

# METSÄ BOARD

INTERIM REPORT

**JANUARY–SEPTEMBER 2019**



**MetsäBoard**

## METSÄ BOARD'S COMPARABLE OPERATING RESULT IN JANUARY–SEPTEMBER 2019 WAS EUR 145 MILLION

### JANUARY–SEPTEMBER 2019 (1–9/2018)

- Sales were EUR 1,453.4 million (1,486.1).
- Comparable operating result was EUR 145.3 million (191.9), or 10.0% (12.9%) of sales. Operating result was EUR 160.8 million (186.3).
- Comparable earnings per share were EUR 0.32 (0.44), and earnings per share were EUR 0.36 (0.43).
- Comparable return on capital employed was 11.0% (14.7%).

### JULY–SEPTEMBER 2019 (4–6/2019)

- Sales were EUR 489.2 million (477.1).
- Comparable operating result was EUR 42.5 million (41.0), or 8.7% (8.6%) of sales. Operating result was EUR 42.5 million (46.4).
- Comparable earnings per share were EUR 0.09 (0.09), and earnings per share were EUR 0.09 (0.10).
- Comparable return on capital employed was 9.7% (9.7%).

### EVENTS IN JULY–SEPTEMBER 2019

- The delivery volumes of paperboards in July–September increased from the previous quarter. Prices remained stable.
- The market prices of pulp declined from the previous quarter.
- Planned annual maintenance shutdowns were held at the Kemi and Husum integrated mills. The maintenance shutdown at Husum ended at the beginning of October, and for this reason some of the impact will be visible in the fourth quarter results.
- Metsä Board launched a new plastic-free eco-barrier paperboard for food and food service packaging.
- The company published new sustainability targets. Targets include e.g. fossil-free mills and raw materials by 2030.
- Metsä Board signed a bank financing facility including sustainability targets. The facility consists of a EUR 150 million term loan and a EUR 200 million revolving credit facility.

### EVENTS AFTER THE REVIEW PERIOD

- On 8 October, Metsä Board gave a positive profit warning concerning the July–September results. Paperboard deliveries in the third quarter were on a higher level than earlier expected and wood costs were lower.
- On 30 October, the company announced that it aims to minimize the delay caused by the environmental permit process for the first phase of the planned renewal of Husum pulp mill. The company will make financial commitments for the renewal of a maximum of EUR 100 million before the final investment decision.

### RESULT GUIDANCE FOR OCTOBER–DECEMBER 2019

Metsä Board's comparable operating result for the fourth quarter of 2019 is expected to remain roughly at the same level as in the third quarter of 2019.

### Metsä Board's CEO Mika Joukio:

"The negative effects of the weakening macroeconomic situation remained smaller than we expected in July–September and our comparable operating result, EUR 42.5 million, was better than we previously estimated. Good paperboard sales and wood costs, which were slightly lower than expected, improved our profitability. Particularly the delivery volumes of white kraftliners in July–September grew compared to previous quarters. Over the past year, we have defended our prices in a weakening market situation, which has been visible in the delivery volumes of our kraftliners. Profitability in the third quarter was burdened by the low price level of market pulp and the planned maintenance shutdowns of our integrated mills.

Our comparable operating result for January–September, EUR 145 million, was weaker than last year and mainly due to declining prices of market pulp. In Europe and China, the price of long-fibre pulp is approximately 30% lower than in the corresponding period last year. On the other hand, the average prices of our paperboards, and particularly folding boxboard, have increased from last year. Currencies have also had a positive impact on results.

In August, we published new ambitious sustainability targets. Among other things, we are aiming for fossil-free mills and raw materials as well as the improvement of energy efficiency and lower process water consumption by 2030. Sustainability is a strong part of our busi-

ness, and the targets that we have now set are an indication of our commitment to combating climate change in accordance with the UN's sustainable development goals. The renewal of Husum pulp mill would represent a significant step towards fossil-free mills. Our recently agreed new financing facility is also partly tied to our sustainability targets.

We continue to develop our paperboards and packaging solutions. Consumers and brand owners across the world are looking for more responsible and easily recyclable alternatives to plastic packaging. We responded to these needs in September by launching a new plastic-free eco-barrier paperboard suitable for food and food service packaging, which provides a barrier against moisture and grease, and which can be recycled along with other paperboards. Our eco-barrier paperboard has generated a lot of interest among our customers, and our expectations in terms of its commercial success are high.

Earlier in the summer, we announced that we will establish an excellence centre at Äänekoski focused on paperboard and packaging innovations. This will help us to take advantage of the opportunities provided by lightweight fresh fibre paperboards to an increasing degree.”

**FINANCIAL KEY FIGURES**

	2019	2019	2019	2018	2019	2018	2018
	Q3	Q2	Q1	Q3	Q1–Q3	Q1–Q3	Q1–Q4
Sales, EUR million	489.2	477.1	487.1	475.1	1 453.4	1 486.1	1 944.1
EBITDA, EUR million	62.1	73.6	99.3	84.2	235.1	257.0	338.2
comparable, EUR million	62.1	68.1	89.3	84.2	219.6	262.6	343.8
EBITDA, % of sales	12.7	15.4	20.4	17.7	16.2	17.3	17.4
comparable, % of sales	12.7	14.3	18.3	17.7	15.1	17.7	17.7
Operating result, EUR million	42.5	46.4	71.9	63.7	160.8	186.3	246.3
comparable, EUR million	42.5	41.0	61.8	63.7	145.3	191.9	251.9
Operating result, % of sales	8.7	9.7	14.8	13.4	11.1	12.5	12.7
comparable, % of sales	8.7	8.6	12.7	13.4	10.0	12.9	13.0
Result before taxes, EUR million	38.8	41.9	67.9	59.5	148.6	168.4	224.2
comparable, EUR million	38.8	36.4	57.9	59.5	133.1	174.0	229.7
Result for the period, EUR million	32.5	36.3	59.6	57.5	128.4	153.2	203.4
comparable, EUR million	32.5	31.9	50.2	57.5	114.6	157.6	207.8
Earnings per share, EUR	0.09	0.10	0.17	0.16	0.36	0.43	0.57
comparable, EUR million	0.09	0.09	0.14	0.16	0.32	0.44	0.58
Return on equity, %	10.1	11.4	18.4	18.7	13.1	16.7	16.3
comparable, %	10.1	10.0	15.5	18.7	11.7	17.2	16.7
Return on capital employed, %	9.7	10.9	16.7	15.0	12.1	14.3	14.0
comparable, %	9.7	9.7	14.4	15.0	11.0	14.7	14.4
Equity ratio at the end of period, %	58	57	56	57	58	57	58
Net gearing ratio at the end of period, %	27	30	23	27	27	27	25
Interest-bearing net liabilities/comparable EBITDA <sup>1)</sup>	1.2	1.2	0.9	1.0	1.2	1.0	1.0
Shareholders' equity per share at the end of period, EUR	3.65	3.60	3.57	3.58	3.65	3.58	3.72
Interest-bearing net liabilities, EUR million	351.8	380.2	296.6	343.6	351.8	343.6	334.6
Gross investments, EUR million	17.9	17.9	6.4	10.7	42.2	36.4	70.3
Net cash flow from operations, EUR million	43.8	30.7	36.4	53.9	110.9	120.5	150.9
Personnel at the end of period	2,382	2,591	2,382	2,375	2,382	2,375	2,352

