

METSÄ GROUP

INTERIM REPORT

JANUARY–MARCH 2019



Metsä

METSÄ GROUP'S COMPARABLE OPERATING RESULT IN JANUARY–MARCH 2019 WAS EUR 180 MILLION

JANUARY–MARCH 2019 (1–3/2018)

- Sales were EUR 1,438 million (1,428).
- Operating result was EUR 183 million (208). Comparable operating result was EUR 180 million (208).
- Result before tax was EUR 167 million (185). Comparable result before tax was EUR 163 million (185).
- Comparable return on capital employed was 13.8% (16.6).
- Cash flow from operations was EUR 41 million (34).

EVENTS DURING THE FIRST QUARTER OF 2019

- The delivery volumes of market pulp began to grow again after the sudden decline in the previous quarter. The market in China picked up, and prices began to rise. In Europe, prices declined.
- Demand for folding boxboard was good, but the delivery volumes of white kraftliner continued to decline, especially in Europe.
- The prices of folding boxboard rose as of the beginning of the year and the prices of white kraftliner remained stable.
- Metsä Fibre announced a EUR 30 million investment in increasing the capacity of the debarking department at the Joutseno mill.
- The rest of the production lines at the birch plywood mill built in Pärnu by Metsä Wood were started up during the first quarter.
- Metsä Wood's new Kerto® LVL line, with an annual capacity of 65,000 cubic metres, started up for a production test run at the Punkaharju mill.
- Metsä Group announced that it would pay 70% in advance funding to its owner-members for summer thinning carried out between 8 February and 30 April.

EVENTS AFTER REPORTING PERIOD

Metsä Fibre started pre-engineering projects related to a new bioproduct mill in Kemi, Finland, and a new pine sawmill in Rauma, Finland. Metsä Board commenced a

pre-engineering project related to the first phase of the renewal of its pulp mill in Husum, Sweden.

RESULT GUIDANCE FOR APRIL–JUNE 2019

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

President and CEO Ilkka Hämmälä:

"As anticipated, Metsä Group achieved a good result in the first quarter of 2019. Our profit-making ability weakened compared to the excellent last year, mainly due to the decline in the price of pulp in late 2018.

In Asia, the price level of pulp began to rise during the first quarter. In Europe, pulp prices were still in decline, following the price changes in China with a typical market delay. Compared to the strong growth in demand during the corresponding period in the previous year, the caution attributable to uncertainty factors in world trade was visible in the demand situation in all Metsä Group's business areas.

The long-term growth drivers impacting forest industry and Metsä Group's products – i.e. the demand for products made from renewable raw materials, the growth of the global economy, and urbanisation – continue to be the trends we focus on when developing our industry. The basis for further development is good. Our future steps will consist of a strong response to the challenge we all face due to climate change.

Metsä Group will increase the carbon sink formed by forests and wood products as Finland's leading player in forest management services and mechanical wood processing. We will reduce fossil-based emissions by replacing the rest of our fossil fuel and raw material use with renewables by 2030. We are developing new wood fibre based products to replace products of the fossil economy. The operations of our Group as a whole – including the growth of Metsäliitto Cooperative owner-members' forests – forms a significant carbon sink, which we furthermore aim to increase clearly by 2030."

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. Metsäliitto Cooperative is the parent company of Metsä Group and owned by approximately 103,000 Finnish forest owners.

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KEY FIGURES

	2019	2018	2018
Condensed income statement, EUR million	1–3	1–3	1–12
Sales	1 437.7	1 427.8	5 709.1
Other operating income	17.1	10.3	58.1
Operating expenses	-1 198.6	-1 147.7	-4 639.5
Depreciation and impairment losses	-73.2	-82.5	-284.8
Operating result	183.0	207.9	843.0
Share of results from associated companies and joint ventures	-0.4	0.7	7.0
Exchange gains and losses	-2.6	-3.5	-6.3
Other net financial items	-13.4	-20.6	-74.6
Result before income tax	166.6	184.5	769.1
Income tax	-33.9	-38.3	-156.4
Result for the period	132.7	146.3	612.7

	2019	2018	2018
Profitability	1–3	1–3	1–12
Operating result, EUR million	183.0	207.9	843.0
Comparable operating result	179.7	207.9	848.5
% of sales	12.5	14.6	14.9
Return on capital employed, %	14.1	16.6	16.6
Comparable return on capital employed	13.8	16.6	16.8
Return on equity, %	14.5	19.4	18.5
Comparable return on equity	14.1	19.4	18.7

	2019	2018	2018
Financial position	31.3.	31.3.	31.12.
Equity ratio, %	53.3	46.5	53.1
Net gearing ratio, %	18	34	13
Interest-bearing net liabilities, EUR million	646	1 039	463

SEGMENTS

Sales and Operating result 1–3/2019, EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paperboard Industry	Tissue and Greaseproof Papers
Sales	525.8	111.3	622.8	487.1	267.3
Other operating income	5.3	1.7	2.2	19.9	1.4
Operating expenses	-517.8	-107.0	-477.3	-407.6	-247.1
Depreciation and impairment losses	-2.1	-4.2	-25.2	-27.5	-11.2
Operating result	11.3	1.8	122.4	71.9	10.5
Items affecting comparability	-	-	-	-10.0	-
Comparable operating result	11.3	1.8	122.4	61.8	10.5
% of sales	2.1	1.7	19.7	12.7	3.9

THIS INTERIM REPORT IS UNAUDITED**INTERIM REPORT 1 JANUARY–31 MARCH 2019****SALES AND RESULT**

Metsä Group's sales in the first quarter of 2019 were EUR 1,437.7 million (1–3/2018: 1,427.8).

The comparable operating result was EUR 179.5 million (207.9), or 12.5% (14.6) of sales. The decrease in the operating result is mainly due to raw material and production costs, which were higher than in the comparison period.

Exchange rate fluctuations after hedging had a positive effect of around EUR 28 million on the operating result in the review period, compared to the corresponding period in the previous year. The effect was mainly attributable to the US dollar growing stronger against the euro by approximately 8%.

Items affecting comparability amounted to EUR 3.3 million (0.0). The item comprises the capital gain on the shares in Liaison Technologies Inc., included in Metsä Board's non-operative investments in shares. The EUR 6.8 million sales gain recognised by Metsä Board from the disposal of the Äänevoima Oy shares to Metsä Fibre has been eliminated as an internal item from Metsä Group's figures.

Metsä Group's operating result (IFRS) was EUR 182.8 million (207.9). The share of the results of associated companies and joint ventures was EUR -0.4 million (0.7), financial income was EUR 1.5 million (0.5), exchange rate differences in financing were EUR -2.6 million (-3.5), and financial expenses totalled EUR 14.9 million (21.1).

