

METSÄ BOARD

INTERIM REPORT

JANUARY–SEPTEMBER 2018



METSÄ BOARD'S COMPARABLE OPERATING RESULT IN JANUARY–SEPTEMBER 2018 WAS EUR 192 MILLION

JANUARY–SEPTEMBER 2018 (1–9/2017)

- Sales were EUR 1486.1 million (1397.3).
- Comparable operating result was EUR 191.9 million (139.1), or 12.9% (10.0%) of sales. Operating result was EUR 186.3 million (152.7).
- Comparable earnings per share were EUR 0.44 (0.27), and earnings per share were EUR 0.43 (0.30).
- Comparable return on capital employed was 14.7% (10.6%).

JULY–SEPTEMBER 2018 (4–6/2018)

- Sales were EUR 475.1 million (518.7).
- Comparable operating result was EUR 63.7 million (59.2), or 13.4% (11.4%) of sales. Operating result was EUR 63.7 million (53.6).
- Comparable earnings per share were EUR 0.16 (0.13), and earnings per share were EUR 0.16 (0.12).
- Comparable return on capital employed was 15.0% (13.9%).

EVENTS IN JULY–SEPTEMBER 2018

- Profitability improved due to the higher average prices of paperboard and market pulp as well as associated company Metsä Fibre's increased pulp production and delivery volumes.
- Paperboard delivery volumes fell below the record-high delivery volumes of the second quarter.
- The optimisation of the sales mix was continued in Americas and partly in Europe.
- Wood costs remained fairly stable compared to the previous quarter. The result continued to be burdened by the expensive imported wood purchased for the Husum mill. Wood deliveries to mills were normal and production was not curtailed.
- Planned maintenance shutdowns were held at the Kemi and Husum integrated mills. The maintenance shutdown at Husum began at the end of September and ended at the beginning of October.

RESULT GUIDANCE FOR OCTOBER–DECEMBER 2018

Metsä Board's comparable operating result for the fourth quarter of 2018 is expected to improve compared to the third quarter of 2018.

Metsä Board's CEO Mika Joukio:

"Profitability in the third quarter improved due to the increased average prices of folding boxboard, white kraftliner and market pulp. The average price of paperboard rose due to successful price increases and the optimisation of the sales mix. The pulp market remained strong and the increased production and delivery volumes of pulp improved the result of our associated company Metsä Fibre.

Our paperboard deliveries were at a record-high level during the first half of the year and particularly during the second quarter. We estimate the high delivery volumes during the first half of the year to have increased customers' stocks, which had an effect on our delivery volumes during the third quarter. The changes in the delivery volumes of market pulp were mainly due to the increase in our own pulp consumption from growing paperboard production at the Husum mill in Sweden.

Exchange rate fluctuations during the third quarter had the expected negative effect on results compared to other quarters this year. Planned maintenance shutdowns were held at the Kemi integrated mill and partly at the Husum integrated mill. The maintenance shutdowns' effect on results was at the same level as in the previous quarter.

Wood costs remained fairly stable compared to the previous quarter, but the result continues to be burdened by the expensive imported wood purchased for the Husum mill. General cost inflation has been rapid this year, in addition to which transport costs in the United States have increased. Recently, however, cost inflation has slowed down, and we do not expect significant changes to our production costs in the near future.

Growing concern over the use of non-renewable natural resources and ensuring product safety particularly in food packaging increase demand for ecological and lightweight fresh fibre paperboard. In addition, sustainability and actions against climate change are increasingly important prerequisites for operations and competitive factors for companies. Thanks to long-term work, the energy efficiency of Metsä Board's production has improved year after year. Fossil-based carbon dioxide

emissions and water consumption have been reduced to a significant degree. Our sustainable way of working has won plenty of external recognition, of which I am particularly proud. The thanks for these achievements belongs not only to our competent and committed personnel, but our customers, for whom a responsible way of working has been an important starting point and requirement for cooperation for many years now. Our goal is to continue this development in the future.”

