

METSÄ GROUP

INTERIM REPORT

JANUARY–MARCH 2017



METSÄ GROUP'S COMPARABLE OPERATING RESULT IN JANUARY–MARCH 2017 WAS EUR 128 MILLION

JANUARY–MARCH 2017 (1–3/2016)

- Sales were EUR 1,216 million (EUR 1,156 million).
- Operating result was EUR 131 million (107). Comparable operating result was EUR 128 million (109).
- Result before taxes was EUR 130 million (88). Comparable result before taxes was EUR 126 million (90).
- Comparable return on capital employed was 12.5 per cent (10.6). Comparable return on capital employed excluding assets under construction related to strategic investment projects was 15.0 per cent (11.5).
- Cash flow from operations was EUR -1 million (-31).

EVENTS DURING THE FIRST QUARTER OF 2017

- The market prices of long-fibre and short-fibre pulp increased during the first quarter.
- The capacity utilisation rate of Metsä Board's new folding boxboard machine at Husum was approximately 70 per cent.
- Metsä Tissue commenced the renewal of the recycled pulp plant at the Mänttä mill.
- Metsä Wood sold its project business located in Pälkäne, Finland, to Lapwall Oy in January.
- Metsäliitto Cooperative acquired in February the 9 per cent share in Metsä Tissue Corporation from Jozef Antošík, after which Metsäliitto Cooperative now holds the entire share capital of Metsä Tissue Corporation.

EVENTS AFTER THE REVIEW PERIOD

- Metsä Board's new extrusion coating line at the Husum mill in Sweden started up in April.
- Metsä Wood announced its intention to build a birch plywood mill in Pärnu, Estonia, in April. The construction work began immediately. The mill will start production in the second half of 2018. The mill is part of Metsä Wood's EUR 100 million investment programme to be implemented in 2017–2018.

RESULT GUIDANCE FOR APRIL–JUNE 2017

Metsä Group's comparable operating result is in the second quarter of 2017 expected to be roughly at the same level as in the first quarter of 2017.

President and CEO Kari Jordan:

"Metsä Group's result-making ability improved during the first quarter of 2017 compared to the corresponding period in the previous year. The biggest profitability improvement was achieved in the Paperboard Industry. The capacity of Husum mill's folding boxboard machine which started up last year has been utilised increasingly efficiently. The new extrusion coating line that came on stream in April supports growth in the food packaging and food service segments

The commissioning and test run phase of the bioproduct mill, set to start up in Äänekoski in the third quarter of 2017, is proceeding according to plan. This approximately EUR 1.2 billion investment is the largest in the history of the Finnish forest industry, and it is progressing in line with the planned schedule and budget. When the mill starts up, it will increase the use of pulpwood in Finland by more than 10 per cent.

The EUR 100 million investment programme of the Wood Products Industry to be carried out in 2017–2018 is also proceeding well. The construction work on the new birch plywood mill has commenced in Pärnu, Estonia. The construction of a peeling and drying line for birch veneer at Äänekoski and the extension of the Kerto® LVL mill in Lohja, Finland, are progressing according to plan.

Global economic outlook has improved to some degree. Also the economic growth in Finland is picking up. However, there is a lot of room for improvement, since the gross domestic product is still clearly below the level of 2008. The competitiveness of the Finnish industry has weakened markedly after the financial crisis. Improvement of competitiveness has to be steadily achieved in order to succeed in the global market."

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 cooking papers.

Metsä Group's sales totalled EUR 4.7 billion in 2016, 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 104,000 Finnish forest owners.

Follow Metsä Group: [Twitter](#) [LinkedIn](#) [Facebook](#) [YouTube](#) [Instagram](#) [Slideshare](#)

KEY FIGURES

Condensed income statement, EUR million	2017 1–3	2016 1–3	2016 1–12
Sales	1 216.1	1 155.6	4 657.9
Other operating income	14.0	8.3	70.5
Operating expenses	-1 036.3	-990.8	-4 041.8
Depreciation and impairment losses	-62.7	-66.3	-244.3
Operating result	131.2	106.8	442.3
Share of results from associated companies and joint ventures	14.0	-0.1	-1.1
Exchange gains and losses	1.4	-1.0	-5.7
Other net financial items	-17.1	-17.8	-74.9
Result before income tax	129.5	87.8	360.6
Income tax	-22.9	-19.5	-80.7
Result for the period	106.7	68.3	279.9

Profitability	2017 1–3	2016 1–3	2016 1–12
Operating result, EUR million	131.2	106.8	442.3
Comparable operating result	127.9	109.5	438.6
% of sales	10.5	9.5	9.4
Return on capital employed, %	12.8	10.3	10.2
Comparable return on capital employed	12.5	10.6	10.2
Return on equity, %	16.3	11.3	11.2
Comparable return on equity	15.7	11.8	11.0

Financial position	2017 31.3.	2016 31.3.	2016 31.12.
Equity ratio, %	44.1	42.8	43.9
Net gearing ratio, %	46	35	40
Interest-bearing net liabilities, EUR million	1 226	847	1 033

SEGMENTS

Sales and Operating result 1–3/2017, EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paperboard Industry	Tissue and Cooking Papers
Sales	432.6	120.2	422.0	444.5	252.0
Other operating income	0.8	3.9	4.2	3.2	0.6
Operating expenses	-424.0	-107.2	-350.3	-378.9	-225.5
Depreciation and impairment losses	-0.9	-2.9	-21.4	-23.6	-9.5
Operating result	8.5	14.0	54.5	45.2	17.6
Items affecting comparability	-	-3.3	-	-	-
Comparable operating result	8.5	10.7	54.5	45.2	17.6
% of sales	2.0	8.9	12.9	10.2	7.0

THE INTERIM REPORT IS UNAUDITED**INTERIM REPORT 1.1.–31.3.2017****SALES AND RESULT**

Metsä Group's sales for the first quarter of 2017 were EUR 1,216.1 million (1–3/2016: EUR 1,155.6 million). The growth in sales is primarily the result of greater delivery volumes.

