

METSÄ GROUP

INTERIM REPORT

JANUARY–MARCH 2016



METSÄ GROUP'S OPERATING RESULT EXCLUDING NON-RECURRING ITEMS WAS EUR 109 MILLION IN JANUARY–MARCH 2016

JANUARY–MARCH 2016 (1–3/2015)

- Sales were EUR 1,156 million (EUR 1,255 million).
- Operating result excluding non-recurring items was EUR 109 million (129). Operating result including non-recurring items was EUR 107 million (118).
- Result before taxes excluding non-recurring items was EUR 90 million (117). Result before taxes including non-recurring items was EUR 88 million (106).
- Return on capital employed excluding non-recurring items was 10.6 per cent (13.5). Return on capital employed excluding non-recurring items and excluding assets under construction related to strategic investment projects was 11.5 per cent (13.6).
- Cash flow from operations was EUR -31 million (67).

EVENTS DURING THE FIRST QUARTER OF 2016

- The bioproduct mill project progressed on schedule. At the end of March, one third of the project was complete.
- The market price of long-fibre pulp decreased by 3 per cent on average, and the price of short-fibre pulp decreased by 5 per cent.
- The demand for paperboards remained at a good level in both Europe and the Americas. Price levels were stable.
- The new folding boxboard production line started up at the Husum mill in Sweden in February, slightly behind the original schedule.
- Nearly 20 per cent of wood acquired by Metsä Forest from private forest owners was purchased electronically. The figure was 25 per cent in the sale of forest management services.
- Standard & Poor's Ratings Services raised Metsä Board Corporation's credit rating by one notch from BB to BB+ in February.

EVENTS AFTER THE REVIEW PERIOD

Metsä Board announced to initiate efficiency improvement programme in Husum integrate in Sweden. Minimum of EUR 10 million of annual cost savings is targeted from the efficiency programme.

PROFIT GUIDANCE FOR APRIL–JUNE 2016

Metsä Group's operating result excluding non-recurring items in the second quarter of 2016 is expected to be roughly at the same level as in the first quarter of 2016.

President and CEO Kari Jordan:

"The development of Metsä Group's business operations was as expected in the first quarter of 2016. The operating result was affected by the slightly decreased price of pulp and the start-up phase of the new folding boxboard production line at Metsä Board's Husum mill. The production line was inaugurated in April. The start-up has proceeded well and the required quality targets have already been met. The full production capacity is estimated to be reached by the end of this year.

The construction of the bioproduct mill in Äänekoski is progressing according to the schedule and on budget. During the first quarter, we signed new agreements with our bioproduct concept partners. Wood supply for the bioproduct mill has begun. The mill will start up in the third quarter of 2017.

Electronic wood trade has rapidly increased in popularity. During the first months of the year, nearly 20 per cent of the wood we acquired from private forest owners was purchased electronically. The figure was 25 per cent in the sale of forest management services.

Material acceleration in economic growth is not in sight. Increased volatility in foreign exchange rates and raw material prices has to some extent weakened the predictability of the business environment."

www.metsagroup.com

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

Metsä Group's sales totalled EUR 5.0 billion in 2015, and it employs approximately 9,600 people. The Group operates in some 30 countries. Metsäliitto Cooperative is the parent company of Metsä Group and owned by approximately 116,000 Finnish forest owners.

KEY FIGURES

Condensed income statement, EUR million	2016	2015	2015
	1–3	1–3	1–12
Sales	1 155.6	1 255.1	5 016.0
Other operating income	8.3	15.4	95.7
Operating expenses	-990.8	-1 083.2	-4 311.4
Depreciation and impairment losses	-66.3	-69.4	-258.2
Operating result	106.8	117.8	542.1
Share of results from associated companies and joint ventures	-0.1	6.1	11.2
Exchange gains and losses	-1.0	3.5	-1.2
Other net financial items	-17.8	-21.3	-83.8
Result before income tax	87.8	106.1	468.4
Income tax	-19.5	-17.5	-112.6
Result for the period	68.3	88.6	355.7

Profitability	2016	2015	2015
	1–3	1–3	1–12
Operating result, EUR million	106.8	117.8	542.1
excluding non-recurring items	109.5	128.6	537.4
% of sales	9.5	10.2	10.7
Return on capital employed, %	10.3	12.5	13.7
excluding non-recurring items	10.6	13.5	13.6
Return on equity, %	11.3	16.7	15.9
excluding non-recurring items	11.8	18.8	15.8

Financial position	2016	2015	2015
	31.3.	31.3.	31.12.
Equity ratio, %	42.8	39.0	43.2
Net gearing ratio, %	35	41	25
Interest-bearing net liabilities, EUR million	847	887	610

SEGMENTS

Sales and Operating result 1–3/2016, EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard Industry	Tissue and Cooking Papers
Sales	401.2	208.7	323.4	435.6	246.2
Other operating income	2.4	0.8	2.2	6.0	0.9
Operating expenses	-394.9	-198.0	-239.6	-386.1	-223.9
Depreciation and impairment losses	-0.8	-6.2	-22.4	-22.9	-9.7
Operating result	7.8	5.4	63.7	32.7	13.5
Non-recurring items	-	0.4	-	2.3	-
Operating result excluding non-recurring items	7.8	5.8	63.7	35.0	13.5
% of sales	1.9	2.8	19.7	8.0	5.5

THE INTERIM REPORT IS UNAUDITED**INTERIM REPORT 1 JANUARY–31 MARCH 2016****SALES AND RESULT**

Metsä Group's sales for the first quarter of 2016 were EUR 1,155.6 million (1–3/2015: EUR 1,255.1 million). Sales were reduced by the considerable decrease in Metsä Board's non-core paper deliveries. The deliveries decreased to 15,000 tonnes from last year's 156,000 tonnes.

The operating result excluding non-recurring items was EUR 109.5 million (128.6), or 9.5 per cent of sales (10.2). The decrease in the operating result compared to the previous year is primarily due the lower market price of long-fibre pulp and the start-up of the new folding boxboard production line at Husum.

Non-recurring items totalled EUR -2.7 million in the first quarter of 2016 (-10.8). Metsä Board recognised a cost provision of EUR 2.3 million related to the restructuring of the Simpele paperboard mill, and Metsä Wood recognised EUR 0.4 million additional expenses related to the divestment of Metsä Wood France S.A.S.

The operating result including non-recurring items was EUR 106.8 million (117.8). The share of the results of associated companies and joint ventures was EUR -0.1 million (6.1), financial income was EUR 1.0 million (1.2), exchange gains/losses on financial items totalled EUR -1.0 million (3.5) and financial expenses amounted to EUR 18.8 million (22.5).

The result before taxes was EUR 87.8 million (106.1), and taxes, including changes in deferred tax liabilities, totalled EUR 19.5 million (17.5). The Group's effective tax rate was 22.2 per cent (16.5). The net result for the review period was EUR 68.3 million (88.6).

Excluding non-recurring items, Metsä Group's return on capital employed was 10.6 per cent (13.5), and the return on equity was 11.8 per cent (18.8). The Äänekoski bioproduct mill under construction reduced the return on capital employed by 0.9 percentage points.