FINANCIAL KEY FIGURES

	2018	2018	2018	2017	2018	2017	2017
	Q3	Q2	Q1	Q3	Q1–Q3	Q1–Q3	Q1–Q4
Sales, EUR million	475.1	518.7	492.3	478.6	1,486.1	1,397.3	1,848.6
EBITDA, EUR million	84.2	78.5	94.3	85.2	257.0	220.9	298.7
comparable, EUR million	84.2	84.1	94.3	75.0	262.6	211.2	289.1
EBITDA, % of sales	17.7	15.1	19.2	17.8	17.3	15.8	16.2
comparable, % of sales	17.7	16.2	19.2	15.7	17.7	15.1	15.6
Operating result, EUR million	63.7	53.6	69.0	60.6	186.3	152.7	207.1
comparable, EUR million	63.7	59.2	69.0	50.4	191.9	139.1	193.5
Operating result, % of sales	13.4	10.3	14.0	12.7	12.5	10.9	11.2
comparable, % of sales	13.4	11.4	14.0	10.5	12.9	10.0	10.5
Result before taxes, EUR million	59.5	47.8	61.0	43.8	168.4	124.0	170.8
comparable, EUR million	59.5	53.5	61.0	33.5	174.0	110.3	157.2
Result for the period, EUR million	57.5	41.8	53.9	39.3	153.2	108.4	150.5
comparable, EUR million	57.5	46.2	53.9	29.0	157.6	95.4	137.5
Result per share, EUR	0.16	0.12	0.15	0.11	0.43	0.30	0.42
comparable, EUR	0.16	0.13	0.15	0.08	0.44	0.27	0.39
Return on equity, %	18.7	14.4	18.7	14.2	16.7	13.3	13.6
comparable, %	18.7	15.9	18.7	10.5	17.2	11.7	12.4
Return on capital employed, %	15.0	12.6	15.8	13.9	14.3	11.7	11.9
comparable, %	15.0	13.9	15.8	11.5	14.7	10.6	11.2
Equity ratio at the end of period, %	57	55	50	51	57	51	53
Net gearing ratio at the end of period, %	27	33	29	39	27	39	31
Interest-bearing net liabilities/ comparable EBITDA	1.0	1.2	1.1	1.7	1.0	1.7	1.2
Shareholders' equity per share at the end of period, EUR	3.58	3.32	3.21	3.14	3.58	3.14	3.28
Interest-bearing net liabilities, EUR million	343.6	388.1	334.7	436.9	343.6	436.9	358.4
Gross investments, EUR million	10.7	15.3	10.5	7.3	36.4	38.7	65.4
Net cash flow from operating activities, EUR million	53.9	36.3	30.2	67.5	120.5	130.2	236.3
Personnel at the end of period	2,375	2,578	2,402	2,369	2,375	2,369	2,351

DELIVERY AND PRODUCTION VOLUMES

	2018	2018	2018	2017	2017	2018	2017	2017
1000 t	Q3	Q2	Q1	Q4	Q3	Q1–Q3	Q1–Q3	Q1–Q4
Deliveries								
Paperboard ¹⁾	447	489	468	429	469	1,405	1,375	1,803
Market pulp	108	131	124	120	123	362	395	515
Production								
Paperboard ¹⁾	451	468	477	459	458	1,396	1,358	1,817
Metsä Fibre pulp ²⁾	191	179	177	180	152	547	439	619
Metsä Board pulp	334	338	352	305	353	1,024	1,025	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–30 SEPTEMBER 2018

JULY–SEPTEMBER 2018 (4–6/2018)

SALES AND RESULT

Metsä Board's sales declined from the previous quarter and were EUR 475.1 million (518.7). Sales declined due to the lower delivery volumes of paperboard and market pulp. Folding boxboard accounted for 56% of sales, while 26% of sales derived from kraftliner and 18% from market pulp.

Total deliveries of paperboard were 447,000 (489,000) tonnes. Deliveries of folding boxboard were 297,000 (328,000) tonnes, and deliveries of white kraftliner totalled 149,000 (161,000) tonnes. Delivery volumes declined during the third quarter. The record-high deliveries during the second quarter are estimated to have led to an increase in customers' paperboard stocks, which was visible in the third quarter as lower delivery volumes of paperboard. The company also optimised the price mix of paperboard sales in both the Americas and Europe.

The comparable operating result was EUR 63.7 million (59.2), and the operating result was EUR 63.7 million (53.6). There were no items affecting comparability during the review period.

The comparable operating result improved due to the increased prices of paperboard and market pulp, the higher pulp production and delivery volumes from our associated company Metsä Fibre, and the development of the paperboard mills' cost efficiency. The Kemi and partly the Husum integrated mills held planned annual maintenance shutdowns. The maintenance shutdowns' effect on the result was neutral compared to the previous quarter.

The scarcity in the availability of wood has eased up, but the price level has remained high. Particularly in Sweden, the price of imported wood has remained high. In Finland, the price level of wood rose slightly.

Exchange rate fluctuations including hedges had a negative effect of around EUR 4 million on the operating result in July–September, compared to the previous quarter.

Financial income and expenses totalled EUR -4.2 million (-5.7), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -0.2 million (-0.3).

Result before taxes was EUR 59.5 million (47.8). Comparable result before taxes was EUR 59.5 million (53.5). Income taxes were EUR 2.1 million (6.1).

Earnings per share were EUR 0.16 (0.12). The return on equity was 18.7% (14.4%), and the comparable return on equity was 18.7% (15.9%). The return on capital

employed was 15.0% (12.6%), and the comparable return on capital employed was 15.0% (13.9%).

MARKET DEVELOPMENT

Deliveries by European producers of folding boxboard in July–September declined by 5% compared to the previous quarter. Deliveries by European producers of white kraftliner declined by 5%. The market prices of folding boxboard and white kraftliner in Europe remained mainly stable.

In Europe, the euro-denominated market price of long-fibre pulp increased by 9%, while its dollar-denominated market price increased by 6% compared to the previous quarter. The euro-denominated market price of short-fibre pulp increased by 4%, while its dollar-denominated market price increased by 1%. In China, the dollar-denominated market price of long-fibre pulp declined by 3%, while that of short-fibre pulp remained stable.