<sup>1)</sup> rolling 12 months

**DELIVERY AND PRODUCTION VOLUMES**

	2019	2019	2019	2018	2018	2019	2018	2018
1,000 tonnes	Q3	Q2	Q1	Q4	Q3	Q1–Q3	Q1–Q3	Q1–Q4
Deliveries								
Paperboard	466	445	440	426	447	1,352	1,405	1,830
Metsä Board's market pulp	104	109	109	95	108	322	362	458
Metsä Fibre's pulp <sup>1)</sup>	207	166	192	172	172	565	530	701
Production								
Paperboard	442	446	460	470	451	1,348	1,396	1,866
Metsä Board's pulp	343	352	346	338	334	1,041	1,024	1,363
Metsä Fibre's pulp <sup>1)</sup>	182	186	181	193	191	549	547	740

<sup>1)</sup> corresponds to Metsä Board's 24.9% holding in Metsä Fibre

## SALES AND RESULT

### July–September 2019 (4–6/2019)

Metsä Board's sales amounted to EUR 489.2 million (477.1). Of the total sales, 60% came from folding boxboard, 28% from white kraftliners and 12% from market pulp.

The comparable operating result was EUR 42.5 million (41.0), and the operating result was EUR 42.5 million (46.4). There were no items affecting comparability during the period.

Total deliveries of paperboards were 466,000 (445,000) tonnes. Deliveries of folding boxboard amounted to 305,000 (299,000) tonnes, and deliveries of white kraftliner totalled 161,000 (146,000) tonnes. Metsä Board's own market pulp deliveries were 104,000 (109,000) tonnes.

The comparable operating result improved by the positive development of the paperboard business. The delivery volumes of folding boxboard and particularly white kraftliner grew. The average sales price of paperboards remained stable. In contrast, Metsä Board's market pulp business had a clearly negative effect on our result. While delivery volumes remained roughly on the level of the previous quarter, the average sales price declined clearly.

The price of wood purchased from Baltics to Sweden and lower energy costs reduced the production costs of paperboard and pulp. Fixed costs also declined slightly.

Exchange rate fluctuations, including hedges, had a positive impact of around EUR 2 million on the result.

The annual maintenance shutdowns of the integrated mills in Husum and Kemi took place in the third quarter. The negative effect of the shutdowns was approximately EUR 5 million compared to the second quarter.

Metsä Board's share of the July–September result of its associated company Metsä Fibre was EUR 5.9 million (15.6).

Financial income and expenses totalled EUR -3.7 million (-4.6), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -0.3 million (-0.8).

Result before taxes was EUR 38.8 million (41.9). Comparable result before taxes was EUR 38.8 million (36.4). Income taxes amounted to EUR 6.3 million (5.6).

Earnings per share were EUR 0.09 (0.10). The return on equity was 10.1% (11.4%), and the comparable return on equity was 10.1% (10.0%). The return on capital employed was 9.7% (10.9%), and the comparable return on capital employed was 9.7% (9.7%).

### January–September 2019 (1–9/2018)

Metsä Board's sales amounted to EUR 1,453.4 million (1,486.1). Of the total sales, 60% came from folding

boxboard, 26% from white kraftliners and 14% from market pulp.

The comparable operating result was EUR 145.3 million (191.9), and the operating result was EUR 160.8 million (186.3). Items affecting comparability during the period totalled EUR 15.5 million and consisted of following items: A disposal gain on a non-operative investment in shares of EUR 3.3 million, the Äänevoima shares sold to Metsä Fibre, which had a net impact of EUR 6.8 million, and from the sale of land area not related to business operations of EUR 5.5 million.

Metsä Board's total deliveries of paperboards during the review period were 1,352,000 (1,405,000) tonnes, of which 69% was delivered to the EMEA region, 25% to the Americas, and 6% to the APAC region. Deliveries of folding boxboard were 907,000 (922,000) tonnes, of which 71% was delivered to the EMEA region, 20% to the Americas, and 9% to the APAC region. Deliveries of white kraftliner were 445,000 (481,000) tonnes, of which 65% was delivered to the EMEA region, 33% to the Americas, and 2% to the APAC region. Metsä Board's own market pulp deliveries were 322,000 (362,000) tonnes, of which the majority was delivered to the EMEA region.

The higher sales prices of paperboards, and those of folding boxboard in particular, had a positive effect on the comparable operating result of the review period. Correspondingly, profitability was weakened by market pulp's lower delivery volumes and a decline in sales prices. The production of white kraftliner was curtailed in accordance with demand, particularly during the second quarter.

The production costs of paperboard and pulp were higher than in the comparison period and had a negative effect on the result. Cost inflation in 2018 was rapid, and especially the price of wood raw material increased and logistics costs rose. The price of wood imported to Sweden from the Baltic countries declined slightly during the third quarter.

Exchange rate fluctuations, including hedges, had a positive impact of approximately EUR 38 million on the result.

Metsä Board's share of the January–September comparable result of its associated company Metsä Fibre was EUR 44.4 million (92.0).

Financial income and expenses totalled EUR -12.3 million (-18.0), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -1.5 million (-3.4).

The result before taxes in the review period was EUR 148.6 million (168.4). The comparable result before taxes was EUR 133.1 million (174.0). Income taxes were EUR -20.2 million (-15.2).

Earnings per share were EUR 0.36 (0.43). Comparable earnings per share were EUR 0.32 (0.44). The return

on equity was 13.1% (16.7%), and the comparable return on equity was 11.7% (17.2%). The return on capital employed was 12.1% (14.3%), and the comparable return on capital employed was 11.0% (14.7%).

## MARKET DEVELOPMENT

Sources: *Fastmarkets FOEX, Fastmarkets RISI, CEPI Cartonboard, CEPI Containerboard, AFPA*

### July–September 2019 (4–6/2019)

Deliveries by European folding boxboard producers increased by approximately 1% and market prices remained stable compared to the previous quarter. Deliveries by European producers of white kraftliner increased by 2% and market prices declined slightly.

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

In Europe, the dollar-denominated market price of long-fibre pulp decreased by 13% compared to the previous quarter, calculated from the difference between the average prices of the quarters. The dollar-denominated market price of short-fibre pulp decreased by 13%.

