

# METSÄ GROUP

FINANCIAL STATEMENTS BULLETIN

2018



**Metsä**

## METSÄ GROUP'S COMPARABLE OPERATING RESULT IN 2018 WAS EUR 849 MILLION

### JANUARY–DECEMBER 2018 (1–12/2017)

- Sales were EUR 5,709 million (5,040).
- Operating result was EUR 843 million (581). Comparable operating result was EUR 849 million (566).
- Result before tax was EUR 769 million (506). Comparable result before tax was EUR 775 million (491).
- Comparable return on capital employed was 16.8% (12.3).
- Cash flow from operations was EUR 882 million (905).

### OCTOBER–DECEMBER 2018 (10–12/2017)

- Sales were EUR 1,419 million (1,328).
- Operating result was EUR 208 million (184). Comparable operating result was EUR 208 million (185).
- Result before tax was EUR 193 million (161). Comparable result before tax was EUR 193 million (162).
- Comparable return on capital employed was 16.4% (14.9).
- Cash flow from operations was EUR 292 million (294).

### EVENTS DURING THE FOURTH QUARTER OF 2018

- The demand for and market price of pulp declined in China towards the end of the fourth quarter.
- Metsä Board's paperboard deliveries declined from the previous quarter mainly due to the seasonal decline in December
- Metsä Board started up a new baling line at the Kaskinen mill, and announced an investment in a new sheet-cutting line at the Äänekoski mill.
- Metsä Tissue's new converting lines at the Žilina and Raubach mills started up. The renewal of the baking paper machine at the Düren mill was completed.
- Metsä Tissue commenced a strategic review concerning the Stotzheim mill in Germany.

### RESULT GUIDANCE FOR JANUARY–MARCH 2019

Metsä Group's comparable operating result is in the first quarter of 2019 expected to weaken from the fourth quarter of 2018.

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

Metsäliitto Cooperative's Board of Directors has decided to propose that interest of 7.5 per cent (7.0 per cent in 2017) be distributed on the participation shares of the members for 2018. Interest of 7.0 per cent (6.5) is proposed for additional shares A, and interest of 2.5 per cent (2.5) for additional shares B. The proposal for the distribution for profit amounts to approximately EUR 74.1 million in total (63.2).

The Board of Directors has furthermore proposed that EUR 250 million of retained earnings be transferred to the reserve for invested unrestricted equity.

### President and CEO Iikka Hämmälä:

"The pulp market's price turn, particularly in China, weakened profit development in the fourth quarter. The order inflow of paperboard also declined towards the end of the year. In spite of the weaker market, the Group's result remained on a good level and the result for the entire year was excellent.

The investments planned for 2018 were implemented on schedule. The additions to the production capacity of Metsä Tissue's Žilina and Raubach mills were completed in the fourth quarter. The investment in the Kerto line at Punkaharju is progressing according to plan, towards the testing phase.

The construction of the textile fibre demo plant to be integrated to the Äänekoski bioproduct mill commenced. The prefeasibility study related to the renewal of the Kemi pulp mill continues.

Metsä Group's position as the leading Finnish wood purchaser and forest service provider has grown stronger. Our various development projects based on the use of Finnish wood increase the supply of carbon storing products made from a renewable raw material for the growing markets."

[www.metsagroup.com](http://www.metsagroup.com)

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

Metsä Group's sales totalled EUR 5.7 billion in 2018, and it employs approximately 9,300 people. The Group operates in some 30 countries. Metsäliitto Cooperative is the parent company of Metsä Group and owned by approximately 103,000 Finnish forest owners.

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**KEY FIGURES**

	2018	2017	2018	2017
<b>Condensed income statement, EUR million</b>	<b>1–12</b>	<b>1–12</b>	<b>10–12</b>	<b>10–12</b>
Sales	5 709.1	5 040.0	1 419.0	1 328.2
Other operating income	58.1	60.3	23.2	16.9
Operating expenses	-4 639.5	-4 269.7	-1 166.1	-1 090.5
Depreciation and impairment losses	-284.8	-249.7	-68.5	-70.4
Operating result	843.0	581.0	207.6	184.3
Share of results from associated companies and joint ventures	7.0	17.1	2.5	1.2
Exchange gains and losses	-6.3	-3.3	-0.4	-0.0
Other net financial items	-74.6	-88.5	-16.8	-24.4
Result before income tax	769.1	506.2	192.8	161.0
Income tax	-156.4	-102.3	-39.0	-36.5
Result for the period	612.7	403.9	153.8	124.5

	2018	2017	2018	2017
<b>Profitability</b>	<b>1–12</b>	<b>1–12</b>	<b>10–12</b>	<b>10–12</b>
Operating result, EUR million	843.0	581.0	207.6	184.3
Comparable operating result	848.5	566.1	207.6	184.9
% of sales	14.9	11.2	14.6	13.9
Return on capital employed, %	16.6	12.6	16.4	14.9
Comparable return on capital employed	16.8	12.3	16.4	14.9
Return on equity, %	18.5	14.5	17.2	17.2
Comparable return on equity	18.7	14.0	17.2	17.3

	2018	2017	2018	2017
<b>Financial position</b>	<b>31.12.</b>	<b>31.12.</b>	<b>30.9.</b>	<b>30.9.</b>
Equity ratio, %	53.1	45.0	52.7	43.4
Net gearing ratio, %	13	34	18	41
Interest-bearing net liabilities, EUR million	463	993	622	1 165

**SEGMENTS**

<b>Sales and Operating result 1–12/2018, EUR million</b>	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paperboard Industry	Tissue and Greaseproof Papers
Sales	1 983.4	441.7	2 469.1	1 944.1	1 039.8
Other operating income	7.5	7.1	25.0	25.6	5.1
Operating expenses	-1 954.3	-418.7	-1 701.6	-1 631.6	-971.3
Depreciation and impairment losses	-4.4	-13.6	-123.6	-91.8	-37.4
Operating result	32.3	16.6	668.8	246.3	36.3
Items affecting comparability	-	-	-	5.6	-
Comparable operating result	32.3	16.6	668.8	251.9	36.3
% of sales	1.6	3.8	27.1	13.0	3.5

**THIS FINANCIAL STATEMENTS BULLETIN IS UNAUDITED****FINANCIAL STATEMENTS 2018****SALES AND RESULT**

Metsä Group's sales in 2018 totalled EUR 5,709.1 million (2017: 5,040.0). Sales increased mainly due to greater delivery volumes, and higher pulp and paper-board prices.

The comparable operating result grew by nearly 50% from the previous year and was EUR 848.5 million (566.1), or 14.9% (11.2) of sales. The operating result improved, mainly due to an increase in pulp prices and delivery volumes as well as positive development in the paperboard business. Exchange rate fluctuations after hedging had a negative effect of around EUR 135 million on the operating result in the review period, compared to 2017. The effect was mainly attributable to the US dollar weakening against the euro by approximately 5%.

Sales in the fourth quarter of 2018 totalled EUR 1,419.0 million, whereas sales for the corresponding period last year were EUR 1,328.2 million. The comparable operating result was EUR 207.6 million (10–12/2017: 184.9).

Items affecting the comparability in 2018 were EUR -5.6 million (+14.8). The items consisted of EUR 4.1 million in personnel expenses related to the operational efficiency programme at Metsä Board's Husum mill in Sweden 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.

Metsä Group's operating result (IFRS) was EUR 843.0 million (581.0). The share of the results of associated companies and joint ventures was EUR 7.0 million (17.1), financial income was EUR 2.4 million (3.9), exchange rate differences in financing were EUR -6.3 million (-3.3), and financial expenses totalled EUR 77.0 million (92.4). The financial expenses of the comparison year include EUR 11.2 million in costs related to the early repurchase of Metsä Board's bond.

The result before taxes was EUR 769.1 million (506.2), and taxes including changes in deferred tax liabilities totalled EUR 156.4 million (102.3). The Group's effective tax rate was 20.3% (20.2). The net result for the financial period was EUR 612.7 million (403.9).

The return on capital employed was 16.6% (12.6), and the return on equity was 18.5% (14.5). The comparable return on capital employed was 16.8% (12.3), and the comparable return on equity was 18.7% (14.0).

**BALANCE SHEET AND FINANCING**

Metsä Group's liquidity has remained strong. Total liquidity at the end of December was EUR 1,940.1 million (1,928.3). This consisted of EUR 1,083.9 million (1,072.4) in liquid assets and investments, and EUR 856.3 million (855.9) 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 160.8 million (160.8).