JANUARY–SEPTEMBER 2018 (1–9/2017)

SALES AND RESULT

Metsä Board's sales increased and were EUR 1,486.1 million (1,397.3). The increase in sales was due to higher delivery volumes of paperboard and higher prices of paperboard and market pulp. Folding boxboard accounted for 55% of sales, while 26% of sales derived from kraftliner and 19% from market pulp.

Total deliveries of paperboard were 1,405,000 (1,375,000) tonnes. Deliveries of folding boxboard totalled 922,000 (868,000) tonnes, of which 69% was delivered to the EMEA region, 21% to the Americas, and 10% to the APAC region. Deliveries of white kraftliner totalled 481,000 (506,000) tonnes, of which 72% was delivered to the EMEA region and 28% to the Americas.

The comparable operating result was EUR 191.9 million (139.1), and the operating result was EUR 186.3 million (152.7). Items affecting comparability during the review period totalled EUR 5.6 million and consisted of cost provisions related to the operational efficiency programme at the Husum mill and the amount to be paid to Pohjolan Voima with regard to the divestment of TVO's Meri-Pori coal-fired power plant.

The profitability of the review period improved due to the higher prices of paperboard and market pulp and the higher delivery volumes of paperboard. The increased volumes in pulp production and deliveries of our associated company Metsä Fibre had a clearly positive effect on results. The operating result also improved due to development in the mills' cost efficiency and the optimisation in the mix of paperboard sales. Changes in Metsä Board's market pulp deliveries were the result of the increase in own pulp consumption in Husum's growing paperboard production. Metsä Board's net surplus in pulp, including the holding in Metsä Fibre, increased from the comparison period.

The total production costs of paperboard rose from the corresponding period last year. Exceptional weather conditions made harvesting conditions more difficult and increased wood prices nearly everywhere in northern Europe. The price increase was particularly steep in terms of wood imported to Sweden from the Baltic countries. The result was further burdened by more expensive road transport costs in the United States and an acceleration in general cost inflation. Exchange rate fluctuations including hedges had a negative effect of around EUR 47 million on the operating result compared to the corresponding period last year.

Financial income and expenses totalled EUR -18.0 million (-28.8), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -3.4 million (-0.6).

The result before taxes in the review period was EUR 168.4 million (124.0). Comparable result before taxes was EUR 174.0 million (110.3). Income taxes amounted to EUR 15.2 million (15.6).

Earnings per share were EUR 0.43 (0.30). Comparable earnings per share were EUR 0.44 (0.27). The return on equity was 16.7% (13.3%), and the comparable return on equity was 17.2% (11.7%). The return on capital employed was 14.3% (11.7%), and the comparable return on capital employed was 14.7% (10.6%).

MARKET DEVELOPMENT

Deliveries by European producers of folding boxboard in January–September rose by 6% compared to the corresponding period last year. Deliveries by European producers of white kraftliner decreased by 3%. The market prices of folding boxboard and white kraftliner in Europe rose.

Metsä Board's share of the total deliveries by European folding boxboard producers was 35%, and 56% of exports from Europe.

In Europe, the euro-denominated market price of long-fibre pulp increased by 25%, and its dollar-denominated market price rose by 34% compared to the corresponding period last year. The euro-denominated market price of short-fibre pulp increased by 24%, while its dollar-denominated market price increased by 33%. In China, the dollar-denominated market price of long-fibre pulp increased by 37% and that of short-fibre pulp by 25%.

CASH FLOW

Net cash flow from operations in January–September was EUR 120.5 million (1–9/2017: 130.2). Working capital increased by EUR 59.2 million (1-9/2017: increased by EUR 24.7 million). The increase in working capital was mainly due to growth in operating activities.

INVESTMENTS

Gross investments during the review period totalled EUR 36.4 million (1–9/2017: 38.7) and were mainly related to maintenance.

BALANCE SHEET AND FINANCING

Metsä Board's equity ratio at the end of September was 57% (30 September 2017: 51), and its net gearing ratio was 27% (30 September 2017: 39). The ratio of interest-bearing net liabilities to comparable EBITDA in the previous 12 months was 1.0 at the end of the review period (30 September 2017: 1.7).

At the end of September, interest-bearing liabilities totalled EUR 469.0 million (30 September 2017: 650.8). Foreign currency-denominated loans accounted for 1.4% of loans and floating-rate loans for 18%, with the rest being fixed-rate loans. At the end of September, the average interest rate on loans was 3.3% (30 September 2017: 3.2), and the average maturity of long-term loans was 5.5 years (30 September 2017: 5.4). The interest rate maturity of loans at the end of September was 59.7 months (30 September 2017: 64.0).

At the end of September, net interest-bearing liabilities totalled EUR 343.6 million (30 September 2017: 436.9).

