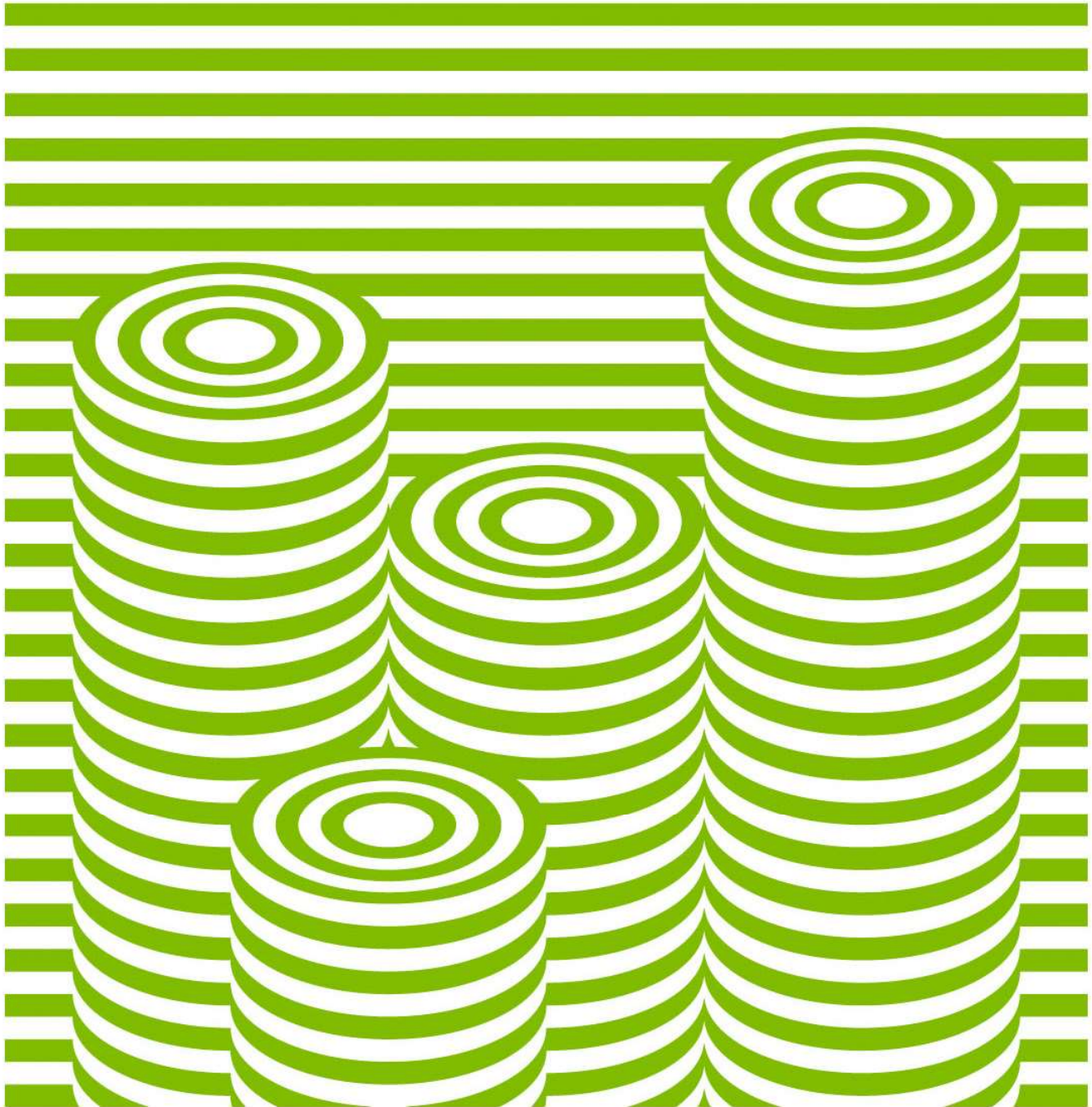


# METSÄ GROUP

FINANCIAL STATEMENTS BULLETIN  
2019



**Metsä**

## METSÄ GROUP'S COMPARABLE OPERATING RESULT IN 2019 WAS EUR 495 MILLION

### JANUARY–DECEMBER 2019 (1–12/2018)

- Sales were EUR 5,473 million (5,709).
- Operating result was EUR 374 million (843). Comparable operating result was EUR 495 million (849).
- Result before taxes was EUR 316 million (769). Comparable result before taxes was EUR 436 million (775).
- Comparable return on capital employed was 9.6% (16.8).
- Cash flow from operations was EUR 658 million (882).

### OCTOBER–DECEMBER 2019 (10–12/2018)

- Sales were EUR 1,290 million (1,419).
- Operating result was EUR 32 million (208). Comparable operating result was EUR 76 million (208).
- Result before taxes was EUR 18 million (193). Comparable result before taxes was EUR 62 million (193).
- Comparable return on capital employed was 6.1% (16.4).
- Cash flow from operations was EUR 236 million (292).

### EVENTS DURING THE FOURTH QUARTER OF 2019

- The average dollar-denominated price of long-fibre pulp decreased by 10% and that of short-fibre pulp by 15% compared to the previous quarter.
- Paperboard deliveries declined from the previous quarter due to the seasonal decline in December. The average prices of folding boxboard and white kraftliner remained stable.
- Metsä Board began investments in the first phase of the modernisation of the Husum pulp mill in advance of the final investment decision. The investment amounted to EUR 21 million. The total value of the first phase of the investment is approximately EUR 320 million.
- In December 2019, Metsä Tissue made an agreement on the sale of its napkin business. The transaction covers the property, machinery, equipment and warehouses of the Stotzheim mill, located in Germany, and

the Fasana and Mondial brands.

### EVENTS AFTER THE REPORTING PERIOD-

Production at all Metsä Group's Finnish units was suspended on 27 January 2020 due to Finnish Paperworkers' Union's and Industrial Union's strikes. The Paperworkers' Union's strike in chemical forest industry lasted until 10 February 2020. Industrial Union's strike in mechanical forest industry is still continuing.

### RESULT GUIDANCE FOR JANUARY–MARCH 2020

Comparable operating results in the first quarter of 2020 expected to weaken from the fourth quarter of 2019 due to the strikes at Finnish mills.

### THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF THE PROFIT

Metsäliitto Cooperative's Board of Directors has decided to propose that an interest of 6.5% for 2019 be paid on the statutory capital invested by members (7.5% for 2018), 6.0% (7.0) on additional members' capital A and 2.0% (2.5) on additional members' capital B. In total, the proposed distribution of profit would amount to around EUR 72 million (74.1).

### President and CEO Ilkka Härmälä:

"The decline in pulp prices which began in the fourth quarter of 2018 continued throughout 2019 and led to a significant decrease in the level of Metsä Group's result compared to 2018. The demand for and prices of mechanical forest industry products, such as sawn timber as well as plywood and LVL, were likewise low. The Group's folding boxboard and white kraftliner business remained on a good level, in line with expectations. The markets for tissue and greaseproof papers were characteristically stable and the operational efficiency of this business improved as a result of Metsä Tissue's strategic review.

The factors driving long-term demand and growth in all product categories are not expected to change. Consumer demand is expected to grow, particularly in developing markets, and the potential of products made from renewable materials, such as wood, for replacing fossil-based materials is good in all market areas. The

<http://www.metsagroup.com/en>

Metsä Group is a forerunner in responsible bioeconomy, utilising renewable wood from sustainably managed northern forests. Metsä Group focuses on wood supply and forest services, timber products, pulp, fresh fibre paperboards, and tissue and greaseproof papers.

Metsä Group's sales totalled EUR 5.5 billion in 2019, and it employs approximately 9,300 people. The Group operates in some 30 countries. Metsäliitto Cooperative is the parent company of Metsä Group and is owned by approximately 103,000 Finnish forest owners.

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further improvement of ecological sustainability will become increasingly important in the development of the entire value chain, from forests to consumers.

Metsä Group's operations start from forest management. We are the biggest supplier of forest management services in the Baltic Sea region. The development of our services is guided by combating the impact of climate change in forestry and by promoting the biodiversity of forest nature. At the same time, it is our job to ensure the financial sustainability of forestry, which is an important issue from the perspective of private forest owners, companies and Finnish society. In addition to the work carried out in forests, ensuring financial, social and ecological sustainability requires the consistent development of our mills, products and the entire value chain related to them.

Over the past few years, Metsä Group has invested more than EUR 2 billion in mills processing northern wood. We are currently planning the next roughly EUR 2 billion investment programme. Preparatory work for the recovery boiler investment of the Husum pulp mill is underway. The environmental permit process of the potential bioproduct mill to be built in Kemi is proceeding, as are the other preparations towards the investment decision. The pre-engineering project related to the next-generation sawmill in Rauma is also proceeding as planned."

## KEY FIGURES

Condensed income statement, EUR million	2019	2018	2019	2018
	1-12	1-12	10-12	10-12
Sales	5 473.4	5 709.1	1 290.3	1 419.0
Other operating income	59.2	58.1	23.2	23.2
Operating expenses	-4 742.9	-4 639.5	-1 162.4	-1 166.1
Depreciation and impairment losses	-415.5	-284.8	-119.0	-68.5
Operating result	374.3	843.0	32.2	207.6
Share of results from associated companies and joint ventures	3.3	7.0	0.7	2.5
Exchange gains and losses	-6.4	-6.3	-0.9	-0.4
Other net financial items	-55.4	-74.6	-14.4	-16.8
Result before income tax	315.7	769.1	17.6	192.8
Income tax	-76.8	-156.4	-1.9	-39.0
Result for the period	238.9	612.7	15.7	153.8

Profitability	2019	2018	2019	2018
	1-12	1-12	10-12	10-12
Operating result, EUR million	374.3	843.0	32.3	207.6
Comparable operating result	494.9	848.5	76.4	207.6
% of sales	9.0	14.9	6.0	14.6
Return on capital employed, %	7.3	16.6	2.6	16.4
Comparable return on capital employed	9.6	16.8	6.1	16.4
Return on equity, %	6.4	18.5	1.7	17.2
Comparable return on equity	9.7	18.7	6.4	17.2

	2019	2018	2019	2018
Financial position	31.12.	31.12.	30.9.	30.9.
Equity ratio, %	56.2	53.1	56.0	52.7
Net gearing ratio, %	10	13	13	18
Interest-bearing net liabilities, EUR million	374	463	488	622

## SEGMENTS

Sales and Operating result 1–12/2019, EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paperboard Industry	Tissue and Greaseproof Papers
Sales	1 972.9	434.2	2 236.0	1 931.8	1 060.0
Other operating income	7.3	5.9	11.4	51.7	6.3
Operating expenses	-1 944.5	-412.2	-1 875.4	-1 689.0	-965.3
Depreciation and impairment losses	-8.3	-18.7	-123.4	-113.7	-164.3
Operating result	27.4	9.2	248.6	180.8	-63.4
Items affecting comparability	-	-2.0	-	3.6	136.7
Comparable operating result	27.4	7.2	248.6	184.4	73.4
% of sales	1.4	1.7	11.1	9.5	6.9

## THE FINANCIAL STATEMENTS BULLETIN IS UNAUDITED

## FINANCIAL STATEMENTS 2019

### SALES AND RESULT

Metsä Group's sales in 2019 totalled EUR 5,473.4 million (2018: 5,709.1). Sales declined due to pulp prices and paperboard delivery volumes, both lower than in the year before.