The comparable operating result was EUR 127.9 million (109.5), or 10.5 per cent (9.5) of sales. The operating result was improved mainly by favourable development in the paperboard business and the discontinuation of the loss-making paper business.

Items affecting comparability amounted to EUR +3.3 million (-2.7). The items were related to the divestment of Metsä Wood's project business.

Metsä Group's operating result (IFRS) was EUR 131.2 million (106.8). The share in the results of associated companies and joint ventures was EUR 14.0 million (-0.1), financial income was EUR 0.9 million (1.0), exchange rate differences in financing were EUR +1.4 million (-1.0), and financial expenses totalled EUR 18.0 million (18.8).

The result before taxes was EUR 129.5 million (87.8), and taxes including changes in deferred tax liabilities totalled EUR 22.9 million (19.5). The Group's effective tax rate was 17.6 per cent (22.2). The result for the review period was EUR 106.7 million (68.3).

The return on capital employed was 12.8 per cent (10.3), and the return on equity was 16.3 per cent (11.3).

The comparable return on capital employed was 12.5 per cent (10.6), and the comparable return on equity was 15.7 per cent (11.8). Metsä Group's bioproduct mill under construction at Äänekoski reduced the return on capital employed by 2.5 percentage points (0.9).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity is good. Total liquidity at the end of March was EUR 1,642.6 million (31 December 2016: 1,801.4). This consisted of EUR 736.8 million (895.1) in liquid assets and investments, and EUR 905.8 million (906.3) in off-balance sheet committed credit facility agreements. In addition, the Group has EUR 380.2 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 160.8 million (31 December 2016: 160.8). The Group's equity ratio at the end of March was 44.1 per cent and net gearing was 46 per

cent (31 December 2016: 43.9 and 40, respectively). Interest-bearing net liabilities were EUR 1,226.4 million (31 December 2016: 1,032.6).

Cash flow from operations amounted to EUR -1.4 million (1–3/2016: -30.8). EUR 188.7 million was tied up in working capital (202.1). Working capital increased by the addition of EUR 53.0 million in trade and other receivables, the addition of EUR 72.9 million in inventories, and a decrease of EUR 62.8 million in trade payables and other liabilities.

The equity ratio of the parent company Metsäliitto Cooperative was 71.8 per cent at the end of March, and its net gearing was -6 per cent (31 December 2016: 69.6 and -7, respectively).

During the first quarter, Metsäliitto Cooperative's members' capital increased by a total of EUR 23.7 million (17.4). The value of participation shares grew by EUR 2.6 million (1.8), that of the additional A shares by EUR 16.4 million (9.2), and that of the additional B shares by EUR 4.7 million (6.3).

PERSONNEL

In January–March, Metsä Group had an average of 9,306 employees (9,504). Personnel expenses totalled EUR 150.2 million (163.8). At the end of March, the Group employed 9,310 people (31 December 2016: 9,300), of whom 4,932 (5,127) were based in Finland and 4,378 (4,385) abroad. The parent company Metsäliitto Cooperative employed 1,924 people at the end of March (31 December 2016: 1,934).

MEMBERS

At the end of March, Metsäliitto Cooperative had 104,037 members (31 December 2016: 104,037). During January–March, 857 new members joined the Cooperative, and 857 members cancelled their membership.

INVESTMENTS

Metsä Group's capital expenditure in January–March totalled EUR 127.5 million (142.9). Approximately EUR 96 million of the investments related to the bioproduct mill in Äänekoski.

In February, Metsäliitto Cooperative acquired a 9 per cent share in Metsä Tissue Corporation from Jozef Antošík. As a result of the arrangement, the entire share capital of Metsä Tissue Corporation is now held by Metsäliitto Cooperative.

Äänekoski bioproduct mill

The bioproduct mill project in Äänekoski is proceeding according to the planned schedule and budget. The mill will start up in the third quarter of this year. It is currently going through a commissioning and test run phase, which began in January 2017. The larger-scale commissioning and test runs of the process departments, such as the pulp line and the recovery boiler, began in March.

At the end of the first quarter, the number of workers on-site was approximately 3,000 per day. The project's overall completion rate at the end of March was roughly 90 per cent.

The logistics centre to be built in Vuosaari, Helsinki, will also be completed on schedule, by June. The pulp produced at the bioproduct mill will be transported by rail from Äänekoski to the export harbour in Vuosaari.

Metsä Wood's investment programme

In June 2016, Metsä Wood announced its intention to launch an investment programme of EUR 100 million in the plywood and Kerto® LVL operations. The programme will be carried out in phases and completed by the end of 2018.

After the review period, Metsä Wood announced its intention to build a birch plywood mill in Pärnu, Estonia, as part of the investment programme. The mill's annual production capacity will be 50,000 cubic metres. The construction work on the mill began immediately. The new mill will begin production in the second half of 2018, and it will bring some 200 jobs to Pärnu.

BUSINESS AREAS

Wood Supply and Forest Services

The sales of Wood Supply and Forest Services, i.e. of Metsä Forest, totalled EUR 432.6 million (1–3/2016: 401.2) and the operating result was EUR 8.5 million (7.8).

In Finland, the supply of wood was steady, and stumpage prices remained stable. The purchasing volume of wood was higher than during the corresponding period in the year before. The supply of wood and the winter harvesting conditions were good throughout the Baltic Sea region. The review period was characterised by a continued, minor oversupply in birch pulpwood, while the markets for softwood pulp were in balance. Demand for both sawmill and plywood logs was strong.

During the review period, Metsä Forest bought all timber grades through both standing and delivery sales throughout Finland. Demand focused, above all, on stands for summer harvesting. The purchasing of energy wood continued to focus on crown wood. The majority of wood in Finland was purchased from members of Metsäliitto Cooperative. The sales of forest services continued to grow.

Wood was harvested according to targets, and deliveries to customers' production units were carried out according to plan. In January–March, Metsä Forest delivered a total of approximately 8.7 million cubic metres (8.3) of wood to its customers. Approximately 82 per cent of this amount went to the Finnish industrial sector.