Including non-recurring items, the Group's return on capital employed was 10.3 per cent (12.5) and the return on equity was 11.3 per cent (16.7).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity is excellent. Total liquidity at the end of March was EUR 1,719.5 million (31 December 2015: 1,952.6). This consisted of EUR 888.4 million (1,120.8) of liquid assets and investments and EUR 831.1 million (831.8) of off-balance sheet committed credit facility agreements. In addition, the Group has EUR 900.3 million in off-balance sheet committed credit

facility agreements related to the bioproduct mill investment in Äänekoski.

The Group's liquidity reserve is complemented by uncommitted commercial paper programmes and credit facilities amounting to EUR 160.9 million (31 December 2015: 161.0).

The Group's equity ratio at the end of March was 42.8 per cent and net gearing was 35 per cent (31 December 2015: 43.2 per cent and 25 per cent, respectively). Interest-bearing net liabilities were EUR 846.6 million (31 December 2015: 609.6).

Cash flow from operations amounted to EUR -30.8 million (1–3/2015: 67.4). During the first quarter of the year, EUR 202.1 million (127.1) was tied up in working capital. Working capital was increased by the addition of EUR 142.8 million (68.2) in account receivables and advance payment of pension premiums as well as the addition of EUR 77.6 million (60.6) in inventories. Working capital was reduced by the addition of EUR 18.3 million (1.7) in account payables.

The equity ratio of the parent company Metsäliitto Cooperative was 69.0 per cent at the end of March, and its net gearing was 2 per cent (31 December 2015: 67.8 per cent and 3 per cent, respectively).

During the first quarter, Metsäliitto Cooperative's members' capital increased by a total of EUR 17.4 million (13.2). The amount of participation shares grew by EUR 1.8 million (-0.4), that of the additional A shares by EUR 9.2 million (8.0), and that of the additional B shares by EUR 6.3 million (5.5). Based on the notifications received by the end of March, EUR 52.4 million (32.9) of the additional shares will fall due for refund on 1 July 2016.

Standard & Poor's Ratings Services raised Metsä Board's credit rating by one notch from BB to BB+ in February. The rating outlook was raised from stable to positive. The raised credit rating does not have any impact on Metsä Board's current financial expenses.

PERSONNEL

In January–March, Metsä Group had an average of 9,504 employees (10,333). Personnel expenses totalled EUR 163.8 million in January–March (171.5). At the end of March, the Group employed 9,512 people (31 December 2015: 9,599), of whom 5,127 (5,122) were based in Finland and 4,385 (4,477) were based abroad.

The parent company Metsäliitto Cooperative employed 2,420 people at the end of March (31 December 2015: 2,449).

MEMBERS

At the end of March, Metsäliitto Cooperative had 115,496 members (31 December 2015: 116,290). During January–March, 1,090 new members joined the Cooperative, and 1,884 members cancelled their memberships.

INVESTMENTS

Metsä Group's capital expenditure in January–March totalled EUR 142.9 million (35.5). Approximately EUR 80 million of the expenditure was related to the Äänekoski bioproduct mill, and approximately EUR 45 million targeted the investment programme at the Husum mill.

Äänekoski bioproduct mill

The installation of equipment started at the beginning of 2016 with the installation of e.g. the boiler and pulp towers, as well as the steel frame of the recovery boiler. At the end of March, one third of the project was complete. The workforce on site increased to 900 people in the first quarter.

The bioproduct concept was complemented by the agreements signed with EcoEnergy SF Oy and Aqvacomp Oy in February 2016. Eco Energy SF will build a biogas plant in the bioproduct mill area. The plant will utilise sludge as raw material.

Aqvacomp will build a biocomposite plant at Metsä Group's Rauma pulp mill. The plant is scheduled to start up at the beginning of 2017. Aqvacomp is exploring the possibility of building a larger unit in Äänekoski.

Metsä Fibre will build a sulphuric acid plant in the bioproduct mill area. The plant will produce sulphuric acid from odorous gases for the mill's needs. The company will also build a bark gasification plant that will produce product gas, also for the mill's own use. The research projects into textile fibres made from softwood pulp and lignin-based products will continue.

The role of Vuosaari Harbour as the export harbour for the bioproduct mill was confirmed in February 2016. Metsä Group, the Port of Helsinki and the City of Helsinki signed an agreement on the use of Vuosaari Harbour and on the lease of an area for the construction of a terminal building to be used as an export warehouse for the bioproduct mill.

Husum mill

The investment programme at Husum was completed when the new folding boxboard production line started up at the Husum mill in Sweden in February. The total annual capacity of the new folding boxboard production line is approximately 400,000 tonnes, which Metsä Board estimates will be reached by the end of 2016.

Husum also produces white fresh forest fibre liner-board, with an annual capacity of approximately 300,000 tonnes. The remaining production of uncoated fine paper reels is likely to end as early as 2016.

It is estimated that the investment programme at Husum will have a positive impact of approximately EUR 50 million on Metsä Board's annual operating result. The result improvement is expected to be realised in full starting from 2018.

Metsä Board will expand its range of paperboards for food service packaging by investing approximately EUR 38 million in an extrusion coating line and the supporting infrastructure at the Husum mill in Sweden. The extrusion coating line will be commissioned at the beginning of 2017, and its coating capacity will be approximately 100,000 tonnes per year. Slightly over half of the value of the investment will be realised in 2016. The company will also continue to develop other barrier solutions.

BUSINESS AREAS

Wood Supply and forest services

Metsä Forest's sales in January–March were EUR 401.2 million (1–3/2015: 411.8) and the operating result totalled EUR 7.8 million (8.7).

In Finland, the supply of wood was steady and stumpage prices remained stable. The wood purchasing volume was at the same level as a year earlier. The market situation for energy wood continued to be tough throughout the Baltic Sea region.

The supply of wood and the winter harvesting conditions were good in the Baltic Sea region. The good supply of pulpwood that prevailed in the Baltic countries throughout last year continued. In Sweden, the supply of pulpwood exceeded demand.

During the review period, Metsä Forest purchased all timber grades through both standing and delivery sales throughout Finland. Above all, demand targeted stands for summer harvesting. Purchasing of energy wood continued to focus on crown wood. The majority of wood in Finland was purchased from Metsäliitto Cooperative's members.

Wood was harvested in Finland as targeted, and deliveries to production units were carried out as planned. In January–March, Metsä Forest delivered a total of 8.4 million cubic metres (8.3) of wood raw material, of which approximately 82 per cent went to industry in Finland.

In January–March, nearly 20 per cent of wood acquired by Metsä Forest from private forest owners was purchased electronically. The figure was 25 per cent in the sale of forest management services.

Wood Products Industry

Metsä Wood's sales in January–March totalled EUR 208.7 million (1–3/2015: 209.4). The operating result excluding non-recurring items was EUR 5.8 million (7.9). Metsä Wood recognised a total of EUR 0.4 million of non-recurring expenses in January–March.

The comparable delivery volumes of spruce and pine sawn timber increased markedly from the corresponding period in the previous year. The deliveries of both timber grades to North Africa increased, and the deliveries of spruce sawn timber to Asia, and China in particular, were at a materially higher level than in the comparison period. The profitability of sawing operations weakened as a result of the considerably lower delivery prices of sawn timber. Average prices were reduced due to the low price level in North Africa, in particular.