The comparable operating result declined by 42% from the previous year and was EUR 494.9 million (848.5), or 9.0% (14.9) of sales. The decrease in the operating result was mainly due to raw material and production costs, which were higher than in the comparison period, and the decline of sales prices of pulp. Exchange rate fluctuations after hedging had a positive impact of around EUR 104 million on the operating result of the financial year, compared to 2018. This was largely due to the US dollar being approximately 5% stronger than in the previous year.

Sales in the fourth quarter of 2019 totalled EUR 1,290.3 million, whereas sales of the corresponding period in the previous year were EUR 1,419.0 million. The comparable operating result was EUR 76.4 million (10–12/2018: 207.6).

Items affecting comparability in 2019 totalled EUR -120.6 million (-5.6) and consisted mainly of impairments in the amount of EUR 111.4 million. The most significant item was a EUR 102 million impairment recognised by Metsä Tissue, of which roughly EUR 77 million was allocated to the Metsä Group level after elimination. Items affecting comparability also include a EUR 19 million impairment related to the modernisation of Metsä Board's Husum pulp mill and an approximately

EUR 21 million item affecting comparability related to the divestment of Metsä Tissue's napkin business, of which some EUR 20 million was allocated to the Metsä Group level after elimination. Further information on items affecting comparability is available in section "Reconciliation of operating result and EBITDA".

Metsä Group's operating result (IFRS) was EUR 374.3 million (843.0). The share of the results of associated companies and joint ventures was EUR 3.3 million (7.0), financial income was EUR 5.3 million (2.4), exchange rate differences in financing were EUR -6.4 million (-6.3), and financial expenses totalled EUR 60.8 million (77.0).

The result before taxes was EUR 315.7 million (769.1), and taxes including changes in deferred tax liabilities totalled EUR 76.8 million (156.4). The Group's effective tax rate was 24.3% (20.3). The net result for the financial period was EUR 238.9 million (612.7).

The return on capital employed was 7.3% (16.6), and the return on equity was 6.4% (18.5). The comparable return on capital employed was 9.6% (16.8), and the comparable return on equity was 9.7% (18.7).

### BALANCE SHEET AND FINANCING

Metsä Group's liquidity has remained strong. Total liquidity at the end of December was EUR 2,022.2 million (1,940.1). This consisted of EUR 1,090.0 million (1,083.9) in liquid assets and investments, and EUR



932.2 million (856.3) in off-balance sheet committed credit facility agreements.

The Group's liquidity reserve is complemented by uncommitted commercial paper programmes and credit facilities amounting to EUR 161.5 million (160.8).

Cash flow from operations was EUR 657.8 million (882.2). EUR 112.9 million was tied up in working capital (255.4 tied up). The deduction of EUR 27.4 million in trade and other receivables as well as the deduction of EUR 14.3 million in inventories decreased working capital. The deduction of EUR 154.5 million in trade payables and other liabilities increased working capital.

The Group's equity ratio at the end of December was 56.2%, and its net gearing was 10% (53.1% and 13%, respectively). Interest-bearing net liabilities were EUR 374 million (463.3).

In September, Metsä Board agreed on a bank financing arrangement consisting of a five-year drawn loan of EUR 150 million and a five-year multicurrency revolving credit facility of EUR 200 million, with two one-year extension options and an increase option of EUR 50 million. The margin of the revolving credit facility is tied to responsibility targets based on selected Metsä Board's sustainability targets for 2030. The funds from the new arrangement were withdrawn in 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. 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.

At the end of December, the parent company Metsäliitto Cooperative's equity ratio was 88.7%, and its net gearing was -20.7% (85.2 and -18, respectively).

In August–December, Metsäliitto Cooperative acquired Metsä Board Corporation B shares to a value of EUR 82.5 million from the market based on the Board of Directors' authorisation. The number of shares totalled 17,060,588, and the average price was EUR 4.83 per share. Following the share acquisition, Metsäliitto Cooperative holds 45.68% of Metsä Board's shares and 66.25% of the voting rights conferred by shares.

In 2019, Metsäliitto Cooperative's members' capital increased by a total of EUR 146.5 million (120.4). The value of participation shares grew by EUR 11.2 million (11.3) and that of additional shares A by EUR 130.2 million (111.7). The value of additional shares B declined by EUR 5.1 million (-2.6).

## PERSONNEL

Metsä Group employed an average of 9,624 people in 2019 (9,464). Personnel expenses totalled EUR 630.4 million (634.7). At the end of December, the Group employed 9,265 people (9,310), of whom 4,929 (4,834) were based in Finland and 4,336 (4,476) abroad.

Metsäliitto Cooperative employed 1,926 people at the end of December (1,924).

## MEMBERS

At the end of December, Metsäliitto Cooperative had 103,618 members (103,420). In 2019, 2,980 new members joined the Cooperative, and 2,782 members cancelled their membership. At the end of 2019, the forest area owned by the members totalled 5.421 million hectares (5.265).

## INVESTMENTS

Metsä Group's additions to intangible and tangible fixed assets in January–December were EUR 259.6 million (271.9), which includes EUR 14.9 million of acquired business operations' fixed assets and EUR 25.8 million of Investments in leased property, plant and equipment.

The new Kerto® LVL line at Metsä Wood's Punkaharju mill started up in April and was inaugurated in May. The production capacity of Punkaharju's new line is 65,000 cubic metres and it increased the mill's production of Kerto LVL by approximately 50%. The total investment value was EUR 52 million, of which roughly EUR 20 million was allocated to 2019.

At the Äänekoski mill, Metsä Board invested in a new sheet-cutting line, which increased the annual capacity of the sheet-cutting facility by 35,000 tonnes to 120,000 tonnes. The investment's value was approximately EUR 11 million, and it was allocated primarily to 2019.

Investments in the first phase of the modernisation of Metsä Board's Husum pulp mill in 2019 amounted to EUR 21 million. The total value of the investment's first phase is approximately EUR 320 million, which will be spread over 2019–2022. The first phase includes a new recovery boiler and a new turbine. Once completed, the investment is expected to generate an annual cash flow improvement of roughly EUR 35 million, of which some EUR 30 million consists of an EBITDA improvement and EUR 5 million of avoided maintenance investments. The second phase of the investment, in the 2020s, involves the replacement of the existing fibre lines with a new fibre line.

In December, Metsä Board decided on the modernisation of the finishing area of Kyro's paperboard machine. The modernisation is expected to be completed in 2021. The value of the investment is approximately EUR 20 million.

Metsä Fibre commenced the expansion of the debarking department in Joutseno, which will increase the mill's debarking capacity. The value of the investment is approximately EUR 30 million, and it will be completed in the spring of 2020. Metsä Fibre also replaced the electrostatic precipitator of Kemi's recovery boiler and initiated a project to reduce the particulate emissions of Joutseno's lime kiln.

Sawmills invested in production efficiency and the improvement of performance capacity during the year. Next-generation X-ray machines were introduced at the Merikarvia, Renko and Vilppula sawmills. In addition, Metsä Fibre tested new sawmilling technology related to the pre-engineering project of Rauma's sawmill, such as the use of machine vision.

The prefeasibility study on the modernisation of the Kemi pulp mill that was launched in May 2018 was completed, and in April 2019, a pre-engineering project related to the construction of a new bioproduct mill in Kemi was started. The pre-engineering project aims to create favourable conditions for constructing a mill which would produce 1.5 million tonnes of softwood and hardwood pulp a year, as well as numerous other bioproducts, in Metsä Group's existing mill area in Kemi. If realised, the value of the investment would be around EUR 1.5 billion, which would make it the largest investment in the history of the European forest industry. The possible investment decision on the construction of the bioproduct mill will be made in the summer of 2020, at earliest.

In April 2019, a pre-engineering project concerning the construction of a new sawmill in Rauma was launched. The aim is to create favourable conditions for building the world's most modern and efficient pine sawmill, where the use of new technology and data is brought to a significantly higher level than in existing sawmills. If realised, the value of the investment would be approximately EUR 200 million. The possible investment decision on the construction of the sawmill is expected in the first half of 2020.

As part of the Future Mill programme, Metsä Tissue initiated in September 2019 an environmental permit procedure and a prefeasibility study which would enable the doubling of tissue paper production in two phases at the Mariestad mill in Sweden. The first phase of the plan involves a new tissue paper machine as well as an automated warehouse and office building for the Mariestad mill. The procedure and study are expected to be completed during the first half of 2021. The earliest possible time at which the final investment decision concerning the first phase could be made is the second quarter of 2021, once the environmental permit has been secured. In the initial phase, the planned investments would increase Mariestad's annual tissue paper production capacity by a total of 50,000 tonnes as of 2024. The plans and scope of the project may change during the prefeasibility study. The estimated value of the potential investments, which would be implemented in 2021–2023, would be approximately EUR 230 million.

## SUSTAINABILITY

In February 2019, Metsä Group updated its strategic sustainable development goals as part of renewing the Group's strategy. The targets for 2030 cover all of the Group's operations and are also reflected in its supply chain.

For example, Metsä Group aims to increase the amount of carbon stored in forests and products, and achieve completely fossil-free production by 2030. Metsä Group's sustainable development goals are available in full on its website at [www.metsagroup.com/sustainability](http://www.metsagroup.com/sustainability).

In October, Metsä Group published the Green Finance Framework, which links sustainable development and the mitigation of climate change to the Group's investments and the financing arrangements related to them. It is based on the Group's strategy and its strategic sustainable development goals extending to 2030.

