METSÄ BOARD
INTERIM REPORT

JANUARY–MARCH 2018

MetsäBoard

METSÄ BOARD'S COMPARABLE OPERATING RESULT IN JANUARY–MARCH 2018 WAS EUR 69 MILLION

JANUARY–MARCH 2018 (10–12/2017)

- Sales were EUR 492.3 million (451.3).
- Comparable operating result was EUR 69.0 million (54.4), or 14.0% (12.0) of sales. The operating result was EUR 69.0 million (54.4).
- Comparable earnings per share were EUR 0.15 (0.12), and earnings per share were EUR 0.15 (0.12).
- Comparable return on capital employed was 15.8% (12.4).

JANUARY–MARCH 2018 (1–3/2017)

- Sales were EUR 492.3 million (444.5).
- Comparable operating result was EUR 69.0 million (45.2), or 14.0% (10.2) of sales. The operating result was EUR 69.0 million (45.2).
- Comparable earnings per share were EUR 0.15 (0.10), and earnings per share were EUR 0.15 (0.10).
- Comparable return on capital employed was 15.8% (10.6).

EVENTS IN JANUARY–MARCH 2018

- The market prices of folding boxboard and white kraftliner rose. The improved sales prices compensated for unfavourable exchange rates in full.
- The prices of market pulp continued to rise.
- No significant maintenance shutdowns took place during the review period, and the production efficiency of the mills was at a good level.
- The capacity utilisation rate of folding boxboard at the Husum mill is now nearly 90%, and it will not be reported on separately in the future. The improvement of average sales prices still includes significant result improvement potential.
- Due to the strong pulp and paperboard market, Metsä Board raised the result guidance for January–March 2018 it had announced in its 2017 financial statements bulletin.
- Metsä Board's Annual General Meeting for 2018 was held in Helsinki on 27 March 2018. The Annual General Meeting adopted the company's financial statements for the financial year 2017 and decided to distribute a dividend of EUR 0.21 per share.
- Standard & Poor's Ratings Services raised Metsä Board's credit rating to investment grade. The outlook for the rating is stable.

EVENTS AFTER THE REVIEW PERIOD

Metsä Board Corporation agreed on changes in its syndicated credit agreement maturing in 2020. The agreement has previously consisted of a EUR 150 million term loan and an undrawn revolving credit facility of EUR 100 million. On 27 April 2018, the company repaid EUR 100 million of its existing loan and simultaneously increased the size of its credit facility by EUR 50 million. After the change, the syndicated credit agreement consists of a EUR 50 million term loan and an undrawn revolving credit facility of EUR 150 million.

Moody's Investors Service raised the outlook on Metsä Board's credit rating (Ba1) from stable to positive.

RESULT GUIDANCE FOR APRIL–JUNE 2018

Metsä Board's comparable operating result in the second quarter of 2018 is expected to weaken compared to the first quarter of 2018.

Metsä Board has simplified its principles with regard to result guidance. The result guidance is issued on forecast changes in comparable operating result between the current quarter and the previous quarter, and there are three levels: weaker, roughly at the same level, and better. Previously, there were seven levels.

Metsä Board's CEO Mika Joukio:

"Metsä Board had an excellent start for the year 2018 and the result for January-March was the best in years. Our sales grew by 9 percent and our comparable operating profit improved by 27 percent compared to the previous quarter. The production and delivery volumes of paperboard rose and sales prices in local currencies improved in all of our important market areas. The rise in prices compensated in full for the negative effect on results caused by exchange rates. Our profitability also improved due to the pulp market being stronger than expected and the rise in pulp prices. No significant maintenance shutdowns took place during the first quarter, which improves the quarter's results in comparison to other quarters.

The production efficiency of our mills was at a good level, and several of our production units set new monthly production records. The production and delivery volumes of PE-coated paperboard at the Husum mill in Sweden also grew.

Our balance sheet remained to be strong. We have reduced our net interest-bearing liabilities by more than EUR 100 million over the year. The credit market showed its trust in Metsä Board’s future: in February, the credit rating agency Standard & Poor’s raised our credit rating to investment grade.

In our research and development operations, we are focusing on reducing the weight of paperboard and on the development of biobased barrier materials and other innovative barrier solutions. In January, we launched a new biobased, biodegradable ecobarrier paperboard for the food service end-uses.

I believe that the demand for fresh fibre paperboard will continue to grow. The plastic waste accumulating in oceans has raised environmental awareness among consumers, and concern over the transfer of mineral oils from packages made from recycled fibres to foodstuffs themselves is increasing demand for pure and safe fresh fibre. Metsä Board’s ecological and lightweight paperboards successfully meet these market trends and needs.”

