

METSÄ GROUP

INTERIM REPORT

JANUARY–SEPTEMBER 2017



METSÄ GROUP'S COMPARABLE OPERATING RESULT IN JANUARY–SEPTEMBER 2017 WAS EUR 381 MILLION

JANUARY–SEPTEMBER 2017 (1–9/2016)

- Sales were EUR 3,712 million (3,483).
- Operating result was EUR 397 million (333). Comparable operating result was EUR 381 million (332).
- Result before tax was EUR 345 million (275). Comparable result before tax was EUR 330 million (275).
- Comparable return on capital employed was 11.2 per cent (10.5). Comparable return on capital employed excluding investments related to the bioproduct mill was 14.0 per cent (11.9).
- Cash flow from operations was EUR 611 million (298).

JULY–SEPTEMBER 2017 (7–9/2016)

- Sales were EUR 1,260 million (1,143).
- Operating result was EUR 143 million (107). Comparable operating result was EUR 134 million (103).
- Result before tax was EUR 109 million (89). Comparable result before tax was EUR 100 million (85).
- Comparable return on capital employed was 10.8 per cent (9.8). Comparable return on capital employed excluding investments related to the bioproduct mill was 13.7 per cent (11.1).
- Cash flow from operations was EUR 420 million (177).

EVENTS DURING THE THIRD QUARTER OF 2017

- Metsä Fibre's bioproduct mill in Äänekoski, Finland, started up according to the schedule in August.
- The currency-denominated market price of long-fibre pulp and the market price of short-fibre pulp increased by 4 per cent and 12 per cent, respectively, compared to the previous quarter.
- Demand for paperboards was at a good level.
- Metsä Forest began harvesting for the purposes of the bioproduct mill's production. The purchasing of wood had already begun in 2016.
- Metsä Wood's new Kerto® LVL line in Lohja, Finland, started up.
- The foundation stone of Metsä Wood's new birch plywood mill was laid in Pärnu, Estonia.

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.

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- Metsä Wood announced its plan to construct a new Kerto® LVL line at its Punkaharju mill in Finland.
- Metsä Board issued an unsecured bond of EUR 250 million.
- Moody's Investors Service upgraded Metsä Board's credit rating from Ba2 to Ba1.

RESULT GUIDANCE FOR OCTOBER–DECEMBER 2017

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

President and CEO Kari Jordan:

"Metsä Group's profitability during the first three quarters in 2017 was better than in the previous year. In particular, the result improved by higher paperboard delivery volumes and rises in pulp prices."

"We started the construction of the Äänekoski bioproduct mill in April 2015, and the mill started up in mid-August 2017 – exactly on schedule and within budget. We have shown that major projects can be implemented in Finland competitively and in line with the highest quality standards. The project was made possible by careful planning and highly committed employees, as well as open, constructive cooperation between the project parties. Since the start-up, the mill's production has increased in line with the planned start-up curve."

"The investment programme of the Wood Products Industry is also progressing according to plan. In August, we started up the new Kerto® LVL line at Lohja and laid the foundation stone of the new birch plywood mill under construction in Pärnu, Estonia. At the moment, we are converting the old paper machine hall in Äänekoski into a birch veneer mill. As a result of the strong demand for Kerto® LVL, we are also planning to expand production at the Punkaharju mill. The final investment decision will be made by the end of the year."

"The global economic outlook is positive. We will continue to increase sales in our main markets. Finland's increasingly better-growing forests act as significant"

carbon sinks. Following a vote of the Council of Europe in October on the LULUCF Regulation, our country may in the future incur notional emissions for the increasingly efficient use of our forest assets. Finland

must continue its efforts to influence decisions to achieve a better outcome.”