## BUSINESS AREAS

### Wood Supply and Forest Services

Metsä Forest's sales were EUR 1,972.9 million (1,983.4), and the comparable operating result was EUR 27.4 million (32.3). Compensation from Metsähallitus for litigation expenses had a positive effect of EUR 3.3 million on the first-quarter result.

Metsä Forest's sales in the fourth quarter were EUR 464.9 million (526.4), and the comparable operating result was EUR 5.6 million (8.9).

The supply of wood in Finland was weaker in 2019 than in 2018. Log prices started to decline at the beginning of the year, and the prices of pulpwood began to decline in the third quarter. The prices evened out towards the end of the year. The volume of purchased wood was markedly lower in 2019 than in 2018. Harvesting and transportation conditions were good for most of the year, but weakened somewhat during the fourth quarter.

A strong supply of wood marked the year 2019 in the Baltic Sea region. Supply grew particularly in softwood pulp due to insect damage in Central Europe. The supply of birch pulpwood in proportion to demand also increased towards the end of the year, and the market balanced. Oversupply was substantial in the log market during the second half of the year as a result of the poor market situation of sawn timber. Poor harvesting conditions reduced the oversupply towards the end of the year.

Throughout the year, Metsä Forest bought all grades of wood through both standing and delivery sales across Finland. In 2019, Metsä Forest purchased clearly less wood than in 2018. Demand focused particularly on felling sites to be harvested when the ground is unfrozen. The purchasing of energy wood continued to focus on crown wood. The majority of wood in Finland was purchased from members of Metsäliitto Cooperative. The sales of forest services were good.

Wood was harvested according to targets, and deliveries to customers' production units were carried out smoothly. Harvesting was curtailed during the second half of the year. Metsä Forest delivered a total of 34.7 million cubic metres (36.4) of wood to its customers in



2019. Approximately 86% of this amount went to the industrial sector in Finland.

A total of 40% of the wood acquired by Metsä Forest from private forest owners was purchased through digital means. In the sales of forest management services, the figure was 48%.

Members of Metsäliitto Cooperative received 70% in advance funding for thinning fit for summer harvesting for wood trades carried out between 8 February and 30 April 2019. The campaign met its goals. In September, Metsä Forest launched a new pine and spruce mixed cultivation service for forest owners.

### Wood Products Industry

Metsä Wood's sales in 2019 were EUR 434.2 million (441.7). The comparable operating result was EUR 7.2 million (16.6). Sales in the fourth quarter were EUR 93.0 million (107.8), and the comparable operating result in October–December was EUR -1.1 million (2.2).

Metsä Wood's sales in 2019 declined, in both engineered wood products and the UK business, by 2% from the comparison period. In engineered wood products, the delivery volumes of Kerto LVL products grew, but the delivery volumes of plywood products declined from the comparison period. The average sales price of birch plywood and Kerto LVL products was at nearly the same level as in the previous year, whereas the prices of spruce plywood rose. The delivery volumes of the UK business declined from the level of the previous year.

Due to the uncertain market situation in engineered wood products, production was adjusted at all mills. Furthermore, a strike and lockout brought production to a halt at all mills in Finland in December. As a result, the company was not able to fully utilise the additional capacity generated by the investments. In the UK business, the uncertainty around Brexit weakened consumer confidence and demand.

The ramp-up of the new Kerto LVL line at Punkaharju proceeded according to plan. The line's shift efficiency proved better than expected.

The profitability of business activities compared to the year before weakened due to the production adjustment in response to slower markets, as well as due to the strike and lockout. In addition, costs arising from the ramp-up of strategic investments burdened profitability, along with production challenges and higher wood costs. The profitability of the UK business improved from the comparison period.

### Pulp and Sawn Timber Industry

Metsä Fibre's sales were EUR 2,236.0 million (2,469.1). The comparable operating result was EUR 248.6 million (668.8), which corresponds to 11% (27) of sales. The result before taxes and items affecting comparability was EUR 219.6 million (633.9).

The operating result including items affecting comparability was EUR 248.6 million (668.8), which corresponds to 11% (27) of sales.

Sales and the operating result declined compared to the previous year due to the lower sales prices of pulp and sawn timber and an increase in the prices of raw materials. The growth in the sales volumes of both pulp and sawn timber and the strengthening of the US dollar had a positive impact on sales and the result.

Exchange rate fluctuations including hedges had a positive effect of EUR 58 million on the operating result of the financial year, compared to the previous year.

The volume of pulp delivered by Metsä Fibre totalled 2,993,000 tonnes (2,816,000), while its overall annual production stood at 2,948,000 tonnes (2,973,000).

Overall demand for market pulp was higher than in the previous year. Demand for softwood pulp, in particular, increased. Paper and paperboard production was strong in China, whereas in Europe, the production of printing and writing paper declined. This is why pulp consumption grew in China and declined substantially in Europe. Correspondingly, the new pulp capacity built in the previous years reached full production. Producers' stock levels remained high.

The average market prices of both long and short-fibre pulp throughout the year were lower than in the year before. The USD-denominated average market prices of long-fibre pulp in 2019 decreased by 16% in Europe and by 27% in China. The USD-denominated average market prices of short-fibre pulp in Europe decreased by 17% compared to the average prices of the previous year. The EUR–USD exchange rate strengthened by an average of 5% compared to the previous year.

### Paperboard Industry

Metsä Board's sales were EUR 1,931.8 million (1,944.1). Folding boxboard accounted for 57% of sales, while 25% of sales derived from kraftliner, 13% from market pulp and 5% from other operations.

The comparable operating result was EUR 184.4 million (251.9), and the operating result was EUR 180.8 million (246.3). Items affecting comparability during the financial period totalled EUR -3.6 million and comprised the following items: a EUR 3.3 million capital gain on a non-operating investment in shares; the Äänevoima shares sold to Metsä Fibre, which had a net impact of EUR 6.8 million on the operating result; EUR 5.5 million from the sale of land area not related to business operations; and a EUR 19.1 million impairment recognised in the assets of the Husum pulp mill, where the company plans to replace the recovery boiler and turbine during the first phase of the pulp mill's modernisation.

Total deliveries of paperboard declined and were 1,791,000 (1,830,000) tonnes. Folding boxboard deliveries were 1,207,000 (1,215,000) tonnes, of which 71% was delivered to the EMEA region, 20% to the Americas, and 9% to the APAC region. Deliveries of white



kraftliner declined and were 584,000 (616,000) tonnes, of which 66% was delivered to the EMEA region, 33% to the Americas, and 1% to the APAC region. Muted demand, particularly in Europe, during the first half of the year decreased the delivery volumes of Metsä Board's white kraftliner. Metsä Board's market pulp deliveries remained stable and were 460,000 (457,000) tonnes.

The higher sales prices of paperboards, and those of folding boxboard in particular, had a positive effect on the operating result in 2019. Correspondingly, profitability was weakened by market pulp prices, which declined globally. The negative impact that pulp had on the result was reduced by lower pulp costs in the paperboard business. Nevertheless, the overall impact that the decline in pulp prices had on Metsä Board's operating result was clearly negative.

The production costs of paperboard and pulp grew from the previous year. Cost inflation in 2018 was rapid, and the prices of raw materials remained high in 2019. Wood costs were higher than the year before, but declined slightly towards the end of the year.

Exchange rate fluctuations including hedges had a positive effect of EUR 48 million on the operating result of the financial year, compared to the previous year.

Metsä Board's share of the comparable operating result of its associated company Metsä Fibre was EUR 45.3 million (124.5).

Earnings per share were EUR 0.41 (0.57). Comparable earnings per share were EUR 0.41 (0.58). The return on equity was 10.9% (16.3), and the comparable return on equity was 11.0% (16.7). The return on capital employed was 10.2% (14.0), and the comparable return on capital employed was 10.4% (14.4).

### **Tissue and greaseproof papers**

Metsä Tissue's sales were to EUR 1,060.0 million (1,039.8). Sales increased, mainly due to higher sales prices. They offset the sales volumes, which were lower than last year, as well as the weakening of the Swedish and Norwegian currencies against the euro.

The comparable operating result was EUR 73.4 million (36.3). The improved result was attributable to Metsä Tissue's efficiency measures, an increase in sales prices and lower raw material costs.

Metsä Tissues's sales in the fourth quarter of the year were EUR 263.5 million (270.3), and the comparable operating result was EUR 26.6 million (6.1).

Metsä Tissue updated its strategy in 2019. Company carried out an operational review aiming to improve internal efficiency, reduce complexity and focus on the tissue business as part of the strategy.

As part of the operational review, Metsä Tissue conducted impairment testing in accordance with IAS 36 during the second quarter. As a result, company recognised an impairment loss of EUR 102.5 million mainly

with regard to goodwill. In addition, the company recognised EUR 6.6 million of expenses affecting comparability in relation to cooperation negotiations it held during the year.

The strategic review of the napkin business which began in December 2018 was completed in December 2019. Metsä Tissue made an agreement on the sale of its napkin business to keeper Group, part of Mutares Group. The transaction covers the property, machinery, equipment and warehouses of the Stotzheim mill, located in Germany, and the Fasana and Mondial brands. The mill's personnel are expected to transfer into the employment of the new owner as old employees. A negative EUR 21.0 million impact on the operating result of the fourth quarter of 2019, to be treated as an item affecting comparability, was recognised as a result of the arrangement. The finalisation of the transaction requires the approval of Germany's competition authority, and the finalisation has been planned to take place in the first quarter of 2020. If finalised, the transaction supports Metsä Tissue's strategy and allows the company to focus on its core business, the production of high-quality tissue and greaseproof papers close to its customers.

### **RISKS AND UNCERTAINTIES**

The estimates and statements in this bulletin are based on current plans and estimates. They involve risks and uncertainties that may cause the results to differ from those expressed in such statements. In the short term, the results of Metsä Group are impacted by the price of and demand for end products, the availability and costs of raw materials, energy prices and the exchange rate development of the euro.

The global economy is still marked by uncertainty, and growth expectations for 2020 are low in both the world economy and the euro area. The reasons for this include particularly trade policy tensions and the consequentially implemented protectionist measures, such as customs duties, as well as the anticipated deceleration of economic growth in China, particularly in light of the uncertainty brought about by the coronavirus, and the undefined trade deal situation following the 11-month transition period of the UK's exit from the EU. Slow growth in international free trade could, if continued, weaken Metsä Group's result.

The industrial actions related to the round of labour market negotiations underway in Finland will have a negative impact on the production of mills, the functionality of the supply chain and customer relationships. These disruptions will have a negative impact on Metsä Group's sales and result.