FINANCIAL KEY FIGURES

	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 Q1–Q4
Sales, EUR million	492.3	451.3	478.6	474.2	444.5	1,848.6
EBITDA, EUR MILLION	94.3	77.8	85.2	67.0	68.8	298.7
comparable, EUR million	94.3	77.8	75.0	67.5	68.8	289.1
EBITDA, % of sales	19.2	17.2	17.8	14.1	15.5	16.2
comparable, % of sales	19.2	17.2	15.7	14.2	15.5	15.6
Operating result, EUR million	69.0	54.4	60.6	46.9	45.2	207.1
comparable, EUR million	69.0	54.4	50.4	43.5	45.2	193.5
Operating result, % of sales	14.0	12.0	12.7	9.9	10.2	11.2
comparable, % of sales	14.0	12.0	10.5	9.2	10.2	10.5
Result before taxes, EUR million	61.0	46.8	43.8	40.3	39.9	170.8
comparable, EUR million	61.0	46.8	33.5	36.9	39.9	157.2
Result for the period, EUR million	53.9	42.1	39.3	35.0	34.2	150.5
comparable, EUR million	53.9	42.1	29.0	32.2	34.2	137.5
Result per share, EUR	0.15	0.12	0.11	0.09	0.10	0.42
comparable, EUR	0.15	0.12	0.08	0.09	0.10	0.39
Return on equity, %	18.7	14.8	14.2	13.2	13.1	13.6
comparable, %	18.7	14.8	10.5	12.2	13.1	12.4
Return on capital employed, %	15.8	12.4	13.9	11.1	10.6	11.9
comparable, %	15.8	12.4	11.5	10.3	10.6	11.2
Equity ratio at end of period, %	50	53	51	51	47	53
Net gearing ratio at end of period, %	29	31	39	45	44	31
Interest-bearing net liabilities/EBITDA[1)]	1.1	1.2	1.7	2.0	1.9	1.2
Shareholders' equity per share at end of period, EUR	3.21	3.28	3.14	3.06	2.90	3.28
Interest-bearing net liabilities, EUR million	334.7	358.4	436.9	495.2	457.8	358.4
Gross investments, EUR million	10.5	26.7	7.3	12.4	19.0	65.4
Net cash flow from operating activities, EUR million	30.2	106.1	67.5	37.1	25.6	236.3
Personnel at the end of period	2,402	2,351	2,369	2,581	2,450	2,351

DELIVERY AND PRODUCTION VOLUMES

1000 t	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 Q1–Q4
Deliveries						
Paperboard [1)]	468	429	469	477	428	1,803
Market Pulp	124	120	123	134	138	515
Production						
Paperboard [1)]	477	459	458	444	456	1,817
Metsä Fibre pulp [2)]	177	180	152	140	147	619
Metsä Board pulp	352	305	353	344	328	1,330

[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.

INTERIM REPORT 1 JANUARY – 31 MARCH 2018

JANUARY–MARCH 2018 (10–12/2017)

SALES AND RESULT

Metsä Board's sales amounted to EUR 492.3 million (451.3). Sales increased due to higher delivery volumes and higher prices of paperboard and market pulp. Folding boxboard accounted for 50% of sales, while 30% of sales derived from kraftliner and 20% from market pulp.

Total deliveries of paperboard were 468,000 (428,000) tonnes. Deliveries of folding boxboard amounted to 297,000 (276,000) tonnes, of which 70% was delivered to EMEA region, 20% to the Americas, and 10% to APAC region. Deliveries of white kraftliner totalled 171,000 (152,000) tonnes, of which 72% was delivered to EMEA countries and 28% to the Americas.

The operating result was EUR 69.0 million (54.4). There were no items affecting comparability during the review period or during the comparison period.

The comparable operating result improved due to the stronger than expected pulp market and increased sales prices of pulp. Demand for paperboard remained good and prices in local currencies rose. The improved sales prices compensated for the unfavourable exchange rate in full. No significant maintenance shutdowns took place during the review period, which had a positive effect on results compared to other quarters. The production efficiency of mills was also at a good level. The production of our associated company Metsä Fibre's new bioproduct mill has developed well. Exchange rate fluctuations including hedges had a negative effect of EUR 12 million on the operating result.

The overall production costs of paperboard rose from the previous quarter. Costs increased particularly due to the wood price in Sweden and imported wood price from the Baltic countries.

Financial income and expenses totalled EUR -8.0 million (-7.5), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -3.0 million (-0.5).

Result before taxes was EUR 61.0 million (46.8). The comparable result before taxes was EUR 61.0 million (46.8). Income taxes amounted to EUR 7.1 million (4.7).

Earnings per share were EUR 0.15 (0.12). The return on equity was 18.7% (14.8), and the comparable return on equity was 18.7% (14.8). The return on capital employed was 15.8% (12.4), and the comparable return on capital employed was 15.8% (12.4).

MARKET DEVELOPMENT

Deliveries by European producers of folding boxboard in January–March rose by 5% compared to the previous quarter. Correspondingly, deliveries by producers of white kraftliner rose by 3%. The market prices of fresh fibre paperboard in local currencies increased in all of Metsä Board's market areas.

In Europe, the euro-denominated market price of long-fibre pulp increased by 6%, while its dollar-denominated market price increased by 11% compared to the previous quarter. The euro-denominated market price of short-fibre pulp increased by 3%, while its dollar-denominated market price increased by 7%. In China, the dollar-denominated market price of long-fibre pulp increased by 7% and that of short-fibre pulp by 5%.

JANUARY–MARCH 2018 (1–3/2017)

SALES AND RESULT

Metsä Board's sales amounted to EUR 492.3 million (444.5). Sales increased due to higher delivery volumes in paperboard and market pulp and higher prices, particularly in pulp.

The operating result was EUR 69.0 million (45.2). There were no items affecting comparability during the review period or during the comparison period.

The comparable operating result improved due to the increased delivery volumes of paperboards and higher sales prices. The clearly higher prices of pulp and the increased pulp production and delivery volumes of Metsä Board's associated company Metsä Fibre also improved the result. Exchange rate fluctuations including hedges had a negative effect of approximately EUR 15 million on the operating result of the review period.