KEY FIGURES

	2017	2016	2017	2016	2016
Condensed income statement, EUR million	1–9	1–9	7–9	7–9	1–12
Sales	3 711.8	3 482.7	1 260.4	1 143.3	4 657.9
Other operating income	43.4	52.3	17.7	27.1	70.5
Operating expenses	-3 179.2	-3 011.6	-1 070.1	-998.0	-4 041.8
Depreciation and impairment losses	-179.3	-190.8	-64.7	-65.0	-244.3
Operating result	396.7	332.7	143.3	107.4	442.3
Share of results from associated companies and joint ventures	15.9	-1.4	-3.0	-0.5	-1.1
Exchange gains and losses	-3.3	0.8	-0.7	1.3	-5.7
Other net financial items	-64.1	-56.5	-30.9	-18.7	-74.9
Result before income tax	345.2	275.5	108.6	89.5	360.6
Income tax	-65.8	-63.8	-22.0	-21.7	-80.7
Result for the period	279.4	211.7	86.6	67.8	279.9

	2017	2016	2017	2016	2016
Profitability	1–9	1–9	7–9	7–9	1–12
Operating result, EUR million	396.7	332.7	143.3	107.4	442.3
Comparable operating result	381.2	332.1	134.3	102.8	438.6
% of sales	10.3	9.5	10.7	9.0	9.4
Return on capital employed, %	11.6	10.6	11.5	10.2	10.2
Comparable return on capital employed	11.2	10.5	10.8	9.8	10.2
Return on equity, %	13.7	11.5	12.4	10.9	11.2
Comparable return on equity	13.0	11.5	11.1	10.2	11.0

	2017	2016	2017	2016	2016
Financial position	30.9.	30.9.	30.6.	30.6.	31.12.
Equity ratio, %	43.4	44.0	45.3	44.8	43.9
Net gearing ratio, %	41	40	45	38	40
Interest-bearing net liabilities, EUR million	1 165	991	1 252	945	1 033

SEGMENTS

Sales and Operating result 1–9/2017, EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paperboard Industry	Tissue and Cooking Papers
Sales	1 205.8	351.6	1 323.7	1 397.3	753.1
Other operating income	2.4	5.8	14.6	21.7	2.7
Operating expenses	-1 186.4	-320.1	-1 087.5	-1 198.0	-676.2
Depreciation and impairment losses	-3.0	-8.9	-57.3	-68.2	-28.9
Operating result	18.9	28.5	193.6	152.7	50.7
Items affecting comparability	-	-1.8	0.1	-13.6	-0.1
Comparable operating result	18.9	26.7	193.7	139.1	50.7
% of sales	1.6	7.6	14.6	10.0	6.7

THIS INTERIM REPORT IS UNAUDITED**INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2017****SALES AND RESULT**

Metsä Group's sales in January–September were EUR 3,711.8 million (1–9/2016: 3,482.7). The growth in sales was primarily the result of greater delivery volumes.

The comparable operating result was EUR 381.2 million (332.1), or 10.3 per cent (9.5) of sales. The operating result improved compared to the previous year due to the positive development in the pulp and paperboard operations. Higher sales volumes improved the operating result in tissue and cooking papers.

Sales in the third quarter of the year totalled EUR 1,260.4 million, whereas sales for the corresponding period last year were EUR 1,143.3 million. The comparable operating result was EUR 134.3 million (7–9/2016: 102.8).

Items affecting the comparability of the operating result in January–September amounted to EUR +15.4 million (+0.5). The most significant items consisted of the recognition of translation differences accumulated by the subsidiaries dissolved in England, the reversal of an impairment carried out in connection with the sale of Kyro mill's closed paper machine, and the divestment of Metsä Wood's project business.

Metsä Group's operating result (IFRS) was EUR 396.7 million (332.7). The share of the results of associated companies and joint ventures was EUR 15.9 million (-1.4), financial income was EUR 3.3 million (3.0), exchange rate differences in financing were EUR -3.3 million (0.8), and financial expenses totalled EUR 67.4 million (59.5).

The result before taxes was EUR 345.2 million (275.5), and taxes including changes in deferred tax liabilities totalled EUR 65.8 million (63.8). The Group's effective tax rate was 19.1 per cent (23.1). The result for the review period was EUR 279.4 million (211.7).

The return on capital employed was 11.6 per cent (10.6), and the return on equity was 13.7 per cent (11.5).