In January–March, a total of 25 per cent of wood acquired by Metsä Forest from private forest owners was purchased through digital means. The figure was 35 per cent in the sale of forest management services.

Wood Products Industry

The sales of the Wood Products Industry, i.e. Metsä Wood, in the first quarter of 2017 were EUR 120.2 million (1–3/2016: 121.4). The comparable operating result was EUR 10.7 million (8.2).

The delivery volumes and sales of Metsä Wood's Kerto® LVL products grew by 5 per cent in comparison to the previous year, particularly due to increased deliveries in North America and the Middle East. Demand for Kerto® LVL products was strong in other markets, too.

The delivery volumes and sales of birch and spruce plywood products grew from the comparison period, particularly due to strong demand in Northern Europe.

In March, Metsä Wood and Quant agreed on a maintenance partnership. In the initial phase, the agreement will apply to the plywood and Kerto mills at Punkaharju, Finland, where maintenance will transfer to Quant as of 1 April.

At the beginning of April, Metsä Wood bought a ten-hectare industrial site in the city of Pärnu, Estonia and began the construction work of the new birch plywood mill there. The mill is part of Metsä Wood's EUR 100 million investment programme, announced in June 2016 and to be implemented in 2017–2018. The mill will start production in the second half of 2018.

At the end of January, Metsä Wood sold its project business located in Pälkäne, Finland, to Lapwall Oy. The entire staff of the project business transferred to the employment of the new owner.

Pulp and Sawn Timber Industry

The sales of the Pulp and Sawn Timber Industry, i.e. Metsä Fibre, totalled EUR 422.0 million (1–3/2016: 408.8) and its operating result was EUR 54.5 million (61.2).

Compared to the corresponding period in the previous year, the currency-denominated market prices for long-fibre pulp increased by 3 per cent and the prices for short-fibre pulp decreased by 11 per cent in January–March.

The sales volume of pulp was 567,000 tonnes, which is approximately 3 per cent higher than in the corresponding period in the previous year (549,000).

Demand for long-fibre pulp was good, thanks to higher-than-expected demand in China. At the beginning of the period under review, the price of long-fibre pulp in Europe was USD 809 per tonne, and at the end of the period, it was USD 825. At the beginning of the period under review, the price of short-fibre pulp in Europe was USD 655 per tonne, and at the end of the period, it was USD 713 per tonne.

Production and sales volumes of sawn timber increased according to plan from the comparable period last year. Also the prices increased but remained still at a low level.

The construction of the bioproduct mill at Äänekoski is progressing on schedule and according to budget. The new mill will start up in the third quarter of this year.

The logistics centre to be built in Vuosaari will also be completed on schedule, by June.

Paperboard Industry

The sales of the Paperboard Industry, i.e. Metsä Board, were EUR 444.5 million (1–3/2016: 435.6). The growth of sales was diluted by the discontinuation of paper deliveries.

The comparable operating result was EUR 45.2 million (35.0). The operating result was improved by the favourable development of paperboard business in the Finnish mills and the discontinuation of the loss-making paper business. Exchange rate fluctuations after hedging had a positive impact on the operating result of the review period.

The average prices of Metsä Board's paperboards produced in Finland remained roughly at the level of the comparison period.

The total delivery volume of Metsä Board's folding boxboard and white fresh fibre linerboards in January–March was 428,000 tonnes (369,000).

The capacity utilisation rate of Husum's new folding boxboard machine was approximately 70 per cent during the first quarter. Metsä Board aims to reach a capacity utilisation rate of 75 per cent in Husum's folding boxboard during 2017, corresponding to a production and delivery volume of approximately 300,000 tonnes.

After the review period, Metsä Board's new extrusion coating line at the Husum mill in Sweden started up.

Metsä Board's comparable return on capital employed was 10.6 per cent (8.3), and its comparable earnings per share were EUR 0.10 (0.07).

The equity ratio at the end of March was 47.1 per cent and net gearing was 44 per cent (31 December 2016: 48.2 and 44, respectively).

Metsä Board's Interim Report was published on 4 May 2017.

Tissue and Cooking papers

The sales of tissue and cooking papers, i.e. Metsä Tissue, in the first quarter of the year totalled EUR 252.0

million (1–3/2016: 246.2). The growth in sales was primarily due to increased sales volumes.

The operating result was EUR 17.6 million (13.5). The operating result was positively impacted by the sales volume, which was higher than in January–March of the previous year, the lower market price of fresh fibre and the strengthening of the Norwegian krone in comparison to the euro. The result was impacted negatively by the price increase in recycled fibre as well as the weakening of the Swedish krona and the British pound.

In March, Metsä Tissue launched an investment project to renew the recycled pulp plant at the Mänttä mill in Finland. The investment will increase production efficiency and prolong the pulp plant's lifetime to a significant degree. The investment also enables the utilisation of deinking sludge briquettes as fuel in energy production. The value of the investment is approximately EUR 5 million.

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 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, and will continue to be, 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.

Possible changes in the industrial and trade policies of leading industrialised countries may lead to increased trade restrictions and thereby subdue growth in the world economy. Increased protectionism may also have an effect on the demand for forest industry products and thereby the results of Metsä Group.

The risks related to the Group's business have been explained more extensively in Metsä Group's Financial Statements for 2016.

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

directed at Metsäliitto Cooperative and the other aforementioned companies jointly is approximately EUR 185 million, of which approximately EUR 59 million is directed at Metsäliitto Cooperative alone. The aforementioned proceedings are associated with interest, value added tax claims and legal process expenses.

Metsäliitto Cooperative's view is that the claims for damages are unfounded, and the company has not recognised any provisions regarding them.

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.

The Helsinki District Court dismissed in its ruling issued in June 2016 the claim for damages of EUR 159.4 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 49.5 million. Metsähallitus has appealed the District Court's judgment at the Court of Appeal.

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 in October 21, 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.