Sales in construction and industrial products increased slightly in the first quarter of the year. The delivery volumes of Kerto® LVL products grew markedly due to deliveries to Australia and North America, in particular.

The delivery volumes of birch and softwood plywood products decreased from the comparison period. The increase in imports from outside Europe has weakened the market balance of panel products in Europe. The production of birch plywood was adjusted at both mills for one week in March. The average delivery prices in local currencies of Kerto® products and plywood were at the level of the comparison period in the previous year.

The statutory labour negotiations launched in November 2015 to implement the new target organisation model at all Kerto® LVL and plywood mills were completed. The negotiations were part of the performance improvement programme announced at the end of 2014. As a result of the negotiations, the contracts of 48 Metsä Wood employees were terminated.

Pulp Industry

Metsä Fibre's sales for January–March were EUR 323.3 million (1–3/2015: 330.4). The sales volume of pulp was 549,000 tonnes, which is approximately the same as in the comparison period in the previous year (547,000). The currency-denominated market prices of long-fibre pulp decreased by 13 per cent in January–March compared to the corresponding period in the previous year. The average market prices of short-fibre pulp increased by 2 per cent.

Metsä Fibre's operating result in the first quarter was EUR 63.7 million (78.7). The US dollar strengthened by approximately 2 per cent, and variable costs decreased compared to the corresponding period in the previous year, but the decrease in the price of mainly long-fibre pulp pushed the result lower than in the corresponding period in the previous year.

The demand for long-fibre pulp remained at the forecast level. Its price in Europe was USD 794 per tonne at the

beginning of the review period and USD 790 per tonne at the end of the review period. The corresponding prices of short-fibre pulp were USD 781 and USD 744, respectively. The price of short-fibre pulp fell due to higher supply and lower demand than was predicted.

Paperboard Industry

Metsä Board's sales in January–March amounted to EUR 435.6 million (1–3/2015: 525.7). Sales were reduced by the considerable decrease in paper deliveries to 15,000 tonnes (156,000).

The operating result was EUR 32.7 million (43.1), and the operating result excluding non-recurring items was EUR 35.0 million (43.2). The operating result was weakened by the start-up phase of the new folding boxboard production line at Husum, which is why the production volumes of pulp and paperboard were low at the mill. Fluctuations in pulp prices also affected the result for the review period.

The combined delivery volume of Metsä Board's folding boxboard and white fresh forest fibre linerboard totalled 369,000 tonnes in January–March (334,000).

Excluding non-recurring items, Metsä Board's return on capital employed was 8.3 per cent (11.0), and earnings per share were EUR 0.07 (0.09).

Metsä Board's equity ratio at the end of March was 44.4 per cent and the net gearing ratio was 42 per cent (31 December 2015: 46.5 per cent and 32 per cent, respectively).

Metsä Board's Interim Report was published on 3 May 2016.

Tissue and Cooking papers

Metsä Tissue's sales in January–March were EUR 246.2 million (1–3/2015: 253.7). The reduction in sales is primarily due to the decrease in sales volumes, which was affected by the phasing out of tissue paper operations in Russia in summer 2015.

Operating result excluding non-recurring items was EUR 13.5 million (15.8). The operating result was decreased by the increased cost of pulp and the weakening of the Norwegian krone and the British pound against the euro, in particular.

During the first months of the year, Metsä Tissue started production at the Krapkowice and Kreuzau mills on the production lines moved from Vorsino.

RISKS AND UNCERTAINTIES

The estimates and statements in this interim report 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 price of and demand for end products, raw material costs, energy prices and the exchange rate development of the euro have an effect on the results of Metsä Group.

There are several geopolitical risk concentrations around the world, and forecasting developments in them is difficult. The 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 forest industry products and, therefore, on Metsä Group's result.

The implementation of the measures outlined in Finland to enhance competitiveness and the industrial peace are very important in terms of our business operations and delivery reliability.

The risks related to the Group's business have been explained more extensively in Metsä Group's Financial Statements for 2015.

PENDING DISPUTES

In March 2011, the state enterprise Metsähallitus filed a claim for damages at the District Court of Helsinki, demanding that Metsäliitto Cooperative and two other forest industry companies jointly pay compensation for alleged damage caused by prohibited cooperation with regard to prices in the raw wood market. The claim is related to the 3 December 2009 decision by the Market Court which states that the aforementioned companies have violated the act on competition restrictions in the raw wood market. In addition, some municipalities, parishes and a group of individuals in Finland have instituted similar proceedings. The total amount of all claims that Metsäliitto Cooperative is aware of and that were directed at Metsäliitto Cooperative and the other aforementioned companies jointly is approximately EUR 194 million, of which approximately EUR 65 million is directed at Metsäliitto Cooperative alone. The aforementioned proceedings are associated with interest, value added tax claims and legal process expenses. In addition to the aforementioned claims, new claims for damages have been filed by private individuals and entities in January 2015, the amounts of which are not known by Metsäliitto. In February 2016, the Supreme Court issued a decision stating that a compensation claim filed by a private forest owner has partially expired. Based on the Supreme Court decision concerning the expiration, the total amount of the damage claims is expected to reduce slightly. Metsäliitto Cooperative's view is that the claims for damages are unfounded, and the company has not recognised any provisions regarding them.

In May 2014, Metsäliitto Cooperative and Metsä Board demanded the District Court of Helsinki to revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 that ordered Metsäliitto Cooperative and Metsä Board to pay a total of EUR 67 million in damages to UPM-Kymmene Corporation. In the judgment issued in June 2015, the District Court rejected the demands by Metsäliitto Cooperative and Metsä Board. Metsäliitto Cooperative and Metsä Board have appealed the District Court's judgment at the Court of Appeal.

In the autumn of 2015, the Finnish Tax Administration took a stand against the deductibility of certain losses in Metsä Board's 2014 taxation. The company recognised around EUR 9.5 million in previously unrecognised income taxes in its result for 2015. Metsä Board has appealed against the decision issued by the Tax Administration, as the company believes the losses are deductible.

NEAR-TERM OUTLOOK

Wood demand will target felling sites to be harvested when the ground is unfrozen and, in terms of energy wood, crown wood. The sales of forest management services are expected to remain good.

The market balance and sales prices of sawn timber are expected to improve. The market situation in Northern Africa will create uncertainty in the demand for pine sawn timber. The demand for Kerto® LVL products is expected to continue to be brisk, and competition in plywood products is expected to remain tense.

The global economic uncertainty and changes in the currency market will impact Metsä Fibre's operating environment. Nevertheless, demand for pulp has remained stable, and there are no signs of significant changes in the market.

Metsä Board's paperboard deliveries are expected to grow in April–June from the first quarter of 2016. Demand for paperboards is expected to remain stable in both Europe and the Americas. The market prices of folding boxboard and white fresh forest fibre linerboard are expected to remain stable.

The average price of Metsä Board's folding boxboard will be reduced by the lower price of start-up grades. The company estimates that the full production capacity of Husum's new folding boxboard production line will be reached by the end of 2016.