The comparable return on capital employed was 11.2 per cent (10.5), and the comparable return on equity was 13.0 per cent (11.5). Comparable return on capital employed excluding investments related to the bioproduct mill was 14.0 per cent (11.9).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity is good. Total liquidity at the end of September was EUR 1,899.9 million (31 December 2016: 1,801.4). This consisted of EUR 993.8 million (895.1) in liquid assets and investments, and EUR 906.1 million (906.3) in off-balance sheet committed credit facility agreements. In addition, the Group has EUR

250.4 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 September was 43.4 per cent and net gearing was 41 per cent (31 December 2016: 43.9 and 40, respectively). Interest-bearing net liabilities were EUR 1,164.8 million (31 December 2016: 1,032.6).

Cash flow from operations amounted to EUR 610.7 million (1–9/2016: 298.2). The working capital has decreased by EUR 53.4 million this year. While EUR 81.6 million was tied up in trade and other receivables, inventories decreased by EUR 13.9 million and accounts payable and other liabilities increased by EUR 121.1 million. Other liabilities include the estimated amount of accounts payable remaining in relation to the investments in the bioproduct mill, some EUR 150 million.

At the end of September, the equity ratio of the parent company Metsäliitto Cooperative was 71.9 per cent, and its net gearing was -11 per cent (31 December 2016: 69.6 and -7, respectively).

In January–September, Metsäliitto Cooperative's members' capital increased by a total of EUR 49.1 million (32.3). The value of participation shares grew by EUR 6.8 million (8.0) and that of additional A shares by EUR 45.5 million (17.6). The value of additional B shares declined by EUR 3.2 million (6.7).

In September, Metsä Board issued an unsecured bond of EUR 250 million, maturing in 2027, and simultaneously repurchased the loan maturing in 2019 for the nominal value totalling EUR 157.7 million.

In August, Moody's Investors Service upgraded Metsä Board's credit rating from Ba2 to Ba1. The outlook of the rating is stable.

PERSONNEL

In January–September, Metsä Group had an average of 9,484 employees (9,721). Personnel expenses totalled EUR 459.8 million (473.1). At the end of September, the Group employed 9,223 people (31 December 2016: 9,300), of whom 4,832 (5,127) were based in Finland and 4,391 (4,385) abroad. The parent company Metsäliitto Cooperative employed 1,898 people at the end of September (31 December 2016: 1,934).

In August, Vesa-Pekka Takala, CFO of Metsä Group, M.Sc. (Econ.), was appointed Deputy Managing Director

of Metsäliitto Cooperative. Takala has been Metsä Group's CFO since 2010 and will continue to work in this position as well.

MEMBERS

At the end of September, Metsäliitto Cooperative had 103,969 members (31 December 2016: 104,037). During January–September, 2,117 new members joined the Cooperative, and 2,185 members cancelled their memberships.

INVESTMENTS

Metsä Group's capital expenditure in January–September totalled EUR 530.1 million (540.2). Approximately EUR 418 million of the investments related to the bioproduct mill at Äänekoski.

Äänekoski bioproduct mill

Metsä Fibre's bioproduct mill in Äänekoski started up according to plan on 15 August 2017. The mill project was completed according to the set schedule and EUR 1.2 billion budget. The mill's production has increased as planned, in line with the start-up curve. The new-generation bioproduct mill will increase pulp production at Äänekoski from the previous approximately 0.5 million tonnes to 1.3 million tonnes a year. Once the bioproduct mill reaches its nominal capacity – which is expected to occur in mid-2018 – Metsä Fibre will be the world's biggest producer of softwood market pulp.

Metsä Wood's investment programme

The EUR 100 million investment programme aiming to improve the productivity of Kerto® LVL and plywood products is progressing according to plan. The new Kerto line at Lohja started up in August. The construction of Metsä Wood's birch plywood mill in Pärnu, Estonia, is on schedule. The mill's foundation stone was laid on 23 August 2017.

In September, Metsä Wood announced its plan to construct a new Kerto® LVL line at its Punkaharju mill. The value of the potential investment would be approximately EUR 52 million. The final investment decision will be made by the end of the year.

BUSINESS AREAS

Wood Supply and Forest Services

The sales from Wood Supply and Forest Services, i.e. Metsä Forest, in January–September 2017 totalled EUR 1,205.8 million (1–9/2016: 1,135.2) and the operating result was EUR 18.9 million (22.0).