In China, the dollar-denominated market price of long-fibre pulp declined by 15% and that of short-fibre pulp by 24%.

### January–September 2019 (1–9/2018)

Deliveries by European producers of folding boxboard in January–September declined by 4% and market prices increased from the corresponding period in the previous year. Correspondingly, deliveries by producers of white kraftliner remained stable, and market prices declined slightly.

Metsä Board's share of the total deliveries by European folding boxboard producers was 36% (35%), and 58% (56%) in exports from Europe.

In North America, the production of solid bleached boxboard for local consumption declined, but the production of food service paperboard increased from the comparison period. Market prices increased slightly.

In Europe, the dollar-denominated market price of long-fibre pulp decreased by 9% compared to the previous year. The dollar-denominated market price of short-fibre pulp decreased by 11%.

In China, the dollar-denominated market price of long-fibre pulp declined by 27% and that of short-fibre pulp by 21%.

## CASH FLOW

Net cash flow from operations in January–September was EUR 110.9 million (1–9/2018: 120.5). Working capital increased by EUR 87.8 million (1–9/2018: increased by EUR 59.2 million).

## INVESTMENTS

Gross investments during the review period totalled EUR 42.2 million (1–9/2018: 36.4).

## BALANCE SHEET AND FINANCING

Metsä Board's equity ratio at the end of September was 58% (30 September 2018: 57%) and the net gearing ratio was 27% (30 September 2018: 27%). The ratio of interest-bearing net liabilities to comparable EBITDA in the previous 12 months was 1.2 (30 September 2018: 1.0).

At the end of September, interest-bearing liabilities totalled EUR 461.0 million (30 September 2018: 469.0). Loans in foreign currency accounted for 2%, floating-rate loans for 19% and the rest being fixed-rate loans. At the end of September, the average interest rate on loans was 2.5% (30 September 2018: 3.3), and the average maturity of long-term loans was 5.9 years (30 September 2018: 5.5). The interest rate maturity of loans at the end of September was 53.3 months (30 September 2018: 59.7). During the review period, the company repaid the remaining EUR 60.3 million share of the bond it issued in 2014.

At the end of September, net interest-bearing liabilities totalled EUR 351.8 million (30 September 2018: 343.6).

Metsä Board's liquidity has remained strong. At the end of the review period, the available liquidity was EUR 471.9 million (30 September 2018: 406.3), consisting of the following items: liquid assets and investments of EUR 106.3 million, a syndicated credit facility (revolving credit facility) of EUR 200.0 million, and undrawn pension premium (TyEL) funds of EUR 165.6 million. Of the liquid assets, EUR 99.1 million consisted of short-term deposits with Metsä Group Treasury, and EUR 7.2 million were cash funds and investments. Other interest-bearing receivables amounted to EUR 2.9 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.

At the end of September, Metsä Board agreed on a bank financing facility consisting of a five-year term loan of EUR 150 million and a five-year multicurrency revolving credit facility of EUR 200 million, with two one-year extension options and a EUR 50 million accordion option. The margin of the revolving credit facility is linked to selected sustainability targets based on Metsä Board's sustainability targets for 2030. The funds from the new arrangement were withdrawn at the beginning of October, and they replaced the drawn loan of EUR 50 million and the undrawn revolving credit facility of EUR 150 million, maturing in March 2020.

The fair value of long-term investments was EUR 259.6 million at the end of the review period (30 September 2018: 274.6). The change in fair value from the beginning of the review period, EUR -10.2 million, was related to the decrease in the fair value of the shares in Pohjolan Voima Oyj.

At the end of the review period, an average of 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 2018: 8.0). The degree of hedging during the period varied between seven and eight months, on average. In addition to the balance sheet position, half of the projected annual net foreign currency exposure at the normal level is hedged. The amount of hedging may deviate from the normal level by 40% in either direction. When hedging is at the normal level, the aim is to allocate the hedges primarily to the following two quarters.

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

## PERSONNEL

At the end of the review period, the number of personnel was 2,382 (30 September 2018: 2,375), of whom 1,422 (1,378) were based in Finland. During the review period, Metsä Board employed 2,453 people on average (1–9/2018: 2,461). Personnel expenses in January–September totalled EUR 143.6 million (1–9/2018: 154.7).

## BUSINESS DEVELOPMENT

### Development of paperboard sales

Metsä Board is Europe's largest producer of folding boxboard and white kraftliner. The company's share of Europe's folding boxboard and white kraftliner capacity is about a third.

Demand for folding boxboard during the review period remained stable in the EMEA region, and Metsä Board's delivery volumes rose slightly from the comparison period. The price increases, which took effect at the beginning of 2019, improved the average price of folding boxboard.

The delivery volumes of white kraftliner during the review period were clearly lower compared to the corresponding period last year. In the third quarter, the demand nevertheless clearly picked up, and delivery volumes grew. The average price of Metsä Board's kraftliners has remained fairly stable despite the weak market situation in the first half of the year.

Metsä Board's deliveries to the Americas consist of folding boxboard and coated white kraftliner. The company is the biggest supplier of folding boxboard in the United States. During the review period, the delivery volumes of paperboards in the Americas were roughly on the level on the comparison year. Through sales optimisation, the average price of Metsä Board's folding boxboard has improved by around EUR 100 per tonne over the past year.

In the APAC region, the company focuses on demanding end uses in cooperation with international brand owners, primarily in folding boxboard. Metsä Board's delivery volumes of folding boxboard in the APAC region were lower during the review period compared to the comparison period.

### Development of market pulp sales

Metsä Board's annual market pulp position, composed of the company's own pulp production and consumption, as well as of its 24.9% shareholding in Metsä Fibre, shows a surplus of approximately 600,000 tonnes.

The sales prices of market pulp have declined this year in both the EMEA and the APAC region, i.e. Metsä Board and Metsä Fibre's main market areas. The price decreases have had a significant negative impact on profitability.

The delivery volumes of Metsä Board's market pulp during the review period were approximately 10% lower than in the comparison period. The majority of Metsä Board's market pulp is sold in the EMEA region. The associated company Metsä Fibre's pulp delivery volumes were higher in the review period than in the comparison period. Metsä Fibre sells its market pulp in the EMEA region and in the APAC region, where China plays an important role.

### Production

Annual maintenance shutdowns took place in the third quarter at the integrated mills of Kemi and Husum and at Metsä Fibre's Rauma pulp mill. In Kemi, the production of white kraftliner was curtailed, particularly during the second quarter, to meet the market demand. In August, production was increased to the normal level.