Cash flow from operations was EUR 882.2 million (905.0). EUR 255.4 million was tied up in working capital (95.4 released). The addition of EUR 86.4 million in trade and other receivables as well as the addition of EUR 213.9 million in inventories increased working capital. The addition of EUR 44.9 million in trade payables and other liabilities decreased working capital.

The Group's equity ratio at the end of December was 53.1%, and its net gearing was 13% (45.0 and 34, respectively). Interest-bearing net liabilities were EUR 463.3 million (992.6).

In February and June, Metsäliitto Cooperative made early repayments of EUR 100 million regarding its EUR 200 million loan maturing in 2019. In September, Metsäliitto Cooperative made an early repayment of its EUR 56 million long-term loan. In December, Metsäliitto Cooperative replaced an undrawn credit facility of EUR 200 million with an equivalent credit facility extending to 2024. The arrangement includes two one-year extension options.

In April, Metsä Board made an early repayment of EUR 100 million of its syndicated credit facility maturing in 2020. The agreement consisted of a EUR 150 million loan and an undrawn credit facility of EUR 100 million. The credit facility was increased by EUR 50 million in conjunction with the loan repayment.

After the financial period, Moody's Investors Service raised Metsä Board's credit rating to investment grade. The rating was raised from Ba1 to Baa2. The outlook for the rating is stable.

At the end of December, the parent company Metsäliitto Cooperative's equity ratio was 85.2%, and its net gearing was -18% (76.7 and -14, respectively).

In its meeting held on 3 May 2018, the Representative Council of Metsäliitto Cooperative decided to transfer EUR 250 million of retained earnings to the reserve for invested unrestricted equity. Correspondingly, the share of members' capital recognised as a financial liability in

the consolidated financial statements in accordance with IFRS decreased by EUR 83.3 million.

In 2018, Metsäliitto Cooperative's members' capital increased by a total of EUR 120.4 million (68.0). The value of participation shares grew by EUR 11.3 million (8.7) and that of A additional shares by EUR 111.7 million (60.1). The value of B additional shares declined by EUR 2.6 million (-0.8).

## PERSONNEL

Metsä Group employed an average of 9,464 people in 2018 (9,399). Personnel expenses totalled EUR 634.7 million (620.5). At the end of December, the Group employed 9,310 people (9,126), of whom 4,834 (4,764) were based in Finland and 4,476 (4,362) abroad. Metsäliitto Cooperative employed 1,924 people at the end of December (1,878).

Ilkka Hämälä, M.Sc. (Eng.), took up the post of CEO of Metsäliitto Cooperative on 1 January 2018. He became the President and CEO of Metsä Group on 1 April 2018.

Kari Jordan, M.Sc. (Econ.), President and CEO since 2006, retired on 1 April 2018.

Ismo Nousiainen, M.Sc. (Eng.), became the CEO of Metsä Fibre and a member of Metsä Group's Executive Management Team on 1 January 2018.

Esa Kaikkonen (LL.M.) was appointed CEO of Metsä Tissue Corporation in September 2018. Prior to this appointment, Kaikkonen worked as the Executive Vice President of Metsä Wood since 2013 and as Metsä Group's General Counsel during 2003–2012.

Juha Mäntylä, M.Sc. (Agriculture and Forestry) was appointed COO of Metsäliitto Cooperative in September 2018. In addition to Metsä Forest, he is responsible for Metsä Wood. Mäntylä has been responsible for the Group's Wood Supply and Forest Services since 2008. Previously, he worked in several management positions in wood supply since 1998.

## MEMBERS

At the end of December, Metsäliitto Cooperative had 103,420 members (103,752). In 2018, 3,110 new members joined the Cooperative, and 3,442 members cancelled their membership. At the end of 2018, the forest area owned by the members totalled 5,265 hectares (5,156).

## INVESTMENTS

Metsä Group's capital expenditure in January–December totalled EUR 271.9 million (607.7). In addition, Metsä Spring invested EUR 10 million in a joint venture tasked with building a demo plant which produces a novel wood-based textile fibre at Äänekoski.

A new away-from-home converting line started up during the fourth quarter of the year at Metsä Tissue's mill in Raubach, Germany. The investment meets growing demand in Western European markets. The baking paper machine at the Düren mill was replaced by a new one, thanks to which annual capacity will increase by 10,000 tonnes. A new converting line for consumer products was built at the Žilina mill in Slovakia. The line improves the profitability of the operations and the Tento brand's competitiveness in the markets of Central East Europe.

The renewal of the deinking plant at the Mänttä mill continued. The renewal project was started in 2017 and is set to be carried out in phases over a period of three years.

Metsä Board invested in a new baling line at the Kaskinen mill. The EUR 6 million investment increased the mill's annual capacity by 30,000 tonnes to 370,000 tonnes.

In addition, Metsä Board announced that it would invest EUR 11 million in a sheet-cutting line at the Äänekoski mill. The investment increases the annual capacity of the mill's sheet-cutting facility by 35,000 tonnes to 120,000 tonnes. The new line is expected to be in production use in September 2019.

Metsä Fibre's most significant investments included the second phase of the replacement of the automation system at Rauma and the commencement of the replacement of the automation system at Joutseno.

The biogas plant built by EcoEnergy SF in the Metsä Group's Äänekoski integrate transferred to Metsä Fibre's ownership in December 2018. The plant produces biogas and pellets from the wood-based sludge from the bioproduct mill.

The most significant investments of the sawmill business were the pine sawmills' replacements of the X-ray and 3D log measurement devices, which enable improved product quality and yield.

### *Prefeasibility study on the renewal of the Kemi pulp mill*

In May 2018, Metsä Group initiated a prefeasibility study on the renewal of the Kemi pulp mill. The study weighs two implementation options – whether to replace the existing pulp mill with an entirely new, substantially larger bioproduct mill or whether to extend the existing mill's life-cycle by modernising several of its departments.

The prefeasibility study phase is expected to continue until the summer of 2019. Timo Merikallio, who was responsible for the planning and construction of the bioproduct mill in Äänekoski, is in charge of the prefeasibility study.



### *Metsä Wood's investment programme*

The construction of the birch plywood mill in Pärnu, Estonia, was completed, and production officially began at the end of August. The mill was inaugurated in October 2018.

The mill's annual production capacity is 50,000 cubic metres, and the veneers it uses is manufactured at Äänekoski. At the end of the year, the mill employed 112 people.

The installation of the machines relocated to Pärnu from the Suolahti conversion mill is underway and the lines will be taken into use during the first quarter.

In December 2017, Metsä Wood announced the construction of a new Kerto® LVL line with a capacity of 65,000 cubic metres at its mill in Punkaharju. The industrial hall was completed on schedule, and the new line will start up during the first half of 2019. The mill hired 40 people through an apprenticeship training programme during the autumn of 2018.

### *Metsä Spring*

In May 2018, Metsä Group established the innovation company Metsä Spring Ltd. The company invests in new projects in cooperation with partners, aiming to identify and develop new business operations related to sustainable, forest-based bioeconomy and circular economy.

In October 2018, Metsä Spring and the Japanese Itochu Corporation established a joint venture which invested EUR 40 million in an industrial demo plant producing a new kind of wood-based textile fibre to be built in the area of Metsä Group's Äänekoski bioproduct mill. Business Finland will participate in funding the project with a product development loan.

The construction of the facility, with an annual capacity of 500 tonnes, began in October 2018, and production is expected to commence at the end of 2019.

The test results will be used for a technical and financial assessment concerning the possible construction of a significantly bigger textile fibre mill in Finland.

## **BUSINESS AREAS**

### **Wood Supply and Forest Services**

Sales from Wood Supply and Forest Services, i.e. from Metsä Forest, totalled EUR 1,983.4 million (2017: 1,634.4), and the operating result was EUR 32.3 million (24.3). Metsä Forest's sales in the fourth quarter were EUR 526.4 million (10–12/2017: 428.6), and the operating result was EUR 8.9 million (5.4).

The supply of wood in Finland was on a good level in 2018. Stumpage prices, which increased during the first half of the year, stabilised during the second half of the year. In 2018, the forest industry purchased more than

8 million cubic metres more wood from private forests than in the previous year. Harvesting and transportation conditions were good throughout the year.

Demand for all grades of wood in the Baltic Sea region remained strong throughout the year. Early in the year, the Baltic Sea region experienced significant scarcity of wood due to the road conditions in the autumn and early winter of the previous year. This scarcity became less pronounced once conditions improved in the spring. Supply and demand were in balance at the end of the year.