The result before taxes was EUR 166.4 million (184.5), and taxes including changes in deferred tax liabilities totalled EUR 33.9 million (38.3). The Group's effective tax rate was 20.4% (20.7). The result for the review period was EUR 132.5 million (146.3).

The return on capital employed was 14.1% (16.6), and the return on equity was 14.4% (19.4). The comparable return on capital employed was 13.8% (16.6), and the comparable return on equity was 14.1% (19.4).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity has remained strong. Total liquidity at the end of March was EUR 1,776.1 million (31 December 2018: 1,940.1). This consisted of EUR 919.8 million (1,083.9) in liquid assets and investments, and EUR 856.3 million (856.3) in off-balance sheet committed credit facility agreements.

The Group's liquidity reserve is complemented by uncommitted commercial paper programmes and credit

facilities amounting to EUR 160.8 million (31 December 2018: 160.8).

Cash flow from operations was EUR 40.6 million (34.0). EUR 210.0 million was tied up in working capital (265.9). Working capital increased with the addition of EUR 89.6 million in trade and other receivables, the addition of EUR 69.0 million in inventories, and a decrease of EUR 51.5 million in trade payables and other liabilities.

The Group's equity ratio at the end of December was 53.3% and net gearing was 18% (31 December 2018: 53.1 and 13, respectively). Net interest-bearing liabilities were EUR 645.8 million (31 December 2018: 463.3).

In January, Moody's Investors Service raised Metsä Board's credit rating to investment grade. The rating was raised from Ba1 to Baa3. The outlook for the rating is stable.

During the review period, Metsä Board repaid the remaining EUR 60.3 million share of the bond it issued in 2014.

At the end of March, the equity ratio of the parent company Metsäliitto Cooperative was 86.7%, and its net gearing was -20% (31 December 2018: 85.2 and -18, respectively).

During the first quarter, Metsäliitto Cooperative's members' capital increased by a total of EUR 45.6 million (27.6). The value of participation shares grew by EUR 2.6 million (2.0), that of the additional shares A by EUR 37.8 million (23.3), and that of the additional shares B by EUR 5.2 million (2.3).

PERSONNEL

In January–March, Metsä Group had an average of 9,465 employees (9,213). Personnel expenses were EUR 154.1 million (158.7). At the end of March, the Group employed 9,492 people (31 December 2018: 9,310), of whom 4,996 (4,834) were based in Finland and 4,496 (4,476) abroad. The parent company Metsäliitto Cooperative employed 1,982 people at the end of March (31 December 2018: 1,924),

MEMBERS

At the end of March, Metsäliitto Cooperative had 103,410 members (31 December 2018: 103,420). During January–March, 643 new members joined the Cooperative, and 653 members cancelled their membership. At the end of March 2019, the forest area owned

by the members totalled 5,302 hectares (31 December 2018: 5,266).

INVESTMENTS

Metsä Group's capital expenditure in January–March totalled EUR 31.2 million (48.2).

The rest of the production lines at Metsä Wood's birch plywood mill in Pärnu were started up by the end of March. The start-up of the further processing lines marks the completion of the investment programme.

In March, Metsä Wood's new Kerto LVL line, with an annual capacity of 65,000 cubic metres, started up for a production test run at the Punkaharju mill.

Metsä Tissue's 2018 investments in the production of greaseproof papers, away-from-home products, and consumer products have started up according to plan.

Metsä Fibre announced an approximately EUR 30 million investment in increasing the capacity of the debarking department at the Joutseno mill. The debarking department's extension work will begin this year and be completed in the spring of 2020.

BUSINESS AREAS

Wood Supply and Forest Services

Sales from Wood Supply and Forest Services, i.e. from Metsä Forest, totalled EUR 525.8 million (1–3/2018: 489.9), and the operating result was EUR 11.3 million (8.7). The compensation for costs of court proceedings received from Metsähallitus increased the first quarter result by EUR 3.3 million.

The supply of wood in Finland was steady during the first quarter. Log prices declined slightly, while pulpwood prices were stable. The volume of purchased wood was at the same level as in the corresponding period in the previous year. Harvesting and transportation conditions were good throughout the review period.

The supply of softwood in the Baltic countries increased in the first quarter of the year. The market situation of birch pulpwood and logs was in balance. In Russia, supply increased in all pulpwood grades and the export license system of birch logs resulted in a local oversupply of birch logs. The supply of wood in Sweden was strong throughout the period.

Metsä Forest bought all grades of wood through both standing and delivery sales during the review period. Wood was purchased at the same rate as in the corresponding period the year before. Demand focused particularly on pulpwood and felling sites to be harvested when the ground is unfrozen. The purchasing of energy wood continued to focus on crown wood. The majority of wood in Finland was purchased from members of Metsäliitto Cooperative.

Wood was harvested according to targets, and deliveries to customers' production units were carried out smoothly. In January–March 2019, Metsä Forest delivered a total of approximately 9.4 million cubic metres (9.6) of wood to its customers. Approximately 84% of this amount went to the Finnish industrial sector.

In January–March, 37% of wood acquired by Metsä Forest from private forest owners was purchased through digital means. In the sale of forest management services, the figure was 50%.

Members of Metsäliitto Cooperative will receive 70% in advance funding for thinning fit for summer harvesting in terms of wood trades carried out between 8 February and 30 April.

Wood Products Industry

The sales of the Wood Products Industry, i.e. Metsä Wood, were EUR 111.3 million (1–3/2018: 108.7), and the operating result was EUR 1.8 million (6.2).

The sales of veneer products declined by 2%, but the euro-denominated sales of the UK business increased by 4%. The decline in the sales of veneer products is mainly due to the decreased delivery volumes of birch plywood attributable to the weaker market situation. The production of birch plywood was adjusted due to the demand, which decreased during the first quarter. Production-related challenges were also partly reflected in the delivery volumes of veneer products.

The average sales price of birch plywood declined slightly from the previous year, whereas the prices of spruce plywood and Kerto LVL products increased. Average prices in the UK business improved from the comparison period and delivery volumes were nearly at the level of the previous year.

The profitability of business in relation to the comparison period declined, primarily due to the weaker market situation in birch plywood. The costs arising from the ramp-up of strategic investments also burdened profitability during the quarter. The profitability of the UK business improved from the comparison period.

In March, Metsä Wood announced the start of statutory labour negotiations pursuant to the Act on Co-operation within Undertakings at its plywood mills in Suolahti and Punkaharju, with the aim of adjusting the production of birch plywood to the prevailing situation in demand.

Pulp and Sawn Timber Industry

The sales of the Pulp and Sawn Timber Industry, i.e. Metsä Fibre, totalled EUR 622.8 million (1–3/2018: 600.5), and the operating result was EUR 122.4 million (144.9).