A new paperboard sheeting line started up as planned at the Äänekoski paperboard mill. The line's capacity is 35,000 tonnes, and it increases the sheeting capacity of the Äänekoski mill to 120,000 tonnes a year. The value of the investment was roughly EUR 11 million.

## ONGOING PRE-ENGINEERING PHASES FOR INVESTMENTS

On 26 April 2019, Metsä Board announced the launch of a pre-engineering for the first phase of the renewal of the Husum pulp mill in Sweden. The first phase of the renewal includes a new recovery boiler and a new turbine. In August, the company announced that it will apply an amendment to its current environmental permit. The final investment decision of the renewal's first phase will be made when the environmental permit has been received, in the second quarter of 2020, at the earliest.

The second phase of the investment, which would be implemented in the 2020s, would involve the replacement of the existing fibre lines with a new fibre line.

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

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

After the review period, the company announced (stock exchange release on 30 October 2019) to make certain financial commitments for the implementation phase prior to the final investment decision. The total value of the commitments will be a maximum of EUR 100 million, and is included in the total value of the first phase of the investment, estimated at EUR 320 million.

The first phase of the investment is expected to generate an annual cash flow improvement of approximately EUR 35 million, of which approximately EUR 30 million is EBITDA improvement and EUR 5 million is reduced maintenance investments. In addition, the company estimates that it will record an impairment loss of approximately EUR 19 million on the assets of the Husum pulp mill in its 2019 financial statements.

Metsä Board's associated company Metsä Fibre has announced that it will launch a pre-engineering phase concerning the construction of a bioproduct mill in Kemi, Finland, and the construction of a pine sawmill in Rauma, Finland. The value of the bioproduct mill investment would be approximately EUR 1.5 billion. The final investment decision is expected in the summer of 2020, at earliest. The value of the Rauma pine mill investment would be around EUR 200 million. The final investment decision is expected in early 2020.

In September, Metsä Fibre filed the bioproduct mill's environmental permit application with the Regional State Administrative Agency for Northern Finland.

## SUSTAINABILITY

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

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

## R&D, INNOVATIONS AND NEW PRODUCTS

In September, Metsä Board launched a new plastic-free ecobarrier paperboard, which can be recycled among other paperboard packaging. The new MetsäBoard Prime FBB EB folding boxboard provides a medium-strong barrier against moisture and grease, being ideal for food and food service packaging end-uses. In addition to easy recyclability, the lightweight paperboard helps to reduce the entire chain's carbon footprint.

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

Metsä Board will establish an excellence centre in Äänekoski. The centre will focus on paperboard and packaging innovation. The new excellence centre will combine expertise in packaging design with research and development, facilitating the development of future paperboards and packaging solutions. The new excellence centre is scheduled to start operations in 2020.

## LEGAL PROCEEDINGS

In the autumn of 2015, the Finnish Tax Administration refused the deductibility of certain losses in Metsä Board's 2014 taxation. Metsä Board has appealed the decision issued by the Tax Administration, as the company believes the losses are deductible. The Board of Adjustment dismissed the company's appeal in March 2018. The company has appealed the decision to the Administrative Court of Helsinki.

## SHARES

At the end of the review period, the price for Metsä Board's B share on the Nasdaq Helsinki was EUR 5.46. The share's highest and lowest prices in January–September were EUR 6.60 and EUR 3.86, respectively. At the end of the review period, the price for Metsä Board's A share on the Nasdaq Helsinki was EUR 6.42. The share's highest and lowest prices in January–September were EUR 7.98 and EUR 5.46, respectively.

In January–September, the average daily trading volumes of the B and A shares on the Nasdaq Helsinki were 932,755 shares and 2,561 shares, respectively. The total trading volumes of the B and A shares were EUR 898 million and EUR 3.2 million, respectively.

In addition to the Nasdaq Helsinki, Metsä Board's shares are also traded on other marketplaces. The Nasdaq Helsinki's share of total trading during the review period was around 74%.

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

At the end of the review period, the market value of all Metsä Board's shares was around EUR 2.0 billion, of



which the market value of the B shares and the A shares accounted for around EUR 1.8 billion and EUR 0.2 billion, respectively.

At the end of the review period, Metsäliitto Cooperative owned approximately 45% of the shares, and the voting rights conferred by these shares amounted to roughly 63%. At the end of the review period, international and nominee-registered investors held 13% of all the shares (30 September 2018: 23%). The company does not hold any treasury shares.

## NEAR-TERM RISKS AND UNCERTAINTIES

Considerable uncertainties still exist in the global economy. If realised, they may result in weakened demand and reduced prices for paperboard and pulp products. An imbalance in supply and demand may impact the prices of end products and Metsä Board's profitability.

Metsä Board is focusing on the active development and growth of its paperboard business. Increasing sales on a global scale also involves cost and exchange rate risks.

There are several geopolitical risk concentrations around the world, and forecasting developments in them is difficult. Changes in these areas may be very sudden and unpredictable. 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.

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. It is estimated that trade restrictions also have negative effects on economic growth, which may have a negative impact on demand and prices in terms of Metsä Board's products.

Wood accounts for more than a quarter of Metsä Board's total costs, including its share of Metsä Fibre's costs. The availability of the wood raw material becoming more difficult or a sudden increase in prices would have a weakening effect on Metsä Board's result.

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

The US dollar strengthening by 10% against the euro would have a positive impact of approximately EUR 65 million on Metsä Board's annual operating result. Correspondingly, the Swedish krona strengthening by 10% would have a negative impact of approximately EUR 40 million. The British pound strengthening by 10% would have a positive impact of approximately EUR 8 million. The impact of weakened exchange rates would be the

opposite. The sensitivities do not include the impact of hedging.

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

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

## NEAR-TERM OUTLOOK

Metsä Board's paperboard deliveries in the fourth quarter are expected to decline from the third quarter level (July–September deliveries were 466,000 tonnes). The decline in delivery volumes is influenced by the seasonally slower December.

The prices of folding boxboard and white kraftliner are expected to remain stable.

The pulp producers' global stock levels are still high. In China, the decline in the price of long-fibre pulp has stopped, and several pulp producers have announced price increases. In Europe, the market price of long-fibre pulp (PIX) has continued to fall, which will have a negative effect on the October–December result.

The scheduled annual maintenance shutdown at Husum began in September and ended at the beginning of October, due to which some of the impact will be visible in the results of the fourth quarter.

Production costs are expected to remain stable.

During the fourth quarter, changes in exchange rates, including the impact of hedges, will have a neutral effect compared to the third quarter and a clearly positive effect compared to the corresponding period in the previous year.

## EVENTS AFTER THE REVIEW PERIOD

On 8 October, Metsä Board gave a positive profit warning concerning the July–September results. Paperboard deliveries in the third quarter were on a higher level than earlier expected and wood costs were lower.