The overall production costs of paperboard rose compared to the comparison period. Costs increased particularly due to the wood price in Sweden and imported wood price from the Baltic countries.

Financial income and expenses totalled EUR -8.0 million (-5.3), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -3.0 million (0.4).

The result before taxes in the review period was EUR 61.0 million (39.9). The comparable result before taxes was EUR 61.0 million (39.9). Income taxes amounted to EUR 7.1 million (5.7).

Earnings per share were EUR 0.15 (0.10). Comparable earnings per share were EUR 0.15 (0.10). The return on equity was 18.7% (13.1), and the comparable return on equity was 18.7% (13.1). The return on capital employed was 15.8% (10.6), and the comparable return on capital employed was 15.8% (10.6).

MARKET DEVELOPMENT

Deliveries by European producers of folding boxboard in January–March rose by 8% compared to the corresponding period in last year. Correspondingly, deliveries by producers of white kraftliner rose by 2%. The market prices of fresh fibre paperboard in local currencies increased in all of Metsä Board's market areas.

Metsä Board's share of the total deliveries by European folding boxboard producers was 35%, and 59% of exports from Europe.

In Europe, the euro-denominated market price of long-fibre pulp increased by 12%, while its dollar-denominated market price rose by 30% compared to the corresponding quarter in the previous year. The euro-denominated market price of short-fibre pulp increased by 28%, while its dollar-denominated market price increased by 48%.

CASH FLOW

Net cash flow from operations in January–March was EUR 30.2 million (1–3/2017: 25.6). Working capital increased by EUR 57.2 million (1–3/2017: increased by EUR 46.2 million).

INVESTMENTS

Gross investments during the review period totalled EUR 10.5 million (1–3/2017: 19.0).

BALANCE SHEET AND FINANCING

Metsä Board's equity ratio at the end of March was 50% (31 March 2017: 47) and its net gearing ratio was 29% (31 March 2017: 44). The ratio of net liabilities to comparable EBITDA in the previous 12 months was 1.1 at the end of the review period (31 March 2017: 1.9).

At the end of March, interest-bearing liabilities totalled EUR 616.8 million (31 March 2017: 660.4). Foreign currency-denominated loans accounted for 0.9% of loans and floating-rate loans for 25.5%, with the rest being fixed-rate loans. At the end of March, the average interest rate on loans was 3.0% (31 March 2017: 3.3), and the average maturity of long-term loans was 5.1 years (31 March 2017: 2.2). The interest rate maturity of loans at the end of March was 57.6 months (31 March 2017: 13.2).

At the end of March, net interest-bearing liabilities totalled EUR 334.7 million (31 March 2017: 457.8).

Metsä Board's liquidity has remained strong. At the end of the review period, the available liquidity was EUR 512.7 million (31 March 2017: 401.0), consisting of the following items: liquid assets and investments of EUR 278.6 million, a syndicated credit facility (revolving credit facility) of EUR 100.0 million, and undrawn pension premium (TyEL) funds of EUR 134.1 million. Of the liquid assets, EUR 270.5 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.

After the review period, Metsä Board Corporation agreed on changes in its syndicated credit agreement maturing in 2020. The agreement has previously consisted of a EUR 150 million term loan and an undrawn revolving credit facility of EUR 100 million. On 27 April 2018, the company repaid EUR 100 million of its existing loan and simultaneously increased the size of its credit facility by EUR 50 million. After the change, the syndicated credit agreement consists of a EUR 50 million term loan and an undrawn revolving credit facility of EUR 150 million.

The fair value of long-term investments was EUR 245.7 million at the end of the review period (31 March 2017: 209.4). The change in fair value from the beginning of the review period, EUR 5.4 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 7.5 months of the net foreign currency exposure was hedged, including the hedging of the balance sheet position of trade receivables and trade payables (31 March 2017: 6.9). 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.

In February, Standard & Poor's Ratings Services raised Metsä Board's credit rating to investment grade. The rating was raised from level BB+ to BBB-, and its outlook is stable.

PERSONNEL

At the end of the review period, the number of personnel was 2,402 (31 March 2017: 2,450), of whom 1,390 (1,435) were based in Finland. During the review period, Metsä Board employed 2,384 people on average (1–3/2017: 2,457). Personnel expenses in January–September totalled EUR 49.8 million (1–3/2017: 47.4).

BUSINESS DEVELOPMENT

Global demand for fresh fibre paperboard has remained good, and the market prices of paperboard in local currencies have increased in all of Metsä Board's market areas. Metsä Board announced an increase of EUR 90 per tonne in the price of folding boxboard in Europe as of November 2017. Approximately half of the announced price increase was achieved, on average.

The market situation of kraftliners has been strong in the past year. Metsä Board announced an increase of EUR 50 per tonne and USD 50 per tonne in the price of white kraftliners in Europe and the Americas, respectively. The company expects to achieve at least half of the announced increase. In 2017, the company made two announcements concerning increases in kraftliner prices.

Metsä Board's production efficiency in the first quarter of 2018 has been good. Several production units have set new monthly production records.

The deliveries of PE-coated paperboard grew during the first quarter of the year. The end use of paperboard is mainly in food service packaging, and the majority of deliveries went to Americas.