The sales volume of pulp during the first quarter of the year was 770,400 tonnes (724,000), or more than 6% greater than its sales volume during the corresponding

period in the previous year. The foreign currency-denominated average prices of long-fibre pulp in January–March were 9% higher than in the corresponding period in the previous year. The foreign currency-denominated average prices of short-fibre pulp were roughly 1% lower than in the corresponding period in the previous year.

Metsä Fibre's operating result declined by approximately 15% compared to the corresponding period in the previous year. The decrease in the operating result is mainly due to wood costs, which were higher than in the comparison period. The strengthening of the US dollar by about 8% against the euro in January–March compared to the corresponding period in the previous year had a positive impact on the operating result.

The delivery volume of sawn timber was 429,000 cubic metres (445,000), or some 4% lower than in the previous year. The demand for sawn timber in the main markets has been moderate, and average prices in January–March decreased by approximately 2% compared to the corresponding period in the previous year.

In January, the average price of long-fibre pulp in Europe was USD 1,180 per tonne, as opposed to USD 1,115 per tonne at the end of the review period. At the beginning of the review period, the average price of short-fibre pulp in Europe was USD 1,010 per tonne, and at the end of the period, it was USD 973 per tonne.

Following the decline in demand for northern softwood pulp in late 2018, its demand in China has grown. In sawn timber, both demand and the price level remained below the level in the corresponding period during the previous year.

Paperboard Industry

The sales of the Paperboard Industry, i.e. Metsä Board, were EUR 487.1 million (1–3/2018: 492.3), and the comparable operating result was EUR 61.8 million (69.0). Folding boxboard accounted for 58% of sales, while 24% of sales derived from white kraftliner and 18% from market pulp.

The production costs of paperboard and pulp were clearly higher than in the comparison period. Cost inflation in 2018 was rapid. Wood raw material, in particular, grew more expensive and logistics costs in North America rose. The costs remained at a high level during the review period.

The comparable operating result improved due to the higher prices of folding boxboard and white kraftliner as well as the increased delivery volumes of folding boxboard. Exchange rate fluctuations including hedges had a positive impact of approximately EUR 11 million on the result.

The associated company Metsä Fibre's share of the January–March comparable operating result was EUR 20.6 million (27.8).

Total deliveries of paperboard were 440,000 (468,000) tonnes, of which deliveries of folding boxboard accounted for 302,000 tonnes (297,000) and deliveries of white kraftliner for 138,000 tonnes (171,000).

Metsä Board's comparable return on capital employed was 14.4% (15.8%), and its comparable earnings per share were EUR 0.14 (0.15).

The equity ratio at the end of December was 55.9% and net gearing was 23% (31/12/2018: 58.1% and 25%, respectively).

Metsä Board's Interim Report was published on 26 April 2019.

Tissue and Greaseproof Papers

The sales of tissue and greaseproof papers, i.e. Metsä Tissue, were EUR 267.3 million (Q1/2018: 258.8). The growth in sales was due to higher sales prices, which compensated for the sales volumes which were slightly lower than last year and the weakening of the Swedish and Polish currencies against the euro.

Metsä Tissue's operating result for the first quarter was EUR 10.5 million (12.3). Lower sales volumes and cost inflation, which could not be passed on in full to end-product prices, had a negative effect on the operating result.

The operational review commenced by Metsä Tissue in December 2018 proceeded according to plan. The strategic assessment concerning the Stotzheim napkin mill and the measures aiming to increase efficiency there also continued.

In February 2019, Metsä Tissue commenced a programme aiming to achieve savings in fixed costs to the amount of EUR 25 million a year. The company launched cooperation negotiations to improve internal efficiency and focus, and to reduce the complexity of the tissue paper business.

In February, the company also commenced an operational review of mill operations, which is meant to be completed during the first half of 2019. As part of the review, Metsä Tissue is developing a concept for the tissue paper mills of the future in cooperation with equipment and automation system suppliers.

In March, the company began selling Serla products in the new Green Pack packaging wrap. The production of the new packaging wrap relies on recycled plastic and a renewable raw material, sugar cane. These new packages for Serla's yellow toilet papers reduce the use of conventional plastic, made from a fossil-based raw material, by nearly 50 tonnes a year.

As of June 2019, the Mänttä mill will use liquefied natural gas rather than liquefied gas for the drying of tissue paper. This will reduce the mill's carbon dioxide emissions to a significant degree. It will also bring the possibility of biogas use a step closer, improve safety at work, and reduce energy costs.

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.

Various countries have imposed 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 2018 Annual Review.

PENDING DISPUTES

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 Supreme Court announced in March 2019 that it did not grant a leave to appeal, as a result of which the judgement of the Court of Appeal remains 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 has appealed the decision to the Administrative Court of Helsinki.

EVENTS AFTER REPORTING PERIOD

In April, Metsä Fibre started a pre-engineering project related to a new bioproduct mill in Kemi. Target is to create conditions for building a bioproduct mill with annual production capacity of approximately 1.5 million tonnes of softwood and hardwood pulp to Metsä Group's current mill site in Kemi. In addition to pulp, the mill would produce various other bioproducts. This mill would be the biggest wood processing unit in the Northern hemisphere. The new mill would replace the current Kemi pulp mill which annual capacity is approximately 620,000 tonnes. The total investment would amount to approximately EUR 1.5 billion.

Annual pulpwood consumption of the new Kemi bioproduct mill would be approximately 7.6 million cubic meters, which is roughly 4.5 million cubic meters more compared to the consumption of the current mill. Kemi bioproduct mill would directly employ approximately 250 people and in its whole direct value chain roughly 2,500 people in total, indicating an increase of 1,500 jobs compared to current situation. The employment impact in the construction phase would be almost 10,000 person-years of which over half in Kemi. The main planning premises of the new mill include totally fossil free operations and 250% self-sufficiency in electricity. The pulp production volumes would mainly be sold to European and Asian customers as well as to Metsä Board's kraftliner mill located at the same mill site in Kemi. The final investment decision related to Kemi bioproduct mill is expected to be made in summer 2020.

In April, Metsä Fibre commenced also a pre-engineering project to build a pine sawmill at its mill site in Rauma. The estimated annual production of the sawmill would be approximately 750,000 cubic meters. The new sawmill would be the most modern and efficient unit in its field in the world. The level of technology and utilization of data will be raised clearly higher compared to current sawmills. The total investment would amount to approximately EUR 200 million. The new sawmill would directly employ approximately 100 people and in its whole direct value chain roughly 500 people in total. The employment impact in the construction phase would be approximately 1,500 person-years of which over half in Rauma. The sawmill's annual sawlog consumption would be approximately 1.5 million cubic meters. Wood for the sawmill is planned to be sourced from Finland. The increased sawn timber volumes would be sold mainly to European and Asian customers. The final investment decision related to Rauma sawmill is expected to be made in early 2020.