Metsä Forest purchased all grades of wood in 2018, through both standing and delivery sales. The volume of the purchased wood was significantly higher than in the year before. The purchasing of energy wood focused on crown wood.

In 2018, Metsä Forest delivered a total of approximately 36.4 million cubic metres (32.0) of wood to its customers. Approximately 85% of this amount went to Finnish industry.

In 2018, 35% of all wood acquired by Metsä Forest from private forest owners was purchased through digital means. In the sale of forest management services, the figure was 42%.

Metsä Forest paid a double bonus on pulpwood purchased between 1 March and 31 May 2018.

An advance financing service for digital wood trade was introduced at the beginning of June 2018. The service enables forest owners to receive up to 80% in advance funding for their wood trade transaction.

### **Wood Products Industry**

The sales of the Wood Products Industry, i.e. Metsä Wood, were EUR 441.7 million (2017: 459.9), and the comparable operating result was EUR 16.6 million (33.5).

Sales in the fourth quarter amounted to EUR 107.8 million (10–12/2017: 108.3), and the comparable operating result was EUR 2.2 million (6.9).

The sales of engineered wood products remained at last year's level, but the sales of the UK business declined by 6% from the previous year. The average sales price of engineered wood products rose due to price increases and a better product mix. The level of average prices was supported by demand in the main markets, which remained strong throughout the year. Production-related challenges at some mills were visible as a decline in production efficiency and delivery volumes compared to the previous year. In the UK business, average prices increased from the comparison period, but delivery volumes declined clearly due to the tougher market situation and the uncertainty attributable to Brexit.

The profitability of operating activities compared to 2017 was weakened by significant cost inflation, particularly in terms of the wood raw material, a decline in the

profitability of the UK business and the costs arising from new mills.

### Pulp and Sawn Timber Industry

The sales of the Pulp and Sawn Timber Industry, i.e. Metsä Fibre, were EUR 2,469.1 million (2017: 1,875.7), and the comparable operating result was EUR 668.8 million (319.7). In addition to an increase in sales prices, sales and the operating result improved due to pulp delivery volumes, which increased as a result of the bioproduct mill.

Metsä Fibre's sales in the fourth quarter were EUR 630.1 million (10–12/2017: 551.9), and the operating result was EUR 172.1 million (125.9).

Demand supply balance in the pulp market was strong for the first three quarters, increasing the price of pulp to an all-time high. The slowdown in economic development in China significantly reduced the demand for pulp there at the end of the year and reduced the local market price.

The USD-denominated average market prices of long-fibre pulp in 2018 rose by 32% and those of short-fibre pulp by 26% compared to the average prices of the previous year.

The delivery volume of pulp was 2,816,000 tonnes, which is approximately 17% higher than in the previous year (2,414,000). The annual production of pulp amounted to 2,973,400 tonnes (2,487,400).

The prices of sawn timber developed favourably until the autumn, after which they took a downward turn.

The delivery volume of sawmills was 1,723,000 cubic metres, which is approximately 12% lower than in the previous year. Annual production was 1,819,000 cubic metres (1,852,000).

### Paperboard Industry

The sales of the Paperboard Industry, i.e. Metsä Board, were EUR 1,944.1 million (2017: 1,848.6), and the comparable operating result was EUR 251.9 million (193.5). Sales and profitability improved due to the higher average prices of paperboard and market pulp as well as the higher delivery volumes of folding boxboard.

Metsä Board's sales in the fourth quarter were EUR 458.0 million (10–12/2017: 451.3), and the operating result was EUR 60.1 million (54.4).

The increased pulp production and delivery volumes of the associated company Metsä Fibre had a clearly positive effect on results in 2018.

The total production costs of both paperboard and pulp increased from the previous year. Exceptional weather conditions made harvesting conditions more difficult and increased wood prices nearly everywhere in northern Europe. The price increase was particularly steep in terms of wood imported to Sweden from the Baltic

countries. Costs grew by more than EUR 30 million compared to the previous year as a result of the rising wood prices. The result was further burdened by more expensive road transport costs in the United States and an acceleration in general cost inflation.

Exchange rate fluctuations including hedges had a negative effect of approximately EUR 53 million on the operating result of the financial year, compared to the previous year.

Total deliveries of paperboard were 1,830,000 tonnes (1,803,000). Deliveries of folding boxboard were 1,215,000 tonnes (1,144,000), and deliveries of white kraftliner were 615,000 tonnes (659,000).

Metsä Board's comparable return on capital employed was 14.4% (11.2), and its comparable earnings per share were EUR 0.58 (0.39).

The equity ratio at the end of December was 58.1% and net gearing was 25% (31 December 2017: 52.6 and 31, respectively).

Metsä Board's Financial Statements Bulletin was published on 7 February 2019.

### Tissue and Greaseproof Papers

The sales of tissue and greaseproof papers, i.e. Metsä Tissue, were EUR 1,039.8 million (2017: 1,013.6). The growth in sales is mainly attributable to increased sales volumes and higher sales prices.

Metsä Tissue's operating result was EUR 36.3 million (73.9). The operating result was weakened by cost inflation which could not be passed on in full to end-product prices. The weakening of the Norwegian krone, Swedish krona and UK pound against the euro also had a negative effect on the operating result.

Metsä Tissue's sales in the fourth quarter were EUR 270.3 million (10–12/2017: 260.5), and the comparable operating result was EUR 6.1 million (23.3).

In December, Metsä Tissue commenced an operational review aiming to improve internal efficiency. Metsä Tissue's Management Team was renewed at the same time.

Due to the poor profitability of the napkin business, Metsä Tissue commenced a strategic review of the Stotzheim mill in Germany in December. All options for the future of the napkin business will be explored, including the improvement of profitability in the short term as well as the mill's possible divestment or closure.

## RISKS AND UNCERTAINTIES

The estimates and statements in this 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 risks and crises around the world, and forecasting developments in them is difficult. Changes in these areas may be very sudden and unpredictable. There have been international sanctions related to the management of these international 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.

During 2018, various countries have imposed new import duties on each other's products, in addition to other trade restrictions, but these have not had a direct effect on Metsä Group's business operations so far. Negative developments in world trade could, if continued, weaken Metsä Group's result.

The risks related to the Group's business have been explained more extensively in Metsä Group's Financial Statements for 2017.

## 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 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 instituted similar proceedings.

The Court of Appeal dismissed in its ruling issued in May 2018 the claim for damages of EUR 125 million made by Metsähallitus against the defendant companies jointly and ruled that Metsähallitus is responsible for reimbursing the defendant companies for their legal expenses. Metsäliitto Cooperative's share of Metsähallitus' claim for damages in the district court was EUR 39 million. Metsähallitus requested a leave to appeal from the Supreme Court to change the ruling of the Court of Appeal and claimed the companies jointly for approximately EUR 62 million. The amount directed at Metsäliitto Cooperative was approximately EUR 22 million. The Supreme Court announced on 29 January 2019 that it did not grant Metsähallitus leave to appeal, as a result of which the judgment of the Court of Appeal remains final.

In its decisions given in August–November 2017 concerning the claims for damages filed by private individuals, the District Court of Helsinki dismissed the claimants' petitions and obligated the claimants to compensate the defendants in full for their legal costs. The ruling by the District Court regarding the private individuals is final.

The Helsinki District Court dismissed in its rulings issued in October 2017 the claim for damages of approximately EUR 5.7 million made by 30 municipalities against the defendant companies jointly and ruled that the municipalities are responsible for reimbursing the defendant companies for their legal expenses. Metsäliitto Cooperative's share of the municipalities' claim for damages in the district court was approximately EUR 1.9 million. The ruling by the District Court regarding the municipalities is final.

The remaining amount of all claims directed at Metsäliitto Cooperative is approximately EUR 1.2 million.

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 appealed the District Court's judgment at the Court of Appeal. The Court of Appeal dismissed in its ruling issued on 21 October 2016 Metsäliitto Cooperative's and Metsä Board's demands for damages. The ruling by the Court of Appeal is not final.

In the autumn of 2015, the Finnish Tax Administration took a stand against the deductibility of certain losses in Metsä Board's 2014 taxation. Metsä Board has appealed against 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. Metsä Board will appeal the decision to the Administrative Court of Helsinki.

## NEAR-TERM OUTLOOK

Wood demand will focus on thinning sites to be harvested when the ground is unfrozen and, in terms of energy wood, on crown wood. Demand for forest management services is expected to remain good.