The mild winter conditions may impair harvesting possibilities and thereby hinder the availability of the wood raw material. Extreme weather phenomena may also weaken the availability of the process water needed by mills and result in production breaks. These risks may





have an impact on the continuity of mills' production and an impact on Metsä Group's result.

The risks related to the Group's business have been explained in more detail in Metsä Group's Financial Statements for 2019, published in February 2019.

### PENDING DISPUTES

In the autumn of 2015 as a part of Metsä Board Oyj's 2014 tax assessment Finnish Tax Administration refused to accept the deductibility of a French subsidiary's losses transferred in a cross-border merger. 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 against the decision to the Administrative Court of Helsinki.

### EVENTS AFTER THE REPORTING PERIOD

Production at all Metsä Group's Finnish units was suspended on 27 January 2020 due to Finnish Paperworkers' Union's and Industrial Union's strikes. The Paperworkers' Union's strike in chemical forest industry lasted until 10 February 2020. Industrial Union's strike in mechanical forest industry is still continuing.

### NEAR-TERM OUTLOOK

Wood demand will focus on stands to be harvested when the ground is unfrozen, and on crown wood in terms of energy wood. The demand for forest management services remains good. The insect damage in Central Europe will continue to have an impact on the wood trade.

The outlook for the demand for Kerto LVL and birch plywood products will continue to be uncertain, but the outlook in terms of the demand for spruce plywood products is slightly better. Delivery volumes are forecast to experience seasonal growth in the UK market during the first quarter. The uncertainty brought about by Brexit will continue.

The pulp market is expected to balance as the demand for market pulp continues to increase, especially in the Asian market, and producers' inventory levels continue

to decrease. The sawn timber market is expected to improve as demand continues to increase, especially in China, and supply reaches a normal level compared to demand.

Metsä Board's paperboard deliveries are in the first quarter expected to be approximately at the same level as in fourth quarter of 2019. The market prices of folding boxboard and white kraftliner in local currencies are expected to remain stable.

Changes in exchange rates, including the impact of hedges, will during the first quarter have a slightly positive impact for Metsä Board compared to the fourth quarter of 2019 and a positive impact compared to the first quarter of 2019. Production costs are expected to remain stable.

Metsä Tissue aims to improve its profitability and grow in its main markets, close to its customers. Growth is sought by way of strong customer cooperation as well as development and a streamlining of the product portfolio. The demand for tissue and greaseproof papers is expected to remain stable in all market areas. The demand for tissue paper is expected to increase particularly in Central Europe, and demand for greaseproof papers is expected to grow in Asia.

### RESULT GUIDANCE FOR JANUARY–MARCH 2020

Comparable operating results is in the first quarter of 2020 expected to weaken from the fourth quarter of 2019 due to the strikes at Finnish mills.

### THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF THE PROFIT

Metsäliitto Cooperative's Board of Directors has decided to propose that an interest of 6.5% for 2019 be paid on the statutory capital invested by members (7.5% for 2018), 6.0% (7.0) on additional members' capital A and 2.0% (2.5) on additional members' capital B. In total, the proposed distribution of profit would amount to around EUR 72 million (74.1).

The Board's proposal will be discussed in March by Metsäliitto Cooperative's Supervisory Board, which will issue a statement on the matter to the Representative Council convening in April.

Espoo, 12 February 2020  
**BOARD OF DIRECTORS**

#### Further information:

Vesa-Pekka Takala, EVP, CFO Metsä Group, tel. +358 10 465 4260  
Juha Laine, SVP, Communications, Metsä Group, tel. +358 10 465 4541

**Metsä Group will publish the following financial reports in 2020:**

Interim Report for January–March 2020	29 April 2020
Half-Year Financial Report for January–June 2020	30 July 2020
interim Report for January–September 2020	29 October 2020

**SEGMENTS**

	2019	2018	2019	2018
<b>Wood Supply and Forest Services</b>	1–12	1–12	10–12	10–12
Sales, EUR million	1 972.9	1 983.4	464.9	526.4
EBITDA, EUR million	35.7	36.6	7.8	10.0
Comparable EBITDA, EUR million	35.7	36.6	7.8	10.0
Operating result, EUR million	27.4	32.3	5.6	8.9
Comparable operating result, EUR million	27.4	32.3	5.6	8.9
% of sales	1.4	1.6	1.2	1.7
Comparable ROCE, %	16.3	20.7	13.4	22.4
Capital expenditure, EUR million	22.9	4.2	15.6	1.5
Personnel at end of period	838	844	838	844

	2019	2018	2019	2018
<b>Wood Products Industry</b>	1–12	1–12	10–12	10–12
Sales, EUR million	434.2	441.7	93.0	107.8
EBITDA, EUR million	27.9	30.2	3.9	5.9
Comparable EBITDA, EUR million	25.9	30.2	3.9	5.9
Operating result, EUR million	9.2	16.6	-1.1	2.2
Comparable operating result, EUR million	7.2	16.6	-1.1	2.2
% of sales	1.7	3.8	-1.2	2.1
Comparable ROCE, %	2.6	7.0	-1.1	3.4
Capital expenditure, EUR million	32.6	82.6	4.7	17.0
Personnel at end of period	1 510	1 506	1 510	1 506

	2019	2018	2019	2018
<b>Pulp and Sawn Timber Industry</b>	1–12	1–12	10–12	10–12
Sales, EUR million	2 236.0	2 469.1	490.2	630.1
EBITDA, EUR million	372.1	792.4	50.9	201.3
Comparable EBITDA, EUR million	372.1	792.4	50.9	201.3
Operating result, EUR million	248.6	668.8	9.9	172.1
Comparable operating result, EUR million	248.6	668.8	9.9	172.1
% of sales	11.1	27.1	2.0	27.3
Comparable ROCE, %	12.3	34.7	2.0	34.0
Capital expenditure, EUR million	90.1	62.4	25.7	32.9
Personnel at end of period	1 279	1 210	1 279	1 210

	2019	2018	2019	2018
<b>Paperboard Industry</b>	1–12	1–12	10–12	10–12
Sales, EUR million	1 931.8	1 944.1	478.4	458.0
EBITDA, EUR million	294.5	338.2	59.5	81.2
Comparable EBITDA, EUR million	279.0	343.8	59.4	81.2
Operating result, EUR million	180.8	246.3	20.0	60.1
Comparable operating result, EUR million	184.4	251.9	39.1	60.1
% of sales	9.5	13.0	8.2	13.1
Comparable ROCE, %	10.4	14.4	8.9	13.7
Capital expenditure, EUR million	98.9	70.3	56.7	33.9
Personnel at end of period	2 351	2 352	2 351	2 352

	2019	2018	2019	2018
<b>Tissue and Greaseproof Papers</b>	<b>1–12</b>	<b>1–12</b>	<b>10–12</b>	<b>10–12</b>
Sales, EUR million	1 060.0	1 039.8	263.5	270.3
EBITDA, EUR million	101.0	73.6	28.7	15.9
Comparable EBITDA, EUR million	118.9	73.6	38.8	15.9
Operating result, EUR million	-63.4	36.3	0.2	6.1
Comparable operating result, EUR million	73.4	36.3	26.6	6.1
% of sales	6.9	3.5	10.1	2.2
Comparable ROCE, %	12.3	5.7	19.8	4.2
Capital expenditure, EUR million	29.6	48.0	16.6	24.3
Personnel at end of period	2 702	2 865	2 702	2 865

	2019	2018	2019	2018
<b>Other operations</b>	<b>1–12</b>	<b>1–12</b>	<b>10–12</b>	<b>10–12</b>
Sales, EUR million	9.7	5.4	3.1	1.7
EBITDA, EUR million	-3.7	-2.6	-6.4	-3.6
Comparable EBITDA, EUR million	-2.9	-2.6	-5.6	-3.6
Operating result, EUR million	-9.3	-5.6	-8.3	-4.4
Comparable operating result, EUR million	-8.6	-5.6	-7.5	-4.4
Capital expenditure, EUR million	7.2	7.1	4.0	3.7
Personnel at end of period	584	533	584	533

Other operations include Metsä Group head office functions, the companies Metsä Group Treasury Oy and Metsä Spring Ltd. and the holding function of Metsäliitto Cooperative as well as a share of Metsätapiola's real estates.

	2019	2018	2019	2018
<b>Internal sales and eliminations</b>	<b>1–12</b>	<b>1–12</b>	<b>10–12</b>	<b>10–12</b>
Sales, EUR million	2 171.2	2 174.3	502.8	575.4
EBITDA, EUR million	-37.8	-140.6	6.8	-34.6
Comparable EBITDA, EUR million	-29.8	-140.6	6.0	-34.6
Operating result, EUR million	-19.2	-151.7	5.8	-37.3
Comparable operating result, EUR million	-37.6	-151.7	3.8	-37.3
Capital expenditure, EUR million	-21.9		-0.8	

	2019	2018	2019	2018
<b>Metsä Group</b>	<b>1–12</b>	<b>1–12</b>	<b>10–12</b>	<b>10–12</b>
Sales, EUR million	5 473.4	5 709.1	1 290.3	1 419.0
EBITDA, EUR million	789.7	1 127.8	151.2	276.1
Comparable EBITDA, EUR million	799.0	1 133.4	161.3	276.1
Operating result, EUR million	374.3	843.0	32.2	207.6
Comparable operating result, EUR million	494.9	848.5	76.4	207.6
% of sales	9.0	14.9	5.9	14.6
Comparable ROCE, %	9.6	16.8	6.1	16.4
Capital expenditure, EUR million	259.6	271.9	122.5	113.2
Personnel at end of period	9 265	9 310	9 265	9 310

**RECONCILIATION OF OPERATING RESULT AND EBITDA**

EUR million	2019	2018	2019	2018
	1–12	1–12	10–12	10–12
<b>OPERATING RESULT (IFRS)</b>	<b>374.3</b>	<b>843.0</b>	<b>32.2</b>	<b>207.6</b>
Depreciation and impairment charges	415.5	284.8	119.0	68.5
<b>EBITDA</b>	<b>789.7</b>	<b>1 127.8</b>	<b>151.2</b>	<b>276.1</b>
Items affecting comparability:				
Wood Products Industry	-2.0	-	-	-
Pulp and Sawn Timber Industry		-		-
Paperboard Industry	-15.5	5.6	0.0	0.0
Tissue and Greaseproof Papers	18.0	-	10.2	-
Other operations	0.8		0.8	
Eliminations	8.0		-0.8	
Total	9.2	5.6	10.1	0.0
<b>COMPARABLE EBITDA</b>	<b>799.0</b>	<b>1 133.4</b>	<b>161.3</b>	<b>276.1</b>
Depreciation and impairment charges	-415.5	-284.8	-119.0	-68.5
Items affecting comparability:				
Depreciation:				
Impairment charges and reversals:				
Paperboard Industry	19.1		19.1	
Tissue and Greaseproof Papers	118.7		16.3	
Eliminations	-26.5		-1.2	
<b>COMPARABLE OPERATING RESULT</b>	<b>494.9</b>	<b>848.5</b>	<b>76.4</b>	<b>207.6</b>