Metsä Board commenced in April a pre-engineering project related to the first phase of the renewal of Husum integrate's pulp mill in Sweden. The plan is to build a new recovery boiler and a turbine to replace the mill's old recovery boilers and turbines. This investment would amount to approximately EUR 300 million and it would be implemented during 2019–2022. The mill's two fibre lines are planned to be replaced with one new line in the second phase of the renewal in the 2020's.

Husum pulp mill's annual capacity of approximately 750 000 tonnes would remain roughly unchanged, but its cost competitiveness would improve significantly. The final investment decision related to the first phase of Husum pulp mill's renewal is expected to be made in the last quarter of 2019 at the earliest.

These planned investments implement Metsä Group's strategic objectives by reducing the use of fossil fuels by over 400 GWh/a, increasing production of renewable energy by over 2 TWh/a and increasing carbon dioxide stored in wood products that have a long lifespan by 700 000 tonnes/a.

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.

In veneer products, the demand for Kerto LVL and spruce plywood is expected to remain stable during the second quarter of the year. The uncertainty in the demand outlook for birch plywood and the tough price competition in the distributor market are expected to continue.

Seasonality in the UK's timber product market will increase delivery volumes in the second quarter, but the uncertainty attributable to Brexit will continue to reflect on the demand outlook, particularly in the distributor segment.

The demand for pulp is expected to remain at the current level during the next quarter. In the pulp markets, demand and supply are expected to achieve a balance due to the maintenance shutdowns set to take place during the second quarter of the year. At the same time, producers' inventory levels are expected to decrease.

The demand for sawn timber is expected to remain at the current level in the main markets.

Espoo, Finland, 26 April 2019

BOARD OF DIRECTORS

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

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

Metsä Board's paperboard deliveries in the second quarter of the year are expected to remain approximately at the same level as in the first quarter.

The prices of folding boxboard in local currencies are expected to remain stable. Metsä Board continues its measures to improve the average price of folding boxboard by optimising the sales mix. The weakened demand may have a negative impact on the average price of liner sales.

Demand in the tissue and greaseproof paper markets is expected to remain stable in all market areas. Profitability will continue to be burdened by the high prices of raw materials. The measures aiming to raise end-product prices will be continued.

RESULT GUIDANCE FOR APRIL–JUNE 2019

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

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

Metsäliitto Cooperative's Board of Directors proposes to the Representative Council on 26 April 2019 that interest of 7.5% (7.0% in 2017) be distributed on the participation shares of the members for 2018. Interest of 7.0% (6.5) is proposed for additional shares A, and interest of 2.5% (2.5) for additional shares B. The proposal for the distribution of profit amounts to 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.

SEGMENTS

	2019	2018	2018
Wood Supply and Forest Services	1–3	1–3	1–12
Sales, EUR million	525.8	489.9	1 983.4
EBITDA, EUR million	13.3	9.8	36.6
Comparable EBITDA, EUR million	13.3	9.8	36.6
Operating result, EUR million	11.3	8.7	32.3
Comparable operating result, EUR million	11.3	8.7	32.3
% of sales	2.1	1.8	1.6
Comparable ROCE, %	28.6	24.1	20.7
Capital expenditure, EUR million	2.9	0.9	4.2
Personnel at end of period	837	855	844

	2019	2018	2018
Wood Products Industry	1–3	1–3	1–12
Sales, EUR million	111.3	108.7	441.7
EBITDA, EUR million	6.0	9.8	30.2
Comparable EBITDA, EUR million	6.0	9.8	30.2
Operating result, EUR million	1.8	6.2	16.6
Comparable operating result, EUR million	1.8	6.2	16.6
% of sales	1.7	5.7	3.8
Comparable ROCE, %	2.6	10.7	7.0
Capital expenditure, EUR million	11.4	26.6	82.6
Personnel at end of period	1 571	1 464	1 506

	2019	2018	2018
Pulp and Sawn Timber Industry	1–3	1–3	1–12
Sales, EUR million	622.8	600.5	2 469.1
EBITDA, EUR million	147.6	184.6	792.4
Comparable EBITDA, EUR million	147.6	184.6	792.4
Operating result, EUR million	122.4	144.9	668.8
Comparable operating result, EUR million	122.4	144.9	668.8
% of sales	19.7	24.1	27.1
Comparable ROCE, %	24.4	32.8	34.7
Capital expenditure, EUR million	7.8	3.9	62.4
Personnel at end of period	1 277	1 237	1 210

	2019	2018	2018
Paperboard Industry	1–3	1–3	1–12
Sales, EUR million	487.1	492.3	1 944.1
EBITDA, EUR million	99.3	94.3	338.2
Comparable EBITDA, EUR million	89.3	94.3	343.8
Operating result, EUR million	71.9	69.0	246.3
Comparable operating result, EUR million	61.8	69.0	251.9
% of sales	12.7	14.0	13.0
Comparable ROCE, %	14.4	15.8	14.4
Capital expenditure, EUR million	6.4	10.5	70.3
Personnel at end of period	2 382	2 402	2 352

	2019	2018	2018
Tissue and Greaseproof Papers	1–3	1–3	1–12
Sales, EUR million	267.3	258.8	1 039.8
EBITDA, EUR million	21.7	21.6	73.6
Comparable EBITDA, EUR million	21.7	21.6	73.6
Operating result, EUR million	10.5	12.3	36.3
Comparable operating result, EUR million	10.5	12.3	36.3
% of sales	3.9	4.7	3.5
Comparable ROCE, %	6.6	8.1	5.7
Capital expenditure, EUR million	1.6	6.0	48.0
Personnel at end of period	2 856	2 826	2 865

	2019	2018	2018
Other operations	1–3	1–3	1–12
Sales, EUR million	2.0	1.3	5.4
EBITDA, EUR million	-0.2	-0.2	-2.6
Comparable EBITDA, EUR million	-0.2	-0.2	-2.6
Operating result, EUR million	-1.4	-0.9	-5.6
Comparable operating result, EUR million	-1.4	-0.9	-5.6
Capital expenditure, EUR million	0.7	0.7	7.1
Personnel at end of period	570	499	533

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

	2019	2018	2018
Internal sales and eliminations	1–3	1–3	1–12
Sales, EUR million	-578.6	-523.7	-2 174.3
EBITDA, EUR million	-31.5	-29.5	-140.6
Comparable EBITDA, EUR million	-24.7	-29.5	-140.6
Operating result, EUR million	-33.6	-32.2	-151.7
Comparable operating result, EUR million	-26.8	-32.2	-151.7

	2019	2018	2018
Metsä Group	1–3	1–3	1–12
Sales, EUR million	1 437.7	1 427.8	5 709.1
EBITDA, EUR million	256.2	290.4	1 127.8
Comparable EBITDA, EUR million	253.0	290.4	1 133.4
Operating result, EUR million	183.0	207.9	843.0
Comparable operating result, EUR million	179.7	207.9	848.5
% of sales	12.5	14.6	14.9
Comparable ROCE, %	13.8	16.6	16.8
Capital expenditure, EUR million	31.2	48.2	271.9
Personnel at end of period	9 492	9 281	9 310