On 30 October, the company announced that it aims to minimize the delay caused by the environmental permit process for the first phase of the planned renewal of Husum pulp mill. The company will make financial commitments for the renewal of a maximum of EUR 100 million before the final investment decision.

**RESULT GUIDANCE FOR  
OCTOBER–DECEMBER 2019**

Metsä Board's comparable operating result for the fourth quarter of 2019 is expected to remain roughly at the same level as in the third quarter of 2019.

**METSÄ BOARD CORPORATION**

Espoo, Finland, 31 October 2019

## BOARD OF DIRECTORS

**Further information:**

Jussi Noponen, CFO  
tel. +358 10 465 4913

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

Further information will be available as of 1 p.m. on 31 October 2019.

A conference call held for investors and analysts in English will begin at 3 p.m. Conference call participants are requested to dial in and register a few minutes earlier on the following numbers:

Finland +358 9 7479 0361  
Sweden +46 8 5033 6574  
United Kingdom +44 330 336 9105  
United States +1 323-794-2423

The conference ID is 6191786.

**Metsä Board's financial reporting and  
Annual General Meeting in 2020:**

12 February 2020: 2019 Financial Statements Bulletin

29 April 2020: Interim report for January–March 2020

30 July 2020: Half-year financial report January–June 2020

29 October 2020: Interim Report for January–September 2020

26 March 2020: Annual General Meeting

## 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	Q3	Q1–Q3	Q1–Q3	Q1–Q4
		2019	2018	2019	2018	2018
<b>Sales</b>	<b>2, 6</b>	<b>489.2</b>	<b>475.1</b>	<b>1,453.4</b>	<b>1,486.1</b>	<b>1,944.1</b>
Change in stocks of finished goods and work in progress		-15.0	12.5	10.1	-64.7	-32.2
Other operating income	<b>2, 6</b>	6.0	3.0	34.4	9.6	25.6
Material and services	<b>6</b>	-343.3	-359.6	-1,050.2	-1,006.5	-1,374.4
Employee costs		-45.0	-47.9	-143.6	-154.7	-203.1
Share of result of associated company		5.9	34.4	42.1	92.0	124.5
Depreciation, amortisation and impairment losses		-19.6	-20.6	-74.3	-70.7	-91.8
Other operating expenses		-35.7	-33.3	-111.1	-104.8	-146.3
<b>Operating result</b>	<b>2</b>	<b>42.5</b>	<b>63.7</b>	<b>160.8</b>	<b>186.3</b>	<b>246.3</b>
Share of results of associated companies and joint ventures		0.0	0.1	0.1	0.1	0.1
Net exchange gains and losses		-0.3	-0.2	-1.5	-3.4	-3.1
Other net financial items	<b>2, 6</b>	-3.4	-4.0	-10.8	-14.5	-19.2
<b>Result before income tax</b>		<b>38.8</b>	<b>59.5</b>	<b>148.6</b>	<b>168.4</b>	<b>224.2</b>
Income taxes	<b>3</b>	-6.3	-2.1	-20.2	-15.2	-20.8
<b>Result for the period</b>		<b>32.5</b>	<b>57.5</b>	<b>128.4</b>	<b>153.2</b>	<b>203.4</b>

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

EUR million	Note	Q3 2019	Q3 2018	Q1–Q3 2019	Q1–Q3 2018	Q1–Q4 2018
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit or loss</b>						
Actuarial gains/losses on defined pension plans		-3.7	1.2	-7.4	4.4	1.2
Financial assets at fair value through other comprehensive income	8	6.5	20.0	-10.2	34.4	29.9
Share of other comprehensive income of associated company		0.2	0.3	0.2	0.4	0.2
Income tax relating to items that will not be reclassified		-0.5	-4.2	3.7	-7.7	-5.6
<b>Total</b>		<b>2.6</b>	<b>17.3</b>	<b>-13.7</b>	<b>31.4</b>	<b>25.8</b>
<b>Items that may be reclassified to profit or loss</b>						
Cash flow hedges		-13.7	12.4	-27.7	7.9	10.7
Translation differences		-0.5	4.7	-9.5	-10.4	-7.6
Share of other comprehensive income of associated company		-3.3	1.1	-2.4	-3.3	-4.0
Income tax relating to components of other comprehensive income		2.7	-2.4	5.6	-1.7	-2.3
<b>Total</b>		<b>-14.7</b>	<b>15.9</b>	<b>-33.9</b>	<b>-7.4</b>	<b>-3.1</b>
<b>Other comprehensive income, net of tax</b>		<b>-12.2</b>	<b>33.1</b>	<b>-47.5</b>	<b>24.1</b>	<b>22.6</b>
<b>Total comprehensive income for the period</b>		<b>20.3</b>	<b>90.6</b>	<b>80.9</b>	<b>177.3</b>	<b>226.0</b>
<b>Result for the period attributable to</b>						
Shareholders of parent company		32.5	57.5	128.4	153.2	203.4
Non-controlling interests		-	-	0.0	-	-
<b>Total comprehensive income for the period attributable to</b>						
Shareholders of parent company		20.3	90.6	80.9	177.3	226.0
Non-controlling interests		-	-	0.0	-	-
<b>Total</b>		<b>20.3</b>	<b>90.6</b>	<b>80.9</b>	<b>177.3</b>	<b>226.0</b>
<b>Earnings per share for result attributable to shareholders of parent company (EUR/share)</b>		<b>0.09</b>	<b>0.16</b>	<b>0.36</b>	<b>0.43</b>	<b>0.57</b>

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

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

EUR million	Note	As of 30 Sep 2019	As of 30 Sep 2018	As of 31 Dec 2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		12.4	12.4	12.4
Other intangible assets		8.5	12.2	10.1
Tangible assets	4	718.2	738.8	753.2
Investments in associated companies and joint ventures		387.4	379.4	411.3
Other investments	8	259.6	274.6	270.1
Other non-current financial assets	6, 8	17.5	31.8	28.5
Deferred tax receivables	2	5.3	4.5	5.5
		<b>1,408.9</b>	<b>1,453.7</b>	<b>1,491.0</b>
<b>Current assets</b>				
Inventories		387.8	323.6	365.6
Accounts receivables and other receivables	6, 8	325.6	328.4	317.9
Cash and cash equivalents	6, 8	106.3	122.2	109.7
		<b>819.8</b>	<b>774.3</b>	<b>793.2</b>
<b>Total assets</b>		<b>2,228.7</b>	<b>2,228.0</b>	<b>2,284.2</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Equity attributable to shareholders of parent company		1,298.2	1,272.9	1,322.9
Non-controlling interests		-	0.0	0.0
<b>Total equity</b>		<b>1,298.2</b>	<b>1,272.9</b>	<b>1,322.9</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities		102.0	99.4	104.5
Post-employment benefit obligations	2	15.0	13.9	13.6
Provisions	5	6.4	6.5	7.2
Borrowings	8	273.3	359.8	342.4
Other liabilities	8	6.6	2.3	3.4
		<b>403.2</b>	<b>481.8</b>	<b>471.0</b>
<b>Current liabilities</b>				
Provisions	5	2.3	6.2	4.0
Current borrowings	6, 8	187.7	109.2	104.8
Accounts payable and other liabilities	6, 8	337.3	357.8	381.4
		<b>527.3</b>	<b>473.3</b>	<b>490.2</b>
<b>Total liabilities</b>		<b>930.5</b>	<b>955.1</b>	<b>961.3</b>
<b>Total shareholders' equity and liabilities</b>		<b>2,228.7</b>	<b>2,228.0</b>	<b>2,284.2</b>