EUR million	2019	2018	2019	2018
	1–12	1–12	10–12	10–12
<b>OPERATING RESULT (IFRS)</b>	<b>374.3</b>	<b>843.0</b>	<b>32.2</b>	<b>207.6</b>
Depreciation and impairment charges	415.5	284.8	119.0	68.5
<b>EBITDA</b>	<b>789.7</b>	<b>1 127.8</b>	<b>151.2</b>	<b>276.1</b>
Items affecting comparability:				
Other operating income	-8.7	-	-0.0	-
Change in inventories	6.3	-	6.3	-
Employee costs	7.5	4.1	0.7	0.0
Other operating expenses	4.2	1.5	3.2	0.0
Total	9.2	5.6	10.1	0.0
<b>COMPARABLE EBITDA</b>	<b>799.0</b>	<b>1 133.4</b>	<b>161.3</b>	<b>276.1</b>
Depreciation and impairment charges	-415.5	-284.8	-119.0	-68.5
Items affecting comparability:				
Depreciation		-		-
Impairment charges	137.8	-	35.4	-
Eliminations	-26.5		-1.2	
<b>COMPARABLE OPERATING RESULT</b>	<b>494.9</b>	<b>848.5</b>	<b>76.4</b>	<b>207.6</b>

Items with "+" sign = expenses affecting comparability

Items with "-" sign = income affecting comparability

Metsä Group's items affecting comparability in 2019 totalled EUR -120.6 million. The items include a sales gain of EUR 3.3 million from the sales of shares in Liaison Technologies Inc., included in Metsä Board's other investments, and a sales gain of EUR 5.6 million from the sale of Metsä Board's plots in Niemenranta, Tampere. The items also include EUR 7.6 million in cost provisions related to Metsä Tissue's ongoing efficiency programme as well as a total of EUR 3.8 million in cost provisions and a EUR 6.3 million inventory impairment related to the future divestment of Metsä Tissue's napkin business. The items affecting comparability also include an impairment of EUR 102.5 million concerning Metsä Tissue's goodwill and intangible rights, of which EUR 25.2 million has been eliminated as an internal item in Metsä Group. The items affecting comparability furthermore include a EUR 19.1 million impairment related to the modernisation of Metsä Board's Husum pulp mill and impairments of EUR 10.9 million, EUR 3.9 million and EUR 1.4 million related, respectively, to the future divestment of Metsä Tissue's napkin business, the closure of paper machine 6 at Metsä Tissue's Krapkowice mill in Poland and the development of the converting line at Metsä Tissue's Raubach mill in Germany. EUR 1.2 million of the impairment related to the future divestment of Metsä Tissue's napkin business has been eliminated as an internal item in Metsä Group.

Metsä Group's items affecting comparability in 2018 totalled EUR -5.6 million. The items consisted of EUR 4.1 million in personnel expenses related to the operational efficiency programme at Metsä Board's Husum mill and EUR 1.5 million in other expenses affecting comparability, mainly composed of an amount paid by Metsä Board to Pohjolan Voima with regard to the divestment of TVO's Meri-Pori coal-fired power plant.

**QUARTERLY DATA**

<b>EUR million</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>
	<b>10–12</b>	<b>7–9</b>	<b>4–6</b>	<b>1–3</b>	<b>10–12</b>	<b>7–9</b>	<b>4–6</b>	<b>1–3</b>
<b>Sales</b>								
Wood Supply and Forest Services	464.9	473.9	508.3	525.8	526.4	471.4	495.7	489.9
Wood Products Industry	93.0	111.0	118.9	111.3	107.8	105.9	119.4	108.7
Pulp and Sawn Timber Industry	490.2	567.0	556.1	622.8	630.1	609.5	629.0	600.5
Paperboard Industry	478.4	489.2	477.1	487.1	458.0	475.1	518.7	492.3
Tissue and Greaseproof Papers	263.5	263.1	266.1	267.3	270.3	254.3	256.3	258.8
Other operations	3.1	2.3	2.3	2.0	1.7	1.2	1.2	1.3
Internal sales	-502.8	-532.8	-557.0	-578.6	-575.4	-531.4	-543.8	-523.7
<b>Sales</b>	<b>1 290.3</b>	<b>1 373.7</b>	<b>1 371.7</b>	<b>1 437.7</b>	<b>1 419.0</b>	<b>1 385.8</b>	<b>1 476.5</b>	<b>1 427.8</b>
<b>Operating result</b>								
Wood Supply and Forest Services	5.6	5.0	5.6	11.3	8.9	8.9	5.8	8.7
Wood Products Industry	-1.1	3.1	5.3	1.8	2.2	2.8	5.5	6.2
Pulp and Sawn Timber Industry	9.9	33.2	83.1	122.4	172.1	186.9	164.9	144.9
Paperboard Industry	20.0	42.5	46.4	71.9	60.1	63.7	53.6	69.0
Tissue and Greaseproof Papers	0.2	22.7	-96.8	10.5	6.1	6.4	11.5	12.3
Other operations	-8.3	3.7	-3.3	-1.4	-4.4	1.6	-1.8	-0.9
Eliminations	5.8	0.1	8.5	-33.6	-37.3	-47.2	-34.9	-32.2
<b>Operating result</b>	<b>32.2</b>	<b>110.3</b>	<b>48.8</b>	<b>183.0</b>	<b>207.6</b>	<b>223.1</b>	<b>204.5</b>	<b>207.9</b>
% of sales	2.5	8.0	3.6	12.7	14.6	16.1	13.8	14.6
Share of results from associated companies and joint ventures	0.7	0.2	2.8	-0.4	2.5	3.7	0.0	0.7
Exchange gains and losses	-0.9	-1.1	-1.9	-2.6	-0.4	-1.4	-1.0	-3.5
Other net financial items	-14.4	-13.8	-13.9	-13.4	-16.8	-17.3	-19.9	-20.6
<b>Result before income tax</b>	<b>17.6</b>	<b>95.6</b>	<b>35.9</b>	<b>166.6</b>	<b>192.8</b>	<b>208.2</b>	<b>183.6</b>	<b>184.5</b>
Income tax	-1.9	-19.7	-21.3	-33.9	-39.0	-38.3	-40.8	-38.3
<b>Result for the period</b>	<b>15.7</b>	<b>75.9</b>	<b>14.6</b>	<b>132.7</b>	<b>153.8</b>	<b>169.8</b>	<b>142.8</b>	<b>146.3</b>
<b>Comparable operating result</b>								
Wood Supply and Forest Services	5.6	5.0	5.6	11.3	8.9	8.9	5.8	8.7
Wood Products Industry	-1.1	3.1	3.3	1.8	2.2	2.8	5.5	6.2
Pulp and Sawn Timber Industry	9.9	33.2	83.1	122.4	172.1	186.9	164.9	144.9
Paperboard Industry	39.1	42.5	41.0	61.8	60.1	63.7	59.2	69.0
Tissue and Greaseproof Papers	26.6	22.8	13.5	10.5	6.1	6.4	11.5	12.3
Other operations and eliminations	-3.7	3.7	-18.0	-28.2	-41.7	-45.7	-36.8	-33.2
<b>Comparable operating result</b>	<b>76.4</b>	<b>110.3</b>	<b>128.4</b>	<b>179.7</b>	<b>207.6</b>	<b>223.0</b>	<b>210.1</b>	<b>207.9</b>
% of sales	5.9	8.0	9.4	12.5	14.6	16.1	14.2	14.6



## CALCULATION OF KEY RATIOS

Return on capital employed (%) ROCE	=	(Result before tax + exchange gains/losses and other net financial ex- penses) per (Balance total - non-interest-bearing liabilities) (average))
Return on equity (%) ROE	=	(Result before tax - income tax) per (Members' funds (average))
Equity ratio (%)	=	(Members' funds) per (Balance total - advance payments received)
Net gearing ratio (%)	=	(Interest-bearing borrowings - cash and cash equivalents - interest-bearing receiva- bles) per (Members' funds)
EBITDA	=	Operating result before depreciation and impairment losses
Operating result	=	Result before taxes, financial income and expenses, exchange gains/losses and share of results from associated companies and joint ventures presented in IFRS profit and loss account

## COMPARABLE KEY RATIOS

According to the guidelines of the European Securities and Markets Authority (ESMA), alternative performance measures are key figures concerning historical or future financial performance, financial standing or cash flows that are not determined by the financial reporting framework applied by the company. Metsä Group's financial reporting framework consists of the IFRS standards in the form in which they were adopted by the EU in line with Regulation (EC) No. 1606/2002. The key figures presented in the financial statements meet ESMA's criteria for alternative performance measures.

Metsä Group believes that the presentation of alternative performance measures provides users of financial statements with a better understanding of the company's financial performance and standing, including its use of equity, operational profitability and ability to service debt, and improves the comparability of reporting periods.

Extraordinary and material items not included in ordinary business operations have been eliminated in the comparable operating result. Typical items affecting comparability include material gains and losses on disposals of assets, impairment and impairment reversals in accordance with IAS 36 "Impairment of Assets", restructuring costs and their adjustments, as well as items arising from legal proceedings. The Group defines the operating result as follows: The financial period's result before income taxes, financial income and expenses, exchange gains/losses and the share of results from associated companies and joint ventures presented in the IFRS profit and loss account.

The reconciliation of the operating result under IFRS and the comparable operating result as well as the EBITDA and the comparable EBITDA is presented below. The comparable return on capital employed has been calculated using the same adjustments as the comparable operating result, and has been further adjusted for financial items affecting comparability when applicable.

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 by the same names.