RECONCILIATION OF OPERATING RESULT AND EBITDA

EUR million	2019	2018	2018
	1–3	1–3	1–12
OPERATING RESULT (IFRS)	183.0	207.9	843.0
Depreciation and impairment charges	73.2	82.5	284.8
EBITDA	256.2	290.4	1 127.8
Items affecting comparability:			
Paperboard Industry	-10.0	-	5.6
Elimination	6.8	-	-
Total	-3.3	0.0	5.6
COMPARABLE EBITDA	253.0	290.4	1 133.4
Depreciation and impairment charges	-73.2	-82.5	-284.8
Items affecting comparability:			
Depreciation	-	-	-
Impairment charges and reversals	-	-	-
COMPARABLE OPERATING RESULT	179.7	207.9	848.5

EUR million	2019	2018	2018
	1–3	1–3	1–12
OPERATING RESULT (IFRS)	183.0	207.9	843.0
Depreciation and impairment charges	73.2	82.5	284.8
EBITDA	256.2	290.4	1 127,8
Items affecting comparability:			
Other operating income	-3.3	-	-
Employee costs	-	-	4.1
Other operating expenses	-	-	1.5
Total	-3.3	0.0	5.6
COMPARABLE EBITDA	253.0	290.4	1 133.4
Depreciation and impairment charges	-73.2	-82.5	-284.8
Items affecting comparability:			
Depreciation	-	-	-
Impairment charges	-	-	-
COMPARABLE OPERATING RESULT	179.7	207.9	848.5

Items with “+” sign = expenses affecting comparability
Items with “-” sign = income affecting comparability

Items affecting comparability during the first quarter of 2019 amounted to EUR 3.3 million (0.0). The item comprises the capital gain on the shares in Liaison Technologies Inc., included in Metsä Board’s non-operative investments in shares. The EUR 6.8 million sales gain recognised by Metsä Board from the disposal of the Äänevoima Oy shares to Metsä Fibre has been eliminated as an internal item from Metsä Group’s figures.

No items affecting comparability were recognised during the first quarter of 2018.

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.

QUARTERLY DATA

EUR million	2019 1–3	2018 10–12	2018 7–9	2018 4–6	2018 1–3
Sales					
Wood Supply and Forest Services	525.8	526.4	471.4	495.7	489.9
Wood Products Industry	111.3	107.8	105.9	119.4	108.7
Pulp and Sawn Timber Industry	622.8	630.1	609.5	629.0	600.5
Paperboard Industry	487.1	458.0	475.1	518.7	492.3
Tissue and Greaseproof Papers	267.3	270.3	254.3	256.3	258.8
Other operations	2.0	1.7	1.2	1.2	1.3
Internal sales	-578.6	-575.4	-531.4	-543.8	-523.7
Sales	1 437.7	1 419.0	1 385.8	1 476.5	1 427.8
Operating result					
Wood Supply and Forest Services	11.3	8.9	8.9	5.8	8.7
Wood Products Industry	1.8	2.2	2.8	5.5	6.2
Pulp and Sawn Timber Industry	122.4	172.1	186.9	164.9	144.9
Paperboard Industry	71.9	60.1	63.7	53.6	69.0
Tissue and Greaseproof Papers	10.5	6.1	6.4	11.5	12.3
Other operations	-1.4	-4.4	1.6	-1.8	-0.9
Eliminations	-33.6	-37.3	-47.2	-34.9	-32.2
Operating result	183.0	207.6	223.1	204.5	207.9
% of sales	12.7	14.6	16.1	13.8	14.6
Share of results from associated companies and joint ventures	-0.4	2.5	3.7	0.0	0.7
Exchange gains and losses	-2.6	-0.4	-1.4	-1.0	-3.5
Other net financial items	-13.4	-16.8	-17.3	-19.9	-20.6
Result before income tax	166.6	192.8	208.2	183.6	184.5
Income tax	-33.9	-39.0	-38.3	-40.8	-38.3
Result for the period	132.7	153.8	169.8	142.8	146.3
Comparable operating result					
Wood Supply and Forest Services	11.3	8.9	8.9	5.8	8.7
Wood Products Industry	1.8	2.2	2.8	5.5	6.2
Pulp and Sawn Timber Industry	122.4	172.1	186.9	164.9	144.9
Paperboard Industry	61.8	60.1	63.7	59.2	69.0
Tissue and Greaseproof Papers	10.5	6.1	6.4	11.5	12.3
Other operations and eliminations	-28.2	-41.7	-45.7	-36.8	-33.2
Comparable operating result	179.7	207.6	223.0	210.1	207.9
% of sales	12.5	14.6	16.1	14.2	14.6

CALCULATION OF KEY RATIOS

Return on capital employed (%) ROCE	=	(Result before tax + exchange gains/losses and other net financial 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	2019 1–12	2018 1–3	Change	2018 1–12
Sales	2, 3	1 437.7	1 427.8	9.9	5 709.1
Change in stocks of finished goods and work in progress		2.4	-56.4	58.9	54.0
Other operating income		17.1	10.3	6.8	58.1
Material and services		-957.0	-840.5	-116.5	-3 688.0
Employee costs		-154.1	-158.7	4.6	-634.7
Depreciation and impairment losses		-73.2	-82.5	9.3	-284.8
Other operating expenses		-89.9	-92.0	2.1	-370.8
Operating result	2	183.0	207.9	-24.9	843.0
Share of results from associated companies and joint ventures		-0.4	0.7	-1.1	7.0
Exchange gains and losses		-2.6	-3.5	0.9	-6.3
Other net financial items	2	-13.4	-20.6	7.2	-74.6
Result before income tax		166.6	184.5	-17.9	769.1
Income tax	4	-33.9	-38.3	4.4	-156.4
Result for the period		132.7	146.3	-13.6	612.7
Other comprehensive income					
Items that will not be reclassified to profit and loss					
Items relating to adjustments of defined benefit plans		-4.4	5.3	-9.6	4.2
Fair value of financial assets through other comprehensive income		11.8	5.1	6.7	31.2
Income tax relating to items that will not be reclassified		-1.4	-2.0	0.6	-6.6
Yhteensä		6.1	8.4	-2.3	28.8
Items that may be reclassified subsequently to profit and loss					
Cash flow hedges		-31.8	-2.4	-29.4	5.1
Currency translation differences		1.6	-18.5	20.0	-21.3
Share of comprehensive income of joint venture		0.0	0.0	0.0	0.0
Income tax relating to items that may be reclassified		6.5	0.4	6.1	-1.2
Total		-23.8	-20.4	-3.4	-17.4
Other comprehensive income, net of tax		-17.7	-12.0	-5.7	11.4
Total comprehensive income for the period		114.9	134.2	-19.3	624.1
Result for the period attributable to:					
Members of parent company		79.1	87.3	-8.2	371.8
Non-controlling interests		53.5	58.9	-5.4	240.9
Total		132.7	146.3	-13.6	612.7
Total comprehensive income attributable to:					
Members of parent company		67.1	79.9	-12.7	373.6
Non-controlling interests		47.8	54.4	-6.6	250.5
Total		114.9	134.2	-19.3	624.1

The notes are an integral part of this report.