Espoo, Finland, 4 May 2017

BOARD OF DIRECTORS

For further information, please contact:

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

Metsä Group will publish its financial reports in 2017 as follows:

3 August 2017: Half year financial report January–June 2017

1 November 2017: Interim report January–September 2017

Metsä Group's Financial Statements 2016 has been published as a pdf-file on Metsä Group's website at www.metsagroup.com on 28 February 2017.

NEAR-TERM OUTLOOK

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

Market demand for wood products will remain good, and this will be reflected in the order book level, which will be higher than in the previous year, particularly in Kerto® LVL products. The outlook for plywood products is likewise positive. Construction in the UK is expected to remain at a good level, and delivery volumes in the second quarter are expected to grow, supported by the season.

Demand and supply in the pulp markets are well-balanced in both the Asian and European markets.

Demand for spruce sawn timber will remain good in all of the main markets, with demand in China being particularly strong. The oversupply situation in pine sawn timber has eased off, and market balance has improved.

Global demand for high-quality consumer packaging paperboard made from fresh fibre is expected to continue to grow. Metsä Board's paperboard deliveries in April–June are expected to grow from the previous quarter. The growth is supported by Husum's folding boxboard production.

In the tissue and cooking paper markets, demand is expected to remain stable in all market areas. Demand for tissue paper will increase particularly in Eastern Central Europe, and demand for cooking papers in Asia.

RESULT GUIDANCE FOR APRIL–JUNE 2017

Metsä Group's comparable operating result is in the second quarter of 2017 expected to be roughly at the same level as in the first quarter of 2017.

PROPOSAL FOR INTEREST ON MEMBERS' CAPITAL

Metsäliitto Cooperative's Board of Directors proposes to the Representative Council on 4 May 2017 that interest of 6.0 per cent (6.0 per cent in 2015) be distributed on the participation shares of the members for 2016. Interest of 5.5 per cent (5.5) is proposed for additional shares A, and interest of 2.5 per cent (3.0) for additional shares.

SEGMENTS

	2017	2016	2016
	1–3	1–3	1–12
Wood Supply and Forest Services			
Sales, EUR million	432.6	401.2	1 534.4
EBITDA, EUR million	9.4	8.6	34.3
Comparable EBITDA, EUR million	9.4	8.6	34.3
Operating result, EUR million	8.5	7.8	30.9
Comparable operating result, EUR million	8.5	7.8	30.9
% of sales	2.0	1.9	2.0
Comparable ROCE, %	25.9	27.1	26.1
Capital expenditure, EUR million	1.0	0.7	5.1
Personnel at end of period	845	869	855

	2017	2016	2016
	1–3	1–3	1–12
Wood Products Industry			
Sales, EUR million	120.2	121.4	481.6
EBITDA, EUR million	16.9	11.4	53.6
Comparable EBITDA, EUR million	13.6	11.8	52.2
Operating result, EUR million	14.0	7.8	40.0
Comparable operating result, EUR million	10.7	8.2	38.7
% of sales	8.9	6.8	8.0
Comparable ROCE, %	23.5	11.8	17.1
Capital expenditure, EUR million	5.7	1.1	18.0
Personnel at end of period	1 512	1 596	1 521

	2017	2016	2016
	1–3	1–3	1–12
Pulp and Sawn Timber Industry			
Sales, EUR million	422.0	408.8	1 636.0
EBITDA, EUR million	75.9	86.2	293.1
Comparable EBITDA, EUR million	75.9	86.2	281.8
Operating result, EUR million	54.5	61.2	220.8
Comparable operating result, EUR million	54.5	61.2	214.6
% of sales	12.9	15.0	13.1
Comparable ROCE, %	16.7	27.8	19.6
Capital expenditure, EUR million	98.7	81.1	553.4
Personnel at end of period	1 245	1 252	1 231

	2017	2016	2016
	1–3	1–3	1–12
Paperboard Industry			
Sales, EUR million	444.5	435.6	1 720.3
EBITDA, EUR million	68.8	55.5	234.6
Comparable EBITDA, EUR million	68.8	57.8	231.1
Operating result, EUR million	45.2	32.7	132.3
Comparable operating result, EUR million	45.2	35.0	137.5
% of sales	10.2	8.0	8.0
Comparable ROCE, %	10.6	8.3	8.1
Capital expenditure, EUR million	19.0	54.3	162.4
Personnel at end of period	2 450	2 573	2 466

	2017	2016	2016
	1–3	1–3	1–12
Tissue and Cooking Papers			
Sales, EUR million	252.0	246.2	990.8
EBITDA, EUR million	27.1	23.2	101.0
Comparable EBITDA, EUR million	27.1	23.2	102.8
Operating result, EUR million	17.6	13.5	61.3
Comparable operating result, EUR million	17.6	13.5	63.1
% of sales	7.0	5.5	6.4
Comparable ROCE, %	10.9	8.1	9.3
Capital expenditure, EUR million	2.9	3.2	37.6
Personnel at end of period	2 772	2 732	2 741

	2017	2016	2016
	1–3	1–3	1–12
Other operations			
Sales, EUR million	1.1	1.6	5.0
EBITDA, EUR million	5.0	-0.4	2.1
Comparable EBITDA, EUR million	5.0	-0.4	2.3
Operating result, EUR million	4.4	-0.9	0.0
Comparable operating result, EUR million	4.4	-0.9	0.1
Capital expenditure, EUR million	0.9	3.1	9.9
Personnel at end of period	486	489	486

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.