**FINANCIAL STATEMENTS**
**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

EUR million	Note	2019 1–12	2018 1–12	Change	2019 10–12	2018 10–12
<b>Sales</b>	2, 3	<b>5 473.4</b>	<b>5 709.1</b>	<b>-235.7</b>	<b>1 290.3</b>	<b>1 419.0</b>
Change in stocks of finished goods and work in progress		-17.4	54.0	-71.4	-17.7	62.8
Other operating income		59.2	58.1	1.1	23.2	23.2
Material and services		-3 733.3	-3 688.0	-45.2	-891.3	-970.6
Employee costs		-630.4	-634.7	4.2	-156.4	-157.7
Depreciation and impairment losses		-415.5	-284.8	-130.6	-119.0	-68.5
Other operating expenses		-361.9	-370.8	8.9	-97.0	-100.6
<b>Operating result</b>	2	<b>374.3</b>	<b>843.0</b>	<b>-468.7</b>	<b>32.2</b>	<b>207.6</b>
Share of results from associated companies and joint ventures		3.3	7.0	-3.7	0.7	2.5
Exchange gains and losses		-6.4	-6.3	-0.1	-0.9	-0.4
Other net financial items	2	-55.4	-74.6	19.1	-14.4	-16.8
<b>Result before income tax</b>		<b>315.7</b>	<b>769.1</b>	<b>-453.3</b>	<b>17.6</b>	<b>192.8</b>
Income tax	4	-76.8	-156.4	79.5	-1.9	-39.0
<b>Result for the period</b>		<b>238.9</b>	<b>612.7</b>	<b>-373.8</b>	<b>15.7</b>	<b>153.8</b>
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit</b>						
Items relating to adjustments of defined benefit		-15.7	4.2	-19.9	13.0	-4.7
Fair value of financial assets through other comprehensive income		-13.5	31.2	-44.6	-4.4	-5.1
Income tax relating to items that will not be re-		5.1	-6.6	11.8	-2.8	2.2
Total		-24.0	28.8	-52.8	5.8	-7.6
<b>Items that may be reclassified subsequently to profit and loss</b>						
Cash flow hedges		-17.8	5.1	-22.9	34.5	0.0
Currency translation differences		3.1	-21.3	24.4	13.8	1.1
Share of comprehensive income of joint venture		0.0	0.0	0.0	0.0	0.0
Income tax relating to items that may be reclass-		3.7	-1.2	4.9	-6.9	0.0
Total		-11.0	-17.4	6.4	41.4	1.1
<b>Other comprehensive income, net of tax</b>		<b>-35.0</b>	<b>11.4</b>	<b>-46.4</b>	<b>47.2</b>	<b>-6.5</b>
<b>Total comprehensive income for the period</b>		<b>203.9</b>	<b>624.1</b>	<b>-420.2</b>	<b>62.9</b>	<b>147.3</b>
<b>Result for the period attributable to:</b>						
Members of parent company		111.4	371.8	-260.4	6.4	92.5
Non-controlling interests		127.5	240.9	-113.4	9.3	61.3
Total		238.9	612.7	-373.8	15.7	153.8
<b>Total comprehensive income attributable to:</b>						
Members of parent company		90.0	373.6	-283.6	36.9	87.6
Non-controlling interests		113.9	250.5	-136.6	26.0	59.7
Total		203.9	624.1	-420.2	62.9	147.3

The notes are an integral part of this report.

**UNAUDITED CONSOLIDATED BALANCE SHEET**

EUR million	Note	2019 31.12.	2018 31.12.
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		429.4	
Other intangible assets		228.1	242.8
Tangible assets	5	2 817.0	2 847.6
Biological assets		2.9	3.0
Investments in associated companies and joint ventures		68.3	65.8
Other investments	9	271.1	285.1
Other non-current financial assets	9	22.6	38.6
Deferred tax receivables		27.7	26.9
		<b>3 867.1</b>	<b>4 018.6</b>
<b>Current assets</b>			
Inventories		979.6	990.8
Accounts receivables and other receivables		749.3	791.6
Tax receivables based on the taxable income for the period		8.7	7.6
Cash and cash equivalents	9	1 090.0	1 083.9
		<b>2 827.6</b>	<b>2 873.7</b>
Assets classified as held for sale		32.3	1.1
<b>Total assets</b>		<b>6 727.0</b>	<b>6 893.4</b>
<b>MEMBERS' FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
Members' funds		2 926.8	2 750.5
Non-controlling interests		848.5	905.0
		<b>3 775.3</b>	<b>3 655.6</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		296.1	290.8
Post-employment benefit obligations		81.8	77.1
Provisions	6	17.7	21.4
Borrowings	9	1 142.7	1 098.8
Other liabilities		23.1	18.1
		<b>1 561.4</b>	<b>1 506.2</b>
<b>Current liabilities</b>			
Provisions	6	4.1	5.2
Current borrowings	9	312.3	453.4
Accounts payable and other liabilities		1 051.7	1 206.7
Tax liabilities based on the taxable income for the period		7.4	65.8
		<b>1 375.4</b>	<b>1 731.1</b>
Liabilities classified as held for sale		14.9	0.5
<b>Total liabilities</b>		<b>2 951.7</b>	<b>3 237.8</b>
<b>Total members' funds and liabilities</b>		<b>6 727.0</b>	<b>6 893.4</b>

The notes are an integral part of this report.



**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS**

Equity attributable to members of parent company							
EUR million	Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total
<b>Members' funds 1.1.2018</b>	<b>813.4</b>	<b>-19.5</b>	<b>228.6</b>	<b>1 229.1</b>	<b>2 251.6</b>	<b>729.1</b>	<b>2 980.7</b>
Result for the period				371.8	371.8	240.9	612.7
Other comprehensive income, net after tax		-15.3	14.2	2.9	1.8	9.6	11.4
<b>Total comprehensive income</b>		<b>-15.3</b>	<b>14.2</b>	<b>374.7</b>	<b>373.6</b>	<b>250.5</b>	<b>624.1</b>
Transactions with owners:							
Dividends paid				-51.0	-51.0	-78.9	-129.9
Change in members' capital	181.3		0.0	-8.3	173.1		173.1
Change in the reserve for invested unrestricted equity			250.0	-250.0	0.0		0.0
Share based payments				3.4	3.4	1.1	4.5
Sold shares from non-controlling interests, which did not change the controlling right			0.0	-0.2	-0.2	3.3	3.1
<b>Members' funds 31.12.2018</b>	<b>994.7</b>	<b>-34.8</b>	<b>492.8</b>	<b>1 297.8</b>	<b>2 750.5</b>	<b>905.0</b>	<b>3 655.6</b>

Equity attributable to members of parent company							
EUR million	Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total
<b>Members' funds 1.1.2019</b>	<b>994.7</b>	<b>-34.8</b>	<b>492.8</b>	<b>1 297.8</b>	<b>2 750.5</b>	<b>905.0</b>	<b>3 655.6</b>
Result for the period				111.4	111.4	127.5	238.9
Other comprehensive income, net after tax		4.1	-14.4	-11.1	-21.4	-13.6	-35.0
<b>Total comprehensive income</b>		<b>4.1</b>	<b>-14.4</b>	<b>100.4</b>	<b>90.0</b>	<b>113.9</b>	<b>203.9</b>
Transactions with owners:							
Dividends paid				-64.4	-64.4	-84.5	-148.9
Change in members' capital	204.3		0.0	-9.1	195.2		195.2
Change in the reserve for invested unrestricted equity	0.0		250.0	-250.0	0.0	-39.9	-39.9
Share based payments			0.0	-9.3	-9.3	-1.4	-10.7
Acquired shares from non-controlling interests, which did not change the controlling right			0.4	-34.9	-34.5	-47.6	-82.2
Sold shares from non-controlling interests, which did not change the controlling right			0.0	-0.6	-0.7	3.1	2.4
<b>Members' funds 31.12.2019</b>	<b>1 199.0</b>	<b>-30.7</b>	<b>728.7</b>	<b>1 029.8</b>	<b>2 926.8</b>	<b>848.5</b>	<b>3 775.3</b>

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

EUR million	Note	2019 1–12	2018 1–12
Result for the period	8	238.9	612.7
Total adjustments	8	531.8	525.0
Change in working capital		-112.9	-255.4
<b>Cash flow arising from operations</b>		<b>657.8</b>	<b>882.2</b>
Net financial items		-50.7	-58.3
Income taxes paid		-122.4	-62.7
<b>Net cash flow arising from operating activities</b>		<b>484.8</b>	<b>761.3</b>
Acquisitions		-9.6	-10.0
Investments in tangible and intangible assets		-216.1	-271.9
Disposals and other items	8	27.0	17.7
<b>Net cash flow arising from investing activities</b>		<b>-198.7</b>	<b>-264.2</b>
Change in members' funds		137.4	112.2
Change in non-controlling interest		-82.6	0.0
Change in long-term loans and other financial items		-136.5	-455.1
Capital distribution		-39.9	0.0
Dividends paid		-158.6	-142.1
<b>Net cash flow arising from financing activities</b>		<b>-280.2</b>	<b>-484.9</b>
<b>Change in cash and cash equivalents</b>		<b>5.9</b>	<b>12.1</b>
Cash and cash equivalents at beginning of period		1 083.9	1 072.4
Translation difference		0.6	-0.7
Change in cash and cash equivalents		5.9	12.1
Cash and cash equivalents of assets classified as held for sale		-0.3	0.0
<b>Cash and cash equivalents at end of period</b>		<b>1 090.0</b>	<b>1 083.9</b>

The notes are an integral part of this report.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS BULLETIN

### NOTE 1 – BASIC INFORMATION AND ACCOUNTING PRINCIPLES

Metsäliitto Cooperative and its subsidiaries comprise a forest industry group ("Metsä Group" or "Group"), the operations of which are organised into five business segments: Wood Supply and Forest Services, Wood Products Industry, Pulp and Sawn Timber Industry, Paperboard Industry and Tissue and Greaseproof Papers. The Group's parent company is Metsäliitto Cooperative. The parent company is domiciled in Helsinki and the registered address is Revontulenpuisto 2, 02100 Espoo, Finland.

This unaudited interim 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

In 2019, the Group adopted the following new standard:

- *IFRS 16 Leases*. The new standard replaces IAS 17 and the related interpretations.

IFRS 16 requires lessees to recognise leases on the balance sheet as a lease obligation and a right-of-use asset related to the lease obligation. The recognition on the balance sheet is very similar to the accounting of a finance lease pursuant to IAS 17.

As a result of the change, the Group has recognised existing operating leases concerning land, property, equipment and vehicles on the balance sheet. The exception to this are leases to which the exemptions included in the standard – concerning short-term leases and leases in which the underlying asset is of low value – apply. Leases in which the remaining lease term was less than 12 months on 1 January 2019 have been accounted for 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 used hindsight in determining the lease term when the agreement includes options to extend or terminate the lease. The adoption has applied the simplified approach. Comparative information has not been adjusted.