UNAUDITED CONSOLIDATED BALANCE SHEET

EUR million	Note	2019 31.3.	2018 31.3.	2018 31.12.
ASSETS				
Non-current assets				
Goodwill		507.1	508.4	508.8
Other intangible assets		238.8	250.6	242.8
Tangible assets	5	2 899.1	2 823.1	2 847.6
Biological assets		2.9	3.1	3.0
Investments in associated companies and joint ventures		67.5	50.4	65.8
Other investments	9	296.9	259.4	285.1
Other non-current financial assets	9	34.1	34.4	38.6
Deferred tax receivables		28.1	25.8	26.9
		4 074.6	3 955.2	4 018.6
Current assets				
Inventories		1 062.7	860.6	990.8
Accounts receivables and other receivables		856.0	846.9	791.6
Tax receivables based on the taxable income for the period		8.6	8.8	7.6
Cash and cash equivalents	9	919.8	920.7	1 083.9
		2 847.2	2 637.0	2 873.7
Assets classified as held for sale		1.0	2.4	1.1
Total assets		6 922.8	6 594.6	6 893.4
MEMBERS' FUNDS AND LIABILITIES				
Members' funds				
Members' funds		2 856.6	2 353.1	2 750.5
Non-controlling interests		830.6	706.9	905.0
		3 687.1	3 060.0	3 655.6
Non-current liabilities				
Deferred tax liabilities		292.4	261.8	290.8
Post-employment benefit obligations		79.0	77.0	77.1
Provisions	6	16.4	19.5	21.4
Borrowings	9	1 114.1	1 373.7	1 098.8
Other liabilities		21.3	17.7	18.1
		1 523.2	1 749.7	1 506.2
Current liabilities				
Provisions	6	8.3	2.8	5.2
Current borrowings	9	456.1	591.1	453.4
Accounts payable and other liabilities		1 229.8	1 174.9	1 206.7
Tax liabilities based on the taxable income for the period		17.8	14.6	65.8
		1 712.0	1 783.4	1 731.1
Liabilities classified as held for sale		0.4	1.5	0.5
Total liabilities		3 235.7	3 534.6	3 237.8
Total members' funds and liabilities		6 922.8	6 594.6	6 893.4

The notes are an integral part of this report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS

Equity attributable to members of parent company							
EUR million	Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total
Members' funds 1.1.2018	813.4	-19.5	228.6	1 229.1	2 251.6	729.1	2 980.7
Result for the period				87.3	87.3	58.9	146.3
Other comprehensive income, net after tax		-10.9	0.1	3.3	-7.5	-4.6	-12.0
Total comprehensive income		-10.9	0.1	90.7	79.9	54.4	134.2
Transactions with owners:							
Dividends paid				4.2	4.2	-78.9	-74.7
Change in members' capital	27.6			-3.2	24.5		24.5
Share based payments				-6.9	-6.9	-1.0	-7.8
Acquired shares from non-controlling interests, which did not change the controlling right			0.0		0.0		0.0
Sold shares from non-controlling interests, which did not change the controlling right			-0.0	-0.1	-0.2	3.3	3.1
Members' funds 31.3.2018	841.0	-30.4	228.7	1 313.8	2 353.1	706.9	3 060.0

Equity attributable to members of parent company							
EUR million	Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total
Members' funds 1.1.2019	994.7	-34.8	492.8	1 297.8	2 750.5	905.0	3 655.6
Result for the period				79.1	79.1	53.5	132.7
Other comprehensive income, net after tax		2.1	-11.1	-3.0	-12.0	-5.8	-17.7
Total comprehensive income		2.1	-11.1	76.1	67.1	47.8	114.9
Transactions with owners:							
Dividends paid				3.6	3.6	-84.5	-81.0
Change in members' capital	45.6			-4.0	41.5		41.5
Change in the reserve for invested unrestricted equity					0.0	-39.9	-39.9
Share based payments				-5.6	-5.6	-0.9	-6.4
Sold shares from non-controlling interests, which did not change the controlling right			-0.0	-0.6	-0.7	3.1	2.4
Members' funds 31.3.2019	1 040.3	-32.6	481.7	1 367.2	2 856.6	830.6	3 687.1

The notes are an integral part of this report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2019 1–3	2018 1–3	2018 1–12
Result for the period	8	132.7	146.3	612.7
Total adjustments	8	117.9	153.7	525.0
Change in working capital		-210.0	-265.9	-255.4
Cash flow arising from operations		40.6	34.0	882.2
Net financial items		-3.4	-4.9	-58.3
Income taxes paid		-77.3	-17.3	-62.7
Net cash flow arising from operating activities		-40.1	11.7	761.3
Acquisitions		-7.5	0.0	-10.0
Investments in tangible and intangible assets		-31.2	-48.2	-271.9
Disposals and other items	8	7.1	0.7	17.7
Net cash flow arising from investing activities		-31.6	-47.5	-264.2
Change in members' funds		41.5	24.5	112.2
Change in other equity		0.0	0.0	0.0
Change in non-controlling interest		0.0	0.0	0.0
Change in long-term loans and other financial items		-70.7	-105.3	-455.1
Dividends paid		-63.5	-35.0	-142.1
Net cash flow arising from financing activities		-92.7	-115.8	-484.9
Change in cash and cash equivalents		-164.4	-151.5	12.1
Cash and cash equivalents at beginning of period		1 083.9	1 072.4	1 072.4
Translation difference		0.4	-0.2	-0.7
Change in cash and cash equivalents		-164.4	-151.5	12.1
Cash and cash equivalents at end of period		919.8	920.7	1 083.9

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 interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2018 IFRS financial statements. The effects of foreign exchange

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 2018 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 2019 Metsä Group has adopted 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 has 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 has been treated as short-term leases. The Group has applied the definition of new leases in accordance with IFRS 16 to new and amended agreements signed during or after the transition period. The Group has apply hindsight in the determination of a lease term when the lease includes extension or termination options. The company has applied a simplified approach to the adoption of the standard. The comparative information has not be adjusted.