Sales in the third quarter were EUR 376.4 million (7–9/2016: 356.2) and the operating result was EUR 5.9 million (7.7).

In Finland, the supply of wood was steady, and stumpage prices remained stable. The volume of wood purchased by the forest industry in January–September was nearly equal to the volume it purchased during the corresponding period in the previous year.

The rainy summer and early autumn made harvesting conditions challenging throughout the Baltic Sea area. The market situation in the entire area grew tighter with regard to almost all grades of wood. The market for birch pulpwood was balanced, but demand for softwood pulp rose clearly. The oversupply in energy wood evened out in comparison to the first half of the year.

Metsä Forest bought all grades of wood through both standing and delivery sales. The purchase volumes were at a clearly higher level than last year. Wood demand focused particularly on stands suitable for summer harvesting, as well as on spruce logs.

In Finland, wood was harvested according to the targets, and deliveries to customers' production units were carried out according to plan. In January–September, Metsä Forest delivered a total of approximately 23.7 million cubic metres (22.7) of wood to its customers. Approximately 82 per cent of this amount went to the Finnish industrial sector. Wood deliveries to Metsä Group's bioproduct mill began in August, after the mill's start-up.

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

Wood Products Industry

The sales of the Wood Products Industry, i.e. Metsä Wood, in January–September were EUR 351.6 million (1–9/2016: 366.3). The decline in the sales from the comparison period is the result of the divestment of the glulam and project business units. Also the sales of the UK business denominated in euros declined due to the weakening exchange rate of the GBP.

The comparable operating result was EUR 26.7 million (30.4). The operating result (IFRS) was EUR 28.5 million (30.0), which includes the sales gain from the divestment of the project business in January and the costs regarding a dissolved subsidiary in England in August.

Metsä Wood's sales in the third quarter were EUR 109.6 million (7–9/2016: 115.1), and the comparable operating result was EUR 7.6 million (9.0).

Metsä Wood's comparable deliveries were at the same level as in the previous year. Demand for Kerto® LVL products has remained strong. Delivery volumes and sales declined slightly due to the shutdown of one line at the Lohja mill at the end of 2016. The delivery volumes and sales of both birch and spruce plywood products grew clearly from the comparison period, particularly due to strong demand in the main market areas of Northern and Central Europe.

Pulp and Sawn Timber Industry

The sales of the Pulp and Sawn Timber Industry, i.e. Metsä Fibre, totalled EUR 1,323.7 million (1–9/2016: 1,220.0). Compared to the corresponding period in the previous year, the currency-denominated market prices of long-fibre and short-fibre pulp were 7 per cent and 10 per cent higher, respectively, in January–September. The sales volume of pulp was 1,735,000 tonnes (1,687,000).

The production and sales volumes of sawn timber also increased compared to the corresponding period in the previous year. The prices of sawn timber likewise increased, although they continue to be at a low level.

Metsä Fibre's comparable operating result in January–September was EUR 193.7 million (160.9). The result in comparison to the corresponding period in the previous year improved particularly due to an increase in sales prices. The review period included annual maintenance shutdowns at two mills, while the corresponding period included annual maintenance shutdowns at three mills.

Metsä Fibre's sales in the third quarter were EUR 475.3 million (7–9/2016: 388.7), and the comparable operating result was EUR 68.4 million (46.4).

The demand for pulp grew more than expected in January–September. 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 903. The prices of short-fibre pulp were USD 655 and USD 885, respectively. The price difference between long- and short-fibre pulp at the beginning of the year was USD 154, but at the end of the review period, the difference was only USD 18. The supply of short-fibre pulp has been at a lower level than expected, which has been visible as a higher price level.

The pulp and sawn timber operations actively continue to pursue synergies, particularly in logistics and the steering of wood supply.

Paperboard Industry

The sales of the Paperboard Industry, i.e. Metsä Board, were EUR 1,397.3 million (1–9/2016: 1,298.5), and the comparable operating result was EUR 139.1 million (104.7).

The comparable operating result in July–September improved due to positive developments in the linerboard and market pulp business and the discontinuation of paper operations. Exchange rate fluctuations – including hedging – had a positive impact on the operating result of the review period.

