Q2 2018	Q1–Q2 2019	Q1–Q2 2018	Q1–Q4 2018
Sales	2, 6	477.1	518.7	964.2	1 011.1	1 944.1
Change in stocks of finished goods and work in progress		12.0	-16.7	25.0	-77.2	-32.2
Other operating income	2, 6	8.5	3.4	28.4	6.6	25.6
Material and services	6	-350.0	-363.8	-707.0	-647.0	-1 374.4
Employee costs		-51.5	-57.0	-98.6	-106.8	-203.1
Share of result of associated company		15.6	29.9	36.2	57.6	124.5
Depreciation, amortisation and impairment losses		-27.2	-24.9	-54.6	-50.2	-91.8
Other operating expenses		-38.1	-36.1	-75.4	-71.5	-146.3
Operating result	2	46.4	53.6	118.3	122.6	246.3
Share of results of associated companies and joint ventures		0.1	0.0	0.1	0.0	0.1
Net exchange gains and losses		-0.8	-0.3	-1.2	-3.2	-3.1
Other net financial items	2, 6	-3.8	-5.5	-7.4	-10.5	-19.2
Result before income tax		41.9	47.8	109.8	108.8	224.2
Income taxes	3	-5.6	-6.1	-13.9	-13.2	-20.8
Result for the period		36.3	41.8	95.9	95.7	203.4

EUR million	Note	Q2 2019	Q2 2018	Q1–Q2 2019	Q1–Q2 2018	Q1–Q4 2018
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Actuarial gains/losses on defined pension plans		-2.9	1.1	-3.7	3.2	1.2
Financial assets at fair value through other comprehensive income	8	-26.2	9.0	-16.7	14.4	29.9
Share of other comprehensive income of associated company		-0.4	0.1	0.0	0.1	0.2
Income tax relating to items that will not be reclassified		5.8	-2.0	4.1	-3.5	-5.6
Total		-23.7	8.2	-16.2	14.2	25.8
Items that may be reclassified to profit or loss						
Cash flow hedges		1.4	-1.7	-14.0	-4.5	10.7
Translation differences		-6.2	-2.6	-8.9	-15.0	-7.6
Share of other comprehensive income of associated company		2.0	-4.8	0.8	-4.4	-4.0
Income tax relating to components of other comprehensive income		-0.3	0.2	2.9	0.7	-2.3
Total		-3.1	-8.9	-19.1	-23.2	-3.1
Other comprehensive income, net of tax		-26.8	-0.7	-35.4	-9.1	22.6
Total comprehensive income for the period		9.5	41.1	60.5	86.6	226.0
Result for the period attributable to						
Shareholders of parent company		36.3	41.8	95.9	95.7	203.4
Non-controlling interests		-	-	0.0	-	-
Total comprehensive income for the period attributable to						
Shareholders of parent company		9.5	41.1	60.5	86.6	226.0
Non-controlling interests		-	-	0.0	-	-
Total		9.5	41.1	60.5	86.6	226.0
Earnings per share for result attributable to shareholders of parent company (EUR/share)		0.10	0.12	0.27	0.27	0.57

The accompanying notes are an integral part of the unaudited condensed half-year financial report.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	Note	As of 30 Jun 2019	As of 30 Jun 2018	As of 31 Dec 2018
ASSETS				
Non-current assets				
Goodwill		12.4	12.4	12.4
Other intangible assets		9.1	12.8	10.1
Tangible assets	4	723.2	743.5	753.2
Investments in associated companies and joint ventures		384.9	343.4	411.3
Other investments	8	253.2	254.6	270.1
Other non-current financial assets	6, 8	21.3	31.3	28.5
Deferred tax receivables	2	4.1	4.6	5.5
		1,408.2	1,402.5	1,491.0
Current assets				
Inventories		400.9	313.1	365.6
Accounts receivables and other receivables	6, 8	338.1	352.0	317.9
Cash and cash equivalents	6, 8	83.1	91.5	109.7
		822.2	756.6	793.2
Total assets		2,230.4	2,159.1	2,284.2
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Equity attributable to shareholders of parent company		1,279.3	1,181.4	1,322.9
Non-controlling interests		-	0.0	0.0
Total equity		1,279.3	1,181.4	1,322.9
Non-current liabilities				
Deferred tax liabilities		102.4	92.8	104.5
Post-employment benefit obligations	2	14.0	14.2	13.6
Provisions	5	6.4	7.3	7.2
Borrowings	8	274.0	360.4	342.4
Other liabilities	8	5.7	3.0	3.4
		402.5	477.7	471.0
Current liabilities				
Provisions	5	2.4	5.5	4.0
Current borrowings	6, 8	192.3	122.7	104.8
Accounts payable and other liabilities	6, 8	354.0	371.8	381.4
		548.7	500.0	490.2
Total liabilities		951.1	977.7	961.3
Total shareholders' equity and liabilities		2,230.4	2,159.1	2,284.2