Metsä Board's liquidity has remained strong. At the end of the review period, the available liquidity was EUR 406.3 million (30 September 2017: 412.3), consisting of the following items: liquid assets and investments of EUR 122.2 million, a syndicated credit facility (revolving credit facility) of EUR 150.0 million, and undrawn pension premium (TyEL) funds of EUR 134.1 million. Of the liquid assets, EUR 113.6 million consisted of short-term deposits with Metsä Group Treasury, and EUR 8.7 million were cash funds and investments. Other interest-bearing receivables amounted to EUR 3.2 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.

Metsä Board has agreed to changes in its syndicated credit agreement maturing in March 2020. The agreement 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 undrawn 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 274.6 million at the end of the review period (30 September 2017: 214.4). The change in fair value from the beginning of the review period, EUR 34.4 million, was related to the increase in the fair value of the shares in Pohjolan Voima Oyj.

At the end of the review period, an average of 8.0 months of the net foreign currency exposure was hedged, including the hedging of the balance sheet position of trade receivables and trade payables (30 September 2017: 7.8). The degree of hedging during the period varied between seven and nine months, on average. In addition to the balance sheet position, half of the projected annual net foreign currency exposure at the norm level is hedged. The amount of hedging may deviate from the norm level by 40% in either direction. When hedging is at the norm level, the aim is to allocate the hedges primarily to the following two quarters.

Metsä Board has credit ratings issued by S&P Global Ratings and Moody's. The company's rating by S&P Global Ratings is BBB- (investment grade), with a stable outlook. Its rating by Moody's is Ba1, with a positive outlook.

PERSONNEL

At the end of the review period, the number of personnel was 2,375 (30 September 2017: 2,369), of whom 1,378 (1,349) were based in Finland. During the review period, Metsä Board employed 2,461 people on average (1–9/2017: 2,490). Personnel expenses, including the cost provisions related to the operational efficiency programme at the Husum mill, totalled EUR 154.7 million in January–September (1–9/2017: 146.3).

BUSINESS DEVELOPMENT

Global demand for environmentally friendly 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 during the year.

The demand for fresh fibre paperboard is supported by trends such as globalisation and urbanisation, sustainability, food safety and the growth of e-commerce. Fresh fibre paperboard is replacing plastic packaging materials and the use of recycled paperboard, particularly in food and food service packaging, to an increasing degree. Metsä Board's lightweight paperboards are also resource efficient: their production consumes less energy, water and raw materials than the production of traditional paperboards. They also generate less waste. In 2018, Metsä Board received external recognition for its responsibility from CDP and EcoVadis, among others.

The delivery volumes of Metsä Board's paperboards declined during the third quarter. The record-high delivery volumes in the first half of the year are estimated to have led to an increase in customers' paperboard stocks, which was visible in the third quarter as lower delivery volumes of paperboard. The changes in delivery volumes were also affected by Metsä Board's own measures aiming to improve the average price of folding boxboard. The company has optimised the price mix of sales in both the Americas and Europe. The company expects the end-demand for packages made from premium fresh fibre paperboard to remain good.

In September, Metsä Board announced an increase of EUR 80 per tonne in the price of folding boxboard in Europe. The company expects the effect of the announced price increase on results to be visible at the beginning of 2019. The market situation of kraftliner has been strong in the past year. Metsä Board has announced two price increases in Europe and one in the Americas in 2018.

In research and development operations, Metsä Board focuses on reducing the weight of paperboard and on the development of new barrier materials for the food packaging sector in particular. In cooperation with its customers, the company develops lighter, more environmentally friendly and efficient packaging, and uses the potential of fresh fibre paperboards in innovative ways. In early 2018, the company introduced a biobased, biodegradable ecobarrier paperboard. Metsä Board also continues to develop other barrier solutions, and investigates the exploitation of dispersion coating and biobased coating solutions as well as their commercial potential.

Metsä Board has previously 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. Metsä Board continues to implement measures to improve the average sales price of folding boxboard. In other respects, the results improvement has mainly been achieved.

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

In the autumn of 2015, the Finnish Tax Administration 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 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 8.71. The share's highest and lowest prices in January–September were EUR 10.30 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 8.66. The share's highest and lowest prices in January–September were EUR 10.10 and EUR 6.72, respectively.

In the review period, the average daily trading volumes of the B and A shares on the Nasdaq Helsinki were 664,681 shares and 10,425 shares, respectively. The total trading volumes of the B and A shares were EUR 1,066.5 million and EUR 16.7 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 72%.

In January–September, a total of 527,888 of Metsä Board Corporation's A shares were converted to B shares. At the end of the period under review, there were 35,358,794 A shares and 320,153,952 B shares.

At the end of the review period, the market value of all Metsä Board's shares was EUR 3,094.7 million, of which the market value of the B shares and the A shares accounted for EUR 2,788.5 million and EUR 306 million, 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 23% of all the shares (30 September 2017: 18%). 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.

During 2018, various countries have imposed new import duties on each other's products, in addition to other trade restrictions, but these have not had a direct effect on Metsä Board's business operations so far. Negative

developments in world trade could, if continued, weaken Metsä Board's result.