Metsä Board's sales in the third quarter were EUR 478.6 million (7–9/2016: 440.0), and the comparable operating result was EUR 50.4 million (34.0).

In January–September, deliveries of Metsä Board's folding boxboard and white fresh fibre linerboards increased by 17 per cent and 16 per cent, respectively, from the corresponding period last year. The euro-denominated

market prices of paperboards remained roughly at the level of the comparison period.

Metsä Board was once again successful in the European Carton Excellence Awards. The 2017 finalists included a total of eight packages made from Metsä Board's paperboard. The winners of the Food & Beverages, Healthcare & Pharmaceuticals, and Public Award categories were made from Metsä Board's paperboard.

Metsä Board's comparable return on capital employed in January–September was 10.6 per cent (8.3), and its comparable earnings per share were EUR 0.27 (0.21).

The company's equity ratio at the end of September was 50.7 per cent and its net gearing was 39 per cent (31 December 2016: 48.2 and 44, respectively).

Metsä Board's Interim Report was published on 1 November 2017.

Tissue and Cooking papers

The sales of tissue and cooking papers, i.e. Metsä Tissue, in January–September totalled EUR 753.1 million (1–9/2016: 741.6). The growth in sales was primarily due to increased sales volumes.

The comparable operating result was EUR 50.7 million (42.5). Sales volumes higher than those in January–September last year had a positive effect on the operating result. The result was impacted negatively by the price increase in fresh and recycled fibre, as well as the British pound and the Swedish krona weakening against the euro.

Metsä Tissue's sales in the third quarter were EUR 249.6 million (7–9/2016: 246.6), and the comparable operating result was EUR 16.8 million (15.8).

During the third quarter, Metsä Tissue made a decision to invest in a new converting line for away-from-home products at the Raubach mill in Germany and of a new converting line for consumer products at the Žilina mill in Slovakia.

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 150 million, of which approximately EUR 49 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.

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 and demanded the companies jointly to pay about EUR 125 million for damage of which approximately EUR 39 million is directed at Metsäliitto Cooperative.

In its decisions given in August–October 2017 concerning the claims for damages filed by private individuals, the District Court of Helsinki dismissed the claimants' petitions and obligated the claimants to compensate the defendants in full for their legal costs. According to the notice of the District Court, the remaining decisions in the claims of private individuals belonging to the same matter will be given during 2017.

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

share of the municipalities' claim for damages in the district court was approximately EUR 1.9 million.

In May 2014, Metsäliitto Cooperative and Metsä Board demanded the District Court of Helsinki to revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 that ordered Metsäliitto Cooperative and Metsä Board to pay a total of EUR 67 million in damages to UPM-Kymmene Corporation. In the judgment issued in June 2015, the District Court rejected the demands by Metsäliitto Cooperative and Metsä Board. Metsäliitto Cooperative and Metsä Board appealed the District Court's judgment at the Court of Appeal. The Court of Appeal dismissed in its ruling issued on 21 October 2016 Metsäliitto Cooperative's and Metsä Board's demands for damages. The ruling by the Court of Appeal is not final.

In the autumn of 2015, the Finnish Tax Administration took a stand against the deductibility of certain losses in Metsä Board's 2014 taxation. Metsä Board has appealed against the decision issued by the Tax Administration, as the company believes the losses are deductible.

NEAR-TERM OUTLOOK

Wood demand will focus on felling sites to be harvested when the ground is unfrozen and, in terms of energy wood, on crown wood. Poor harvesting and transportation conditions may impede wood deliveries, particularly in southern Finland.

The demand for wood products will remain good, which will be reflected in order book levels higher than last year in both Kerto® LVL products, and birch and spruce plywood products. In terms of the UK, the outlook contains uncertainty. Due to seasonality and the effects of Brexit, the delivery volumes in the fourth quarter of the year are expected to decline.

The pulp markets are expected to remain at the current good level, also in the fourth quarter of the year. The demand for spruce sawn timber will remain good in all main market areas, and inventory levels are expected to decline. The demand for and market balance of pine sawn timber are likewise expected to remain good.