In the tissue and cooking paper markets, demand is expected to continue to be stable in all market areas. Demand for tissue paper is expected to increase in eastern Central Europe, in particular, and demand for cooking papers is expected to grow in Asia.

Metsä Group's operating result excluding non-recurring items is in the second quarter of 2016 expected to be roughly at the same level as in the first quarter of the 2016.

EVENTS AFTER THE REVIEW PERIOD

Metsä Board announced to initiate efficiency improvement programme in Husum integrate in Sweden. Minimum of annual EUR 10 million of cost savings is targeted from the efficiency programme.

PROPOSAL FOR INTEREST ON MEMBERS' CAPITAL

Metsäliitto Cooperative's Board of Directors proposes to the Representative Council on 3 May 2016 that interest of 6.0 per cent (5.5 per cent for 2014) be distributed on the participation shares of the members for 2015. Interest of 5.5 per cent (5.0) is proposed for additional shares A, and interest of 3.0 per cent (4.5) for additional shares B. The higher than usual level of profit distribution for participation shares and additional shares A reflects the Group's result development and emphasises the rewarding of members who are active in wood trade.

Espoo, Finland, 3 May 2016

BOARD OF DIRECTORS**For further information, please contact:**

Vesa-Pekka Takala, CFO, Metsä Group, tel. +358 (0)10 465 4260

Juha Laine, SVP, Communications, Metsä Group, tel. +358 (0)10 465 4541

Metsä Group will publish its financial reports in 2016 as follows:

4 August 2016: Interim Report for January–June 2016

2 November 2016: Interim Report for January–September 2016

SEGMENTS

	2016	2015	2015
	1–3	1–3	1–12
Wood Supply and Forest Services			
Sales, EUR million	401.2	411.8	1 518.1
EBITDA, EUR million	8.6	9.6	32.5
excl. non-rec. items, EUR million	8.6	9.6	32.5
Operating result, EUR million	7.8	8.7	29.0
excl. non-rec. items, EUR million	7.8	8.7	29.0
% of sales	1.9	2.1	1.9
ROCE excl. non-rec. items, %	27.1	29.6	26.4
Capital expenditure, EUR million	0.7	1.7	6.0
Personnel at end of period	869	907	877

	2016	2015	2015
	1–3	1–3	1–12
Wood Products Industry			
Sales, EUR million	208.7	209.4	852.2
EBITDA, EUR million	11.5	14.7	40.4
excl. non-rec. items, EUR million	11.9	14.7	58.5
Operating result, EUR million	5.4	7.9	10.0
excl. non-rec. items, EUR million	5.8	7.9	31.4
% of sales	2.8	3.8	3.7
ROCE excl. non-rec. items, %	8.1	9.9	10.7
Capital expenditure, EUR million	1.8	2.4	17.3
Personnel at end of period	1 986	2 216	2 018

	2016	2015	2015
	1–3	1–3	1–12
Pulp Industry			
Sales, EUR million	323.4	330.4	1 444.6
EBITDA, EUR million	86.0	100.1	400.3
excl. non-rec. items, EUR million	86.0	100.1	400.3
Operating result, EUR million	63.7	78.7	337.2
excl. non-rec. items, EUR million	63.7	78.7	337.2
% of sales	19.7	23.8	23.3
ROCE excl. non-rec. items, %	29.2	46.0	41.9
Capital expenditure, EUR million	80.4	2.9	250.6
Personnel at end of period	862	837	857

	2016	2015	2015
	1–3	1–3	1–12
Paperboard Industry			
Sales, EUR million	435.6	525.7	2 007.5
EBITDA, EUR million	55.5	69.3	302.5
excl. non-rec. items, EUR million	57.8	69.7	283.3
Operating result, EUR million	32.7	43.1	199.0
excl. non-rec. items, EUR million	35.0	43.2	179.9
% of sales	8.0	8.2	9.0
ROCE excl. non-rec. items, %	8.3	11.0	11.3
Capital expenditure, EUR million	54.3	23.9	177.8
Personnel at end of period	2 573	3 158	2 601

	2016	2015	2015
Tissue and Cooking Papers	1–3	1–3	1–12
Sales, EUR million	246.2	253.7	1 015.8
EBITDA, EUR million	23.2	15.0	82.1
excl. non-rec. items, EUR million	23.2	25.2	94.0
Operating result, EUR million	13.5	5.1	41.6
excl. non-rec. items, EUR million	13.5	15.8	55.1
% of sales	5.5	6.2	5.4
ROCE excl. non-rec. items, %	8.1	9.8	8.2
Capital expenditure, EUR million	3.2	2.1	29.4
Personnel at end of period	2 732	2 795	2 754

	2016	2015	2015
Other operations	1–3	1–3	1–12
Sales, EUR million	1.6	1.9	4.1
EBITDA, EUR million	-0.4	-0.1	23.8
excl. non-rec. items, EUR million	-0.4	-0.1	3.3
Operating result, EUR million	-0.9	-0.6	21.8
excl. non-rec. items, EUR million	-0.9	-0.6	1.3
Capital expenditure, EUR million	3.1	2.7	13.3
Personnel at end of period	489	478	492

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

	2016	2015	2015
Internal sales and eliminations	1–3	1–3	1–12
Sales, EUR million	-461.2	-477.7	-1 826.4
EBITDA, EUR million	-11.5	-21.2	-81.2
excl. non-rec. items, EUR million	-11.5	-21.2	-81.2
Operating result, EUR million	-15.3	-25.0	-96.5
excl. non-rec. items, EUR million	-15.3	-25.0	-96.5

	2016	2015	2015
Metsä Group	1–3	1–3	1–12
Sales, EUR million	1 155.6	1 255.1	5 016.0
EBITDA, EUR million	173.0	187.3	800.3
excl. non-rec. items, EUR million	175.7	197.9	790.7
Operating result, EUR million	106.8	117.8	542.1
excl. non-rec. items, EUR million	109.5	128.6	537.4
% of sales	9.5	10.2	10.7
ROCE excl. non-rec. items, %	10.6	13.5	13.6
Capital expenditure, EUR million	142.9	35.5	491.6
Personnel at end of period	9 511	10 391	9 599

RECONCILIATION OF OPERATING RESULT

EUR million	2016 1–3	2015 1–3	2015 1–12
OPERATING RESULT (IFRS)	106.8	117.8	542.1
Non-recurring items:			
Wood Supply and Forest Services	-	-	-
Wood Products Industry	0.4	-	21.4
Pulp Industry	-	-	-
Paperboard Industry	2.3	0.1	-19.2
Tissue and Cooking Papers	-	10.7	13.5
Other operations	-	-	-20.5
Internal sales	-	-	-
Total	2.7	10.8	-4.7
OPERATING RESULT EXCLUDING NON-RECURRING ITEMS	109.5	128.6	537.4

EUR million	2016 1–3	2015 1–3	2015 1–12
OPERATING RESULT (IFRS)	106.8	117.8	542.1
Non-recurring items:			
Other operating income	-	-	-40.2
Change in inventories	-	1.8	12.4
Employee costs	2.3	1.1	7.9
Depreciation	-	0.5	-
Impairment charges	-	-0.3	4.9
Other operating expenses	0.4	7.7	10.2
Total	2.7	10.8	-4.7
OPERATING RESULT EXCLUDING NON-RECURRING ITEMS	109.5	128.6	537.4

Items with "+" sign = non-recurring expenses

Items with "-" sign = non-recurring income

Non-recurring items totalled EUR -2.7 million in the first quarter of 2016. Metsä Board recognised a cost provision of EUR 2.3 million related to the restructuring of the Simpele paperboard mill, and Metsä Wood recognised EUR 0.4 million additional expenses related to the divestment of Metsä Wood France S.A.S.