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.

The US dollar strengthening by 10% against the euro would have a positive impact of approximately EUR 63 million on Metsä Board's annual operating result. Correspondingly, the Swedish krona strengthening by 10% would have a negative impact of approximately EUR 41 million. The British pound strengthening by 10% would have a positive impact of approximately EUR 9 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 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 mainly stable or to rise slightly.

Metsä Board's paperboard deliveries during the fourth quarter are expected to remain roughly on the level of the third quarter or to decline slightly. The delivery volumes of the fourth quarter are affected by the seasonally slower December.

Metsä Board continues its measures to improve the average price of folding boxboard by optimising the mix of sales.

Part of the maintenance shutdown of the Husum integrated mill occurred during the fourth quarter. The maintenance shutdown ended at the beginning of October, and its effect on the result has been accounted for in the result guidance for the fourth quarter.

The strengthening of the US dollar and the weakening of the Swedish krona against the euro, accounting for the impact of hedges, will have a positive impact on the

operating result during the fourth quarter compared to the previous quarter.

Wood costs in the fourth quarter are expected to remain roughly at the same level as in the third quarter. Net impact of energy costs and sale of emission rights are expected to improve the operating result.

The total production costs of paperboard in 2018 will increase due to more expensive wood and an acceleration in general cost inflation. The share of wood costs accounts for approximately EUR 30 million of the increase. Recently, however, cost inflation has slowed down, and no significant changes to production costs are expected in the near future.

RESULT GUIDANCE FOR OCTOBER–DECEMBER 2018

Metsä Board's comparable operating result for the fourth quarter of 2018 is expected to improve compared to the third quarter of 2018.

METSÄ BOARD CORPORATION

Espoo, Finland, 08/11/2018
BOARD OF DIRECTORS

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Further information will be available as of 1 p.m. on 08/11/2018. 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 +1 646-828-8143

The conference ID is 9227029.

Other events in 2018:

14 November 2018, Capital Markets Day in London

Metsä Board's financial reporting in 2019:

7 February 2019: Financial Statements Bulletin 2018
26 April 2019: Interim Report for January–March 2019
1 August 2019: Half-Year Financial Report for January–June 2019
31 October 2019: Interim Report for January–September 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 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 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.

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	Q3 2018	Q3 2017	Q1–Q3 2018	Q1–Q3 2017	Q1–Q4 2017
Sales	2, 6	475.1	478.6	1,486.1	1,397.3	1,848.6
Change in stocks of finished goods and work in progress		12.5	-3.5	-64.7	-13.9	-3.5
Other operating income	2, 6	3.0	13.1	9.6	21.7	29.3
Material and services	6	-359.6	-333.2	-1,006.5	-965.8	-1,290.1
Employee costs		-47.9	-47.1	-154.7	-146.3	-198.0
Share of result of associated company		34.4	11.8	92.0	35.7	58.9
Depreciation, amortisation and impairment losses		-20.6	-24.6	-70.7	-68.2	-91.6
Other operating expenses		-33.3	-34.5	-104.8	-107.7	-146.4
Operating result	2	63.7	60.6	186.3	152.7	207.1
Share of results of associated companies and joint ventures		0.1	-0.1	0.1	0.0	0.0
Net exchange gains and losses		-0.2	0.0	-3.4	-0.6	-1.1
Other net financial items	2, 6	-4.0	-16.8	-14.5	-28.2	-35.2
Result before income tax		59.5	43.8	168.4	124.0	170.8
Income taxes	3	-2.1	-4.5	-15.2	-15.6	-20.3
Result for the period		57.5	39.3	153.2	108.4	150.5

EUR million	Note	Q3 2018	Q3 2017	Q1–Q3 2018	Q1–Q3 2017	Q1–Q4 2017
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Actuarial gains/losses on defined pension plans		1.2	0.6	4.4	1.4	4.2
Financial assets at fair value through other comprehensive income	8	20.0	-1.9	34.4	18.5	44.4
Income tax relating to items that will not be reclassified		-4.2	0.3	-7.7	-4.0	-9.6
Total		17.0	-1.1	31.1	15.8	38.9
Items that may be reclassified to profit or loss						
Cash flow hedges		12.4	-1.1	7.9	19.3	10.6
Translation differences		4.7	-10.9	-10.4	-14.3	-20.3
Share of other comprehensive income of associated company		1.5	-1.2	-2.9	4.7	5.0
Income tax relating to components of other comprehensive income		-2.4	0.2	-1.7	-3.9	-2.2
Total		16.2	-13.1	-7.0	5.8	-6.9
Other comprehensive income. net of tax		33.1	-14.2	24.1	21.6	32.0
Total comprehensive income for the period		90.6	25.1	177.3	130.0	182.5
Result for the period attributable to						
Shareholders of parent company		57.5	39.3	153.2	108.4	150.5
Non-controlling interests		-	-	-	-	-
Total comprehensive income for the period attributable to						
Shareholders of parent company		90.6	25.1	177.3	130.0	182.5
Non-controlling interests		-	-	-	-	-
Total		90.6	25.1	177.3	130.0	182.5
Earnings per share for result attributable to shareholders of parent company (EUR/share)		0.16	0.11	0.43	0.30	0.42