Reconciliation	EUR million
Operating lease commitments disclosed as at 31 December 2018 in Note 8.1 Commitments and Contingencies	86.6
Less: short-term leases recognised on a straight-line basis as expense	-5.4
Less: low-value ICT leases recognised on a straight-line basis as expense	-7.7
Less: Agreements recognised on a straight-line basis as expense	-5.6
	67.9
Discounted using the Group's incremental borrowing rate of 2.76%	61.1
Add: finance lease liabilities recognised as at 31 December 2018	39.2
Add: adjustments as a result of different treatment of extension options	4.6
Add: adjustments as a result of different treatment of agreements with indefinite duration	9.8
Add/less: other adjustments	0.3
Lease liability recognised as at 1 January 2019	114.9

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

### NOTE 1 – BASIC INFORMATION AND ACCOUNTING PRINCIPLES

rates on the operating profit for the review period compared to the comparison period presented in the review have been calculated on the basis of the review period's estimated net currency flow, accounting for the realised impact of hedges.

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

- Depreciation of machinery and equipment during the financial year has been specified further between the quarters where applicable in order to correspond with the allocation of the use of the economic benefit of the asset.

In the income statement, depreciations of right-of-use assets, EUR 25.5 million, are recognised in the operating result, and interest expenses in financial expenses, EUR 3.3 million, instead of the lease expense of EUR 27.1 million.

In the statement of cash flows, the repayments of lease liabilities, EUR 22.8 million, are presented in the cash flow from financing activities, and interest payments, EUR 3.4 million, in the cash flow from operating activities. Lease liabilities are included in financial liabilities on the balance sheet. Other new or amended standards and interpretations do not have a material effect on the consolidated financial statements.

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

Metsäliitto Cooperative's Board of Directors approved the publication of this financial statements bulletin in its meeting of 12 February 2020.

## NOTE 2 - SEGMENT INFORMATION

The Group's operating segments comprise the Group's business areas. The business areas produce different products and services, and they are managed as separate units. The operating segments are reported uniformly with internal reporting submitted to the chief operational decision-maker.

The President and CEO has been appointed the chief operational decision-maker in charge of allocating resources to the operating segments and evaluating their performance.

The same accounting policies are applied in segment reporting as for the Group as a whole. Transactions between segments are based on market prices.

## SALES BY SEGMENT

EUR million	1-12/2019			1-12/2018		1-12/2018
	External	Internal	Total	External	Internal	Total
Wood Supply and Forest Services	498.2	1 474.7	1 972.9	524.7	1 458.7	1 983.4
Wood Products Industry	411.1	23.1	434.2	417.9	23.8	441.7
Pulp and Sawn Timber Industry	1 674.2	561.8	2 236.0	1 875.6	593.5	2 469.1
Paperboard Industry	1 830.7	101.1	1 931.8	1 852.0	92.1	1 944.1
Tissue and Greaseproof Papers	1 059.1	0.9	1 060.0	1 038.9	0.9	1 039.8
Other operations	0.1	9.6	9.7	0.1	5.3	5.4
Elimination of internal sales		-2171.2	-2 171.2	-	-2 174.3	-2 174.3
<b>Total sales</b>	<b>5 473.4</b>	<b>0.0</b>	<b>5 473.4</b>	<b>5 709.1</b>	<b>0.0</b>	<b>5 709.1</b>

## OPERATING RESULT BY SEGMENT

EUR million	2019	2018
	1-12	1-12
Wood Supply and Forest Services	27.4	32.3
Wood Products Industry	9.2	16.6
Pulp and Sawn Timber Industry	248.6	668.8
Paperboard Industry	180.8	246.3
Tissue and Greaseproof Papers	-63.4	36.3
Other operations	-9.3	-5.6
Eliminations	-19.2	-151.7
<b>Operating result total</b>	<b>374.3</b>	<b>843.0</b>
Share of results from associated companies and joint ventures	3.3	7.0
Financial costs, net	-61.9	-80.9
Income taxes	-76.8	-156.4
<b>Result for the period</b>	<b>238.9</b>	<b>612.7</b>

## ASSETS AND LIABILITIES BY SEGMENT

<b>Assets</b>	<b>2019</b>	<b>2018</b>
<b>EUR million</b>	<b>31.12.</b>	<b>31.12.</b>
Wood Supply and Forest Services	308.6	327.4
Wood Products Industry	336.0	326.5
Pulp and Sawn Timber Industry	1 976.3	2 051.7
Paperboard Industry	2 124.4	2 164.4
Tissue and Greaseproof Papers	785.1	917.5
Other operations	212.5	211.1
Assets classified as held for sale	32.3	1.1
Eliminations	-198.2	-247.3
Unallocated assets	1 150.0	1 141.0
<b>Total</b>	<b>6 727.0</b>	<b>6 893.4</b>

Assets = intangible and tangible assets, investments in associated companies and joint ventures, inventories, accounts receivables and other non-interest-bearing receivables (excl. interest and tax items).

<b>Liabilities</b>	<b>2019</b>	<b>2018</b>
<b>EUR million</b>	<b>31.12.</b>	<b>31.12.</b>
Wood Supply and Forest Services	185.4	274.3
Wood Products Industry	51.6	66.1
Pulp and Sawn Timber Industry	361.9	444.1
Paperboard Industry	375.5	400.9
Tissue and Greaseproof Papers	287.3	296.2
Other operations	106.4	86.1
Assets classified as held for sale	14.9	0.5
Eliminations	-198.2	-247.3
Unallocated assets	1 767.0	1 916.8
<b>Total</b>	<b>2 951.7</b>	<b>3 237.8</b>

Liabilities = accounts payable, advance payments and other non-interest-bearing liabilities (excl. interest and tax items)

## NOTE 3 – Sales by market area

<b>Milj. euroa</b>	<b>2019</b>	<b>2018</b>
	<b>1–12</b>	<b>1–12</b>
EMEA	3 995,4	4 251,2
APAC	1 031,0	1 062,0
Americas	447,1	395,9
<b>Total</b>	<b>5 473,4</b>	<b>5 709,1</b>

## NOTE 4 – INCOME TAX

Tax expense in the income statement comprises the current tax and deferred taxes.

<b>EUR million</b>	<b>2019</b>	<b>2018</b>
	<b>1–12</b>	<b>1–12</b>
Taxes for the period	61.4	130.7
Taxes for previous periods	1.4	0.5
Change in deferred taxes	14.1	25.2
<b>Total income taxes</b>	<b>76.8</b>	<b>156.4</b>

**NOTE 5 - CHANGE IN PROPERTY, PLANT AND EQUIPMENT**

EUR million	2019 1-12	2018 1-12
Book value at beginning of period	2 847.6	2 867.0
IFRS 16 change in accounting principles 1.1.2019	75.7	0.0
Acquired businesses	14.9	0.0
Investments in tangible assets	208.8	264.3
Investments in right-of-use assets	25.8	-
Decreases	-3.5	-1.0
Assets classified as held for sale	-31.4	-0.5
Depreciation and impairment losses	-314.5	-260.3
Translation differences and other changes	-6.3	-21.9
Book value at end of period	2 817.0	2 847.6

Äänevoima Oy, which operates in Metsä Group's Äänekoski mill area, transferred into the ownership of Metsä Fibre Oy on 28 February 2019. Due to the share transaction, the Group's holding increased from 56.25% to 100%. Acquired businesses in 2019 include the arrangement's effect on property, plant and equipment.

Metsäliitto Cooperative's Board of Directors has decided to initiate a sale of shares in Kiinteistö Oy Metsätapiola and Kiinteistö Oy Metsätapiolan Pysäköinti and of the unsold parking places of Kiinteistö Oy Tapiolan Jalopuupysäköinti, which belong to the Other operations segment. In connection to the transaction, Metsäliitto Cooperative will enter into a long-term lease concerning the object of the transaction. The transaction is expected to be completed by the summer of 2020. The assets held for sale are recognised at book value.

Metsä Board is investing in the modernisation of the Husum pulp mill in Sweden. The investment includes a new recovery boiler and turbine. As the investment is completed, part of the pulp mill's old machinery and equipment will be removed from use. Metsä Board recognised an impairment totalling EUR 19.1 million in relation to the assets about to be retired in the financial statement.

Metsä Tissue has agreed on the sale of its napkin business to keeeper Group, part of Mutares Group. The transaction covers the property, machinery and equipment of the Stotzheim mill in Germany. The transaction is expected to be completed in the first quarter of 2020. Metsä Tissue recognised an impairment totalling EUR 9.7 million in relation to the assets held for sale in the financial statement.

Depreciations and impairment losses in 2019 also include impairments of EUR 3.9 million and EUR 1.4 million related, respectively, to the closure of paper machine 6 at Metsä Tissue's Krapkowice mill in Poland and the development of the converting line at Metsä Tissue's Raubach mill in Germany.

**NOTE 6 – PROVISIONS**

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2019	5.0	16.1	5.4	26.6
Translation differences	-0.1	0.0	0.1	0.1
Increases	4.2	0.3	1.3	5.8
Utilised during the year	-3.2	-0.4	-1.5	-5.1
Unused amounts reversed	-0.1	-2.0		-2.1
Transferred to accruals and deferred income	-3.1			-3.1
Transferred to assets classified held for sale			-0.2	-0.2
At 31 December 2019	2.7	14.0	5.2	21.8

In June 2019, Metsä Tissue recognised a EUR 7.8 million cost provision related to the ongoing efficiency programme. EUR 3.9 million of the cost provision was recognised in restructuring provisions. In September 2019, EUR 3.1 million of the sum recognised in the restructuring provisions was transferred to accrued liabilities. Of the total provisions, amounting to EUR 21.8 million, the non-current portion was EUR 17.7 million and the current portion EUR 4.1 million. The non-current portion will mostly be paid by the end of 2025.