Metsä Group's operating result in January–March 2015 included net non-recurring items of EUR -10.8 million. The most significant non-recurring items, EUR 10.7 million, were provisions and write-offs related to Metsä Tissue's Russian operations.

Metsä Group's operating result in 2015 included net non-recurring items of EUR 4.7 million. The most significant positive non-recurring items were the gain of EUR 20.8 million from the sale of the shares in Finsilva Oyj and the gain of EUR 17.5 million from the sale of the Gohrsmühle mill. The sale of the shares in Metsä Wood France S.A.S. generated a non-recurring loss of EUR 21.4 million. Provisions and write-offs related to Metsä Tissue's Russian operations and the efficiency programme regarding Metsä Tissue's napkin business in Germany were EUR 13.5 million.

QUARTERLY DATA

EUR million	2016	2015	2015	2015	2015
	1–3	10–12	7–9	4–6	1–3
Sales					
Wood Supply and Forest Services	401.2	364.9	348.0	393.5	411.8
Wood Products Industry	208.7	188.0	212.0	242.8	209.4
Pulp Industry	323.4	373.5	349.6	391.1	330.4
Paperboard Industry	435.6	462.2	497.6	522.0	525.7
Tissue and Cooking Papers	246.2	263.8	249.2	249.0	253.7
Other operations	1.6	0.5	0.8	0.9	1.9
Internal sales	-461.2	-447.7	-432.0	-469.1	-477.7
Sales total	1 155.6	1 205.4	1 225.2	1 330.2	1 255.1
Operating result					
Wood Supply and Forest Services	7.8	6.3	7.0	6.9	8.7
Wood Products Industry	5.4	8.6	5.7	-12.2	7.9
Pulp Industry	63.7	80.5	85.5	92.5	78.7
Paperboard Industry	32.7	34.1	54.6	67.2	43.1
Tissue and Cooking Papers	13.5	23.9	6.5	6.1	5.1
Other operations	-0.9	-5.1	4.2	23.3	-0.6
Eliminations	-15.3	-20.2	-21.5	-29.8	-25.0
Operating result total	106.8	128.2	142.0	154.0	117.8
% of sales	9.2	10.6	11.6	11.6	9.4
Share of results from associated companies and joint ventures	-0.1	2.7	-0.8	3.2	6.1
Exchange gains and losses	-1.0	2.6	-0.6	-6.7	3.5
Other net financial items	-17.8	-20.1	-20.0	-22.4	-21.3
Result before income tax	87.8	113.4	120.7	128.2	106.1
Income tax	-19.5	-21.2	-38.4	-35.5	-17.5
Result for the period	68.3	92.2	82.3	92.7	88.6
Operating result excl. non-rec. items					
Wood Supply and Forest Services	7.8	6.3	7.0	6.9	8.7
Wood Products Industry	5.8	7.5	5.9	10.2	7.9
Pulp Industry	63.7	80.5	85.5	92.5	78.7
Paperboard Industry	35.0	35.1	54.6	47.0	43.2
Tissue and Cooking Papers	13.5	18.6	13.2	7.6	15.8
Other operations and eliminations	-16.2	-25.3	-17.3	-27.0	-25.7
Operating result total	109.5	122.7	149.0	137.1	128.6
% of sales	9.5	10.2	12.2	10.3	10.2

CALCULATION OF KEY RATIOS

Return on capital employed (%) ROCE	=	(Result before tax + exchange gains/losses and other net financial expenses) 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 receivables) per (Members' funds)
EBITDA	=	Operating result before depreciation and impairment losses

Operating result and Return on capital employed excluding non-recurring items

Exceptional and material items outside the ordinary course of business have been eliminated from the operating result excluding non-recurring items, and they have been allocated to the operating segments. Reconciliation of operating result under IFRS and operating result excluding non-recurring items is presented in this interim report. The return on capital employed excluding non-recurring items has been calculated using the same adjustments as the operating result excluding non-recurring items, and it has been further adjusted with non-recurring items of financial income when applicable.

Metsä Group considers the key figures derived in this manner to improve the comparability between reporting periods. None of these key figures with non-recurring items eliminated are key figures used in IFRS reporting, and they cannot be compared with other companies' key figures identified with the same names.

Typical non-recurring items 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.

FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	2016 1–3	2015 1–3	Change	2015 1–12
Sales	2	1 155.6	1 255.1	-99.6	5 016.0
Change in stocks of finished goods and work in progress		29.0	24.3	4.7	-48.0
Other operating income		8.3	15.4	-7.1	95.7
Material and services		-773.5	-833.5	60.0	-3 212.5
Employee costs		-163.8	-171.5	7.8	-678.2
Depreciation and impairment losses		-66.3	-69.4	3.1	-258.2
Other operating expenses		-82.6	-102.5	19.9	-372.7
Operating result	2	106.8	117.8	-11.1	542.1
Share of results from associated companies and joint ventures		-0.1	6.1	-6.2	11.2
Exchange gains and losses		-1.0	3.5	-4.5	-1.2
Other net financial items	2	-17.8	-21.3	3.5	-83.8
Result before income tax		87.8	106.1	-18.3	468.4
Income tax	3	-19.5	-17.5	-2.0	-112.6
Result for the period		68.3	88.6	-20.3	355.7
Other comprehensive income					
Items that will not be reclassified to profit and loss					
Items relating to adjustments of defined benefit plans		-7.4	-8.2	0.8	19.5
Income tax relating to items that will not be reclassified		1.8	1.3	0.6	-5.6
Total		-5.6	-7.0	1.4	13.9
Items that may be reclassified subsequently to profit and loss					
Cash flow hedges		-11.5	-8.9	-2.6	-0.1
Available for sale financial assets	8	-8.0	4.2	-12.2	-30.6
Currency translation differences		-2.7	14.8	-17.5	8.9
Share of comprehensive income of joint venture		0.3	0.9	-0.6	-0.6
Other items		0.0	0.0	0.0	0.0
Income tax relating to items that may be reclassified		3.2	1.9	1.3	7.4
Total		-18.6	12.9	-31.5	-15.0
Other comprehensive income, net of tax		-24.2	5.9	-30.1	-1.0
Total comprehensive income for the period		44.1	94.5	-50.4	354.7
Result for the period attributable to:					
Members of parent company		42.9	56.6	-13.7	216.9
Non-controlling interests		25.4	32.0	-6.6	138.8
Total		68.3	88.6	-20.3	355.7
Total comprehensive income attributable to:					
Members of parent company		25.0	61.1	-36.1	221.1
Non-controlling interests		19.1	33.4	-14.3	133.6
Total		44.1	94.5	-50.4	354.7

The notes are an integral part of this interim report.