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	Equity Total
Shareholders' equity, 31 December 2017		557.9	-17.8	164.3	383.1	79.9	1,167.4	0.0	1,167.3
IFRS 2 change in accounting principles						2.9	2.9		2.9
IFRS 9 change in accounting principles						-0.2	-0.2		-0.2
Shareholders' equity, 1 January 2018		557.9	-17.8	164.3	383.1	82.6	1,170.1	0,0	1,170.1
Comprehensive income for the period									
Result for the period						95.7	95.7		95.7
Other comprehensive income net of tax total			-15.4	3.8		2.6	-9.1		-9.1
Comprehensive income total			-15.4	3.8		98.3	86.6	0.0	86.6
Share based payments						-0.6	-0.6		-0.6
Related party transactions									
Dividend						-74.7	-74.7		-74.7
Shareholders' equity, 30 June 2018		557.9	-33.2	168.1	383.1	105.6	1,181.4	0.0	1,181.4

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interests	Equity Total
Shareholders' equity, 1 January 2019		557.9	-26.4	194.0	383.1	214.4	1,322.9	0.0	1,322.9
Comprehensive income for the period									
Result for the period						95.9	95.9	0.0	95.9
Other comprehensive income net of tax total			-8.1	-24.3		-2.9	-35.4		-35.4
Comprehensive income total			-8.1	-24.3		93.0	60.5	0.0	60.5
Share based payments						-1.1	-1.1		-1.1
Related party transactions									
Dividend and capital distribution					-67.5	-35.6	-103.1		-103.1
Shareholders' equity, 30 June 2019		557.9	-34.5	169.6	315.5	270.7	1,279.3	0.0	1,279.3

The accompanying notes are an integral part of the unaudited condensed half-year financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	Q1–Q2 2019	Q1–Q2 2018	Q1–Q4 2018	Q2 2019
Result for the period		95.9	95.7	203.4	36.3
Total adjustments	7	15.8	24.3	5.0	16.2
Change in working capital		-89.0	-67.9	-62.4	-12.4
Net financial items	7	58.6	31.9	20.1	-3.6
Income taxes paid		-14.1	-17.5	-15.2	-5.7
Net cash flow from operating activities		67.1	66.6	150.9	30.7
Investments in intangible and tangible assets		-24.1	-23.5	-67.7	-17.3
Disposals and other items	6, 7	16.8	0.4	11.9	5.8
Net cash flow from investing activities		-7.3	-23.1	-55.8	-11.5
Changes in non-current loans and in other financial items	6	16.8	-95.6	-131.9	71.7
Paid dividend and capital distribution		-103.1	-74.7	-74.7	-103.1
Net cash flow from financing activities		-86.3	-170.3	-206.5	-31.4
Changes in cash and cash equivalents		-26.5	-126.8	-111.4	-12.1
Cash and cash equivalents at beginning of period	6	109.7	215.1	215.1	95.4
Translation difference in cash and cash equivalents		-0.1	3.2	6.0	-0.2
Changes in cash and cash equivalents		-26.5	-126.8	-111.4	-12.1
Cash and cash equivalents at end of period	6	83.1	91.5	109.7	83.1

The accompanying notes are an integral part of the unaudited condensed half-year financial report.

NOTES TO THE UNAUDITED HALF-YEAR 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 half-year financial report has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2018 IFRS financial statements. The effects of foreign exchange changes on review period operating result vis-à-vis comparison period result have been calculated based on estimated review period net cash flows in relevant currencies and taking into account the realized effects of foreign exchange hedges.