Reconciliation of IFRS 16 Leases	EUR million
Operating lease commitments disclosed as at 31 December 2018 in Note 8.1 Commitments and Contingencies	86.6
Less: short-term leases recognised on a straight-line basis as expense	-5.4
Less: low-value ICT leases recognised on a straight-line basis as expense	-7.7
Less: service agreements recognised on a straight-line basis as expense	-5.6
	67.9
Discounted using the Group’s incremental borrowing rate of 2.76%	61.1
Add: finance lease liabilities recognised as at 31 December 2018	39.2
Add: adjustments as a result of different treatment of extension options	4.6
Add: adjustments as a result of different treatment of agreements with indefinite duration	9.8
Add/less: other adjustments	0.3
Lease liability recognised as at 1 January 2019	114.9

The change has only a minor effect on the Group’s result for the financial period and on the Group’s key figures. The new rules 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 any significant effect on the 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 April 26, 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	1–3/2019			1–3/2018		
	External	Internal	Total	External	Internal	Total
Wood Supply and Forest Services	137.8	388.0	525.8	133.9	356.1	489.9
Wood Products Industry	105.4	5.9	111.3	102.7	5.9	108.7
Pulp and Sawn Timber Industry	468.7	154.1	622.8	461.7	138.8	600.5
Paperboard Industry	458.7	28.4	487.1	470.9	21.4	492.3
Tissue and Greaseproof Papers	267.1	0.2	267.3	258.6	0.3	258.8
Other operations	0.0	2.0	2.0	0.0	1.3	1.3
Elimination of internal sales	-	-578.6	-578.6	-	-523.7	-523.7
Total sales	1 437.7	0.0	1 437.7	1 427.8	0.0	1 427.8

EUR million	1–12/2018		
	External	Internal	Total
Wood Supply and Forest Services	524.7	1 458.7	1 983.4
Wood Products Industry	417.9	23.8	441.7
Pulp and Sawn Timber Industry	1 875.6	593.5	2 469.1
Paperboard Industry	1 852.0	92.1	1 944.1
Tissue and Greaseproof Papers	1 038.9	0.9	1 039.8
Other operations	0.1	5.3	5.4
Elimination of internal sales	-	-2 174.3	-2 174.3
Total sales	5 709.1	0.0	5 709.1

OPERATING RESULT BY SEGMENTS

EUR million	2019		2018	
	1–3	1–3	1–3	1–12
Wood Supply and Forest Services		11.3	8.7	32.3
Wood Products Industry		1.8	6.2	16.6
Pulp and Sawn Timber Industry		122.4	144.9	668.8
Paperboard Industry		71.9	69.0	246.3
Tissue and Greaseproof Papers		10.5	12.3	36.3
Other operations		-1.4	-0.9	-5.6
Eliminations		-33.6	-32.2	-151.7
Operating result total		183.0	207.9	843.0
Share of results from associated companies and joint ventures		-0.4	0.7	7.0
Financial costs, net		-16.0	-24.1	-80.9
Income taxes		-33.9	-38.3	-156.4
Result for the period		132.7	146.3	612.7

ASSETS AND LIABILITIES BY SEGMENTS

Assets	2019	2018	2018
EUR million	31.3.	31.3.	31.12.
Wood Supply and Forest Services	414.6	360.6	327.4
Wood Products Industry	362.3	297.1	326.5
Pulp and Sawn Timber Industry	2 096.2	1 992.2	2 051.7
Paperboard Industry	2 170.7	2 018.1	2 164.4
Tissue and Greaseproof Papers	943.0	899.9	917.5
Other operations	278.3	230.4	211.1
Assets classified as held for sale	1.0	2.4	1.1
Eliminations	-342.4	-294.9	-247.3
Unallocated assets	999.0	1 088.9	1 141.0
Total	6 922.8	6 594.6	6 893.4

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

Liabilities	2019	2018	2018
EUR million	31.3.	31.3.	31.12.
Wood Supply and Forest Services	275.0	242.4	274.3
Wood Products Industry	74.7	75.0	66.1
Pulp and Sawn Timber Industry	432.9	401.0	444.1
Paperboard Industry	499.0	456.0	400.9
Tissue and Greaseproof Papers	303.1	318.6	296.2
Other operations	96.2	74.8	86.1
Assets classified as held for sale	0.4	1.5	0.5
Eliminations	-342.4	-294.9	-247.3
Unallocated assets	1 896.7	2 260.1	1 916.8
Total	3 235.7	3 534.6	3 237.8

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

NOTE 3 – SALES BY MARKET AREA

EUR million	2019	2018	2018
	1–3	1–3	1–12
EMEA	1 054.2	1 062.0	4 251.2
APAC	270.4	271.5	1 062.0
Americas	113.1	94.3	395.9
Total	1 437.7	1 427.8	5 709.1

NOTE 4 – INCOME TAX

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

EUR million	2019	2018	2018
	1–3	1–3	1–12
Taxes for the period	28.1	33.2	130.7
Taxes for previous periods	0.0	-0.1	0.5
Change in deferred taxes	5.7	5.2	25.2
Total income taxes	33.9	38.3	156.4

NOTE 5 – CHANGE IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2019 1–3	2018 1–3	2018 1–12
Book value at beginning of period	2 847.6	2 867.0	2 867.0
IFRS 16 change in accounting principles 1.1.2019	75.7	0.0	0.0
Investments	47.7	52.1	264.3
Decreases	-0.6	-0.3	-1.0
Assets classified as held for sale	0.0	0.0	-0.5
Depreciation and impairment losses	-68.1	-76.3	-260.3
Translation differences and other changes	-3.1	-19.4	-21.9
Book value at end of period	2 899.1	2 823.1	2 847.6

NOTE 6 – PROVISIONS

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2019	5.0	16.1	5.4	26.6
Translation differences	-0.1		0.1	0.0
Increases	0.0	0.1	0.3	0.4
Utilised during the year	-1.8	0.0	-0.5	-2.3
Unused amounts reversed				0.0
At 31 March 2019	3.2	16.2	5.3	24.7

Of the Metsä Group's total provisions of EUR 24.7 million, the non-current portion was EUR 16.4 million and the current portion EUR 8.3 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	2019 1–3	2018 1–3	2018 1–12
Sales	1.4	1.5	12.1
Purchases	24.8	20.4	101.2
Non-current receivables	-	0.9	-
Current receivables	2.1	2.6	5.1
Current liabilities	24.1	5.2	26.3

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

Milj. euroa	2019 1–3	2018 1–3	2018 1–12
Taxes	33.9	38.3	156.4
Depreciation and impairment charges	73.2	82.5	284.8
Biological assets	0.1	0.1	0.1
Share of results from associated companies	0.4	-0.7	-7.0
Gains and losses on sale of non-current financial assets	-6.1	2.3	-12.8
Financial costs, net	16.0	24.1	80.9
Pension liabilities and provisions	-1.8	-0.0	3.0
Other adjustments	2.2	7.2	19.6
Total	117.9	153.7	525.0

Disposals and other items

Disposals and other items in January–March 2019 include a capital gain of EUR 3.3 million from Metsä Board's shares in Liaison Technologies Inc. included in other investments, sales of intangible and tangible assets of EUR 4.0 million and other items of EUR -0.2 million. Most significant items were the sales of emission allowances of EUR 3.0 million by Metsä Board and EUR 0.9 million by Metsä Wood.