UNAUDITED CONSOLIDATED BALANCE SHEET

EUR million	Note	2016 31.3.	2015 31.3.	2015 31.12.
ASSETS				
Non-current assets				
Goodwill		522.2	521.8	522.8
Other intangible assets		231.7	240.6	234.5
Tangible assets	4	2 139.4	1 809.1	2 059.0
Biological assets		13.9	12.6	13.4
Investments in associated companies and joint ventures		42.8	81.3	43.4
Available for sale investments	8	219.0	261.4	227.1
Non-current financial assets	8	25.1	18.9	28.0
Deferred tax receivables		36.3	69.2	37.9
		3 230.4	3 015.0	3 166.1
Current assets				
Inventories		762.8	841.8	686.8
Accounts receivables and other receivables		757.8	758.7	640.5
Tax receivables based on the taxable income for the period		4.5	0.1	0.6
Cash and cash equivalents	8	888.4	982.0	1 120.8
		2 413.4	2 582.5	2 448.7
Assets classified as held for sale		1.1	1.4	1.6
Total assets		5 644.9	5 598.8	5 616.4
MEMBERS' FUNDS AND LIABILITIES				
Members' funds				
Members' funds		1 844.8	1 665.3	1 805.6
Non-controlling interests		564.1	510.4	611.3
		2 408.9	2 175.8	2 416.9
Non-current liabilities				
Deferred tax liabilities		216.6	228.2	225.6
Post-employment benefit obligations		82.4	190.7	77.9
Provisions	5	20.2	28.0	23.0
Borrowings	8	1 258.2	1 353.1	1 303.5
Other liabilities		41.9	23.6	22.3
		1 619.3	1 823.6	1 652.3
Current liabilities				
Provisions	5	20.3	26.6	20.3
Current borrowings	8	491.1	533.5	442.3
Accounts payable and other liabilities		1 085.4	1 014.6	1 063.3
Tax liabilities based on the taxable income for the period		19.2	23.8	20.3
		1 616.1	1 598.5	1 546.2
Liabilities classified as held for sale		0.6	0.9	1.1
Total liabilities		3 236.0	3 423.1	3 199.5
Total members' funds and liabilities		5 644.9	5 598.8	5 616.4

The notes are an integral part of this interim report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS

<u>Equity attributable to members of parent company</u>							
EUR million	Mem- bers' capital	Trans- lation differ- ences	Fair value and other reserves	Re- tained earnings	Total	Non- control- ling interest	Total
Members' funds 1.1.2015	719.1	-7.1	206.7	671.6	1 590.3	467.0	2 057.3
Result for the period				56.6	56.6	32.0	88.6
Other comprehensive income, net af- ter tax		11.9	-2.5	-4.8	4.6	1.4	5.9
Total comprehensive income		11.9	-2.5	51.7	61.1	33.4	94.5
Transactions with owners:							
Dividends paid				1.7	1.7	-48.3	-46.6
Change in members' capital	13.2			-0.6	12.6		12.6
Change in other equity			-0.7		-0.7	56.8	56.1
Share based payments				0.0	0.0	0.0	0.0
Acquired shares from non-controlling interests, which did not change the controlling right							0.0
Sold shares from non-controlling interests, which did not change the controlling right			-0.0	0.3	0.3	1.6	1.9
Members' funds 31.3.2015	732.3	4.8	203.5	724.8	1 665.3	510.4	2 175.8

<u>Equity attributable to members of parent company</u>							
EUR million	Mem- bers' capital	Trans- lation differ- ences	Fair value and other reserves	Re- tained earnings	Total	Non- control- ling interest	Total
Members' funds 1.1.2016	745.7	-2.7	197.4	865.1	1 805.6	611.3	2 416.9
Result for the period				42.9	42.9	25.4	68.3
Other comprehensive income, net af- ter tax		-2.3	-11.3	-4.3	-17.9	-6.3	-24.2
Total comprehensive income		-2.3	-11.3	38.6	25.0	19.1	44.1
Transactions with owners:							
Dividends paid				2.2	2.2	-68.9	-66.6
Change in members' capital	17.4			-3.5	13.9		13.9
Change in other equity			0.0		0.0		0.0
Share based payments				-2.5	-2.5	-0.3	-2.8
Acquired shares from non-controlling interests, which did not change the controlling right							0.0
Sold shares from non-controlling interests, which did not change the controlling right			-0.0	0.7	0.7	2.8	3.5
Members' funds 31.3.2016	763.1	-5.0	186.1	900.6	1 844.8	564.1	2 408.9

The notes are an integral part of this interim report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2016 1–3	2015 1–3	2015 1–12
Result for the period	7	68.3	88.6	355.7
Total adjustments	7	103.0	105.9	387.2
Change in working capital		-202.1	-127.1	221.3
Cash flow arising from operations		-30.8	67.4	964.3
Net financial items		-10.6	-17.5	-71.0
Income taxes paid		-25.7	-14.5	-97.3
Net cash flow arising from operating activities		-67.1	35.4	796.0
Acquisitions		0.0	0.0	-2.4
Investments in tangible and intangible assets		-142.9	-35.5	-491.6
Disposals and other items	7	-0.2	5.3	38.6
Net cash flow arising from investing activities		-143.1	-30.2	-455.4
Change in members' funds		13.9	12.6	50.9
Change in other equity		0.0	55.7	55.6
Change in long-term loans and other financial items		-3.3	-15.9	-179.2
Dividends paid		-32.9	-24.9	-94.9
Net cash flow arising from financing activities		-22.2	27.6	-167.7
Change in cash and cash equivalents		-232.5	32.7	172.8
Cash and cash equivalents at beginning of period		1 120.8	947.9	947.9
Translation difference		0.0	-1.2	-0.1
Change in cash and cash equivalents		-232.5	32.7	172.8
Cash and cash equivalents of assets classified as held for sale		0.0	0.2	0.2
Cash and cash equivalents at end of period		888.4	982.0	1 120.8

The notes are an integral part of this interim report.

NOTES TO THE UNAUDITED CONDENSED INTERIM REPORT

NOTE 1 – BACKGROUND AND ACCOUNTING POLICIES

Metsäliitto Cooperative and its subsidiaries comprise a forest industry group (“Metsä Group” or “Group”), which operations are organised into five business segments: Wood Supply and Forest Services, Wood Products Industry, Pulp Industry, Paperboard Industry and Tissue and Cooking Papers. Metsä 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 financial statements bulletin has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2015 IFRS financial statements. The same accounting policies have been applied as in the 2015 IFRS financial statements with the following exception:

- 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 2016 Metsä Group has adopted the following new and amended standards and interpretations:

- Amendment to IAS 1 *Presentation of Financial Statements: Disclosure Initiative*: The purpose of the amendments is to encourage entities to exercise judgement in presenting their financial reports. For example, the amendments clarify the application of the concept of materiality and exercising judgement in determining the order and location of the notes to the financial statements. The amendments are not assessed to have a material impact on the consolidated financial statements.
- Amendments to IFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*: The amendments provide new guidance in IFRS 11 concerning how the acquisition of a share in a joint operation is handled when the business operations are formed by the joint operations. In that case, the accounting procedure for merging of business operations should be used. The amendments are not assessed to have a material impact on the consolidated financial statements.
- *Annual Improvements to IFRS standards, the 2012–2014 cycle*: The annual improvements process provides a mechanism for minor and non-urgent amendments to the standards to be grouped together and issued in one package annually. The amendments cover four standards. Their impacts vary by standard but are not significant.