In January, Metsä Board announced the launch of an innovative biobased, biodegradable paperboard with a special barrier treatment, mainly for food service end-uses. The company also continues to develop other barrier solutions, and is investigating the exploitation of dispersion coating and biobased coating solutions as well as their commercial potential.

Metsä Board was recognised for its climate actions and responsible water use during the first quarter. The non-profit global reporting system for environmental information, CDP, included Metsä Board on both its Supplier Climate A and Supplier Water A lists. Metsä Board is the only Finnish company on these lists and globally the only forest industry company on the Supplier Climate A list.

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% 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.

RESOLUTIONS OF THE 2018 ANNUAL GENERAL MEETING

Metsä Board's Annual General Meeting held on 27 March 2018 adopted the company's financial statements for the financial year 2017 and decided to distribute a dividend of EUR 0.21 per share.

The Annual General Meeting decided to keep the Board of Directors' annual remuneration unchanged 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: Hannu Anttila, teollisuusneuvos (Finnish honorary title); Martti Asunta, metsäneuvos (Finnish honorary title); Ilkka Hämälä, M.Sc. (Eng.); 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); and Veli Sundbäck, ambassador. At its constitutive meeting, the Board of Directors elected Ilkka Hämälä as its Chair and Martti Asunta as its Vice Chair. The Board members' term of office expires at the end of the next Annual General Meeting.

Further information on the decisions of the Annual General Meeting, the constitution of the Board of Directors, and introductions of the Board members is available on Metsä Board's website at: www.metsaboard.com/Investors/General-Meeting/.

LEGAL PROCEEDINGS

In May 2014, Metsä Board requested the District Court of Helsinki to revoke the award issued by the Arbitral Tribunal on 11 February 2014 that ordered 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 request. Metsä Board appealed the decision of the District Court to the Court of Appeals. The Court of Appeals dismissed Metsä Board's appeal on 21 October 2016. Metsä Board has applied for a leave to appeal the matter to the Supreme Court.

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 will now appeal the decision to the Administrative Court of Helsinki.

SHARES

At the end of the review period, the price for Metsä Board's B share on the Nasdaq Helsinki was EUR 8.16. The share's highest and lowest prices in January–March were EUR 8.40 and EUR 6.81, respectively. At the end of the review period, the price for Metsä Board's A share on the Nasdaq Helsinki was EUR 7.98. The share's highest and lowest prices in January–March were EUR 8.20 and EUR 6.72, respectively.

In January–March, the average daily trading volumes of the B and A shares on the Nasdaq Helsinki were 694,026 shares and 11,613 shares, respectively. The total trading volumes of the B and A shares were EUR 330 million and EUR 5.4 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 73%.

During the review period, a total of 39,000 of Metsä Board Corporation's A shares were converted to B shares. At the end of the review period, there were 35,847,682 A shares and 319,665,064 B shares.

At the end of the review period, the market value of all Metsä Board's shares was EUR 2,892.9 million, of which the market value of the B shares and the A shares accounted for EUR 2,606.9 million and EUR 286.1 million, respectively.

Metsäliitto Cooperative owned 41% of the shares, and the voting rights conferred by these shares amounted to 61%. International and nominee-registered investors held 21% of all the shares (31 March 2017: 15%).

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 could, if continued, weaken Metsä Board's result.

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 39 million. The British pound strengthening by 10% 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 interim financial report are based on current plans and estimates. For this reason, they contain risks and other uncertainties that may cause the results to differ from the statements concerning them. In the short term, Metsä Board's result will be particularly affected by the price of and demand for finished products, raw material costs, the price of energy, and the exchange rate development of the euro compared to the company's other main currencies.

Further information on long-term risks is also available on pages 26–28 of Metsä Board's 2017 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 kraftliner in local currencies are expected to remain stable or to rise slightly.

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 April–June are expected to grow slightly from the previous quarter.

Several maintenance shutdowns are set to take place at Finnish mills in the second quarter, including two mills of associated company Metsä Fibre, which will burden the result compared to 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 at least until the end of third quarter.

Production costs in 2018 are expected to rise from the previous year. In addition, general cost inflation has accelerated slightly.

EVENTS AFTER THE REVIEW PERIOD

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Moody's Investors Service raised the outlook on Metsä Board's credit rating (Ba1) from stable to positive.

RESULT GUIDANCE FOR APRIL–JUNE 2018

Metsä Board's comparable operating result in the second quarter of 2018 is expected to weaken compared to the first quarter of 2018.

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METSÄ BOARD CORPORATION

Espoo, Finland, 3 May 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 3 May 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 9 7479 0361
Sweden +46 8 5033 6574
United Kingdom +44 330 336 9105
United States +1 323-794-2093

The conference ID is 9225128

Metsä Board's financial reporting in 2018:

2 August 2018: Half-year Financial Report for January–June 2018
8 November 2018: Interim Report for January–September 2018

Other events in 2018:

14 November 2018: Capital Markets Day

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

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

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 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	Q1 2018	Q1 2017	Q1–Q4 2017
Sales	**2, 6**	**492.3**	**444.5**	**1,848.6**
Change in stocks of finished goods and work in progress		-60.5	9.3	-3.5
Other operating income	**2, 6**	3.2	3.2	29.3
Material and services	**6**	-283.2	-314.0	-1,290.1
Employee costs		-49.8	-47.4	-198.0
Share of result of associated company		27.8	10.7	58.9
Depreciation, amortisation and impairment losses		-25.3	-23.6	-91.6
Other operating expenses		-35.5	-37.5	-146.4
Operating result	**2**	**69.0**	**45.2**	**207.1**
Share of results of associated companies and joint ventures		0.0	0.0	0.0
Net exchange gains and losses		-3.0	0.4	-1.1
Other net financial items	**2, 6**	-5.1	-5.7	-35.2
Result before income tax		**61.0**	**39.9**	**170.8**
Income taxes	**3**	-7.1	-5.7	-20.3
Result for the period		**53.9**	**34.2**	**150.5**

EUR million	Note	Q1 2018	Q1 2017	Q1–Q4 2017
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains/losses on defined pension plans		2.1	0.4	4.2
Financial assets at fair value through other comprehensive income	**8**	5.4	13.4	44.4
Income tax relating to items that will not be reclassified		-1.5	-2.8	-9.6
Total		**6.0**	**11.1**	**38.9**
Items that may be reclassified to profit or loss				
Cash flow hedges		-2.8	-1.1	10.6
Translation differences		-12.5	0.9	-20.3
Share of other comprehensive income of associated company		0.3	2.5	5.0
Income tax relating to components of other comprehensive income		0.5	0.3	-2.2
Total		-14.4	2.6	-6.9
Other comprehensive income. net of tax		**-8.4**	**13.7**	**32.0**
Total comprehensive income for the period		**45.6**	**47.8**	**182.5**
Result for the period attributable to				
Shareholders of parent company		53.9	34.2	150.5
Non-controlling interests		-	-	-
Total comprehensive income for the period attributable to				
Shareholders of parent company		45.6	47.8	182.5
Non-controlling interests		-	-	-
Total		45.6	47.8	182.5
Earnings per share for result attributable to shareholders of parent company (EUR/share)		0.15	0.10	0.42

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	Note	As of 31 Mar 2018	As of 31 Mar 2017	As of 31 Dec 2017
ASSETS				
Non-current assets				
Goodwill		12.4	12.4	12.4
Other intangible assets		13.4	16.0	14.2
Tangible assets	4	758.2	824.6	788.6
Investments in associated companies and joint ventures		318.1	273.6	324.4
Other investments	8	245.7	209.4	240.3
Other non-current financial assets	6, 8	26.5	16.7	23.4
Deferred tax receivables	2	4.7	4.1	4.3
		1,378.9	**1,356.7**	**1,407.5**
Current assets				
Inventories		324.0	348.6	322.9
Accounts receivables and other receivables	6, 8	325.0	296.2	280.6
Cash and cash equivalents	6, 8	278.6	198.9	215.1
		927.5	**843.7**	**818.6**
Total assets		**2,306.4**	**2,200.5**	**2,226.1**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Equity attributable to shareholders of parent company		1,139.8	1,032.3	1,167.4
Non-controlling interests		0.0	0.0	0.0
Total equity		**1,139.8**	**1,032.3**	**1,167.3**
Non-current liabilities				
Deferred tax liabilities		87.5	76.4	86.1
Post-employment benefit obligations	2	14.3	14.9	14.5
Provisions	5	6.0	7.1	6.1
Borrowings	8	474.1	469.3	534.5
Other liabilities	8	2.4	1.5	0.7
		584.3	**569.2**	**641.9**
Current liabilities				
Provisions	5	1.3	2.1	1.3
Current borrowings	6, 8	142.7	191.1	42.5
Accounts payable and other liabilities	6, 8	438.2	405.8	373.1
		582.2	**599.0**	**416.9**
Total liabilities		**1,166.6**	**1,168.2**	**1,058.7**
Total shareholders' equity and liabilities		**2,306.4**	**2,200.5**	**2,226.1**

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interests	Total
Shareholders' equity, 1 January 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						34.2	34.2		34.2
Other comprehensive income net of tax total			1.3	12.0		0.3	13.7		13.7
Comprehensive income total			**1.3**	**12.0**		**34.5**	**47.8**	**-**	**47.8**
Share based payments						-0.5	-0.5		-0.5
Related party transactions									
Dividends paid						-67.5	-67.5		-67.5
Shareholders' equity, 31 March 2017		**557.9**	**4.4**	**126.7**	**383.1**	**-39.8**	**1,032.3**	**0.0**	**1,032.3**

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, 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						53.9	53.9		53.9
Other comprehensive income net of tax total			-12.7	2.6		1.7	-8.4		-8.4
Comprehensive income total			**-12.7**	**2.6**		**55.6**	**45.6**	**-**	**45.6**
Share based payments						-1.2	-1.2		-1.2
Related party transactions									
Dividends paid						-74.7	-74.7		-74.7
Shareholders' equity, 31 March 2018		**557.9**	**-30.5**	**166.9**	**383.1**	**62.4**	**1,139.8**	**0.0**	**1,139.8**