The same accounting policies have been applied as in the 2018 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 distribution of the economic benefit of the asset between quarters.

The Group has adopted the following new standards and amendments to existing standards on 1 January 2019:

IFRS 16 Leases. The new standard replaces IAS 17 and the related interpretations. IFRS 16 requires lessees to recognise lease agreements on the balance sheet as a lease obligation and an asset related to the lease obligation. Asset recognition resembles greatly the accounting treatment applied to finance leases under IAS 17.

As a result of the change, the Group has recognised currently valid leases related to lands, properties, equipment and vehicles on the balance sheet. An exception to this are the exemptions provided in the standard that concern short-term leases and low-value assets. Leases with a remaining lease term of 12 months or less on 1 January 2019 have been treated as short-term leases.

The Group has applied the definition of new leases in accordance with IFRS 16 to new and amended agreements signed during or after the transition period. The Group has applied hindsight in the determination of a lease term when the lease includes extension or termination options. Simplified approach has been applied to adoption of the standard. Comparative information has not been adjusted.

Reconciliation of lease liability, EUR million

Rent and lease commitments arising from operating leases presented in notes to consolidated financial statements 31 Dec 2018 under section 8.1	
Contingent liabilities, assets and commitments	16.2
Deduct: short-term lease contracts recognized as expenses on a straight line basis	-0.1
Deduct: lease contracts covering low value ICT equipment recognized as expenses on a straight line basis	-1.8
	<u>14.3</u>
Discounted at Group's weighted average incremental borrowing rate of 2.17 %	12.8
Add: finance lease liabilities recognized at 31 Dec 2018	8.6
Add: Adjustments arising from different treatment of extension options in lease contracts	1.8
Add: Adjustments arising from different treatment of lease contracts with indefinite lease term	2.1
Add: Other adjustments	0.2
<u>Lease liability recognized at 1 Jan 2019</u>	<u>25.5</u>

The change only has a minor effect on the Group's result key figures. The new rules have an effect on the classification of expenses in the income statement and cash flow statement.

Other new or amended standards have no effect on Group's consolidated accounts.

All amounts in the half-year financial report are presented in millions of euros, unless otherwise stated.

This half-year financial report was authorised for issue by the Board of Directors of Metsä Board on 1 August 2019.

NOTE 2 – SEGMENT INFORMATION

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

Metsä Board's business operations consist solely of folding boxboard, fresh fibre linerboard and market pulp businesses. Metsä Board reports on its financial performance in one reporting segment.

GEOGRAPHICAL DISTRIBUTION OF SALES

	Q2	Q2	Q1–Q2	Q1–Q2	Q1–Q4
EUR Million	2019	2018	2019	2018	2018
EMEA	338.7	380.9	688.0	750.2	1,429.7
Americas	96.4	93.1	200.3	180.1	361.2
APAC	42.0	44.7	76.0	80.8	153.2
Total	477.1	518.7	964.2	1,011.1	1,944.1

RECONCILIATION OF OPERATING RESULT AND EBITDA

	Q2	Q2	Q1–Q2	Q1–Q2	Q1–Q4
EUR Million	2019	2018	2019	2018	2018
Operating result	46.4	53.6	118.3	122.6	246.3
Depreciation, amortisation and impairment losses	27.2	24.9	54.6	50.2	91.8
EBITDA	73.6	78.5	172.9	172.7	338.2
Items affecting comparability:					
Gains and losses on disposal in other operating income and expenses	-5.5	-	-17.7	-	-
Employee costs	-	4.1	-	4.1	4.1
Share of results of associated companies	-	-	2.2	-	-
Other operating expenses	-	1.5	-	1.5	1.5
Total	-5.5	5.6	-15.5	5.6	5.6
EBITDA, comparable	68.1	84.1	157.5	178.4	343.8
Depreciation, amortisation and impairment losses	-27.2	-24.9	-54.6	-50.2	-91.8
Items affecting comparability:					
Impairment charges and reversals of impairments	-	-	-	-	-
Operating result, comparable	41.0	59.2	102.8	128.2	251.9

“+” sign items = expense affecting comparability

“-“ sign items = income affecting comparability

Items affecting comparability in the review period totaled EUR 15.5 million and comprised disposal gains from shares in Liaison Technologies Inc. reported under other investments (EUR 3.3 million), Äänevoima Oy shares sold to Metsä Fibre (net effect on operating result EUR 6.8 million) as well as disposal gains from sold non-business related land area (EUR 5.5 million).