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interests	Equity Total
Shareholders' equity, 31 December 2017		557.9	-17.8	164.3	383.1	79.9	1,167.4	0.0	1,167.3
IFRS 2 change in accounting principles						2.9	2.9		2.9
IFRS 9 change in accounting principles						-0.2	-0.2		-0.2
Shareholders' equity, 1 January 2018		557.9	-17.8	164.3	383.1	82.6	1,170.1	0,0	1,170.1
<b>Comprehensive income for the period</b>									
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
<b>Comprehensive income total</b>			<b>-11.1</b>	<b>31.5</b>		<b>156.7</b>	<b>177.1</b>	<b>0.0</b>	<b>177.1</b>
Share based payments						0.3	0.3		0.3
<b>Related party transactions</b>									
Dividend						-74.7	-74.7		-74.7
<b>Shareholders' equity, 30 September 2018</b>		<b>557.9</b>	<b>-28.9</b>	<b>195.8</b>	<b>383.1</b>	<b>165.0</b>	<b>1,272.9</b>	<b>0.0</b>	<b>1,272.9</b>

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interests	Equity Total
Shareholders' equity, 1 January 2019		557.9	-26.4	194.0	383.1	214.4	1,322.9	0.0	1,322.9
<b>Comprehensive income for the period</b>									
Result for the period						128.4	128.4	0.0	128.4
Other comprehensive income net of tax total			-8.6	-33.2		-5.7	-47.6		-47.6
<b>Comprehensive income total</b>			<b>-8.6</b>	<b>-33.2</b>		<b>122.6</b>	<b>80.8</b>	<b>0.0</b>	<b>80.8</b>
Share based payments						-2.5	-2.5		-2.5
<b>Related party transactions</b>									
Dividend and capital distribution					-67.5	-35.6	-103.1		-103.1
<b>Shareholders' equity, 30 September 2019</b>		<b>557.9</b>	<b>-35.0</b>	<b>160.7</b>	<b>315.5</b>	<b>299.0</b>	<b>1,298.2</b>	<b>0.0</b>	<b>1,298.2</b>

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

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

EUR million	Note	Q1–Q3 2019	Q1–Q3 2018	Q1–Q4 2018	Q3 2019
Result for the period		128.4	153.2	203.4	32.5
Total adjustments	7	36.0	16.5	5.0	20.2
Change in working capital		-87.8	-59.2	-62.4	1.2
Net financial items	7	52.7	31.3	20.1	-5.9
Income taxes paid		-18.4	-21.3	-15.2	-4.3
<b>Net cash flow from operating activities</b>		<b>110.9</b>	<b>120.5</b>	<b>150.9</b>	<b>43.8</b>
Investments in intangible and tangible assets		-41.2	-33.9	-67.7	-17.1
Disposals and other items	6, 7	19.5	0.5	11.9	2.7
<b>Net cash flow from investing activities</b>		<b>-21.8</b>	<b>-33.4</b>	<b>-55.8</b>	<b>-14.4</b>
Changes in non-current loans and in other financial items	6	10.6	-109.8	-131.9	-6.1
Paid dividend and capital distribution		-103.1	-74.7	-74.7	0.0
<b>Net cash flow from financing activities</b>		<b>-92.5</b>	<b>-184.5</b>	<b>-206.5</b>	<b>-6.1</b>
<b>Changes in cash and cash equivalents</b>		<b>-3.3</b>	<b>-97.4</b>	<b>-111.4</b>	<b>23.2</b>
Cash and cash equivalents at beginning of period	6	109.7	215.1	215.1	83.1
Translation difference in cash and cash equivalents		0.0	4.5	6.0	0.1
Changes in cash and cash equivalents		-3.3	-97.4	-111.4	23.2
<b>Cash and cash equivalents at end of period</b>	6	<b>106.3</b>	<b>122.2</b>	<b>109.7</b>	<b>106.3</b>

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



## 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 2018 IFRS financial statements. The effects of foreign exchange changes on review period operating result vis-à-vis comparison period result have been calculated based on estimated review period net cash flows in relevant currencies and taking into account the realized effects of foreign exchange hedges.

The same accounting policies have been applied as in the 2018 IFRS financial statements with the following exception:

Depreciation of machinery and equipment during the financial year has been adjusted between the quarters when applicable in order to correspond with the distribution of the economic benefit of the asset between quarters.

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

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

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

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

#### Reconciliation of lease liability, EUR million

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

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

In the income statement the rent costs in January–September (EUR 5.5 million) is recognised as depreciation of right-of-use assets in the operating result (EUR 5.8 million) and as interest expense in financial income and expenses (EUR 0.4 million). In the cash flow statement the amortisations of lease agreement liabilities (EUR 4.9 million) are presented in cash flow arising from financial activities and the interest expenses (EUR 0.4 million) in cash flow from operating activities. The above figures include the effects of leases recognised in the balance sheet as at 31 December 2018 in accordance with IAS 17 and leases recognised in accordance with IFRS 16 at 1 January 2019 and thereafter. Lease liabilities are included in financial liabilities in the balance sheet.

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

All amounts in the interim financial 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 30 October 2019.