The near-term outlook for spruce plywood is expected to remain good, but demand for birch plywood is subject to some uncertainty due to tougher competition. Birch plywood production will be adapted to correspond the weakened demand outlook during the first quarter of the year. The market situation of specialty products is expected to remain positive, and the outlook in Kerto LVL products is primarily stable. In the UK market, the uncertainty caused by the Brexit negotiations will be reflected in the demand outlook, particularly in the distributor segment.

Demand for pulp and sawn timber is expected to remain at a good level in 2019, provided that global economic growth is in line with forecasts. Tension in global trade relations may nevertheless have an impact on the demand for pulp and sawn timber.



Paperboard deliveries in the first quarter are expected to rise slightly compared to the fourth quarter of 2018.

The market prices of folding boxboard in local currencies are expected to rise. Metsä Board continues its measures to improve the average price of folding boxboard by optimising the sales mix.

Demand in the market for tissue and greaseproof papers is expected to remain stable in all market areas. Demand for tissue paper is expected to particularly increase in Central East Europe, and demand for greaseproof papers is expected to grow in Asia. Profitability continues to be burdened by the high prices of raw materials, and efforts aiming to increase the prices of end products will continue.

### RESULT GUIDANCE FOR JANUARY–MARCH 2019

Metsä Group's comparable operating result is in the first quarter of 2019 expected to weaken from the fourth quarter of 2018.

Espoo, Finland, 7 February 2019  
**BOARD OF DIRECTORS**

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**Metsä Group will publish its financial reports in 2019 as follows:**

26 April 2019: Interim report for January–March 2019  
1 August 2019: Half Year Report for 2019  
31 October 2019: Interim report for January–September 2019

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

Metsäliitto Cooperative's Board of Directors has decided to propose that interest of 7.5 per cent (7.0 per cent in 2017) be distributed on the participation shares of the members for 2018. Interest of 7.0 per cent (6.5) is proposed for additional shares A, and interest of 2.5 per cent (2.5) for additional shares B. The proposal for the distribution for profit amounts to approximately EUR 74.1 million in total (63.2).

The Board of Directors has furthermore proposed that EUR 250 million of retained earnings be transferred to the reserve for invested unrestricted equity.

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.

**SEGMENTS**

	2018	2017	2018	2017
	1–12	1–12	10–12	10–12
<b>Wood Supply and Forest Services</b>				
Sales, EUR million	1 983.4	1 634.4	526.4	428.6
EBITDA, EUR million	36.6	28.4	10.0	6.5
Comparable EBITDA, EUR million	36.6	28.4	10.0	6.5
Operating result, EUR million	32.3	24.3	8.9	5.4
Comparable operating result, EUR million	32.3	24.3	8.9	5.4
% of sales	1.6	1.5	1.7	1.3
Comparable ROCE, %	20.7	17.6	22.4	14.7
Capital expenditure, EUR million	4.2	4.2	1.5	1.2
Personnel at end of period	844	848	844	848

	2018	2017	2018	2017
	1–12	1–12	10–12	10–12
<b>Wood Products Industry</b>				
Sales, EUR million	441.7	459.9	107.8	108.3
EBITDA, EUR million	30.2	47.3	5.9	10.0
Comparable EBITDA, EUR million	30.2	45.5	5.9	10.0
Operating result, EUR million	16.6	35.3	2.2	6.8
Comparable operating result, EUR million	16.6	33.5	2.2	6.9
% of sales	3.8	7.3	2.1	6.3
Comparable ROCE, %	7.0	17.5	3.4	13.5
Capital expenditure, EUR million	82.6	57.3	17.0	22.3
Personnel at end of period	1 506	1 428	1 506	1 428

	2018	2017	2018	2017
	1–12	1–12	10–12	10–12
<b>Pulp and Sawn Timber Industry</b>				
Sales, EUR million	2 469.1	1 875.7	630.1	551.9
EBITDA, EUR million	792.4	406.1	201.3	155.2
Comparable EBITDA, EUR million	792.4	406.2	201.3	155.2
Operating result, EUR million	668.8	319.5	172.1	125.9
Comparable operating result, EUR million	668.8	319.7	172.1	125.9
% of sales	27.1	17.0	27.3	22.8
Comparable ROCE, %	34.7	20.9	34.0	29.8
Capital expenditure, EUR million	62.4	436.2	32.9	-0.1
Personnel at end of period	1 210	1 215	1 210	1 215

	2018	2017	2018	2017
	1–12	1–12	10–12	10–12
<b>Paperboard Industry</b>				
Sales, EUR million	1 944.1	1 848.6	458.0	451.3
EBITDA, EUR million	338.2	298.7	81.2	77.8
Comparable EBITDA, EUR million	343.8	289.1	81.2	77.8
Operating result, EUR million	246.3	207.1	60.1	54.4
Comparable operating result, EUR million	251.9	193.5	60.1	54.4
% of sales	13.0	10.5	13.1	12.0
Comparable ROCE, %	14.4	11.2	13.7	12.4
Capital expenditure, EUR million	70.3	65.4	33.9	26.7
Personnel at end of period	2 352	2 351	2 352	2 351

	2018	2017	2018	2017
	1–12	1–12	10–12	10–12
<b>Tissue and Greaseproof Papers</b>				
Sales, EUR million	1 039.8	1 013.6	270.3	260.5
EBITDA, EUR million	73.6	112.0	15.9	32.3
Comparable EBITDA, EUR million	73.6	112.4	15.9	32.9
Operating result, EUR million	36.3	73.5	6.1	22.7
Comparable operating result, EUR million	36.3	73.9	6.1	23.3
% of sales	3.5	7.3	2.2	8.9
Comparable ROCE, %	5.7	11.5	4.2	14.4
Capital expenditure, EUR million	48.0	39.1	24.3	25.7
Personnel at end of period	2 865	2 795	2 865	2 795

	2018	2017	2018	2017
	1–12	1–12	10–12	10–12
<b>Other operations</b>				
Sales, EUR million	5.4	4.9	1.7	1.7
EBITDA, EUR million	-2.6	-0.6	-3.6	-10.0
Comparable EBITDA, EUR million	-2.6	-0.6	-3.6	-10.0
Operating result, EUR million	-5.6	-3.2	-4.4	-11.0
Comparable operating result, EUR million	-5.6	-3.2	-4.4	-11.0
Capital expenditure, EUR million	7.1	6.2	3.7	1.5
Personnel at end of period	533	490	533	490

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.

	2018	2017	2018	2017
	1–12	1–12	10–12	10–12
<b>Internal sales and eliminations</b>				
Sales, EUR million	-2 174.3	-1 796.9	-575.4	-474.0
EBITDA, EUR million	-140.6	-61.2	-34.6	-17.2
Comparable EBITDA, EUR million	-140.6	-61.2	-34.6	-17.2
Operating result, EUR million	-151.7	-75.6	-37.3	-20.1
Comparable operating result, EUR million	-151.7	-75.6	-37.3	-20.1

	2018	2017	2018	2017
	1–12	1–12	10–12	10–12
<b>Metsä Group</b>				
Sales, EUR million	5 709.1	5 040.0	1 419.0	1 328.2
EBITDA, EUR million	1 127.8	830.7	276.1	254.6
Comparable EBITDA, EUR million	1 133.4	819.7	276.1	255.3
Operating result, EUR million	843.0	581.0	207.6	184.3
Comparable operating result, EUR million	848.5	566.1	207.6	184.9
% of sales	14.9	11.2	14.6	13.9
Comparable ROCE, %	16.8	12.3	16.4	14.9
Capital expenditure, EUR million	271.9	607.7	113.2	77.6
Personnel at end of period	9 310	9 126	9 310	9 126

**RECONCILIATION OF OPERATING RESULT AND EBITDA**

EUR million	2018 1–12	2017 1–12	2018 10–12	2017 10–12
<b>OPERATING RESULT (IFRS)</b>	<b>843.0</b>	<b>581.0</b>	<b>207.6</b>	<b>184.3</b>
Depreciation and impairment charges	284.8	249.7	68.5	70.4
<b>EBITDA</b>	<b>1 127.8</b>	<b>830.7</b>	<b>276.1</b>	<b>254.6</b>
Items affecting comparability:				
Wood Products Industry	-	-1.8	-	0.1
Pulp and Sawn Timber Industry	-	0.1	-	-
Paperboard Industry	5.6	-9.7	0.0	0.0
Tissue and Greaseproof Papers	-	0.5	-	0.5
Total	5.6	-10.9	0.0	0.6
<b>COMPARABLE EBITDA</b>	<b>1 133.4</b>	<b>819.7</b>	<b>276.1</b>	<b>255.3</b>
Depreciation and impairment charges	-284.8	-249.7	-68.5	-70.4
Items affecting comparability:				
Depreciation:				
Wood Products Industry	-	0.1	-	-
Impairment charges and reversals:				
Paperboard Industry	-	-3.9	-	-
<b>COMPARABLE OPERATING RESULT</b>	<b>848.5</b>	<b>566.1</b>	<b>207.6</b>	<b>184.9</b>