Growth in the demand for high-quality consumer packaging paperboard made from fresh fibre is expected to continue in market areas important for Metsä Board. Delivery volumes in October–December are expected to decline slightly in comparison to the previous quarter, due to the seasonal decline in December.

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 OCTOBER–DECEMBER 2017

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

Espoo, Finland, 1 November 2017
BOARD OF DIRECTORS

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Metsä Group will publish its financial reports in 2018 as follows:

8 February 2018: Financial statements for 2017

3 May 2018: Interim report for January–March 2018

2 August 2018: Half Year Report for 2018

8 November 2018: Interim report for January–September 2018

SEGMENTS

	2017	2016	2017	2016	2016
Wood Supply and Forest Services	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	1 205.8	1 135.2	376.4	356.2	1 534.4
EBITDA, EUR million	21.9	24.5	7.0	8.5	34.3
Comparable EBITDA, EUR million	21.9	24.5	7.0	8.5	34.3
Operating result, EUR million	18.9	22.0	5.9	7.7	30.9
Comparable operating result, EUR million	18.9	22.0	5.9	7.7	30.9
% of sales	1.6	1.9	1.6	2.2	2.0
Comparable ROCE, %	18.5	23.7	16.6	23.9	26.1
Capital expenditure, EUR million	3.0	3.6	0.9	1.2	5.1
Personnel at end of period	855	876	855	876	855

	2017	2016	2017	2016	2016
Wood Products Industry	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	351.6	366.3	109.6	115.1	481.6
EBITDA, EUR million	37.4	40.4	9.2	12.7	53.6
Comparable EBITDA, EUR million	35.5	40.8	10.6	12.7	52.2
Operating result, EUR million	28.5	30.0	6.3	9.0	40.0
Comparable operating result, EUR million	26.7	30.4	7.6	9.0	38.7
% of sales	7.6	8.3	6.9	7.8	8.0
Comparable ROCE, %	19.0	14.9	15.4	13.2	17.1
Capital expenditure, EUR million	35.1	8.8	16.3	6.3	18.0
Personnel at end of period	1 432	1 583	1 432	1 583	1 521

	2017	2016	2017	2016	2016
Pulp and Sawn Timber Industry	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	1 323.7	1 220.0	475.3	388.7	1 636.0
EBITDA, EUR million	250.9	225.3	90.8	70.2	293.1
Comparable EBITDA, EUR million	251.0	213.6	90.8	58.5	281.8
Operating result, EUR million	193.6	167.5	68.4	58.1	220.8
Comparable operating result, EUR million	193.7	160.9	68.4	46.4	214.6
% of sales	14.6	13.2	14.4	11.9	13.1
Comparable ROCE, %	18.0	21.4	17.5	18.1	19.6
Capital expenditure, EUR million	436.3	407.0	222.6	166.2	553.4
Personnel at end of period	1 247	1 271	1 247	1 271	1 231

	2017	2016	2017	2016	2016
Paperboard Industry	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	1 397.3	1 298.5	478.6	440.0	1 720.3
EBITDA, EUR million	220.9	175.7	85.2	60.6	234.6
Comparable EBITDA, EUR million	211.2	178.0	75.0	59.4	231.1
Operating result, EUR million	152.7	93.8	60.6	26.6	132.3
Comparable operating result, EUR million	139.1	104.7	50.4	34.0	137.5
% of sales	10.0	8.1	10.5	7.7	8.0
Comparable ROCE, %	10.6	8.3	11.5	8.0	8.1
Capital expenditure, EUR million	38.7	119.0	7.3	16.4	162.4
Personnel at end of period	2 369	2 493	2 369	2 493	2 466

	2017	2016	2017	2016	2016
Tissue and Cooking Papers	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	753.1	741.6	249.6	246.6	990.8
EBITDA, EUR million	79.6	74.2	26.3	27.7	101.0
Comparable EBITDA, EUR million	79.6	72.2	26.2	25.7	102.8
Operating result, EUR million	50.7	44.5	16.9	17.8	61.3
Comparable operating result, EUR million	50.7	42.5	16.8	15.8	63.1
% of sales	6.7	5.7	6.7	6.4	6.4
Comparable ROCE, %	10.3	8.5	10.0	9.7	9.3
Capital expenditure, EUR million	13.4	15.7	5.7	7.2	37.6
Personnel at end of period	2 825	2 739	2 825	2 739	2 741