Items affecting comparability in the comparison period and in 2018 amounted to EUR 5.6 million and consisted of EUR 4.1 million employee costs arising from efficiency improvement programme at Husum mill as well as other costs affecting comparability of EUR 1.5 million, mainly comprising the amount paid to Pohjolan Voima with regard to the divestment of TVO's Meri-Pori coal-fired power plant.

NOTE 3 – INCOME TAXES

EUR million	Q1–Q2 2019	Q1–Q2 2018	Q1–Q4 2018
Taxes for the current period	7.1	6.1	9.5
Taxes for the prior periods	0.0	-0.2	-0.1
Change in deferred taxes	6.8	7.3	11.4
Total income taxes	13.9	13.2	20.8

NOTE 4 – CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	Q1–Q2 2019	Q1–Q2 2018	Q1–Q4 2018
Carrying value at beginning of period	753.2	788.6	788.6
IFRS 16 implementation	16.9	-	-
Capital expenditure	23.8	25.6	69.3
Decreases	-7.0	0.0	-0.1
Depreciation, amortization and impairment losses	-53.4	-48.7	-89.0
Translation difference	-10.2	-21.9	-15.6
Carrying value at end of period	723.2	743.5	753.2

No impairments were recognized in the review period or in the comparison period.

NOTE 5 – PROVISIONS

EUR million		Restructuring	Environmental obligations	Other provisions	Total
	1 Jan 2019	4.0	5.5	1.7	11.2
Translation differences		-0.1	-	-0.0	-0.1
Increases		-	-	0.0	0.0
Utilised during the year		-1.9	-0.0	-0.3	-2.3
Unused amounts reversed		-	-	-	-
	30 Jun 2019	1.9	5.5	1.3	8.8

The non-current part of provisions was EUR 6.4 million and the current part EUR 2.4 million, total provisions

amount to EUR 8.8 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–Q2 2019	Q1–Q2 2018	Q1–Q4 2018
Sales	52.0	40.3	92.1
Other operating income	12.4	2.2	5.7
Purchases	363.3	348.6	714.8
Share of result from associated company	36.2	57.6	124.5
Interest income	0.0	0.0	0.0
Interest expenses	1.3	1.1	1.8
Accounts receivables and other receivables	33.3	36.9	40.7
Cash and cash equivalents	75.4	82.9	98.2
Accounts payable and other liabilities	141.9	104.2	58.9

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 63.3 million to Metsä Board in the review period, and Metsä Board recognized a gain of EUR 9.0 million in other operating

income on disposal to Metsä Fibre of shares in Äänevoima Oy and a related adjustment of EUR -2.2 million to share of result from associated company.

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–Q2 2019	Q1–Q2 2018	Q1–Q4 2018
Sales	0.3	0.3	0.7
Purchases	2.9	2.7	5.7
Other non-current financial assets	-	0.3	-
Accounts receivables and other receivables	0.0	0.1	0.3
Accounts payable and other liabilities	1.1	1.1	1.4

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

	Q1–Q2	Q1–Q2	Q1–Q4	Q2
EUR million	2019	2018	2018	2019
Taxes	13.9	13.2	20.8	5.6
Depreciation, amortization and impairment charges	54.6	50.2	91.8	27.2
Share of result from associated companies and joint ventures	-36.3	-57.7	-124.6	-15.7
Gains and losses on sale of fixed assets	-22.2	-1.4	-10.5	-5.6
Finance costs, net	8.6	13.8	22.3	4.6
Provisions	-2.6	5.4	2.7	-0.4
Other adjustments	-0.2	1.0	2.6	0.6
Total	15.8	24.3	5.0	16.2

Net financial items

Net financial items in consolidated cash flow statement for the review period include a dividend of EUR 63.3 million paid by Metsä Fibre (1–6/2018: EUR 34.9 million).