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	Q1 2018	Q1 2017	Q1–Q4 2017	Q4 2017
Result for the period		53.9	34.2	150.5	42.1
Total adjustments	7	12.5	23.3	74.6	10.3
Change in working capital		-57.2	-46.2	34.1	58.8
Cash flow from operations		**9.2**	**11.2**	**259.2**	**111.3**
Net financial items	7	35.1	15.5	-13.2	-6.7
Income taxes paid		-14.1	-1.1	-9.7	1.5
Net cash flow from operating activities		**30.2**	**25.6**	**236.3**	**106.1**
Acquisition of other shares				-1.2	
Investments in intangible and tangible assets		-10.0	-18.2	-64.7	-27.0
Disposals and other items	6, 7	0.1	-0.1	5.5	0.3
Net cash flow from investing activities		**-9.9**	**-18.3**	**-60.5**	**-26.7**
Changes in non-current loans and in other financial items	6	42.1	-29.1	-112.7	-73.6
Dividends paid				-67.5	
Net cash flow from financing activities		**42.1**	**-29.1**	**-180.3**	**-73.6**
Changes in cash and cash equivalents		**62.4**	**-21.7**	**-4.5**	**5.7**
Cash and cash equivalents at beginning of period	6	215.1	220.6	220.6	210.3
Translation difference in cash and cash equivalents		1.1	0.0	-1.1	-1.0
Changes in cash and cash equivalents		62.4	-21.7	-4.5	5.7
Cash and cash equivalents at end of period	6	**278.6**	**198.9**	**215.1**	**215.1**

The accompanying notes are an integral part of the 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 2017 IFRS financial statements. The same accounting policies have been applied as in the 2017 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 2018:

IFRS 15 Revenue from contracts with customers and *IFRS 15 Clarifications to IFRS 15 'Revenue from Contracts with Customers'.* The new standard will replace the current IAS 18 and IAS 11 standards and the related interpretations. IFRS 15 includes five-step guidelines on recognising revenue in terms of amount and timing. Revenue is recognized as control is transferred, either over time or at a point in time. The standard also increases the amount of information to be presented in the notes to the financial statements.

Adoption of *IFRS 15 Revenue from contracts with customers* does not have an effect on revenue recognition principles applied by the Group to determine the amount and accrual of revenues.

IFRS 9 Financial instruments and amendmends to the standard. IFRS 9 replaces IAS 39 standard. The new standard includes revised guidance on the recognition and measurement of financial instruments. It also includes a new expected credit loss model for calculating impairment of financial assets. The rules applicable to general hedge accounting have also been revised while the provisions pertaining to recognition and derecognition of financial instruments have been retained.

The Group's recognition and measurement of financial assets change only slightly, and the changes do not have a material effect on the consolidated financial statements. In accordance with IFRS 9, the Group measures at fair value its Pohjolan Voima Oyj shares, which it had included in available-for-sale financial assets in accordance with IAS 39, to be recognised in financial assets under other items of comprehensive income, and it measures its other available-for-sale equity financial assets at fair value to be recognised as financial assets through profit and loss.

Hedge accounting principles under IFRS 9 make it possible to apply hedge accounting to new hedging items and instruments, such as currency options, and as such are in line with the risk management practices of the Group. The change in hedge accounting does not have a material effect in conjunction with the adoption of IFRS 9. Starting from 1 January 2018, the Group applies a model based on expected credit loss to assessing the impairment of financial assets. Impairments on accounts receivables as well as cash and cash equivalents are recognized based on the constructed model in accordance with the criteria outlined in IFRS 9. As of 1 January 2018, the Group has recognized an adjustment of EUR -0.2 million to retained earnings for impairment of financial assets.

Amendments to IFRS 2 Share-based payment – Clarification and measurement of sharebased payment transactions. The amendments clarify the accounting of business transactions that involve share-based payments. With the amendments, Metsä Board's share-based compensation arrangements are treated entirely as arrangements settled in shares. On the date of transition, the carrying amount of liabilities arising from share-based payments is transferred to equity. As of 1 January 2018, the Group has recognized an adjustment of EUR 2.9 million to retained earnings for share-based payments.

The Group will adopt the following new standard at the beginning of year 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.

With the amendment, Metsä Board will recognise its currently valid lease agreements on the balance sheet, with the exception of the contracts qualifying for the exemptions provided in the standard that concern short-term lease agreements and assets of insignificant value. Currently, rental payments related to non-cancellable other lease agreements are presented as off-balance sheet commitments at nominal value. At the end of the 2017 financial year, these lease liabilities stood at EUR 11.6 million.

Metsä Board will apply the definition of new leases in accordance with IFRS 16 to agreements existing at or entered into after transition date. The company will apply a simplified approach to the adoption of the standard, meaning that the accumulated effect of the adoption will be recognised as an adjustment to retained earnings. The comparison information will not be adjusted.The new rules will have an effect on the Group's balance sheet and key figures, and on classifications concerning the income statement and cash flow.

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

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

This interim financial report was authorised for issue by the Board of Directors of Metsä Board on 3 May 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.

GEOGRAPHICAL DISTRIBUTION OF SALES

EUR Million	Q1 2018	Q1 2017	Q1–Q4 2017
EMEA	369.2	312.9	1,339.6
Americas	87.0	88.2	347.9
APAC	36.1	43.3	161.1
Total	**492.3**	**444.5**	**1,848.6**

RECONCILIATION OF OPERATING RESULT AND EBITDA

EUR Million	Q1 2018	Q1 2017	Q1–Q4 2017
Operating result	**69.0**	**45.2**	**207.1**
Depreciation, amortisation and impairment losses	25.3	23.6	91.6
EBITDA	**94.3**	**68.8**	**298.7**
Items affecting comparability:			
Gains and losses on disposal in other operating income and expenses	-	-	-10.2
Other operating expenses	-	-	0.5
Total	-	-	-9.7
EBITDA, comparable	**94.3**	**68.8**	**289.1**
Depreciation, amortisation and impairment losses	-25.3	-23.6	-91.6
Items affecting comparability:			
Impairment charges and reversals of impairments	-	-	-3.9
Operating result, comparable	**69.0**	**45.2**	**193.5**

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

No items affecting comparability were recognized in the review period or in the comparison period.