	2017	2016	2016
	1–3	1–3	1–12
Internal sales and eliminations			
Sales, EUR million	-456.3	-459.2	-1 710.0
EBITDA, EUR million	-9.2	-11.5	-32.1
Comparable EBITDA, EUR million	-9.2	-11.5	-30.4
Operating result, EUR million	-13.0	-15.3	-42.9
Comparable operating result, EUR million	-13.0	-15.3	-46.2

	2017	2016	2016
	1–3	1–3	1–12
Metsä Group			
Sales, EUR million	1 216.1	1 155.6	4 657.9
EBITDA, EUR million	193.9	173.0	686.6
Comparable EBITDA, EUR million	190.5	175.7	674.1
Operating result, EUR million	131.2	106.8	442.3
Comparable operating result, EUR million	127.9	109.5	438.6
% of sales	10.5	9.5	9.4
Comparable ROCE, %	12.5	10.6	10.2
Capital expenditure, EUR million	127.5	142.9	757.9
Personnel at end of period	9 310	9 511	9 300

RECONCILIATION OF OPERATING RESULT

EUR million	2017 1–3	2016 1–3	2016 1–12
OPERATING RESULT (IFRS)	131.2	106.8	442.3
Items affecting comparability:			
Wood Supply and Forest Services	-	-	-
Wood Products Industry	-3.3	0.4	-1.3
Pulp and Sawn Timber Industry	-	-	-6.2
Paperboard Industry	-	2.3	5.2
Tissue and Cooking Papers	-	-	1.7
Other operations	-	-	-3.1
Total	-3.3	2.7	-3.7
COMPARABLE OPERATING RESULT	127.9	109.5	438.6

EUR million	2017 1–3	2016 1–3	2016 1–12
OPERATING RESULT (IFRS)	131.2	106.8	442.3
Items affecting comparability:			
Other operating income	-3.4	-	-24.5
Change in inventories	0.0	-	1.2
Employee costs	-	2.3	2.5
Depreciation	0.1	-	0.3
Impairment charges	-	-	8.5
Other operating expenses	-	0.4	8.3
Total	-3.3	2.7	-3.7
COMPARABLE OPERATING RESULT	127.9	109.5	438.6

Items with “+” sign = expenses affecting comparability

Items with “-” sign = income affecting comparability

Metsä Group’s items affecting comparability in the first quarter of 2017 totalled EUR +3.3 million. The items were related to the sale of Metsä Wood’s project business.

Items affecting comparability 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 items affecting comparability in 2016 totalled EUR +3.7 million. Metsä Board recognised EUR 7.8 million net in costs and provisions related to the closure of the wallpaper base machine at the Kyro mill. In addition, Metsä Board recognised a cost provision of EUR 1.8 million related to the restructuring of the Simpele paperboard mill, a loss of EUR 1.1 million from the divestment of Alrec Boiler Oy, and expenses of EUR 0.7 million related to the reorganisation of the sales office in Belgium. Metsä Board received an additional sales price of EUR 4.4 million for M-real Hallein GmbH, sold in 2011.

QUARTERLY DATA

EUR million	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Sales					
Wood Supply and Forest Services	432.6	399.2	356.2	377.8	401.2
Wood Products Industry	120.2	115.3	115.1	129.9	121.4
Pulp and Sawn Timber Industry	422.0	416.0	388.7	422.5	408.8
Paperboard Industry	444.5	421.8	440.0	422.9	435.6
Tissue and Cooking Papers	252.0	249.2	246.6	248.8	246.2
Other operations	1.1	1.1	1.2	1.1	1.6
Internal sales	-456.3	-427.3	-404.5	-419.0	-459.2
Sales	1 216.1	1 175.2	1 143.3	1 183.9	1 155.6
Operating result					
Wood Supply and Forest Services	8.5	8.9	7.7	6.5	7.8
Wood Products Industry	14.0	10.0	9.0	13.1	7.8
Pulp and Sawn Timber Industry	54.5	53.3	58.1	48.2	61.2
Paperboard Industry	45.2	38.5	26.6	34.5	32.7
Tissue and Cooking Papers	17.6	16.8	17.8	13.2	13.5
Other operations	4.4	-8.1	4.4	4.6	-0.9
Eliminations	-13.0	-9.7	-16.2	-1.6	-15.3
Operating result	131.2	109.7	107.4	118.5	106.8
% of sales	10.8	9.3	9.4	10.0	9.2
Share of results from associated companies and joint ventures	14.0	0.3	-0.5	-0.8	-0.1
Exchange gains and losses	1.4	-6.5	1.3	0.5	-1.0
Other net financial items	-17.1	-18.4	-18.7	-20.0	-17.8
Result before income tax	129.5	85.1	89.5	98.2	87.8
Income tax	-22.9	-16.9	-21.7	-22.6	-19.5
Result for the period	106.7	68.2	67.8	75.7	68.3
Comparable operating result					
Wood Supply and Forest Services	8.5	8.9	7.7	6.5	7.8
Wood Products Industry	10.7	8.3	9.0	13.2	8.2
Pulp and Sawn Timber Industry	54.5	53.7	46.4	53.2	61.2
Paperboard Industry	45.2	32.8	34.0	35.8	35.0
Tissue and Cooking Papers	17.6	20.6	15.8	13.2	13.5
Other operations and eliminations	-8.6	-17.7	-10.0	-2.1	-16.2
Comparable operating result	127.9	106.5	102.8	119.8	109.5
% of sales	10.5	9.1	9.0	10.1	9.5

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

COMPARABLE KEY RATIOS

Exceptional and material items outside the ordinary course of business have been eliminated from the comparable operating result, and they have been allocated to the operating segments.

Reconciliation of operating result under IFRS and comparable operating result is presented in this interim report. Comparable return on capital employed has been calculated using the same adjustments as the comparable operating result, and it has been further adjusted with 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.

FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	2017 1–3	2016 1–3	Change	2016 1–12
Sales	2	1 216.1	1 155.6	60.6	4 657.9
Change in stocks of finished goods and work in progress		19.1	29.0	-9.9	64.8
Other operating income		14.0	8.3	5.7	70.5
Material and services		-817.0	-773.5	-43.5	-3 132.7
Employee costs		-150.2	-163.8	13.6	-626.3
Depreciation and impairment losses		-62.7	-66.3	3.6	-244.3
Other operating expenses		-88.2	-82.6	-5.6	-347.5
Operating result	2	131.2	106.8	24.4	442.3
Share of results from associated companies and joint ventures		14.0	-0.1	14.2	-1.1
Exchange gains and losses		1.4	-1.0	2.4	-5.7
Other net financial items	2	-17.1	-17.8	0.8	-74.9
Result before income tax		129.5	87.8	41.8	360.6
Income tax	3	-22.9	-19.5	-3.3	-80.7
Result for the period		106.7	68.3	38.4	279.9
Other comprehensive income					
Items that will not be reclassified to profit and loss					
Items relating to adjustments of defined benefit plans		-0.0	-7.4	7.4	-12.3
Income tax relating to items that will not be reclassified		-0.0	1.8	-1.9	3.1
Total		-0.1	-5.6	5.5	-9.3
Items that may be reclassified subsequently to profit and loss					
Cash flow hedges		8.7	-11.5	20.2	17.2
Available for sale financial assets	8	15.5	-8.0	23.5	-26.7
Currency translation differences		6.1	-2.7	8.8	-14.0
Share of comprehensive income of joint venture		0.4	0.3	0.1	1.2
Other items		0.0	0.0	0.0	0.0
Income tax relating to items that may be reclassified		-4.8	3.2	-8.0	0.5
Total		26.0	-18.6	44.6	-21.8
Other comprehensive income, net of tax		25.9	-24.2	50.1	-31.1
Total comprehensive income for the period		132.6	44.1	88.5	248.9
Result for the period attributable to:					
Members of parent company		77.1	42.9	34.3	182.6
Non-controlling interests		29.5	25.4	4.2	97.3
Total		106.7	68.3	38.4	279.9
Total comprehensive income attributable to:					
Members of parent company		92.5	25.0	67.5	160.6
Non-controlling interests		40.1	19.1	21.1	88.2
Total		132.6	44.1	88.5	248.9

The notes are an integral part of this interim report.

UNAUDITED CONSOLIDATED BALANCE SHEET

EUR million	Note	2017 31.3.	2016 31.3.	2016 31.12.
ASSETS				
Non-current assets				
Goodwill		517.9	522.2	517.6
Other intangible assets		230.6	231.7	231.5
Tangible assets	4	2 601.5	2 139.4	2 542.5
Biological assets		3.2	13.9	3.1
Investments in associated companies and joint ven-		48.5	42.8	42.1
Available for sale investments	8	215.6	219.0	200.1
Non-current financial assets	8	18.8	25.1	21.5
Deferred tax receivables		27.9	36.3	37.9
		3 663.9	3 230.4	3 596.2
Current assets				
Inventories		841.1	762.8	767.2
Accounts receivables and other receivables		747.7	757.8	670.3
Tax receivables based on the taxable income for the period		25.3	4.5	14.3
Cash and cash equivalents	8	736.8	888.4	895.1
		2 350.9	2 413.4	2 346.8
Assets classified as held for sale		12.1	1.1	2.8
Total assets		6 026.9	5 644.9	5 945.8
MEMBERS' FUNDS AND LIABILITIES				
Members' funds				
Members' funds		2 053.7	1 844.8	1 941.6
Non-controlling interests		598.6	564.1	658.4
		2 652.3	2 408.9	2 600.0
Non-current liabilities				
Deferred tax liabilities		217.6	216.6	213.4
Post-employment benefit obligations		83.8	82.4	83.9
Provisions	5	20.5	20.2	20.2
Borrowings	8	1 365.1	1 258.2	1 265.3
Other liabilities		23.6	41.9	28.5
		1 710.6	1 619.3	1 611.4
Current liabilities				
Provisions	5	3.6	20.3	5.0
Current borrowings	8	603.7	491.1	667.2
Accounts payable and other liabilities		1 038.3	1 085.4	1 051.3
Tax liabilities based on the taxable income for the pe-		14.8	19.2	9.0
		1 660.4	1 616.1	1 732.5
Liabilities classified as held for sale		3.5	0.6	1.9
Total liabilities		3 374.6	3 236.0	3 345.8
Total members' funds and liabilities		6 026.9	5 644.9	5 945.8

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	Members' 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 after 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
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		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

<u>Equity attributable to members of parent company</u>							
EUR million	Members' capital	Trans- lation differ- ences	Fair value and other reserves	Re- tained earnings	Total	Non- control- ling interest	Total
Members' funds 1.1.2017	769.4	-10.9	193.5	989.6	1 941.6	658.4	2 600.0
Result for the period				77.1	77.1	29.5	106.7
Other comprehensive income, net after tax		5.1	10.5	-0.3	15.3	10.6	25.9
Total comprehensive income		5.1	10.5	76.9	92.5	40.1	132.6
Transactions with owners:							
Dividends paid				3.4	3.4	-70.6	-67.2
Change in members' capital	23.7			-5.7	18.0		18.0
Change in other equity					0.0		0.0
Share based payments				-2.4	-2.4	-0.4	-2.8
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	3.3	2.4
Members' funds 31.3.2017	793.1	-5.8	204.0	1 062.4	2 053.7	598.6	2 652.3

The notes are an integral part of this interim report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2017 1–3	2016 1–3	2016 1–12
Result for the period	7	106.7	68.3	279.9
Total adjustments	7	80.6	103.0	350.5
Change in working capital		-188.7	-202.1	-126.2
Cash flow arising from operations		-1.4	-30.8	504.3
Net financial items		-20.6	-10.6	-41.0
Income taxes paid		-19.0	-25.7	-115.5
Net cash flow arising from operating activities		-41.0	-67.1	347.8
Acquisitions		0.0	0.0	0.0
Investments in tangible and intangible assets		-127.5	-142.9	-757.9
Disposals and other items	7	13.8	-0.2	67.9
Net cash flow arising from investing activities		-113.6	-143.1	-690.0
Change in members' funds		18.0	13.9	41.0
Change in other equity		0.0	0.0	24.9
Change in non-controlling interest		-30.7	0.0	0.0
Change in long-term loans and other financial items		39.8	-3.3	169.6
Dividends paid		-31.1	-32.9	-120.2
Net cash flow arising from financing activities		-4.0	-22.2	115.4
Change in cash and cash equivalents		-158.7	-232.5	-226.8
Cash and cash equivalents at beginning of period		895.1	1 120.8	1 120.8
Translation difference		0.4	0.0	1.1
Change in cash and cash equivalents		-158.7	-232.5	-226.8
Cash and cash equivalents of assets classified as held for sale		0.0	0.0	0.0
Cash and cash equivalents at end of period		736.8	888.4	895.1