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	Note	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS				
Non-current assets				
Goodwill		12.4	12.4	12.4
Other intangible assets		12.2	14.5	14.2
Tangible assets	4	738.8	792.6	788.6
Investments in associated companies and joint ventures		379.4	300.9	324.4
Other investments	8	274.6	214.4	240.3
Other non-current financial assets	6, 8	31.8	21.5	23.4
Deferred tax receivables	2	4.5	4.2	4.3
		1,453.7	1,360.3	1,407.5
Current assets				
Inventories		323.6	317.2	322.9
Accounts receivables and other receivables	6, 8	328.4	317.9	280.6
Cash and cash equivalents	6, 8	122.2	210.3	215.1
		774.3	845.4	818.6
Total assets		2,228.0	2,205.8	2,226.1
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Equity attributable to shareholders of parent company		1,272.9	1,114.6	1,167.4
Non-controlling interests		0.0	0.0	0.0
Total equity		1,272.9	1,114.6	1,167.3
Non-current liabilities				
Deferred tax liabilities		99.4	80.7	86.1
Post-employment benefit obligations	2	13.9	14.6	14.5
Provisions	5	6.5	6.9	6.1
Borrowings	8	359.8	543.9	534.5
Other liabilities	8	2.3	0.6	0.7
		481.8	646.7	641.9
Current liabilities				
Provisions	5	6.2	1.5	1.3
Current borrowings	6, 8	109.2	106.9	42.5
Accounts payable and other liabilities	6, 8	357.8	336.1	373.1
		473.3	444.5	416.9
Total liabilities		955.1	1 091.2	1,058.7
Total shareholders' equity and liabilities		2,228.0	2,205.8	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						108.4	108.4		108.4
Other comprehensive income net of tax total			-14.8	35.4		1.0	21.6		21.6
Comprehensive income total			-14.8	35.4		109.4	130.0	-	130.0
Share based payments						-0.3	-0.3		-0.3
Related party transactions									
Dividends paid						-67.5	-67.5		-67.5
Shareholders' equity, 30 September 2017		557.9	-11.6	150.1	383.1	35.1	1,114.6	0.0	1,114.6

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						153.2	153.2		153.2
Other comprehensive income net of tax total			-11.1	31.5		3.6	24.0		24.0
Comprehensive income total			-11.1	31.5		156.7	177.1	-	177.1
Share based payments						0.3	0.3		0.3
Related party transactions									
Dividends paid						-74.7	-74.7		-74.7
Shareholders' equity, 30 September 2018		557.9	-28.9	195.8	383.1	165.0	1,272.9	0.0	1,272.9

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	Q1–Q3 2018	Q1–Q3 2017	Q1–Q4 2017	Q3 2018
Result for the period		153.2	108.4	150.5	57.5
Total adjustments	7	16.5	64.3	74.6	-7.8
Change in working capital		-59.2	-24.7	34.1	8.7
Cash flow from operations		110.4	148.0	259.2	58.3
Net financial items	7	31.3	-6.6	-13.2	-0.6
Income taxes paid		-21.3	-11.2	-9.7	-3.8
Net cash flow from operating activities		120.5	130.2	236.3	53.9
Acquisition of other shares			-1.2	-1.2	
Investments in intangible and tangible assets		-33.9	-37.7	-64.7	-10.5
Disposals and other items	6, 7	0.5	5.2	5.5	0.2
Net cash flow from investing activities		-33.4	-33.7	-60.5	-10.3
Changes in non-current loans and in other financial items	6	-109.8	-39.2	-112.7	-14.2
Dividends paid		-74.7	-67.5	-67.5	-
Net cash flow from financing activities		-184.5	-106.7	-180.3	-14.2
Changes in cash and cash equivalents		-97.4	-10.2	-4.5	29.4
Cash and cash equivalents at beginning of period	6	215.1	220.6	220.6	91.5
Translation difference in cash and cash equivalents		4.5	-0.1	-1.1	1.3
Changes in cash and cash equivalents		-97.4	-10.2	-4.5	29.4
Cash and cash equivalents at end of period	6	122.2	210.3	215.1	122.2

The accompanying notes are an integral part of the unaudited condensed interim 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 interim financial report 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 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 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 amendments 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-cancelable 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 8 November 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	Q3 2018	Q3 2017	Q1–Q3 2018	Q1–Q3 2017	Q1–Q4 2017
EMEA	341.7	353.5	1,091.9	1,005.4	1,339.6
Americas	93.3	89.6	273.4	269.1	347.9
APAC	40.0	35.5	120.8	122.8	161.1
Total	475.1	478.6	1,486.1	1,397.3	1,848.6