Items affecting comparability during 2017 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.

NOTE 3 – INCOME TAXES

EUR million	Q1 2018	Q1 2017	Q1–Q4 2017
Taxes for the current period	4.0	6.6	18.5
Taxes for the prior periods	0.0	0.0	0.1
Change in deferred taxes	3.0	-0.9	1.8
Total income taxes	7.1	5.7	20.3

NOTE 4 – CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	Q1 2018	Q1 2017	Q1–Q4 2017
Carrying value at beginning of period	788.6	829.8	829.8
Capital expenditure	10.4	16.7	62.3
Decreases	0.0	0.0	-3.8
Depreciation, amortization and impairment losses	-24.5	-22.8	-88.5
Translation difference	-16.3	0.9	-11.3
Carrying value at end of period	758.2	824.6	788.6

No impairments were recognized in the review period or in the comparison period. 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 2017.

NOTE 5 – PROVISIONS

EUR million		Restructuring	Environmental obligations	Other provisions	Total
	1 Jan 2018	**0.2**	**5.6**	**1.5**	**7.3**
Translation differences		-	-	-0.0	-0.0
Increases		-	-	0.0	0.0
Utilised during the year		-	-0.0	-0.0	-0.0
Unused amounts reversed		-	-	-	-
	31 Mar 2018	**0.2**	**5.6**	**1.5**	**7.3**

The non-current part of provisions was EUR 6.0 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 2018	Q1 2017	Q1–Q4 2017
Sales	21.4	15.5	67.1
Other operating income	1.3	1.3	4.4
Purchases	167.2	154.5	609.1
Share of result from associated company	27.8	10.7	58.9
Interest income	0.0	0.0	0.1
Interest expenses	0.4	0.3	2.1
Accounts receivables and other receivables	29.3	16.5	30.2
Cash and cash equivalents	270.5	130.6	207.0
Accounts payable and other liabilities	139.4	179.0	51.6

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 34.9 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 2018	Q1 2017	Q1–Q4 2017
Sales	0.2	0.2	0.7
Purchases	1.3	1.3	5.5
Other non-current financial assets	0.3	0.3	0.3
Accounts receivables and other receivables	0.2	0.1	0.1
Accounts payable and other liabilities	1.0	1.0	1.3

NOTE 7 – NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Adjustments to the result for the period

EUR million	Q1 2018	Q1 2017	Q1–Q4 2017	Q4 2017
Taxes	7.1	5.7	20.3	4.7
Depreciation, amortization and impairment charges	25.3	23.6	91.6	23.4
Share of result from associated companies and joint ventures	-27.8	-10.7	-58.9	-23.2
Gains and losses on sale of fixed assets	-0.4	0.1	-11.5	-0.6
Finance costs, net	8.0	5.3	36.3	7.5
Provisions	-0.1	-0.7	-3.3	-1.5
Other adjustments	0.5	-	-	-
Total	12.5	23.3	74.6	10.3

Net financial items

Net financial items in consolidated cash flow statement for the review period include a dividend of EUR 34.9 million paid by Metsä Fibre (1–3/2017: EUR 31.1 million).

Disposals and other items

Disposals and other items in the review period consisted of changes in non-current receivables.

Disposals and other items of EUR 5.5 million for the year ended 31 December 2017 included 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).

NOTE 8 – FINANCIAL INSTRUMENTS

Financial assets and liabilities and their fair values classified according to IFRS 9 at 31 March 2018:

Financial assets 31 March 2018

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Other non-current investments	4.1	241.6		245.7	245.7
Other non-current financial assets			20.6	20.6	20.6
Accounts receivables and other receivables			317.1	317.1	317.1
Cash and cash equivalent			278.6	278.6	278.6
Derivative financial instruments		11.5		11.5	11.5
Total	**4.1**	**253.1**	**616.2**	**873.4**	**873.4**

Financial liabilities 31 March 2018

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Non-current interest-bearing financial liabilities			474.1	474.1	480.8
Other non-current financial liabilities			0.2	0.2	0.2
Current interest-bearing financial liabilities			142.7	142.7	146.5
Accounts payable and other financial liabilities			400.6	400.6	400.6
Derivative financial instruments	-0.3	6.2		5.9	5.9
Total	**-0.3**	**6.2**	**1,017.7**	**1,023.5**	**1,034.0**

Financial assets and liabilities and their fair values classified according to IAS 39 as of 31 March 2017:

Financial assets 31 March 2017

EUR million	Fair value through profit and 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		209.4				209.4	209.4
Other non-current financial assets			16.7			16.7	16.7
Accounts receivables and other receivables			290.0			290.0	290.0
Cash and cash equivalent			198.9			198.9	198.9
Derivative financial instruments				0.4		0.4	0.4
Total financial assets	**-**	**209.4**	**505.7**	**0.4**	**-**	**715.5**	**715.5**