The notes are an integral part of this interim 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 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 interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2016 IFRS financial statements. The same accounting policies have been applied as in the 2016 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 2017 Metsä Group has adopted the following new and amended standards and interpretations:

- Amendments to IAS 7 *Statement of Cash Flows – Disclosure Initiative*. The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have an impact on the disclosures in consolidated financial statements.
- Amendments to IAS 12 *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments have no significant impact on Group’s consolidated financial statements.
- *Annual Improvements to IFRSs, 2014–2016 cycle*. The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to one standard in 2017. The standard has no significant impact on Group’s consolidated financial statements.

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 4 May 2017.

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	1–3/2017	1–3/2017	1–3/2017	1–3/2016	1–3/2016	1–3/2016
	External	Internal	Total	External	Internal	Total
Wood Supply and Forest Services	119.2	313.4	432.6	105.6	295.6	401.2
Wood Products Industry	114.3	5.9	120.2	116.9	4.5	121.4
Pulp and Sawn Timber Industry	301.9	120.1	422.0	270.7	138.1	408.8
Paperboard Industry	429.0	15.5	444.5	416.4	19.2	435.6
Tissue and Cooking Papers	251.8	0.2	252.0	246.0	0.3	246.2
Other operations	0.0	1.1	1.1	0.1	1.6	1.6
Elimination of internal sales	-	-456.3	-456.3	-	-459.2	-459.2
Total sales	1 216.1	0.0	1 216.1	1 155.6	0.0	1 155.6

EUR million	1–12/2016	1–12/2016	1–12/2016
	External	Internal	Total
Wood Supply and Forest Services	407.3	1 127.1	1 534.4
Wood Products Industry	460.8	20.7	481.6
Pulp and Sawn Timber Industry	1 148.5	487.4	1 636.0
Paperboard Industry	1 651.7	68.6	1 720.3
Tissue and Cooking Papers	989.5	1.3	990.8
Other operations	0.1	4.9	5.0
Elimination of internal sales	-	-1 710.0	-1 710.0
Total sales	4 657.9	0.0	4 657.9

OPERATING RESULT BY SEGMENTS

EUR million	2017	2016	2016
	1–3	1–3	1–12
Wood Supply and Forest Services	8.5	7.8	30.9
Wood Products Industry	14.0	7.8	40.0
Pulp and Sawn Timber Industry	54.5	61.2	220.8
Paperboard Industry	45.2	32.7	132.3
Tissue and Cooking Papers	17.6	13.5	61.3
Other operations	4.4	-0.9	0.0
Eliminations	-13.0	-15.3	-42.9
Operating result total	131.2	106.8	442.3
Share of results from associated companies and joint ventures	14.0	-0.1	-1.1
Financial costs, net	-15.7	-19.0	-80.6
Income taxes	-22.9	-19.5	-80.7
Result for the period	106.7	68.3	279.9

ASSETS AND LIABILITIES BY SEGMENTS

Assets	2017	2016	2016
EUR million	31.3.	31.3.	31.12.
Wood Supply and Forest Services	326.1	293.9	274.4
Wood Products Industry	221.5	222.3	191.5
Pulp and Sawn Timber Industry	1 657.8	1 142.2	1 556.8
Paperboard Industry	1 987.8	1 944.3	1 959.8
Tissue and Cooking Papers	878.8	889.6	866.3
Other operations	234.4	307.6	225.1
Assets classified as held for sale	12.1	1.1	2.8
Eliminations	-264.3	-289.9	-227.8
Unallocated assets	972.7	1 133.7	1 096.8
Total	6 026.9	5 644.9	5 945.8

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	2017	2016	2016
EUR million	31.3.	31.3.	31.12.
Wood Supply and Forest Services	215.1	195.8	207.0
Wood Products Industry	73.8	82.9	74.8
Pulp and Sawn Timber Industry	331.7	330.6	360.6
Paperboard Industry	416.7	473.5	365.4
Tissue and Cooking Papers	314.3	314.2	289.8
Other operations	65.2	132.5	103.9
Liabilities classified as held for sale	3.5	0.6	1.9
Eliminations	-264.3	-289.9	-227.8
Unallocated liabilities	2 218.6	1 995.9	2 170.2
Total	3 374.6	3 236.0	3 345.8

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

NOTE 3 – INCOME TAX

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

EUR million	2017	2016	2016
	1–3	1–3	1–12
Taxes for the period	12.4	21.4	83.3
Taxes for previous periods	1.5	0.1	0.0
Change in deferred taxes	8.9	-1.9	-2.6
Total income taxes	22.9	19.5	80.7

NOTE 4 – CHANGE IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2017	2016	2016
	1–3	1–3	1–12
Book value at beginning of period	2 542.5	2 059.0	2 059.0
Investments	124.8	142.1	747.9
Decreases	-10.6	-0.0	-17.3
Assets classified as held for sale	-2.0	0.0	-4.8
Depreciation and impairment losses	-58.2	-62.1	-226.5
Translation differences and other changes	4.9	0.3	-15.9
Book value at end of period	2 601.5	2 139.4	2 542.5

Assets classified as held for sale in 2017 include unsold apartments and parking places of Asunto Oy Tapiolan Tammi.

NOTE 5 – PROVISIONS

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2017	3.4	16.2	5.6	25.2
Translation differences	0.0	0.0	0.0	0.1
Increases	0.0	0.1	0.5	0.6
Utilised during the year	-1.4	-0.0	-0.3	-1.7
Unused amounts reversed	0.0	0.0	-0.0	-0.0
At 31 March 2017	2.0	16.3	5.8	24.1

Of the Metsä Group's total provisions of EUR 24.1 million, the non-current portion was EUR 20.5 million and the current portion EUR 3.6 million. The non-current portion will mostly be paid by the end of 2025.