**NOTE 2 – SEGMENT INFORMATION**

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

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

**GEOGRAPHICAL DISTRIBUTION OF SALES**

EUR Million	Q3 2019	Q3 2018	Q1–Q3 2019	Q1–Q3 2018	Q1–Q4 2018
EMEA	346.6	341.7	1,034.6	1,091.9	1,429.7
Americas	107.9	93.3	308.2	273.4	361.2
APAC	34.7	40.0	110.6	120.8	153.2
<b>Total</b>	<b>489.2</b>	<b>475.1</b>	<b>1,453.4</b>	<b>1,486.1</b>	<b>1,944.1</b>

**RECONCILIATION OF OPERATING RESULT AND EBITDA**

EUR Million	Q3 2019	Q3 2018	Q1–Q3 2019	Q1–Q3 2018	Q1–Q4 2018
<b>Operating result</b>	<b>42.5</b>	<b>63.7</b>	<b>160.8</b>	<b>186.3</b>	<b>246.3</b>
Depreciation, amortisation and impairment losses	19.6	20.6	74.3	70.7	91.8
<b>EBITDA</b>	<b>62.1</b>	<b>84.2</b>	<b>235.1</b>	<b>257.0</b>	<b>338.2</b>
Items affecting comparability:					
Gains and losses on disposal in other operating income and expenses	-	-	-17.7	-	-
Employee costs	-	-	-	4.1	4.1
Share of results of associated companies	-	-	2.2	-	-
Other operating expenses	-	-	-	1.5	1.5
Total	0.0	0.0	-15.5	5.6	5.6
<b>EBITDA, comparable</b>	<b>62.1</b>	<b>84.2</b>	<b>219.6</b>	<b>262.6</b>	<b>343.8</b>
Depreciation, amortisation and impairment losses	-19.6	-20.6	-74.3	-70.7	-91.8
Items affecting comparability:					
Impairment charges and reversals of impairments	-	-	-	-	-
<b>Operating result, comparable</b>	<b>42.5</b>	<b>63.7</b>	<b>145.3</b>	<b>191.9</b>	<b>251.9</b>

“+” sign items = expense affecting comparability

“-” sign items = income affecting comparability

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

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

**NOTE 3 – INCOME TAXES**

EUR million	Q1–Q3 2019	Q1–Q3 2018	Q1–Q4 2018
Taxes for the current period	12.3	9.2	9.5
Taxes for the prior periods	0.0	-0.2	-0.1
Change in deferred taxes	7.9	6.1	11.4
<b>Total income taxes</b>	<b>20.2</b>	<b>15.2</b>	<b>20.8</b>

**NOTE 4 – CHANGES IN PROPERTY, PLANT AND EQUIPMENT**

EUR million	Q1–Q3 2019	Q1–Q3 2018	Q1–Q4 2018
Carrying value at beginning of period	753.2	788.6	788.6
IFRS 16 implementation	16.9	-	-
Capital expenditure to fixed assets	40.5	36.1	69.3
Capital expenditure to right-to-use assets	1.1	-	-
Decreases	-6.9	0.0	-0.1
Depreciation, amortization and impairment losses	-72.3	-68.6	-89.0
Translation difference	-14.2	-17.3	-15.6
<b>Carrying value at end of period</b>	<b>718.2</b>	<b>738.8</b>	<b>753.2</b>

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

**NOTE 5 – PROVISIONS**

EUR million	Restructuring	Environmental obligations	Other provisions	Total
<b>1 Jan 2019</b>	<b>4.0</b>	<b>5.5</b>	<b>1.7</b>	<b>11.2</b>
Translation differences	-0.2	-	-0.0	-0.2
Increases	-	-	0.0	0.0
Utilised during the year	-2.0	-0.1	-0.3	-2.4
Unused amounts reversed	-	-	-	-
<b>30 Sep 2019</b>	<b>1.9</b>	<b>5.5</b>	<b>1.3</b>	<b>8.7</b>

The non-current part of provisions was EUR 6.4 million and the current part EUR 2.3 million, total provisions

amount to EUR 8.7 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–Q3	Q1–Q3	Q1–Q4
	2019	2018	2018
Sales	77.6	65.9	92.1
Other operating income	13.4	3.2	5.7
Purchases	522.4	526.5	714.8
Share of result from associated company	42.1	92.0	124.5
Interest income	0.1	0.0	0.0
Interest expenses	1.7	1.1	1.8
Accounts receivables and other receivables	27.9	43.0	40.7
Cash and cash equivalents	99.1	113.6	98.2
Accounts payable and other liabilities	156.1	62.8	58.9

Metsä Fibre's net result is included within operating result line item "Share of result from associated company" and transactions with Metsä Fibre are included in transactions with sister companies.

Metsä Fibre paid a dividend of EUR 63.3 million to Metsä Board in the review period, and Metsä Board recognised a gain of EUR 9.0 million in other operating

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

Cash and cash equivalents include interest-bearing receivables comparable to cash funds and available from Metsä Group's internal bank Metsä Group Treasury Oy.

### Transactions with associated companies and joint ventures

EUR million	Q1–Q3	Q1–Q3	Q1–Q4
	2019	2018	2018
Sales	0.4	0.4	0.7
Purchases	4.4	4.1	5.7
Other non-current financial assets	-	-	-
Accounts receivables and other receivables	0.0	0.3	0.3
Accounts payable and other liabilities	1.2	1.1	1.4

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

	Q1–Q3	Q1–Q3	Q1–Q4	Q3
EUR million	2019	2018	2018	2019
Taxes	20.2	15.2	20.8	6.3
Depreciation, amortization and impairment charges	74.3	70.7	91.8	19.6
Share of result from associated companies and joint ventures	-42.2	-92.1	-124.6	-5.9
Gains and losses on sale of fixed assets	-25.2	-2.0	-10.5	-3.0
Finance costs, net	12.3	18.0	22.3	3.7
Provisions	-3.0	4.9	2.7	-0.3
Other adjustments	-0.3	1.7	2.6	-0.1
<b>Total</b>	<b>36.0</b>	<b>16.5</b>	<b>5.0</b>	<b>20.2</b>

**Net financial items**

Net financial items in consolidated cash flow statement for the review period include a dividend of EUR 63.3 million paid by Metsä Fibre (1–9/2018: EUR 34.9 million).

**Disposals and other items**

Disposals and other items reported for the review period were EUR 19.5 million in total. They consisted of proceeds amounting to EUR 6.0 million from emission right sales, sales proceeds of EUR 5.6 million from sale of non-business related land area, cash flow effect of EUR 4.5 million from divestment of Äänevoima Oy shares, EUR 3.3 million from sale of Liaison Technologies Inc. shares reported as other investments, EUR 0.2 million from related sale of land to Metsä Fibre as well as proceeds amounting to EUR 0.3 million from sales of other fixed assets.