Disposals and other items

Disposals and other items reported for the review period were EUR 16.8 million in total. They consisted of sales proceeds of EUR 5.6 million from sale of non-business related land area, EUR 3.3 million from sale of Liaison Technologies Inc. shares reported as other investments, proceeds amounting to EUR 3.0 million from emission right sales, cash flow effect of EUR 4.5 million from divestment of Äänevoima Oy shares as well as EUR 0.2 million from related sale of land to Metsä Fibre.

Disposals and other items in 2018 amounted to EUR 11.9 million and included proceeds of EUR 10.4 million from sale of emission rights, EUR 0.6 million from divestment of subsidiary Metsä Board Shanghai Ltd, about EUR 0.4 million proceeds from other asset disposals as well as a EUR 0.6 million change in long-term receivables.

NOTE 8 – FINANCIAL INSTRUMENTS

Financial assets and liabilities and their fair values classified according to IFRS 9 at 30 June 2019:

Financial assets 30 June 2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Other non-current investments	3.7	249.5		253.2
Other non-current financial assets			16.6	16.6
Accounts receivables and other receivables			327.6	327.6
Cash and cash equivalent			83.1	83.1
Derivative financial instruments		10.4		10.4
Total carrying amount	3.7	259.8	427.3	690.9
Total fair value	3.7	259.8	427.3	690.9

Financial liabilities 30 June 2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Non-current interest-bearing financial liabilities			274.0	274.0
Other non-current financial liabilities			0.2	0.2
Current interest-bearing financial liabilities			192.3	192.3
Accounts payable and other financial liabilities			324.7	324.7
Derivative financial instruments	1.0	5.6		6.6
Total carrying amount	1.0	5.6	791.2	797.8
Total fair value	1.0	5.6	804.8	811.4

Financial assets and liabilities and their fair values classified according to IFRS 9 at 30 June 2018:

Financial assets 30 June 2018

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Other non-current investments	4.1	250.6		254.6
Other non-current financial assets			21.6	21.6
Accounts receivables and other receivables			334.5	334.5
Cash and cash equivalent			91.5	91.5
Derivative financial instruments		23.8		23.8
Total carrying amount	4.1	274.3	447.5	725.9
Total fair value	4.1	274.3	447.5	725.9

Financial liabilities 30 June 2018

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Non-current interest-bearing financial liabilities			360.4	360.4
Other non-current financial liabilities			0.2	0.2
Current interest-bearing financial liabilities			122.7	122.7
Accounts payable and other financial liabilities			320.9	320.9
Derivative financial instruments	0.0	20.1		20.1
Total carrying amount	0.0	20.1	804.2	824.3
Total fair value	0.0	20.1	815.3	835.5

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. 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 0.1–2.2 per cent (30 June 2018: 0.3–2.4). The fair values of accounts and other receivables and accounts payable and other liabilities do not materially deviate from their carrying amounts in the balance sheet.

Fair value hierarchy of financial assets and liabilities as of 30 June 2019

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		253.2	253.2
Derivative financial assets	10.4			10.4
Financial liabilities measured at fair value				
Derivative financial liabilities	0.4	6.1		6.6
Financial assets not measured at fair value				
Cash and cash equivalent		83.1		83.1
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		286.9		286.9
Current interest-bearing financial liabilities		193.0		193.0

Fair value hierarchy of financial assets and liabilities as of 30 June 2018

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		254.6	254.6
Derivative financial assets	23.8			23.8
Financial liabilities measured at fair value				
Derivative financial liabilities		20.1		20.1
Financial assets not measured at fair value				
Cash and cash equivalent		91.5		91.5
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		367.8		367.8
Current interest-bearing financial liabilities		126.5		126.5

Other non-current investments at fair value based on Level 3

	2019	2018
EUR million	30.6.	30.6.
Opening balance 1.1.	270.1	240.3
Total gains and losses in profit or loss	3.2	-
Total gains and losses in other comprehensive income	-16.7	14.4
Purchases	0.0	-
Disposals	-3.5	-0.0
Closing balance 30.6.	253.2	254.6

Financial assets and liabilities measured at fair value have been categorised according to *IFRS 7 Financial Instruments: Disclosures*.