**NOTE 7 - TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES**

EUR million	2019 1–12	2018 1–12
Sales	12.4	12.1
Purchases	108.0	101.2
Non-current receivables		-
Current receivables	4.1	5.1
Non-current liabilities		-
Current liabilities	11.7	26.3

**NOTE 8 – NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**
**Adjustments of the result for the period**

Milj. euroa	2019 1–12	2018 1–12
Taxes	76.8	156.4
Depreciation and impairment charges	415.5	284.8
Biological assets	0.1	0.1
Share of results from associated companies	-3.3	-7.0
Gains and losses on sale of non-current financial assets	-24.4	-12.8
Financial costs, net	61.9	80.9
Pension liabilities and provisions	-4.9	3.0
Other adjustments	10.1	19.6
<b>Total</b>	<b>531.8</b>	<b>525.0</b>

**Disposals and other items**

Disposals and other items include the sale of Metsä Board's shares in Liaison Technologies inc., EUR 3.3 million, sales of tangible and intangible assets, EUR 23.4 million, and other items, EUR 0.3 million, which were included in other investments in January–December 2019. The most significant sales of fixed assets consisted of the amounts received from the sales of fixed asset items related to the sale of Metsä Board's Niemenranta plots, EUR 5.6 million, and the sale of Metsä Board's emission allowances, EUR 14.1 million, and the sale of Metsä Wood's emission allowances, eur 1.7 million.

**Change in non-controlling interest**

In August–December 2019, Metsäliitto Cooperative acquired from the market, based on an authorisation by the Board of Directors, series a shares and series b shares in Metsä Board corporation to the value of EUR 0.1 million and EUR 82.4 million, respectively, at an average price of EUR 4.83 per share.

## NOTE 9 – FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Classification and fair values of financial assets and liabilities

### Financial assets 31.12.2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Other non-current investments	6.7	264.4		271.1
Other non-current financial assets			20.5	20.5
Accounts receivables and others	0.2		720.5	720.6
Cash and cash equivalents	167.7		922.4	1090.0
Derivative financial instruments	2.6	28.1		30.7
Assets classified as held for sale			0.4	0.4
<b>Total</b>	<b>177.1</b>	<b>292.5</b>	<b>1 663.8</b>	<b>2 133.4</b>
<b>Fair value total</b>	<b>177.1</b>	<b>292.5</b>	<b>1 663.8</b>	<b>2 133.4</b>

### Financial liabilities 31.12.2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Non-current interest-bearing liabilities			1 142.7	1 142.7
Other non-current liabilities			0.8	0.8
Current interest-bearing liabilities			312.3	312.3
Accounts payable and others			938.5	938.5
Derivative financial instruments	1.4	36.3		37.7
Liabilities classified as held for sale			14.7	14.7
<b>Total</b>	<b>1.4</b>	<b>36.3</b>	<b>2 408.9</b>	<b>2 446.6</b>
<b>Fair value total</b>	<b>1.4</b>	<b>36.3</b>	<b>2 440.4</b>	<b>2 478.1</b>



**Financial assets 31.12.2018**

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Other non-current investments	7.2	277.9		285.1
Other non-current financial assets			27.5	27.5
Accounts receivables and others			773.0	773.0
Cash and cash equivalents	156.3		927.6	1083.8
Derivative financial instruments	2.5	23.3		25.8
Assets classified as held for sale	0.0	0.0	0.0	0.0
<b>Total</b>	<b>166.0</b>	<b>301.1</b>	<b>1 728.1</b>	<b>2 195.2</b>
<b>Fair value total</b>	<b>166.0</b>	<b>301.1</b>	<b>1 728.1</b>	<b>2 195.2</b>

**Financial liabilities 31.12.2018**

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Non-current interest-bearing liabilities			1 098.8	1098.8
Other non-current liabilities			0.8	0.8
Current interest-bearing liabilities			453.4	453.4
Accounts payable and others			1 116.2	1 116.2
Derivative financial instruments	2.3	11.8		14.2
Liabilities classified as held for sale			0.5	0.5
<b>Total</b>	<b>2.3</b>	<b>11.8</b>	<b>2 669.7</b>	<b>2 683.9</b>
<b>Fair value total</b>	<b>2.3</b>	<b>11.8</b>	<b>2 673.6</b>	<b>2 687.8</b>

**Fair value hierarchy of financial assets and liabilities 31 December, 2019**

EUR million	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Other non-current investments	0.0		271.1	271.1
Current financial assets through profit and loss at fair value	167.7	0.2		167.8
Derivative financial assets	9.7	21.0		30.7
<b>Financial liabilities measured at fair value</b>				
Derivative financial liabilities	2.3	35.3		37.7
<b>Financial assets not measured at fair value</b>				
Financial assets		922.4		922.4
<b>Financial liabilities not measured at fair value</b>				
Non-current interest-bearing liabilities		1 188.0		1 188.0
Current interest-bearing liabilities		313.1		313.1

**Fair value hierarchy of financial assets and liabilities 31 December, 2018**

EUR million	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Other non-current investments	0.0		285.1	285.1
Current financial assets through profit and loss at fair value	156.3			156.3
Derivative financial assets	25.4	0.4		25.8
<b>Financial liabilities measured at fair value</b>				
Derivative financial liabilities	2.0	12.2		14.2
<b>Financial assets not measured at fair value</b>				
Financial assets		927.6		927.6
<b>Financial liabilities not measured at fair value</b>				
Non-current interest-bearing liabilities		1 100.5		1 100.5
Current interest-bearing liabilities		455.5		455.5

**Financial assets measured at fair value based on level 3**

EUR million	2019	2018
Opening balance 1 January	285.1	254.3
Gains and losses in income statement	3.2	-0.1
Gains and losses in other comprehensive income	-13.5	31.2
Purchases	0.0	
Settlements	-3.8	-0.2
Closing balance 31 December	271.0	285.1

Fair value of financial assets and liabilities 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 based on inputs observable for the asset either directly or indirectly.

Level 3: Fair value is based on company estimates and not on market data.

The fair values of electric power, natural gas, propane, gas oil and heavy fuel oil derivatives are measured on the basis of publicly quoted market prices (Level 1).

The fair values of currency forwards and options are determined on the basis of market prices at the closing date of the reporting period. The fair values of interest rate swaps are measured applying a method based on the present value of future cash flows, supported by market interest rates at the closing date of the reporting period and other market inputs (Level 2). The fair value of financial instruments not traded in an active market is determined using various measurement methods. Discretion is used in choosing the methods and making assumptions based primarily on the market conditions

prevailing at the closing date of the reporting period (Level 3).

The accounting policies applied in preparing the financial statements include a more detailed description of the recognition and measurement principles applied.

The most significant item at fair value not traded on an open market is the investment in Pohjolan Voima Oy shares, reported under available-for-sale financial assets. The valuation method is described in the 2018 Financial Statements. The average weighed capital cost applied in the calculation was 1.37% on 31 December 2019 and for the Olkiluoto 3 power plant under construction 2.37%. The acquisition cost of the Pohjolan Voima Oy shares is EUR 42.0 million and their fair value is EUR 264.4 million.

The carrying amount of Pohjolan Voima Oy as of 31 December 2019 is estimated to change by EUR 1.8 million lower should the rate used for discounting the cash flows change by 10% from the rate estimated by the management. The carrying amount of the shares is estimated to change by EUR 43.2 million should the energy prices applied in the fair value calculation differ by 10% from the rate estimated by the management.

**Derivatives 31 December 2019**

<b>EUR million</b>	<b>Nominal value</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Fair value total</b>	<b>Fair value through profit and loss</b>	<b>Fair value through other comprehensive income</b>
Interest rate swaps	531.7		20.8	-20.8	-0.1	-20.7
<b>Total</b>	<b>531.7</b>	<b>0.0</b>	<b>20.8</b>	<b>-20.8</b>	<b>-0.1</b>	<b>-20.7</b>
Currency forwards	2 371.8	20.3	13.4	7.0	1.3	5.6
Currency options	801.7	0.6	0.2	0.4	0.0	0.4
<b>Total</b>	<b>3 173.5</b>	<b>21.0</b>	<b>13.6</b>	<b>7.4</b>	<b>1.3</b>	<b>6.0</b>
Electricity derivatives	21.0	9.1	1.4	7.7		7.7
Oil derivatives	7.6	0.5	0.5	0.0		0.0
Commodity derivatives	11.4	0.1	1.4	-1.2		-1.2
<b>Total</b>	<b>40.0</b>	<b>9.7</b>	<b>3.3</b>	<b>6.4</b>		<b>6.4</b>
<b>Derivatives total</b>	<b>3 745.3</b>	<b>30.7</b>	<b>37.7</b>	<b>-7.0</b>	<b>1.2</b>	<b>-8.2</b>

**Derivatives 31 December 2018**

<b>EUR million</b>	<b>Nominal value</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Fair value total</b>	<b>Fair value through profit and loss</b>	<b>Fair value through other comprehensive income</b>
Interest rate swaps	576.0		12.2	-12.2	-0.8	-11.3
<b>Total</b>	<b>576.0</b>	<b>0.0</b>	<b>12.2</b>	<b>-12.2</b>	<b>-0.8</b>	<b>-11.3</b>
Currency forwards	2 574.4	0.5		0.5	0.9	-0.4
Currency options	786.0	-0.1		-0.1		-0.1
<b>Total</b>	<b>3 360.4</b>	<b>0.4</b>	<b>0.0</b>	<b>0.4</b>	<b>0.9</b>	<b>-0.5</b>
Electricity derivatives	39.7	25.3		25.3		25.3
Oil derivatives	11.8		1.5	-1.5		-1.5
Commodity derivatives	6.6	0.1	0.5	-0.3	0.2	-0.5
<b>Total</b>	<b>58.1</b>	<b>25.4</b>	<b>2.0</b>	<b>23.4</b>	<b>0.2</b>	<b>23.3</b>
<b>Derivatives total</b>	<b>3 994.5</b>	<b>25.8</b>	<b>14.2</b>	<b>11.7</b>	<b>0.2</b>	<b>11.4</b>

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

<b>EUR million</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Own liabilities for which commitments granted	54.7	90.0
Pledges granted	88.1	299.6
Floating charges	2.8	2.8
Real estate mortgages	267.0	267.8
Chattels mortgage	0.0	4.0
<b>Commitments for own liabilities, total</b>	<b>357.9</b>	<b>574.1</b>
Rent commitments	7.9	
Leases not yet commenced to which Metsä Group is committed	16.0	
Other commitments on own behalf	27.2	113.3
On behalf of associated companies and joint ventures	0.5	0.7
On behalf of others	0.0	0.0
<b>Total</b>	<b>409.5</b>	<b>688.2</b>

Starting from 1 January 2019, rent commitments include liabilities arising from contracts for low value items and short term leases. Note 1 include additional information on the adopted IFRS 16 -standard.

**COMMITMENTS RELATED TO INVESTMENTS**

<b>EUR million</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Payments due under 1 year	67.3	37.5
Payments due in subsequent years		-
<b>Total</b>	<b>67.3</b>	<b>37.5</b>