RECONCILIATION OF OPERATING RESULT AND EBITDA

EUR Million	Q3 2018	Q3 2017	Q1–Q3 2018	Q1–Q3 2017	Q1–Q4 2017
Operating result	63.7	60.6	186.3	152.7	207.1
Depreciation, amortisation and impairment losses	20.6	24.6	70.7	68.2	91.6
EBITDA	84.2	85.2	257.0	220.9	298.7
Items affecting comparability:					
Gains and losses on disposal in other operating income and expenses	-	-10.2	-	-10.2	-10.2
Employee costs	0.0	-	4.1	-	-
Other operating expenses	-	-	1.5	0.5	0.5
Total	0.0	-10.2	5.6	-9.7	-9.7
EBITDA, comparable	84.2	75.0	262.6	211.2	289.1
Depreciation, amortisation and impairment losses	-20.6	-24.6	-70.7	-68.2	-91.6
Items affecting comparability:					
Impairment charges and reversals of impairments	-	-	-	-3.9	-3.9
Operating result, comparable	63.7	50.4	191.9	139.1	193.5

"+" sign items = expense affecting comparability

"-" sign items = income affecting comparability

Items affecting comparability in the review period 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 to be paid to Pohjolan Voima with regard to the divestment of TVO's Meri-Pori coal-fired power plant.

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–Q3 2018	Q1–Q3 2017	Q1–Q4 2017
Taxes for the current period	9.2	16.6	18.5
Taxes for the prior periods	-0.2	0.0	0.1
Change in deferred taxes	6.1	-1.1	1.8
Total income taxes	15.2	15.6	20.3

NOTE 4 – CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	Q1–Q3 2018	Q1–Q3 2017	Q1–Q4 2017
Carrying value at beginning of period	788.6	829.8	829.8
Capital expenditure	36.1	36.2	62.3
Decreases	-0.0	-3.7	-3.8
Depreciation, amortization and impairment losses	-68.6	-65.8	-88.5
Translation difference	-17.3	-3.9	-11.3
Carrying value at end of period	738.8	792.6	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	4.1	-	1.7	5.8
Utilised during the year	-0.1	-0.1	-0.0	-0.2
Unused amounts reversed	-0.2	-	-	-0.2
30 Sep 2018	4.0	5.5	3.2	12.7

The non-current part of provisions was EUR 6.5 million and the current part EUR 6.2 million, total provisions amount to EUR 12.7 million. Non-current provisions are estimated to be utilised mainly by the end of 2025. The increase in restructuring provision of EUR 4.1 million

arises from efficiency improvement programme at Husum mill and the increase in other provisions of EUR 1.7 million from divestment of coal-fired TVO power plant in Meri-Pori.

NOTE 6 – RELATED PARTY TRANSACTIONS

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

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

Transactions with parent and sister companies

EUR million	Q1–Q3 2018	Q1–Q3 2017	Q1–Q4 2017
Sales	65.9	47.1	67.1
Other operating income	3.2	3.3	4.4
Purchases	526.5	458.2	609.1
Share of result from associated company	92.0	35.7	58.9
Interest income	0.0	0.0	0.1
Interest expenses	1.1	1.7	2.1
Accounts receivables and other receivables	43.0	32.4	30.2
Cash and cash equivalents	113.6	202.7	207.0
Accounts payable and other liabilities	62.8	51.8	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–Q3 2018	Q1–Q3 2017	Q1–Q4 2017
Sales	0.4	0.4	0.7
Purchases	4.1	4.1	5.5
Other non-current financial assets	-	0.3	0.3
Accounts receivables and other receivables	0.3	0.1	0.1
Accounts payable and other liabilities	1.1	1.0	1.3

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

	Q1–Q3	Q1–Q3	Q1–Q4	Q3
EUR million	2018	2017	2017	2018
Taxes	15.2	15.6	20.3	2.1
Depreciation, amortization and impairment charges	70.7	68.2	91.6	20.6
Share of result from associated companies and joint ventures	-92.1	-35.7	-58.9	-34.4
Gains and losses on sale of non-current assets	-2.0	-10.9	-11.5	-0.5
Finance costs, net	18.0	28.8	36.3	4.2
Post-employment benefit obligations and provisions	4.9	-1.8	-3.3	-0.5
Other adjustments	1.7	-	-	0.8
Total	16.5	64.3	74.6	-7.8

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 (1–9/2017: EUR 31.1 million).

Disposals and other items

In addition to changes in non-current receivables, disposals and other items in the review period include EUR 0.2 million in proceeds from asset disposals.