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

**NOTE 8 – FINANCIAL INSTRUMENTS**

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

**Financial assets 30 September 2019**

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Other non-current investments	3.7	256.0		259.6
Other non-current financial assets			14.3	14.3
Accounts receivables and other receivables			314.6	314.6
Cash and cash equivalent			106.3	106.3
Derivative financial instruments		10.5		10.5
<b>Total carrying amount</b>	<b>3.7</b>	<b>266.4</b>	<b>435.2</b>	<b>705.3</b>
<b>Total fair value</b>	<b>3.7</b>	<b>266.4</b>	<b>435.2</b>	<b>705.3</b>

**Financial liabilities 30 September 2019**

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Non-current interest-bearing financial liabilities			273.3	273.3
Other non-current financial liabilities			0.4	0.4
Current interest-bearing financial liabilities			187.7	187.7
Accounts payable and other financial liabilities			293.2	293.2
Derivative financial instruments	2.2	19.3		21.5
<b>Total carrying amount</b>	<b>2.2</b>	<b>19.3</b>	<b>754.7</b>	<b>776.2</b>
<b>Total fair value</b>	<b>2.2</b>	<b>19.3</b>	<b>784.5</b>	<b>806.0</b>

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
Other non-current investments	4.0	270.6		274.6
Other non-current financial assets			22.6	22.6
Accounts receivables and other receivables			313.1	313.1
Cash and cash equivalent	0.0		122.2	122.2
Derivative financial instruments	0.0	20.3		20.3
<b>Total carrying amount</b>	<b>4.0</b>	<b>290.9</b>	<b>457.9</b>	<b>752.9</b>
<b>Total fair value</b>	<b>4.0</b>	<b>290.9</b>	<b>457.9</b>	<b>752.9</b>

#### Financial liabilities 30 September 2018

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Non-current interest-bearing financial liabilities			359.8	359.8
Other non-current financial liabilities			0.2	0.2
Current interest-bearing financial liabilities			109.2	109.2
Accounts payable and other financial liabilities			320.6	320.6
Derivative financial instruments	1.2	4.4		5.7
<b>Total carrying amount</b>	<b>1.2</b>	<b>4.4</b>	<b>789.8</b>	<b>795.5</b>
<b>Total fair value</b>	<b>1.2</b>	<b>4.4</b>	<b>805.6</b>	<b>811.3</b>

Accounts receivables and other receivables do not include advance payments, accrued tax receivables and periodisations of employee costs.

Accounts payable and other financial liabilities do not include advance payments, accrued tax liabilities and periodisations of employee costs.

In Metsä Board, all interest-bearing liabilities are valued in the balance sheet at amortised cost based on effective interest method. Fair values in the table are based

on present value of cash flow of each liability or assets calculated by market rate. The discount rates applied are between 0.1–2.1 per cent (30 September 2018: 0.3–2.2). 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 2019**

EUR million	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Other non-current investments	0.0		259.6	259.6
Derivative financial assets	10.5			10.5
<b>Financial liabilities measured at fair value</b>				
Derivative financial liabilities	1.8	19.7		21.5
<b>Financial assets not measured at fair value</b>				
Cash and cash equivalent		106.3		106.3
<b>Financial liabilities not measured at fair value</b>				
Non-current interest-bearing financial liabilities		302.6		302.6
Current interest-bearing financial liabilities		188.3		188.3

**Fair value hierarchy of financial assets and liabilities as of 30 September 2018**

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



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

	<b>2019</b>	<b>2018</b>
<b>EUR million</b>	<b>30.9.</b>	<b>30.9.</b>
Opening balance 1.1.	270.1	240.3
Total gains and losses in profit or loss	3.2	-
Total gains and losses in other comprehensive income	-10.2	34.4
Purchases	0.0	-
Disposals	-3.5	-0.0
Closing balance 30.6.	259.6	274.6

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

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

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

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

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

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

For financial instruments not traded on an active market, the fair value is determined by valuation techniques. Judgment is used when choosing the different techniques and making assumptions, which are mainly

based on circumstances prevailing in the markets on each closing date of the reporting period (Level 3).

The valuation techniques are described in more detail in the Annual report.

The most significant asset at fair value not traded on an active market is the investment in Pohjolan Voima Oyj shares classified as a financial asset at fair value through other comprehensive income. The valuation technique applied to Pohjolan Voima shares is described in more detail in the 2018 Annual report. The WACC used in Pohjolan Voima share valuation on 30 September 2019 was 0.97 percent (30.9.2018: 2.14) and 1.97 percent (3.14) for the Olkiluoto 3 under construction. The acquisition cost of shares in Pohjolan Voima Oyj on 30 September 2019 is EUR 38.0 million (38.0) and the fair value EUR 256.0 million (270.6).

The carrying value of other investments as of 30.9.2019 is estimated to change by EUR 1.2 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 40.1 million should the energy prices used in calculating the fair value differ by 10 percent from the prices estimated by management.

**Derivatives 30 September 2019**

EUR million	Nominal value	Fair value			Fair value	
		Derivative Assets	Liab.	Fair value Net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	100.0		4.4	-4.4	-1.5	-2.9
<b>Interest rate derivatives</b>	<b>100.0</b>		<b>4.4</b>	<b>-4.4</b>	<b>-1.5</b>	<b>-2.9</b>
Currency forward contracts	996.4		14.5	-14.5	-0.7	-13.9
Currency option contracts	476.1		0.7	-0.7		-0.7
<b>Currency derivatives</b>	<b>1,472.5</b>		<b>15.3</b>	<b>-15.3</b>	<b>-0.7</b>	<b>-14.6</b>
Electricity derivatives	20.4	10.1		10.1		10.1
Oil derivatives	11.1	0.4	1.4	-1.0		-1.0
Other commodity derivatives	3.1		0.4	-0.4		-0.4
<b>Commodity derivatives</b>	<b>34.5</b>	<b>10.5</b>	<b>1.8</b>	<b>8.6</b>		<b>8.6</b>
<b>Derivatives total</b>	<b>1,607.1</b>	<b>10.5</b>	<b>21.5</b>	<b>-11.1</b>	<b>-2.2</b>	<b>-8.8</b>

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

**NOTE 9 – COMMITMENTS AND GUARANTEES**

EUR million	30.9.2019	30.9.2018	31.12.2018
Liabilities secured by collateral	40.4	72.9	56.6
Pledges granted	136.9	134.1	145.4
Real estate mortgages	232.8	232.8	232.8
Total pledges and mortgages	369.7	366.9	378.2
Guarantees and counter-indemnities	13.8	2.8	14.0
On behalf of associated companies and joint ventures	-	0.1	0.1
Off-balance sheet rent and leasing commitments	1.7	10.9	16.2
<b>Total</b>	<b>385.1</b>	<b>380.8</b>	<b>408.5</b>

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

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

**OPEN DERIVATIVE CONTRACTS**

EUR million	30.9.2019	30.9.2018	31.12.2018
Interest rate derivatives	100.0	100.0	100.0
Currency derivatives	1,472.5	1,422.8	1,627.4
Other derivatives	34.5	51.6	45.3
<b>Total</b>	<b>1,607.1</b>	<b>1,574.4</b>	<b>1,772.7</b>

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

**COMMITMENTS RELATED TO PROPERTY, PLANT AND EQUIPMENT**

EUR million	30.9.2019	30.9.2018	31.12.2018
Payments due in following 12 months	0.0	0.0	0.0
Payments due later	-	-	-
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>