EUR million	2018 1–12	2017 1–12	2018 10–12	2017 10–12
<b>OPERATING RESULT (IFRS)</b>	<b>843.0</b>	<b>581.0</b>	<b>207.6</b>	<b>184.3</b>
Depreciation and impairment charges	284.8	249.7	68.5	70.4
<b>EBITDA</b>	<b>1 127.8</b>	<b>830.7</b>	<b>276.1</b>	<b>254.6</b>
Items affecting comparability:				
Other operating income	-	-13.6	-	-
Change in inventories	-	0.0	-	-
Employee costs	4.1	0.0	0.0	-
Other operating expenses	1.5	2.6	0.0	0.6
Total	5.6	-10.9	0.0	0.6
<b>COMPARABLE EBITDA</b>	<b>1 133.4</b>	<b>819.7</b>	<b>276.1</b>	<b>255.3</b>
Depreciation and impairment charges	-284.8	-249.7	-68.5	-70.4
Items affecting comparability:				
Depreciation	-	0.1	-	-
Impairment charges	-	-3.9	-	-
<b>COMPARABLE OPERATING RESULT</b>	<b>848.5</b>	<b>566.1</b>	<b>207.6</b>	<b>184.9</b>

Items with “+” sign = expenses affecting comparability

Items with “-” sign = income affecting comparability

Items affecting comparability in 2018 amounted to EUR -5.6 million and consisted of EUR 4.1 million employee costs arising from efficiency improvement programme at Metsä Board’s Husum mill in Sweden as well as other costs affecting comparability of EUR 1.5 million, mainly comprising a compensation to be paid to Pohjolan Voima with regard to the divestment of Teollisuuden Voima’s Meri-Pori coal-fired power plant.

Metsä Group’s items affecting comparability in 2017 totalled EUR +14,8 million. The most significant items consisted of the recognition of translation differences accumulated by the subsidiaries dissolved in England, the reversal of an impairment carried out in connection with the sale of Metsä Board Kyro’s terminated paper machine, and the divestment of Metsä Wood’s project business.

**QUARTERLY DATA**

EUR million	2018 10–12	2018 7–9	2018 4–6	2018 1–3	2017 10–12	2017 7–9	2017 4–6	2017 1–3
<b>Sales</b>								
Wood Supply and Forest Services	526.4	471.4	495.7	489.9	428.6	376.4	396.7	432.6
Wood Products Industry	107.8	105.9	119.4	108.7	108.3	109.6	121.8	120.2
Pulp and Sawn Timber Industry	630.1	609.5	629.0	600.5	551.9	475.3	426.5	422.0
Paperboard Industry	458.0	475.1	518.7	492.3	451.3	478.6	474.2	444.5
Tissue and Greaseproof Papers	270.3	254.3	256.3	258.8	260.5	249.6	251.4	252.0
Other operations	1.7	1.2	1.2	1.3	1.7	1.0	1.1	1.1
Internal sales	-575.4	-531.4	-543.8	-523.7	-474.0	-430.2	-436.5	-456.3
<b>Sales</b>	<b>1 419.0</b>	<b>1 385.8</b>	<b>1 476.5</b>	<b>1 427.8</b>	<b>1 328.2</b>	<b>1 260.4</b>	<b>1 235.2</b>	<b>1 216.1</b>
<b>Operating result</b>								
Wood Supply and Forest Services	8.9	8.9	5.8	8.7	5.4	5.9	4.4	8.5
Wood Products Industry	2.2	2.8	5.5	6.2	6.8	6.3	8.3	14.0
Pulp and Sawn Timber Industry	172.1	186.9	164.9	144.9	125.9	68.4	70.7	54.5
Paperboard Industry	60.1	63.7	53.6	69.0	54.4	60.6	46.9	45.2
Tissue and Greaseproof Papers	6.1	6.4	11.5	12.3	22.7	16.9	16.3	17.6
Other operations	-4.4	1.6	-1.8	-0.9	-11.0	2.5	0.8	4.4
Eliminations	-37.3	-47.2	-34.9	-32.2	-20.1	-17.2	-25.2	-13.0
<b>Operating result</b>	<b>207.6</b>	<b>223.1</b>	<b>204.5</b>	<b>207.9</b>	<b>184.3</b>	<b>143.3</b>	<b>122.2</b>	<b>131.2</b>
% of sales	14.6	16.1	13.8	14.6	13.9	11.4	9.9	10.8
Share of results from associated companies and joint ventures	2.5	3.7	0.0	0.7	1.2	-3.0	4.9	14.0
Exchange gains and losses	-0.4	-1.4	-1.0	-3.5	-0.0	-0.7	-4.0	1.4
Other net financial items	-16.8	-17.3	-19.9	-20.6	-24.4	-30.9	-16.1	-17.1
<b>Result before income tax</b>	<b>192.8</b>	<b>208.2</b>	<b>183.6</b>	<b>184.5</b>	<b>161.0</b>	<b>108.6</b>	<b>107.1</b>	<b>129.5</b>
Income tax	-39.0	-38.3	-40.8	-38.3	-36.5	-22.0	-20.9	-22.9
<b>Result for the period</b>	<b>153.8</b>	<b>169.8</b>	<b>142.8</b>	<b>146.3</b>	<b>124.5</b>	<b>86.6</b>	<b>86.1</b>	<b>106.7</b>
<b>Comparable operating result</b>								
Wood Supply and Forest Services	8.9	8.9	5.8	8.7	5.4	5.9	4.4	8.5
Wood Products Industry	2.2	2.8	5.5	6.2	6.9	7.6	8.4	10.7
Pulp and Sawn Timber Industry	172.1	186.9	164.9	144.9	125.9	68.4	70.8	54.5
Paperboard Industry	60.1	63.7	59.2	69.0	54.4	50.4	43.5	45.2
Tissue and Greaseproof Papers	6.1	6.4	11.5	12.3	23.3	16.8	16.3	17.6
Other operations and eliminations	-41.7	-45.7	-36.8	-33.2	-31.0	-14.8	-24.4	-8.6
<b>Comparable operating result</b>	<b>207.6</b>	<b>223.0</b>	<b>210.1</b>	<b>207.9</b>	<b>184.9</b>	<b>134.3</b>	<b>119.1</b>	<b>127.9</b>
% of sales	14.6	16.1	14.2	14.6	13.9	10.7	9.6	10.5



## 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	=	Result before income tax, financial income and -expenses, exchange gains and losses and share of results from associated companies and joint ventures

## COMPARABLE KEY RATIOS

European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures define alternative performance measures as a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined in the applicable financial reporting framework, in Metsä Group's case International Financial Reporting Standards as adopted in the EU pursuant to Regulation (EC) No 1606/2002. Performance measures presented in this report qualify as alternative performance measures under the ESMA guidelines.

Metsä Group sees the presentation of alternative performance measures as providing users of financial statements with an improved view of the company's financial performance and position, including among other things the efficiency of its capital utilization, operational profitability and debt servicing capabilities.

Reconciliation of operating result under IFRS and comparable operating result as well as EBITDA and comparative EBITDA is presented in this report. Comparable return on capital employed has been calculated using the same adjustments as the comparable operating result, and it has been further adjusted with financial items affecting comparability when applicable. Metsä Group considers the key figures derived in this manner to improve the comparability between reporting periods.

None of these key figures with items affecting comparability eliminated are key figures used in IFRS reporting, and they cannot be compared with other companies' key figures identified with the same names. Typical items affecting comparability include material gains and losses on disposals of assets, impairments and impairment reversals in accordance with IAS 36 Impairment of Assets, restructuring costs and their adjustments as well as items arising from legal proceedings. In Metsä Group's view, comparable performance measures better reflect the underlying operational performance of the company by eliminating the result effect arising from items and transactions outside ordinary course of business.