	2017	2016	2017	2016	2016
Other operations	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	3.2	3.9	1.0	1.2	5.0
EBITDA, EUR million	9.4	9.7	2.9	5.0	2.1
Comparable EBITDA, EUR million	9.4	9.7	2.9	5.0	2.3
Operating result, EUR million	7.7	8.1	2.5	4.4	0.0
Comparable operating result, EUR million	7.7	8.1	2.5	4.4	0.1
Capital expenditure, EUR million	4.7	7.5	1.8	1.1	9.9
Personnel at end of period	495	489	495	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	2017	2016	2016
Internal sales and eliminations	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	-1 323.0	-1 282.7	-430.2	-404.4	-1 710.0
EBITDA, EUR million	-44.1	-26.4	-13.4	-12.3	-32.1
Comparable EBITDA, EUR million	-44.1	-24.6	-13.4	-10.5	-30.4
Operating result, EUR million	-55.5	-33.2	-17.2	-16.2	-42.9
Comparable operating result, EUR million	-55.5	-36.4	-17.2	-14.4	-46.2

	2017	2016	2017	2016	2016
Metsä Group	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	3 711.8	3 482.7	1 260.4	1 143.3	4 657.9
EBITDA, EUR million	576.0	523.4	208.0	172.4	686.6
Comparable EBITDA, EUR million	564.5	514.2	199.0	159.3	674.1
Operating result, EUR million	396.7	332.7	143.3	107.4	442.3
Comparable operating result, EUR million	381.2	332.1	134.3	102.8	438.6
% of sales	10.3	9.5	10.7	9.0	9.4
Comparable ROCE, %	11.2	10.5	10.8	9.8	10.2
Capital expenditure, EUR million	530.1	540.2	254.7	202.4	757.9
Personnel at end of period	9 223	9 451	9 223	9 451	9 300

RECONCILIATION OF OPERATING RESULT

EUR million	2017 1–9	2016 1–9	2017 7–9	2016 7–9	2016 1–12
OPERATING RESULT (IFRS)	396.7	332.7	143.3	107.4	442.3
Items affecting comparability:					
Wood Supply and Forest Services	-	-	-	-	-
Wood Products Industry	-1.8	0.4	1.3	-	-1.3
Pulp and Sawn Timber Industry	0.1	-6.7	-	-11.7	-6.2
Paperboard Industry	-13.6	10.9	-10.2	7.4	5.2
Tissue and Cooking Papers	-0.1	-2.0	-0.1	-2.0	1.7
Other operations	-	-3.2	-	1.8	-3.1
Total	-15.4	-0.5	-9.0	-4.5	-3.7
COMPARABLE OPERATING RESULT	381.2	332.1	134.3	102.8	438.6

EUR million	2017 1–9	2016 1–9	2017 7–9	2016 7–9	2016 1–12
OPERATING RESULT (IFRS)	396.7	332.7	143.3	107.4	442.3
Items affecting comparability:					
Other operating income	-13.6	-18.2	-10.2	-18.2	-24.5
Change in inventories	0.0	2.4	0.0	2.4	1.2
Employee costs	-	4.6	-	2.4	2.5
Depreciation	0.1	8.7	0.0	8.5	0.3
Impairment charges	-3.9	-	0.0	-	8.5
Other operating expenses	2.0	2.0	1.2	0.3	8.3
Total	-15.4	-0.5	-9.0	-4.5	-3.7
COMPARABLE OPERATING RESULT	381.2	332.1	134.3	102.8	438.6

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

Metsä Group’s items affecting comparability in January–September 2017 totalled EUR +15.4 million. The most significant items consisted of the recognition of translation differences accumulated by the subsidiaries dissolved in England, the reversal of an impairment carried out in connection with the sale of Kyro’s terminated paper machine, and the divestment of Metsä Wood’s project business.