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 30 September 2018:

Financial assets 30 September 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	4.0	270.6		274.6	274.6
Other non-current financial assets			22.6	22.6	22.6
Accounts receivables and other receivables			313.1	313.1	313.1
Cash and cash equivalent			122.2	122.2	122.2
Derivative financial instruments		20.3		20.3	20.3
Total	4.0	290.9	457.9	752.9	752.9

Financial liabilities 30 September 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			359.8	359.8	373.5
Other non-current financial liabilities			0.2	0.2	0.2
Current interest-bearing financial liabilities			109.2	109.2	111.3
Accounts payable and other financial liabilities			320.6	320.6	320.6
Derivative financial instruments	1.2	4.4		5.7	5.7
Total	1.2	4.4	789.8	795.5	811.3

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

Financial assets 30 September 2017

EUR million	Fair value through profit 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		214.4				214.4	214.4
Other non-current financial assets			17.6			17.6	17.6
Accounts receivables and other receivables			297.4			297.4	297.4
Cash and cash equivalent			210.3			210.3	210.3
Derivative financial instruments	0.7			18.1		18.8	18.8
Total financial assets	0.7	214.4	525.3	18.1	-	758.5	758.5

Financial liabilities 30 September 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			543.9	543.9	552.9
Other non-current financial liabilities			0.1	0.1	0.1
Current interest-bearing financial liabilities			106.9	106.9	108.3
Accounts payable and other financial liabilities			297.3	297.3	297.3
Derivative financial instruments	0.1	1.3		1.3	1.3
Total financial liabilities	0.1	1.3	948.2	949.5	959.9

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 (30 September 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 30 September 2018

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		274.6	274.6
Derivative financial assets	20.3			20.3
Financial liabilities measured at fair value				
Derivative financial liabilities		5.7		5.7
Financial assets not measured at fair value				
Cash and cash equivalent		122.2		122.2
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		373.5		373.5
Current interest-bearing financial liabilities		111.3		111.3

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

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		214.4	214.4
Derivative financial assets	6.4	12.3		18.8
Financial liabilities measured at fair value				
Derivative financial liabilities	0.2	1.2		1.3
Financial assets not measured at fair value				
Cash and cash equivalent		210.3		210.3
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		552.9		552.9
Current interest-bearing financial liabilities		108.3		108.3

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

EUR million	2018 30 Sep	2017 30 Sep
Opening balance 1 Jan	240.3	195.9
Total gains and losses in profit or loss	-0.0	-0.0
Total gains and losses in other comprehensive income	34.4	18.5
Purchases	-	-
Disposals	-0.0	-
Closing balance 30 Sep	274.6	214.4

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 30 September 2018 was 2.14 percent (30.9.2017: 2.40) and 3.14 percent (4.40) for the Olkiluoto 3 under construction. The acquisition cost of shares in Pohjolan Voima Oy is EUR 38.0 million (39.1) and the fair value EUR 270.6 million (210.3).

The carrying value of other investments as of 30.9.2018 is estimated to change by EUR 4,1 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 35.6 million should the energy prices used in calculating the fair value differ by 10 percent from the prices estimated by management.

Derivatives 30 September 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		0.3	-0.3	-0.2	-0.1
Interest rate derivatives	100.0		0.3	-0.3	-0.2	-0.1
Currency forward contracts	982.3		5.1	-5.1	-1.0	-4.1
Currency option contracts	440.6		0.2	-0.2		-0.2
Currency derivatives	1,422.8		5.3	-5.3	-1.0	-4.3
Electricity derivatives	38.1	15.9		15.9		15.9
Pulp derivatives						
Oil derivatives	10.6	3.1		3.1		3.1
Other commodity derivatives	2.9	1.3		1.3		1.3
Commodity derivatives	51.6	20.3		20.3		20.3
Derivatives total	1,574.4	20.3	5.7	14.7	-1.2	15.9

Derivatives 30 September 2017

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	300.0		1.2	-1.2	-0.1	-1.1
Interest rate derivatives	300.0		1.2	-1.2	-0.1	-1.1
Currency forward contracts	926.0	12.3		12.3	0.7	11.6
Currency option contracts						
Currency derivatives	926.0	12.3		12.3	0.7	11.6
Electricity derivatives	64.3	5.9		5.9		5.9
Pulp derivatives						
Oil derivatives	7.6		0.2	-0.2		-0.2
Other commodity derivatives	2.9	0.6		0.6		0.6
Commodity derivatives	74.8	6.4	0.2	6.3		6.3
Derivatives total	1,300.8	18.8	1.3	17.4	0.6	16.8

NOTE 9 – COMMITMENTS AND GUARANTEES

EUR million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Liabilities secured by pledges, real estate mortgages and floating charges	72.9	105.4	89.2
Pledges granted	134.1	106.3	114.6
Floating charges	-	-	-
Real estate mortgages	232.8	232.8	232.8
Total pledges and mortgages	366.9	339.1	347.4
Guarantees and counter-indemnities	2.8	3.0	2.8
Other rent and leasing commitments	10.9	12.4	11.6
On behalf of associated companies and joint ventures	0.1	0.1	0.1
On behalf of others	-	0.1	-
Total	380.8	354.7	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	30 Sep 2018	30 Sep 2017	31 Dec 2017
Interest rate derivatives	100.0	300.0	300.0
Currency derivatives	1,422.8	926.0	1,097.8
Other derivatives	51.6	74.8	67.1
Total	1,574.4	1,300.8	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	30 Sep 2018	30 Sep 2017	31 Dec 2017
Payments due in following 12 months	0.0	2.3	0.3
Payments due later	-	-	-
Total	0.0	2.3	0.3