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

EUR million	Note	2018 1–12	2017 1–12	Change	2018 10–12	2017 10–12
<b>Sales</b>	2, 3	<b>5 709.1</b>	<b>5 040.0</b>	<b>669.1</b>	<b>1 419.0</b>	<b>1 328.2</b>
Change in stocks of finished goods and work in progress		54.0	14.6	39.5	62.8	24.4
Other operating income		58.1	60.3	-2.2	23.2	16.9
Material and services		-3 688.0	-3 308.4	-379.6	-970.6	-858.1
Employee costs		-634.7	-620.5	-14.2	-157.7	-160.7
Depreciation and impairment losses		-284.8	-249.7	-35.1	-68.5	-70.4
Other operating expenses		-370.8	-355.3	-15.5	-100.6	-96.0
<b>Operating result</b>	2	<b>843.0</b>	<b>581.0</b>	<b>262.0</b>	<b>207.6</b>	<b>184.3</b>
Share of results from associated companies and joint ventures		7.0	17.1	-10.1	2.5	1.2
Exchange gains and losses		-6.3	-3.3	-3.0	-0.4	-0.0
Other net financial items	2	-74.6	-88.5	13.9	-16.8	-24.4
<b>Result before income tax</b>		<b>769.1</b>	<b>506.2</b>	<b>262.9</b>	<b>192.8</b>	<b>161.0</b>
Income tax	4	-156.4	-102.3	-54.1	-39.0	-36.5
<b>Result for the period</b>		<b>612.7</b>	<b>403.9</b>	<b>208.8</b>	<b>153.8</b>	<b>124.5</b>
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit and loss</b>						
Items relating to adjustments of defined benefit plans		4.2	9.4	-5.2	-4.7	7.8
Fair value of financial assets through other comprehensive income		31.2	54.2	-23.0	-5.1	31.8
Income tax relating to items that will not be reclassified		-6.6	-12.5	5.9	2.2	-7.7
Yhteensä		28.8	51.1	-22.3	-7.6	31.9
<b>Items that may be reclassified subsequently to profit and loss</b>						
Cash flow hedges		5.1	33.0	-28.0	0.0	-11.3
Currency translation differences		-21.3	-25.6	4.3	1.1	-10.9
Share of comprehensive income of joint venture		0.0	3.8	-3.8	0.0	3.4
Income tax relating to items that may be reclassified		-1.2	-6.2	5.1	-0.0	2.2
Total		-17.4	5.0	-22.4	1.1	-16.6
<b>Other comprehensive income, net of tax</b>		<b>11.4</b>	<b>56.1</b>	<b>-44.7</b>	<b>-6.5</b>	<b>15.3</b>
<b>Total comprehensive income for the period</b>		<b>624.1</b>	<b>460.0</b>	<b>164.1</b>	<b>147.3</b>	<b>139.8</b>
<b>Result for the period attributable to:</b>						
Members of parent company		371.8	261.0	110.8	92.5	77.7
Non-controlling interests		240.9	142.9	98.0	61.3	46.8
Total		612.7	403.9	208.8	153.8	124.5
<b>Total comprehensive income attributable to:</b>						
Members of parent company		373.6	293.2	80.4	87.6	86.6
Non-controlling interests		250.5	166.8	83.7	59.7	53.3
Total		624.1	460.0	164.1	147.3	139.8

The notes are an integral part of this report.

**UNAUDITED CONSOLIDATED BALANCE SHEET**

EUR million	Note	2018 31.12.	2017 31.12.
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		508.8	513.8
Other intangible assets		242.8	260.2
Tangible assets	5	2 847.6	2 867.0
Biological assets		3.0	3.1
Investments in associated companies and joint ventures		65.8	50.7
Other investments	9	285.1	254.3
Other non-current financial assets	9	38.6	28.3
Deferred tax receivables		26.9	26.4
		<b>4 018.6</b>	<b>4 003.6</b>
<b>Current assets</b>			
Inventories		990.8	782.3
Accounts receivables and other receivables		791.6	705.9
Tax receivables based on the taxable income for the period		7.6	21.6
Cash and cash equivalents	9	1 083.9	1 072.4
		<b>2 873.7</b>	<b>2 582.2</b>
Assets classified as held for sale		1.1	2.4
<b>Total assets</b>		<b>6 893.4</b>	<b>6 588.2</b>
<b>MEMBERS' FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
Members' funds		2 750.5	2 233.8
Non-controlling interests		905.0	726.8
		<b>3 655.6</b>	<b>2 960.7</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		290.8	260.9
Post-employment benefit obligations		77.1	78.8
Provisions	6	21.4	19.6
Borrowings	9	1 098.8	1 642.5
Other liabilities		18.1	17.3
		<b>1 506.2</b>	<b>2 019.2</b>
<b>Current liabilities</b>			
Provisions	6	5.2	2.5
Current borrowings	9	453.4	428.7
Accounts payable and other liabilities		1 206.7	1 164.6
Tax liabilities based on the taxable income for the period		65.8	11.0
		<b>1 731.1</b>	<b>1 606.9</b>
Liabilities classified as held for sale		0.5	1.5
<b>Total liabilities</b>		<b>3 237.8</b>	<b>3 627.6</b>
<b>Total members' funds and liabilities</b>		<b>6 893.4</b>	<b>6 588.2</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	Re-tained earnings	Total	Non-controlling interest	Total
<b>Members' funds 1.1.2017</b>	<b>769.4</b>	<b>-10.9</b>	<b>193.5</b>	<b>989.6</b>	<b>1 941.6</b>	<b>658.4</b>	<b>2 600.0</b>
Result for the period				261.0	261.0	142.9	403.9
Other comprehensive income, net after tax		-8.6	35.1	5.7	32.2	23.9	56.1
<b>Total comprehensive income</b>		<b>-8.6</b>	<b>35.1</b>	<b>266.7</b>	<b>293.2</b>	<b>166.8</b>	<b>460.0</b>
Transactions with owners:							
Dividends paid				-37.7	-37.7	-70.6	-108.3
Change in members' capital	44.0		0.0	-9.5	34.5		34.5
Share based payments				-0.1	-0.1	-0.0	-0.2
Acquired shares from non-controlling interests, which did not change the controlling right				1.5	1.5	-32.3	-30.7
Sold shares from non-controlling interests, which did not change the controlling right			-0.0	0.9	0.9	4.5	5.4
<b>Members' funds 31.12.2017</b>	<b>813.4</b>	<b>-19.5</b>	<b>228.6</b>	<b>1 211.3</b>	<b>2 233.8</b>	<b>726.8</b>	<b>2 960.7</b>

Equity attributable to members of parent company							
EUR million	Members' capital	Translation differences	Fair value and other reserves	Re-tained earnings	Total	Non-controlling interest	Total
Members' funds 31.12.2017	813.4	-19.5	228.6	1 211.3	2 233.8	726.8	2 960.7
IFRS 2 change in accounting principle				18.1	18.1	2.4	20.5
IFRS 9 change in accounting principle				-0.4	-0.4	-0.1	-0.5
<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
Transfer from retained earnings to 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>

The notes are an integral part of this report.

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

EUR million	Note	2018 1–12	2017 1–12
Result for the period	8	612.7	403.9
Total adjustments	8	525.0	405.7
Change in working capital		-255.4	95.4
<b>Cash flow arising from operations</b>		<b>882.2</b>	<b>905.0</b>
Net financial items		-58.3	-90.2
Income taxes paid		-62.7	-65.3
<b>Net cash flow arising from operating activities</b>		<b>761.3</b>	<b>749.4</b>
Acquisitions		-10.0	-2.6
Investments in tangible and intangible assets		-271.9	-607.7
Disposals and other items	8	17.7	30.8
<b>Net cash flow arising from investing activities</b>		<b>-264.2</b>	<b>-579.5</b>
Change in members' funds		112.2	58.5
Change in other equity		0.0	0.0
Change in non-controlling interest		0.0	-27.7
Change in long-term loans and other financial items		-455.1	99.6
Dividends paid		-142.1	-122.1
<b>Net cash flow arising from financing activities</b>		<b>-484.9</b>	<b>8.3</b>
<b>Change in cash and cash equivalents</b>		<b>12.1</b>	<b>178.2</b>
Cash and cash equivalents at beginning of period		1 072.4	895.1
Translation difference		-0.7	-0.9
Change in cash and cash equivalents		12.1	178.2
Cash and cash equivalents of assets classified as held for sale		0.0	0.0
<b>Cash and cash equivalents at end of period</b>		<b>1 083.9</b>	<b>1 072.4</b>

The notes are an integral part of this report.



## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

### 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 and Sawn Timber Industry, Paperboard Industry and Tissue and Greaseproof 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 2017 IFRS financial statements. The effects of foreign exchange changes on review period operating result vs. comparison period have been calculated based on estimated review period net cash flows in relevant currencies and taking into account the realized effects of foreign exchange hedges.

The same accounting policies have been applied as in the 2017 IFRS financial statements with the following exception:

- Depreciation of machinery and equipment during the financial year has been 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 2018 Metsä Group has adopted the following new and amended standards and interpretations:

- *IFRS 15 Revenue from Contracts with Customers.*

The new standard will replace the current IAS 18 and IAS 11 standards and the related interpretations. IFRS 15 includes five-step guidelines on recognising revenue in terms of amount and timing. Revenue is recognised as control is passed, either over time or at a point in time.

In the adoption of the standard, the Group has applied what is referred to as the method of accumulated effect, in which the comparative information of the previous financial period is not adjusted. The adoption did not result in adjustments to the Group’s equity, and the Group did not use the practical expedients permitted by the standard in the transition. While the standard’s adoption does not have an impact on the principles applied by the Group to the amount and timing of revenue recognition, the adoption does have an impact on the Notes to the consolidated financial statements.

- *IFRS 9 Financial instruments.* The new standard replaces IAS 39.

IFRS 9 includes revised guidance on the recognition and measurement of financial instruments and new guidelines on hedge accounting. It also includes a new expected credit loss model for calculating impairment of financial assets. IAS 39 guidelines regarding assets recognition of financial instruments have been remained.

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

Bringing hedge accounting principles closer to the Group’s risk management practices is seen as a positive development, and IFRS 9 will make it possible to apply hedge accounting to new hedging items and instruments. The change in hedge accounting will not have a material effect in conjunction with the adoption of IFRS 9.

As of 1 January 2018, the Group will apply a model based on expected credit losses to the determination of impairment of financial assets. Impairment of sales receivables, cash and cash equivalents and investments will be recognised in accordance with this model and the requirements of IFRS 9. The Group has recognised in retained earnings an adjustment of EUR -0.4 million due to impairment of financial assets and an adjustment of EUR -0.1 million in non-controlling interest.

- *Amendments to IFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions.*

The amendments clarify the accounting of certain types of business transactions that involve share-based payments. With the amendments, Metsä Group’s share-based compensation arrangements will be processed as arrangements settled in shares. On the date of transition, the carrying amount of liabilities arising from share-based payments will be transferred to members’ funds. As of 1 January 2018, the Group has recognised in retained earnings an adjustment of EUR 18.1 million due to share-based payments and an adjustment of EUR 2.4 million in non-controlling interest.

In 2019 Metsä Group will adopt the following new standard:

- *IFRS 16 Leases*. The new standard replaces IAS 17 and the related interpretations. IFRS 16 requires lessees to recognise lease agreements on the balance sheet as a lease obligation and an asset related to the lease obligation. Asset recognition resembles the recognition of financial lease liabilities according to IAS 17.

As a result of the change, the Group will recognise currently valid leases related to lands, properties, equipment and vehicles on the balance sheet. An exception to this are the exemptions provided in the standard that concern short-term leases and low-value assets. Leases with a remaining lease term of 12 months or less on 1 January 2019 will be treated as short-term leases. The Group will apply the definition of new leases in accordance with IFRS 16 to new and amended agreements signed during or after the transition period. The Group will apply hindsight in the determination of a lease term when the lease includes extension or termination options. The company will apply a simplified approach to the adoption of the standard, meaning that the accumulated effect of the adoption will be recognised as an adjustment to retained earnings. The comparative information will not be adjusted.

Current rental payments related to non-terminable other leases are presented as lease obligations at nominal value in Note 10. At the end of the 2018 financial period, these lease liabilities stood at EUR 86.6 million. EUR 7.7 of the lease liabilities relate to low-value ICT assets, to which the Group applies the exemption included in the standard. The Group estimates that, of the remaining lease obligations, approximately EUR 76 million in property, plant and equipment as well as lease liabilities will be recognised on the balance sheet on 1 January 2019. The most material differences between the lease liabilities recognised on the balance sheet and the reported lease obligations will be attributable to short-term lease agreements, different treatment of leases with an option to extend and leases valid until further notice.

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

Other new or amended standards and interpretations do not have an effect on the consolidated financial statements.

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

This financial statements bulletin was authorised for issue by the Board of Directors of Metsäliitto Cooperative on February 7, 2019.

## 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 SEGMENT

EUR million	1–12/2018	1–12/2018	1–12/2018	1–12/2017	1–12/2017	1–12/2017
	External	Internal	Total	External	Internal	Total
Wood Supply and Forest Services	524.7	1 458.7	1 983.4	434.6	1 199.8	1 634.4
Wood Products Industry	417.9	23.8	441.7	436.3	23.6	459.9
Pulp and Sawn Timber Industry	1 875.6	593.5	2 469.1	1 375.1	500.5	1 875.7
Paperboard Industry	1 852.0	92.1	1 944.1	1 781.4	67.1	1 848.6
Tissue and Greaseproof Papers	1 038.9	0.9	1 039.8	1 012.5	1.1	1 013.6
Other operations	0.1	5.3	5.4	0.1	4.8	4.9
Elimination of internal sales	-	-2 174.3	-2 174.3	-	-1 796.9	-1 796.9
<b>Total sales</b>	<b>5 709.1</b>	<b>0.0</b>	<b>5 709.1</b>	<b>5 040.0</b>	<b>0.0</b>	<b>5 040.0</b>

## OPERATING RESULT BY SEGMENTS

EUR million	2018	2017
	1–12	1–12
Wood Supply and Forest Services	32.3	24.3
Wood Products Industry	16.6	35.3
Pulp and Sawn Timber Industry	668.8	319.5
Paperboard Industry	246.3	207.1
Tissue and Greaseproof Papers	36.3	73.5
Other operations	-5.6	-3.2
Eliminations	-151.7	-75.6
<b>Operating result total</b>	<b>843.0</b>	<b>581.0</b>
Share of results from associated companies and joint ventures	7.0	17.1
Financial costs, net	-80.9	-91.8
Income taxes	-156.4	-102.3
<b>Result for the period</b>	<b>612.7</b>	<b>403.9</b>

## ASSETS AND LIABILITIES BY SEGMENTS

Assets EUR million	2018	2017
	31.12.	31.12.
Wood Supply and Forest Services	327.4	268.4
Wood Products Industry	326.5	247.1
Pulp and Sawn Timber Industry	2 051.7	1 970.0
Paperboard Industry	2 164.4	2 002.3
Tissue and Greaseproof Papers	917.5	887.6
Other operations	211.1	161.1
Assets classified as held for sale	1.1	2.4
Eliminations	-247.3	-199.4
Unallocated assets	1 141.0	1 248.6
<b>Total</b>	<b>6 893.4</b>	<b>6 588.2</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>2018</b>	<b>2017</b>
<b>EUR million</b>	<b>31.12.</b>	<b>31.12.</b>
Wood Supply and Forest Services	274.3	209.0
Wood Products Industry	66.1	65.9
Pulp and Sawn Timber Industry	444.1	427.6
Paperboard Industry	400.9	381.6
Tissue and Greaseproof Papers	296.2	302.4
Other operations	86.1	82.4
Assets classified as held for sale	0.5	1.5
Eliminations	-247.3	-199.4
Unallocated assets	1 916.8	2 356.6
<b>Total</b>	<b>3 237.8</b>	<b>3 627.6</b>

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

### NOTE 3 – SALES BY MARKET AREA

<b>EUR million</b>	<b>2018</b>	<b>2017</b>
	<b>1–12</b>	<b>1–12</b>
EMEA	4 251.2	3 843.2
APAC	1 062.0	811.3
Americas	395.9	385.5
<b>Total</b>	<b>5 709.1</b>	<b>5 040.0</b>

### NOTE 4 – INCOME TAX

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

<b>EUR million</b>	<b>2018</b>	<b>2017</b>
	<b>1–12</b>	<b>1–12</b>
Taxes for the period	130.7	58.1
Taxes for previous periods	0.5	1.5
Change in deferred taxes	25.2	42.7
<b>Total income taxes</b>	<b>156.4</b>	<b>102.3</b>

### NOTE 5 – CHANGE IN PROPERTY, PLANT AND EQUIPMENT

<b>EUR million</b>	<b>2018</b>	<b>2017</b>
	<b>1–12</b>	<b>1–12</b>
Book value at beginning of period	2 867.0	2 542.5
Investments	264.3	576.6
Decreases	-1.0	-14.8
Assets classified as held for sale	-0.5	-2.0
Depreciation and impairment losses	-260.3	-228.2
Translation differences and other changes	-21.9	-7.2
<b>Book value at end of period</b>	<b>2 847.6</b>	<b>2 867.0</b>

Metsä Fibre announced on June 12, 2018 that it will sell its Eskola sawmill to Haapajärvi Ha-Sa Oy. The deal was closed on July 2, 2018.