NOTE 9 – FAIR VALUES OF FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities and fair values.

Financial assets 31.3.2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Other non-current investments	7.2	287.9		296.9
Other non-current financial assets			26.6	26.6
Accounts receivables and others			842.6	842.6
Cash and cash equivalents	186.9		732.9	919.8
Derivative financial instruments	0.2	16.8		17.0
Assets classified as held for sale				
Total	194.3	306.5	1 602.2	2 102.9
Fair value total	194.3	306.5	1 602.2	2 102.9

Financial liabilities 31.3.2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Non-current interest-bearing liabilities			1 114.1	1 114.1
Other non-current liabilities			0.9	0.9
Current interest-bearing liabilities			456.1	456.1
Accounts payable and others			1 118.5	1 118.5
Derivative financial instruments	3.9	37.2		41.1
Liabilities classified as held for sale			0.4	0.4
Total	3.9	37.2	2 690.0	2 731.2
Fair value total	3.9	37.2	2 690.0	2 745.9

Financial assets 31.3.2018

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Other non-current investments	7.6	251.8		259.4
Other non-current financial assets			27.2	27.2
Accounts receivables and others			830.9	830.9
Cash and cash equivalents	181.5		739.2	920.7
Derivative financial instruments	0.2	18.3		18.5
Assets classified as held for sale				
Total	189.3	270.1	1 597.3	2 056.7
Fair value total	189.3	270.1	1 597.3	2 056.7

Financial liabilities 31.3.2018

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Non-current interest-bearing liabilities			1 373.7	1 373.7
Other non-current liabilities			0.8	0.8
Current interest-bearing liabilities			591.1	591.1
Accounts payable and others			1 057.3	1 057.3
Derivative financial instruments	0.6	14.8		15.4
Liabilities classified as held for sale			1.5	1.5
Total	0.6	14.8	3 024.5	3 039.8
Fair value total	0.6	14.8	3 039.3	3 054.7

Fair value hierarchy of financial assets and liabilities 31 March, 2019

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other non-current investments	0.0		296.9	296.9
Current financial assets through profit and loss at fair value	186.9			186.9
Derivative financial assets	17.0	0.0		17.0
Financial liabilities measured at fair value				
Derivative financial liabilities		41.1		41.1
Financial assets not measured at fair value				
Financial assets		732.9		732.9
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1 128.2		1 128.2
Current interest-bearing liabilities		457.2		457.2

Fair value hierarchy of financial assets and liabilities 31 March, 2018

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other non-current investments	0.0		259.4	259.4
Current financial assets through profit and loss at fair value	181.5			181.5
Derivative financial assets	14.8	3.7		18.5
Financial liabilities measured at fair value				
Derivative financial liabilities		15.4		15.4
Financial assets not measured at fair value				
Financial assets		739.2		739.2
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1 383.9		1 383.9
Current interest-bearing liabilities		595.7		595.7

Financial assets measured at fair value based on level 3

EUR million	2019	2018
Opening balance 1 January	285.1	254.3
Gains and losses in income statement	3.3	0.0
Gains and losses in other comprehensive income	11.8	5.1
Purchases	0.0	0.0
Settlements	-3.3	0.0
Closing balance 31 March	296.9	259.4

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 2018 Financial Statements. The average weighed capital cost applied in the calculation was 1.67% on 31 March 2019 and for the Olkiluoto 3 power plant under construction 2.67%. The acquisition cost of the Pohjolan Voima Oyj shares is EUR 42.0 million and their fair value is EUR 289.7 million.

The carrying amount of Pohjolan Voima Oyj as of 31 March 2019 is estimated to change by EUR 3.5 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 41.0 million should the energy prices applied in the fair value calculation differ by 10% from the rate estimated by the management.

Derivatives 31 March 2019

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	556.3		18.7	-18.7	-1.2	-17.6
Total	556.3	0.0	18.7	-18.7	-1.2	-17.6
Currency forwards	2 447.2	0.0	21.7	-21.7	-2.8	-18.9
Currency options	801.0		0.7	-0.7		-0.7
Total	3 248.2	0.0	22.4	-22.4	-2.8	-19.6
Electricity derivatives	34.9	15.4		15.4		15.4
Oil derivatives	9.8	1.2		1.2		1.2
Commodity derivatives	6.4	0.4		0.4	0.2	0.2
Total	51.0	17.0	0.0	17.0	0.2	16.8
Derivatives total	3 855.5	17.0	41.1	-24.2	-3.8	-20.4

Derivatives 31 March 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	1 036.3		12.2	-12.2	-0.2	-12.0
Total	1 036.3	0.0	12.2	-12.2	-0.2	-12.0
Currency forwards	1 996.8	0.2	3.1	-2.9	-0.1	-2.8
Currency options	113.6		0.0	-0.0		-0.0
Total	2 110.4	0.2	3.1	-2.9	-0.1	-2.8
Electricity derivatives	64.5	13.3		13.3		13.3
Pulp derivatives	17.4	3.5		3.5		3.5
Oil derivatives	8.6	0.7		0.7		0.7
Commodity derivatives	7.6	0.9		0.9		0.9
Total	98.1	18.3	0.0	18.3	0.0	18.3
Derivatives total	3 244.8	18.5	15.4	3.2	-0.3	3.5

NOTE 10 – COMMITMENTS AND CONTINGENCIES

EUR million	31.3.2019	31.3.2018	31.12.2018
Own liabilities for which commitments granted	89.2	296.8	90.0
Pledges granted	76.2	455.6	299.6
Floating charges	2.8	2.8	2.8
Real estate mortgages	267.7	269.4	267.8
Chattels mortgage	4.0	4.0	4.0
Commitments for own liabilities, total	350.7	731.7	574.1
Other commitments on own behalf	39.5	97.6	113.3
On behalf of associated companies	0.7	0.8	0.7
On behalf of others	0.0	0.0	0.0
Total	390.9	830.1	688.2

Securities and guarantees include pledges, floating charges, real estate mortgages, chattels mortgage and guarantee liabilities. Starting from 1 January 2019, rent

commitments included in other commitments on own behalf are recognised in the balance sheet as right of use assets and liabilities according to IFRS 16.

COMMITMENTS RELATED TO INVESTMENTS

EUR million	31.3.2019	31.3.2018	31.12.2018
Payments due under 1 year	22.9	68.1	37.5
Payments due in subsequent years	-	-	-
Total	22.9	68.1	37.5