Financial liabilities 31 March 2017

EUR million	Fair value through profit and loss	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Non-current interest-bearing financial liabilities			469.3	469.3	488.6
Other non-current financial liabilities			0.1	0.1	0.1
Current interest-bearing financial liabilities			191.1	191.1	192.5
Accounts payable and other financial liabilities			363.9	363.9	363.9
Derivative financial instruments	0.4	3.9		4.3	4.3
Total financial liabilities	**0.4**	**3.9**	**1,024.4**	**1,028.7**	**1,049.4**

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 0.3–2.2 per cent (31 March 2017: 0.3–2.6). 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 31 March 2018

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		245.7	245.7
Derivative financial assets	11.5			11.5
Financial liabilities measured at fair value				
Derivative financial liabilities		5.9		5.9
Financial assets not measured at fair value				
Cash and cash equivalent		278.6		278.6
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		480.8		480.8
Current interest-bearing financial liabilities		146.5		146,5

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

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		209.4	209.4
Derivative financial assets	0.4			0.4
Financial liabilities measured at fair value				
Derivative financial liabilities	0.7	3.6		4.3
Financial assets not measured at fair value				
Cash and cash equivalent		198.9		198.9
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		488.6		488.6
Current interest-bearing financial liabilities		192.5		192.5

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

EUR million	2018 31.3.	2017 31.3.
Opening balance 1.1.	240.3	195.9
Total gains and losses in profit or loss	-	-
Total gains and losses in other comprehensive income	5.4	13.4
Purchases	-	-
Disposals	-	-
Closing balance 31.3.	245.7	209.4

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 2017 Annual report. The WACC used in Pohjolan Voima share valuation on 31 March 2018 was 2.24 percent (31.3.2017: 2.24) and 4.24 percent (4.24) 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 241.6 million (205.3).

The carrying value of other investments as of 31.3.2018 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 value of other investments is estimated to change by EUR 32.5 million should the energy prices used in calculating the fair value differ by 10 percent from the prices estimated by management.

Derivatives 31 March 2018

EUR million	Nominal value	Fair value			Fair value	
		Derivative		Fair value	Fair value through profit and loss	Fair value through other comprehen-sive income
		Assets	Liab.	Net		
Interest rate swaps	250.0		0.4	-0.4		-0.4
Interest rate derivatives	**250.0**		**0.4**	**-0.4**		**-0.4**
Currency forward contracts	884.8		5.5	-5.5	0.3	-5.8
Currency option contracts	48.7		0.0	0.0		0.0
Currency derivatives	**933.5**		**5.5**	**-5.5**	**0.3**	**-5.8**
Electricity derivatives	49.7	10.6		10.6		10.6
Pulp derivatives						
Oil derivatives	8.6	0.7		0.7		0.7
Other commodity derivatives	2.8	0.3		0.3		0.3
Commodity derivatives	**61.1**	**11.5**		**11.5**		**11.5**
Derivatives total	**1,244.6**	**11.5**	**5.9**	**5.6**	**0.3**	**5.4**

Derivatives 31 March 2017

EUR million	Nominal value	Fair value			Fair value	
		Derivative		Fair value	Fair value through profit and loss	Fair value through other comprehen-sive income
		Assets	Liab.	Net		
Interest rate swaps	100.0		1.3	-1.3		-1.3
Interest rate derivatives	**100.0**		**1.3**	**-1.3**		**-1.3**
Currency forward contracts	968.9		2.3	-2.3	-0.4	-1.9
Currency option contracts	131.0		0.0	0.0	0.0	
Currency derivatives	**1,099.8**		**2.3**	**-2.3**	**-0.4**	**-1.9**
Electricity derivatives	73.6		0.4	-0.4		-0.4
Pulp derivatives						
Oil derivatives	9.9		0.3	-0.3		-0.3
Other commodity derivatives	3.0	0.4		0.4		0.4
Commodity derivatives	**86.6**	**0.4**	**0.7**	**-0.3**		**-0.3**
Derivatives total	**1,286.4**	**0.4**	**4.3**	**-3.9**	**-0.4**	**-3.5**

NOTE 9 – COMMITMENTS AND GUARANTEES

EUR million	31.3.2018	31.3.2017	31.12.2017
Liabilities secured by pledges, real estate mortgages and floating charges	89.2	121.7	89.2
Pledges granted	112.4	96.6	114.6
Floating charges	-	-	-
Real estate mortgages	232.8	232.8	232.8
Total pledges and mortgages	345.2	329.4	347.4
Guarantees and counter-indemnities	2.8	3.9	2.8
Other rent and leasing commitments	11.4	12.6	11.6
On behalf of associated companies and joint ventures	0.1	0.1	0.1
On behalf of others	-	0.1	-
Total	359.5	346.1	361.9

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.

OPEN DERIVATIVE CONTRACTS

EUR million	31.3.2018	31.3.2017	31.12.2017
Interest rate derivatives	250.0	100.0	300.0
Currency derivatives	933.5	1,099.8	1,097.8
Other derivatives	61.1	86.6	67.1
Total	1,244.6	1,286.4	1,465.0

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

COMMITMENTS RELATED TO PROPERTY, PLANT AND EQUIPMENT

EUR million	31.3.2018	31.3.2017	31.12.2017
Payments due in following 12 months	0.1	5.4	0.3
Payments due later	-	-	-
Total	0.1	5.4	0.3