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

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

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

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

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

For financial instruments not traded on an active 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 asset at fair value not traded on an active market is the investment in Pohjolan Voima Oyj shares classified as a financial asset at fair value through other comprehensive income. The valuation technique applied to Pohjolan Voima shares is described in more detail in the 2018 Annual report. The WACC used in Pohjolan Voima share valuation on 30 June 2019 was 1.35 percent (31.6.2018: 2.09) and 2.35 percent (4.09) for the Olkiluoto 3 under construction. The acquisition cost of shares in Pohjolan Voima Oyj on 30 June 2019 is EUR 38.0 million (39.1) and the fair value EUR 249.5 million (250.6).

The carrying value of other investments as of 30.6.2019 is estimated to change by EUR 1.6 million should the rate used for discounting the cash flows change by 10 percent from the rate estimated by management. The carrying value of other investments is estimated to change by EUR 38.1 million should the energy prices used in calculating the fair value differ by 10 percent from the prices estimated by management.

Derivatives 30 June 2019

EUR million	Nominal value	Fair value			Fair value	
		Derivative Assets	Liab.	Fair value Net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	100.0		3.8	-3.8	-1.4	-2.4
Interest rate derivatives	100.0		3.8	-3.8	-1.4	-2.4
Currency forward contracts	990.1		2.5	-2.5	0.4	-2.9
Currency option contracts	474.5		-0.2	0.2		0.2
Currency derivatives	1,464.7		2.3	-2.3	0.4	-2.6
Electricity derivatives	22.5	10.1	0.0	10.1		10.1
Oil derivatives	10.5	0.3	0.2	0.1		0.1
Other commodity derivatives	2.9		0.3	-0.3		-0.3
Commodity derivatives	36.0	10.4	0.5	9.9		9.9
Derivatives total	1,600.6	10.4	6.6	3.8	-1.0	4.8

Derivatives 30 June 2018

EUR million	Nominal value	Fair value			Fair value	
		Derivative Assets	Liab.	Fair value Net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	100.0		0.9	-0.9	-0.4	-0.5
Interest rate derivatives	100.0		0.9	-0.9	-0.4	-0.5
Currency forward contracts	936.0		18.0	-18.0	0.4	-18.4
Currency option contracts	257.3		1.2	-1.2		-1.2
Currency derivatives	1,193.3		19.2	-19.2	0.4	-19.6
Electricity derivatives	44.2	20.0		20.0		20.0
Oil derivatives	11.9	2.8		2.8		2.8
Other commodity derivatives	3.2	1.0		1.0		1.0
Commodity derivatives	59.3	23.8		23.8		23.8
Derivatives total	1,352.6	23.8	20.1	3.6	0.0	3.6

NOTE 9 – COMMITMENTS AND GUARANTEES

EUR million	30.6.2019	30.6.2018	31.12.2018
Liabilities secured by collateral	40.4	72.9	56.6
Pledges granted	136.0	121.3	145.4
Real estate mortgages	232.8	232.8	232.8
Total pledges and mortgages	368.8	354.1	378.2
Guarantees and counter-indemnities	14.0	2.8	14.0
On behalf of associated companies and joint ventures	-	0.1	0.1
Off-balance sheet rent and leasing commitments	1.7	11.5	16.2
Total	384.5	368.5	408.5

Securities and guarantees include pledges, real estate mortgages and guarantee liabilities. Starting from 1 January 2019, rent and leasing commitments include

liabilities arising from contracts for low value items and short term leases excluded from the scope of IFRS 16.

OPEN DERIVATIVE CONTRACTS

EUR million	30.6.2019	30.6.2018	31.12.2018
Interest rate derivatives	100.0	100.0	100.0
Currency derivatives	1,464.7	1,193.3	1,627.4
Other derivatives	36.0	59.3	45.3
Total	1,600.6	1,352.6	1,772.7

The fair values of open derivative contracts are provided in the tables on previous page.

COMMITMENTS RELATED TO PROPERTY, PLANT AND EQUIPMENT

EUR million	30.6.2019	30.6.2018	31.12.2018
Payments due in following 12 months	0.0	0.1	0.0
Payments due later	-	-	-
Total	0.0	0.1	0.0