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

This interim report was authorised for issue by the Board of Directors of Metsäliitto Cooperative on 3 May 2016.

NOTE 2 – SEGMENT INFORMATION

The Group's operating segments are comprised of 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 as 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 SEGMENTS

EUR million	1–3/2016			1–3/2015		
	External	Internal	Total	External	Internal	Total
Wood Supply and Forest Services	105.6	295.6	401.2	103.4	308.4	411.8
Wood Products Industry	195.6	13.1	208.7	195.7	13.7	209.4
Pulp Industry	192.0	131.4	323.4	195.7	134.6	330.4
Paperboard Industry	416.4	19.2	435.6	506.7	19.0	525.7
Tissue and Cooking Papers	246.0	0.3	246.2	253.6	0.1	253.7
Other operations	0.1	1.6	1.6	0.0	1.9	1.9
Elimination of internal sales	-	-461.2	-461.2	-	-477.7	-477.7
Total sales	1 155.6	0.0	1 155.6	1 255.1	0.0	1 255.1

EUR million	1–12/2015		
	External	Internal	Total
Wood Supply and Forest Services	386.9	1 131.3	1 518.1
Wood Products Industry	799.4	52.9	852.2
Pulp Industry	883.2	561.4	1 444.6
Paperboard Industry	1 932.7	74.8	2 007.5
Tissue and Cooking Papers	1 014.9	0.9	1 015.8
Other operations	-1.0	5.2	4.1
Elimination of internal sales	-	-1 826.4	-1 826.4
Total sales	5 016.0	0.0	5 016.0

OPERATING RESULT BY SEGMENTS

EUR million	2016		2015	
	1–3	1–3	1–3	1–12
Wood Supply and Forest Services	7.8	8.7	29.0	
Wood Products Industry	5.4	7.9	10.0	
Pulp Industry	63.7	78.7	337.2	
Paperboard Industry	32.7	43.1	199.0	
Tissue and Cooking Papers	13.5	5.1	41.6	
Other operations	-0.9	-0.6	21.8	
Eliminations	-15.3	-25.0	-96.5	
Operating result total	106.8	117.8	542.1	
Share of results from associated companies and joint ventures	-0.1	6.1	11.2	
Financial costs, net	-19.0	-17.8	-84.9	
Income taxes	-19.5	-17.5	-112.6	
Result for the period	68.3	88.6	355.7	

ASSETS AND LIABILITIES BY SEGMENTS

Assets	2016	2015	2015
EUR million	31.3.	31.3.	31.12.
Wood Supply and Forest Services	293.9	304.1	223.8
Wood Products Industry	390.4	428.1	359.7
Pulp Industry	977.6	710.4	879.0
Paperboard Industry	1 944.3	1 911.4	1 889.5
Tissue and Cooking Papers	889.6	915.7	896.3
Other operations	307.6	297.4	261.7
Assets classified as held for sale	1.1	1.4	1.6
Eliminations	-293.3	-286.2	-223.2
Unallocated assets	1 133.7	1 316.5	1 328.0
Total	5 644.9	5 598.8	5 616.4

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).

Liabilities	2016	2015	2015
EUR million	31.3.	31.3.	31.12.
Wood Supply and Forest Services	195.8	189.7	177.9
Wood Products Industry	126.3	122.9	105.9
Pulp Industry	290.5	230.8	292.8
Paperboard Industry	473.5	592.9	441.2
Tissue and Cooking Papers	314.2	303.5	300.2
Other operations	132.5	111.0	102.5
Liabilities classified as held for sale	0.6	0.9	1.1
Eliminations	-293.3	-286.2	-223.2
Unallocated liabilities	1 995.9	2 157.6	2 001.1
Total	3 236.0	3 423.1	3 199.5

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

NOTE 3 – INCOME TAXES

Tax expense in the income statement is comprised of the current tax and deferred taxes.

EUR million	2016	2015	2015
	1–3	1–3	1–12
Taxes for the period	21.4	24.1	91.3
Taxes for previous periods	0.1	0.3	10.7
Change in deferred taxes	-1.9	-6.8	10.6
Total income taxes	19.5	17.5	112.6

NOTE 4 – CHANGE IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2016	2015	2015
	1–3	1–3	1–12
Book value at beginning of period	2 059.0	1 831.2	1 831.2
Investments	142.1	33.1	482.9
Decreases	-0.0	-1.2	-12.6
Assets classified as held for sale	0.0	0.0	-2.0
Depreciation and impairment losses	-62.1	-65.1	-239.6
Translation differences and other changes	0.3	10.9	-0.7
Book value at end of period	2 139.4	1 809.1	2 059.0

NOTE 5 – PROVISIONS

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2016	20.4	15.0	7.8	43.3
Translation differences	-0.1		0.0	-0.1
Increases		0.1	0.2	0.3
Utilised during the year	-2.2	-0.0	-0.6	-2.8
Unused amounts reversed	-0.2		-0.0	-0.2
At 31 March 2016	18.0	15.1	7.4	40.5

Of the Metsä Group's total provisions of EUR 40.5 million, the non-current portion was EUR 20.2 million and the current portion EUR 20.3 million. The non-current portion will mostly be paid during 2017.

NOTE 6 – TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2016 1–3	2015 1–3	2015 1–12
Sales	1.8	2.2	9.4
Purchases	21.2	20.5	90.4
Non-current receivables	1.0	1.0	1.0
Current receivables	3.2	2.1	3.7
Non-current liabilities	0.0	0.0	0.0
Current liabilities	6.1	5.0	6.6

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

EUR million	2016 1–3	2015 1–3	2015 1–12
Taxes	19.5	17.5	112.6
Depreciation and impairment charges	66.3	69.4	258.2
Biological assets	-0.5	-0.8	-1.4
Share of results from associated companies	0.1	-6.1	-11.2
Gains and losses on sale of non-current financial assets	1.6	2.6	-51.0
Financial costs, net	18.8	17.8	84.9
Pension liabilities and provisions	-2.9	5.4	-4.9
Total	103.0	105.9	387.2

Disposals and other items

Disposals and other items include in January–March 2016 additional expenses of EUR 0.4 million due to the sale of Metsäliitto Cooperative's subsidiary Metsä Wood France S.A.S. in 2015, the sale of apartments and parking places in Asunto Oy Tapiolan Jalava and

Asunto Oy Tapiolan Pyökki for EUR 0.4 million and sale of fixed assets and other items for EUR -0.3 million.

NOTE 8 – FINANCIAL INSTRUMENTS

Financial assets and liabilities classified according to IAS 39 and fair value.