**NOTE 6 – PROVISIONS**

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2018	1.3	15.9	4.9	22.2
Translation differences	-0.0	-0.0	-0.1	-0.1
Increases	4.1	0.4	3.7	8.1
Utilised during the year	-0.1	-0.1	-3.1	-3.3
Unused amounts reversed	-0.3	-0.0	0.0	-0.3
At 31 December 2018	5.0	16.1	5.4	26.6

The increase in the restructuring provision of EUR 4.1 million arises from efficiency improvement programme at Metsä Board's Husum mill in Sweden. Other provisions include Metsä Board's recognition of EUR 1.7 million in the second quarter from the divestment of coal fired TVO power plant in Meri-Pori. The provision was used in December 2018.

Of the Metsä Group's total provisions of EUR 26.6 million, the non-current portion was EUR 21.4 million and the current portion EUR 5.2 million. Most of the non-current portion will be paid by the end of 2025.

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

EUR million	2018 1–12	2017 1–12
Sales	12.1	9.4
Purchases	101.2	88.0
Non-current receivables	-	0.9
Current receivables	5.1	3.4
Non-current liabilities	-	0.0
Current liabilities	26.3	6.5

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

Milj. euroa	2018 1–12	2017 1–12
Taxes	156.4	102.3
Depreciation and impairment charges	284.8	249.7
Biological assets	0.1	-0.0
Share of results from associated companies	-7.0	-17.1
Gains and losses on sale of non-current financial assets	-12.8	-18.4
Financial costs, net	80.9	91.8
Pension liabilities and provisions	3.0	-2.6
Other adjustments	19.6	-
Total	525.0	405.7

**Disposals and other items**

Disposals and other items in January–December 2018 include sales of intangible and tangible assets of EUR 16.0 million and other items of EUR 1.7 million. Most significant items were the sales of emission allowances of EUR 10.4 million by Metsä Board and EUR 2.9 million by Metsä Wood.



**NOTE 9 – FAIR VALUES OF FINANCIAL INSTRUMENTS**

Classification of financial assets and liabilities and fair values.

**Financial assets 31.12.2018**

<b>EUR million</b>	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount	Fair value
Other non-current investments	7.2	277.9		285.1	285.1
Other non-current financial assets			27.5	27.5	27.5
Accounts receivables and others			773.0	773.0	773.0
Cash and cash equivalents	156.3		927.6	1 083.9	1 083.9
Derivative financial instruments	2.5	23.3		25.8	25.8
Assets classified as held for sale					
<b>Total</b>	<b>166.0</b>	<b>301.1</b>	<b>1 728.1</b>	<b>2 195.3</b>	<b>2 195.3</b>

**Financial liabilities 31.12.2018**

<b>EUR million</b>	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount	Fair value
Non-current interest-bearing liabilities			1 098.8	1 098.8	1 100.5
Other non-current liabilities			0.8	0.8	0.8
Current interest-bearing liabilities			453.4	453.4	455.5
Accounts payable and others			1 116.2	1 116.2	1 116.2
Derivative financial instruments	2.3	11.8		14.2	14.2
Liabilities classified as held for sale			0.5	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>2 687.8</b>

**Financial assets 31.12.2017**

<b>EUR million</b>	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Carrying amount	Fair value
Other non-current investments		254.3				254.3	254.3
Other non-current financial assets			22.5			22.5	22.5
Account receivables and others			682.2			682.2	682.2
Cash and cash equivalents	131.6		940.9			1 072.4	1 072.4
Derivative financial instruments	4.2			20.6		24.8	24.8
Assets classified as held for sale						0.0	0.0
<b>Total</b>	<b>135.8</b>	<b>254.3</b>	<b>1 645.6</b>	<b>20.6</b>	<b>0.0</b>	<b>2 056.2</b>	<b>2 056.2</b>

**Financial liabilities 31.12.2017**

<b>EUR million</b>	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Carrying amount	Fair value
Non-current interest-bearing liabilities					1 642.5	1 642.5	1 658.3
Other non-current liabilities					0.6	0.6	0.6
Current interest-bearing liabilities					428.7	428.7	431.3
Accounts payable and others					1 050.8	1 050.8	1 050.8
Derivative financial instruments	0.3			14.8		15.2	15.2
Liabilities classified as held for sale					1.5	1.5	1.5
<b>Total</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>14.8</b>	<b>3 124.2</b>	<b>3 139.3</b>	<b>3 157.7</b>

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

<b>EUR million</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<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

**Fair value hierarchy of financial assets and liabilities 31 December, 2017**

EUR million	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Other non-current investments	0.0		254.3	254.3
Current financial assets through profit and loss at fair value	131.6			131.6
Derivative financial assets	9.5	15.3		24.8
<b>Financial liabilities measured at fair value</b>				
Derivative financial liabilities	0.0	15.1		15.2
<b>Financial assets not measured at fair value</b>				
Financial assets		940.9		940.9
<b>Financial liabilities not measured at fair value</b>				
Non-current interest-bearing liabilities		1 658.3		1 658.3
Current interest-bearing liabilities		431.3		431.3

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

EUR million	2018	2017
Opening balance 1 January	254.3	200.1
Gains and losses in income statement	-0.1	-0.2
Gains and losses in other comprehensive income	31.2	54.2
Purchases	-	0.2
Settlements	-0.2	-0.1
Closing balance 31 December	285.1	254.3

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 Oyj shares, reported under available-for-sale financial assets. The valuation method is described in the 2017 Financial Statements. The average weighed capital cost applied in the calculation was 1.97% on 31 December 2018 and for the Olkiluoto 3 power plant under construction 2.97%. The acquisition cost of the Pohjolan Voima Oyj shares is EUR 42.0 million and their fair value is EUR 277.9 million.

The carrying amount of Pohjolan Voima Oyj as of 31 December 2018 is estimated to change by EUR 3.7 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 39.3 million should the energy prices applied in the fair value calculation differ by 10% from the rate estimated by the management.

**Derivatives 31 December 2018**

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	576.0		12.2	-12.2	-0.8	-11.3
Total	576.0	0.0	12.2	-12.2	-0.8	-11.3
Currency forwards	2 574.4	0.5		0.5	0.9	-0.4
Currency options	786.0	-0.1		-0.1		-0.1
Total	3 360.4	0.4	0.0	0.4	0.9	-0.5
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
Total	58.1	25.4	2.0	23.4	0.2	23.3
Derivatives total	3 994.5	25.8	14.2	11.7	0.2	11.4

**Derivatives 31 December 2017**

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	1 115.3		15.1	-15.1	-0.3	-14.8
Total	1 115.3	0.0	15.1	-15.1	-0.3	-14.8
Currency forwards	2 307.5	11.3	0.0	11.3	4.2	7.1
Total	2 307.5	11.3	0.0	11.3	4.2	7.1
Electricity derivatives	72.9	6.7	0.0	6.7		6.7
Pulp derivatives	23.1	4.1		4.1		4.1
Oil derivatives	7.5	0.8		0.8		0.8
Commodity derivatives	8.6	1.9		1.9		1.9
Total	112.1	13.5	0.0	13.5	0.0	13.5
Derivatives total	3 534.9	24.8	15.2	9.6	3.9	5.8

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

EUR million	31.12.2018	31.12.2017
Own liabilities for which commitments granted	90.0	403.2
Pledges granted	299.6	463.2
Floating charges	2.8	2.8
Real estate mortgages	267.8	269.5
Chattels mortgage	4.0	4.0
Commitments for own liabilities, total	574.1	739.4
Other commitments on own behalf	113.3	100.4
On behalf of associated companies	0.7	0.9
On behalf of others	0.0	0.0
Total	688.2	840.7

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 86.6 million (31.12.2017: 77.5).

**COMMITMENTS RELATED TO INVESTMENTS**

EUR million	31.12.2018	31.12.2017
Payments due under 1 year	37.5	68.7
Payments due in subsequent years	-	0.3
Total	37.5	69.0