NOTE 6 – TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2017 1–3	2016 1–3	2016 1–12
Sales	1.6	1.8	9.8
Purchases	21.1	21.2	86.5
Non-current receivables	1.0	1.0	1.0
Current receivables	3.1	3.2	3.3
Non-current liabilities	0.0	0.0	0.0
Current liabilities	3.7	6.1	6.0

NOTE 7 – NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Adjustments to the result for the financial year

EUR million	2017 1–3	2016 1–3	2016 1–12
Taxes	22.9	19.5	80.7
Depreciation and impairment charges	62.7	66.3	244.3
Biological assets	-0.1	-0.5	-1.7
Share of results from associated companies	-14.0	0.1	1.1
Gains and losses on sale of non-current financial assets	-5.2	1.6	-34.1
Financial costs, net	15.7	18.8	80.6
Pension liabilities and provisions	-1.3	-2.9	-20.4
Total	80.6	103.0	350.5

Disposals and other items

Disposals and other items in 2017 include EUR 4.9 million for the divestment of Metsä Wood's project business and a total of EUR 6.3 million related to the sales of apartments and parking places of Asunto Oy Tapiolan Jalava and Asunto Oy Tapiolan Tammi.

Disposals and other items furthermore include sales of intangible and tangible assets of EUR 0.5 million and other items of EUR 2.1 million.

NOTE 8 – FINANCIAL INSTRUMENTS

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

Financial assets 31 March, 2017

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		215.6				215.6	215.6
Other non-current financial assets			18.8			18.8	18.5
Account receivables and others			740.9			740.9	740.9
Cash and cash equivalents	111.2		625.7			736.8	736.8
Derivative financial instruments	0.1			3.7		3.8	3.8
Assets classified as held for sale							
Total	111.3	215.6	1 385.3	3.7	0.0	1 716.0	1 715.6

Financial liabilities 31 March, 2017

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					1 365.1	1 365.1	1 387.9
Other non-current liabilities					0.4	0.4	0.4
Current interest-bearing liabilities					603.7	603.7	604.7
Accounts payable and others					932.7	932.7	932.7
Derivative financial instruments	1.8			21.6		23.4	23.4
Liabilities classified as held for sale					3.5	3.5	3.5
Total	1.8	0.0	0.0	21.6	2 905.5	2 928.9	2 952.7

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
Accounts 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

Fair value hierarchy of financial assets and liabilities 31 March, 2017

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				
Available for sale financial assets	0.0		215.6	215.6
Current financial assets through profit and loss at fair value				
Derivative financial assets	106.2	5.0		111.2
Derivative financial assets	1.0	2.9		3.8
Financial liabilities measured at fair value				
Derivative financial liabilities	2.1	21.3		23.4
Financial assets not measured at fair value				
Financial assets		625.7		625.7
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities			1 387.9	1 387.9
Current interest-bearing liabilities			604.7	604.7

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

Financial assets measured at fair value based on level 3

EUR million	2017	2016
Opening balance 1 January	200.1	227.0
Gains and losses in income statement	0.0	1.1
Gains and losses in other comprehensive income	15.5	-8.0
Purchases	0.0	0.0
Settlements	0.0	-1.2
Closing balance 31 March	215.6	218.9

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 2016 Financial Statements. The average weighed capital cost applied in the calculation was 2.24 per cent on 31 March 2017 and for the Olkiluoto 3 power plant under construction 4.24 per cent. The acquisition cost of the Pohjolan Voima Oy shares is EUR 43.1 million and their fair value is EUR 208.0 million.

The carrying amount of Pohjolan Voima Oy as of 31 March 2017 is estimated to change by EUR 6.6 million lower should the rate used for discounting the cash flows change by 10 per cent from the rate estimated by the management. The carrying amount of the shares is estimated to change by EUR 37.9 million 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, 2017

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value hedges	Cash flow hedges	Equity hedges	Hedge accounting not applied
Interest rate swaps	924.8		20.4	-20.4		-20.0		-0.4
Total	924.8	0.0	20.4	-20.4	0.0	-20.0	0.0	-0.4
Currency forwards	1 923.0	0.0	1.0	-1.0		0.5		-1.4
Currency options	252.5		-0.1	0.1				0.1
Total	2 175.5	0.0	0.9	-0.9	0.0	0.5	0.0	-1.4
Electricity derivatives	92.1		0.9	-0.9		-0.9		
Pulp derivatives	28.3	2.9		2.9		2.9		
Oil derivatives	11.6	0.1	0.3	-0.2		-0.3		0.1
Commodity derivatives	9.6	0.9	0.9	-0.0		-0.0		
Total	141.6	3.8	2.1	1.8	0.0	1.7	0.0	0.1
Derivatives total	3 241.9	3.8	23.4	-19.6	0.0	-17.9	0.0	-1.7

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES

EUR million	31.3.2017	31.3.2016	31.12.2016
Own liabilities for which commitments granted	454.7	527.1	469.0
Pledges granted	414.6	437.6	433.1
Floating charges	2.8	5.9	2.8
Real estate mortgages	272.3	380.8	368.5
Chattels mortgage	4.0	4.0	4.0
Commitments for own liabilities, total	693.6	828.2	808.5
Other commitments on own behalf	90.4	74.5	98.9
On behalf of associated companies	0.7	1.0	0.8
On behalf of others	0.1	4.9	5.0
Total	784.9	908.6	913.2

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 70.2 million (31.12.2016: 78.7).

COMMITMENTS RELATED TO INVESTMENTS

EUR million	31.3.2017	31.3.2016	31.12.2016
Payments due under 1 year	205.0	331.2	335.3
Payments due in subsequent years	101.9	151.4	20.0
Total	306.9	482.7	355.3