Financial assets 31 March 2016

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
Available for sale investments		219.0				219.0	219.0
Other non-current financial assets	5.8		19.4			25.1	25.1
Account receivables and others			738.9			738.9	738.9
Cash and cash equivalents	60.7		827.7			888.4	888.4
Derivative financial instruments	4.8			12.3		17.1	17.1
Assets classified as held for sale						0.0	0.0
Total	71.3	219.0	1 586.0	12.3	0.0	1 888.6	1 888.6

Financial liabilities 31 March 2016

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
Non-current interest-bearing liabilities					1 258.2	1 258.2	1 296.1
Other non-current liabilities					2.7	2.7	2.7
Current interest-bearing liabilities					491.1	491.1	494.7
Accounts payable and others					941.3	941.3	941.3
Derivative financial instruments	-0.2			64.2		63.9	63.9
Liabilities classified as held for sale					0.6	0.6	0.6
Total	-0.2	0.0	0.0	64.2	2 694.0	2 757.9	2 799.5

Financial assets 31 March 2015

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
Available for sale investments		261.4				261.4	261.4
Other non-current financial assets	5.2		13.7			18.9	18.9
Account receivables and others			747.7			747.7	747.7
Cash and cash equivalents	30.4		951.5			982.0	982.0
Derivative financial instruments	4.1			3.6		7.7	7.7
Assets classified as held for sale			0.0			0.0	0.0
Total	39.7	261.4	1 712.9	3.6	0.0	2 017.6	2 017.6

Financial liabilities 31 March 2015

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
Non-current interest-bearing liabilities					1 353.1	1 353.1	1 404.3
Other non-current liabilities					6.8	6.8	6.8
Current interest-bearing liabilities					533.5	533.5	536.7
Accounts payable and others					858.6	858.6	858.6
Derivative financial instruments	1.0			54.8		55.9	55.9
Liabilities classified as held for sale					0.9	0.9	0.9
Total	1.0	0.0	0.0	54.8	2 752.9	2 808.8	2 863.2

Fair value hierarchy of financial assets and liabilities 31 March 2016

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Non-current financial assets through profit and loss at fair value		5.8		5.8
Available for sale financial assets	0.1		218.9	219.0
Current financial assets through profit and loss at fair value	60.7			60.7
Derivative financial assets		17.1		17.1
Financial liabilities measured at fair value				
Derivative financial liabilities	33.6	30.3		63.9
Financial assets not measured at fair value				
Financial assets		827.7		827.7
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities			1 296.1	1 296.1
Current interest-bearing liabilities			494.7	494.7

Fair value hierarchy of financial assets and liabilities 31 March 2015

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Non-current financial assets through profit and loss at fair value		5.2		5.2
Available for sale financial assets	0.4		261.0	261.4
Current financial assets through profit and loss at fair value	30.4			30.4
Derivative financial assets		7.7		7.7
Financial liabilities measured at fair value				
Derivative financial liabilities	18.5	37.4		55.9
Financial assets not measured at fair value				
Financial assets		951.5		951.5
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1 404.3		1 404.3
Current interest-bearing liabilities		536.7		536.7

Financial assets measured at fair value based on level 3

EUR million	2016	2015
Opening balance 1 January	227,0	256,8
Gains and losses in income statement	1,1	0,0
Gains and losses in other comprehensive income	-8,0	4,2
Purchases	0,0	0,0
Settlements	-1,2	0,0
Closing balance 31 March	218,9	261,0

Assets have been categorised according to paragraphs 27 A and 27 B in 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 and gas 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 2015 Financial Statements. The average weighed capital cost applied in the calculation was 2.04 per cent on 31 March 2016 and for the Olkiluoto 3 power plant under construction 5.04 per cent. The acquisition cost of the Pohjolan Voima Oy shares is EUR 43.1 million and their fair value is EUR 211.2 million.

The carrying amount of available-for-sale financial assets would be estimated to be EUR 1.4 million lower or EUR 4.1 million higher should the rate used for discounting the cash flows differ by 10 per cent from the rate estimated by the management. The carrying amount of available-for-sale financial assets would be estimated to be EUR 29.2 million higher or EUR 29.2 million lower should the energy prices applied in the fair value calculation differ by 10 per cent from the rate estimated by the management.

Derivatives 31 March 2016

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value hedges	Cash flow hedges	Equity hedges	Hedge accounting not applied
Interest rate swaps	1 061.2		24.9	-24.9		-26.8		1.9
Total	1 061.2	0.0	24.9	-24.9	0.0	-26.8	0.0	1.9
Currency forwards	1 182.7	16.7	1.7	15.0		9.9	2.4	2.7
Currency options	65.9	0.4		0.4				0.4
Total	1 248.5	17.1	1.7	15.5	0.0	9.9	2.4	3.2
Electricity derivatives	89.6		21.6	-21.6		-21.6		
Pulp derivatives	72.5		3.7	-3.7		-3.7		
Oil derivatives	17.8		6.0	-6.0		-6.0		
Commodity derivatives	16.4		6.0	-6.0		-6.0		
Total	196.3	0.0	37.4	-37.4	0.0	-37.4	0.0	0.0
Derivatives total	2 506.1	17.1	63.9	-46.8	0.0	-54.2	2.4	5.1

Derivatives 31 March 2015

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value hedges	Cash flow hedges	Equity hedges	Hedge accounting not applied
Interest rate swaps	456.6		11.2	-11.2	3.3	-12.4		-2.1
Total	456.6	0.0	11.2	-11.2	3.3	-12.4	0.0	-2.1
Currency forwards	1 254.7	4.1	22.6	-18.5		-25.7	-1.4	8.7
Currency options	241.8		3.5	-3.5				-3.5
Total	1 496.5	4.1	26.1	-22.0	0.0	-25.7	-1.4	5.2
Electricity derivatives	86.5		12.9	-12.9		-12.9		
Pulp derivatives	17.9	3.6		3.6		3.6		
Oil derivatives	18.9		4.3	-4.3		-4.3		
Commodity derivatives	9.1		1.3	-1.3		-1.3		
Total	132.4	3.6	18.5	-14.9	0.0	-14.9	0.0	0.0
Derivatives total	2 085.4	7.7	55.9	-48.2	3.3	-53.1	-1.4	3.0

NOTE 9 – COMMITMENTS AND CONTINGENCIES

EUR million	31.3.2016	31.3.2015	31.12.2015
Own liabilities for which commitments granted	527,1	585,9	529,5
Pledges granted	437,6	414,9	464,5
Floating charges	5,9	5,9	5,9
Real estate mortgages	380,8	381,1	381,4
Chattels mortgage	4,0	4,0	4,0
Commitments for own liabilities, total	828,2	805,8	855,7
Other commitments on own behalf	53,0	76,4	57,0
On behalf of associated companies	1,0	1,4	1,0
On behalf of others	4,9	6,1	4,8
Total	887,0	889,7	918,6

Securities and guarantees include pledges, floating charges, real estate mortgages, chattels mortgage and guarantee liabilities.

The future costs for non-cancellable operating lease contracts were EUR 29.7 million (31.12.2015: 33.8).

COMMITMENTS RELATED TO INVESTMENTS

EUR million	31.3.2016	31.3.2015	31.12.2015
Payments due under 1 year	331.2	-	409.9
Payments due in subsequent years	151.4	-	165.7
Total	482.7	-	575.6