Items affecting comparability totalled EUR +0.5 million in January–September 2016. Metsä Board recognised expenses and provisions of net EUR 9.2 million due to the close down of its wallpaper base machine in Kyro, a cost provision of EUR 1.8 million related to the restructuring of the Simpele paperboard mill, a loss of EUR 1.1 million due to the sale of Alrec Boiler Oy and costs of EUR 0.7 million due to the reorganisation of the sales office in Belgium.

Metsä Fibre recognised a sales profit of EUR 11.7 million due to the sale of all the shares in Metsä-Botnia Metsät Oy in August 2016. Metsä Tissue’s comparable operating result was affected by the EUR 2.0 million provision reversal regarding the efficiency program in the German napkin business. Metsä Wood recognised EUR 0.4 million additional expenses related to the divestment of Metsä Wood France S.A.S. The impairment loss of EUR 5.0 million due to the transfer of the sawmills from Metsä Wood to Metsä Fibre as well as Metsä Board’s share, EUR 1.8 million, of the sale of Metsä-Botnia Metsät Oy have been eliminated on Metsä Group level.

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 7–9	2017 4–6	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Sales							
Wood Supply and Forest Services	376.4	396.7	432.6	399.2	356.2	377.8	401.2
Wood Products Industry	109.6	121.8	120.2	115.3	115.1	129.9	121.4
Pulp and Sawn Timber Industry	475.3	426.5	422.0	416.0	388.7	422.5	408.8
Paperboard Industry	478.6	474.2	444.5	421.8	440.0	422.9	435.6
Tissue and Cooking Papers	249.6	251.4	252.0	249.2	246.6	248.8	246.2
Other operations	1.0	1.1	1.1	1.1	1.2	1.1	1.6
Internal sales	-430.2	-436.5	-456.3	-427.3	-404.5	-419.0	-459.2
Sales	1 260.4	1 235.2	1 216.1	1 175.2	1 143.3	1 183.9	1 155.6
Operating result							
Wood Supply and Forest Services	5.9	4.4	8.5	8.9	7.7	6.5	7.8
Wood Products Industry	6.3	8.3	14.0	10.0	9.0	13.1	7.8
Pulp and Sawn Timber Industry	68.4	70.7	54.5	53.3	58.1	48.2	61.2
Paperboard Industry	60.6	46.9	45.2	38.5	26.6	34.5	32.7
Tissue and Cooking Papers	16.9	16.3	17.6	16.8	17.8	13.2	13.5
Other operations	2.5	0.8	4.4	-8.1	4.4	4.6	-0.9
Eliminations	-17.2	-25.2	-13.0	-9.7	-16.2	-1.6	-15.3
Operating result	143.3	122.2	131.2	109.7	107.4	118.5	106.8
% of sales	11.4	9.9	10.8	9.3	9.4	10.0	9.2
Share of results from associated companies and joint ventures	-3.0	4.9	14.0	0.3	-0.5	-0.8	-0.1
Exchange gains and losses	-0.7	-4.0	1.4	-6.5	1.3	0.5	-1.0
Other net financial items	-30.9	-16.1	-17.1	-18.4	-18.7	-20.0	-17.8
Result before income tax	108.6	107.1	129.5	85.1	89.5	98.2	87.8
Income tax	-22.0	-20.9	-22.9	-16.9	-21.7	-22.6	-19.5
Result for the period	86.6	86.1	106.7	68.2	67.8	75.7	68.3
Comparable operating result							
Wood Supply and Forest Services	5.9	4.4	8.5	8.9	7.7	6.5	7.8
Wood Products Industry	7.6	8.4	10.7	8.3	9.0	13.2	8.2
Pulp and Sawn Timber Industry	68.4	70.8	54.5	53.7	46.4	53.2	61.2
Paperboard Industry	50.4	43.5	45.2	32.8	34.0	35.8	35.0
Tissue and Cooking Papers	16.8	16.3	17.6	20.6	15.8	13.2	13.5
Other operations and eliminations	-14.8	-24.4	-8.6	-17.7	-10.0	-2.1	-16.2
Comparable operating result	134.3	119.1	127.9	106.5	102.8	119.8	109.5
% of sales	10.7	9.6	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 1–9	2016 1–9	Change	2017 7–9	2016 7–9	2016 1–12
Sales	2	3 711.8	3 482.7	229.1	1 260.4	1 143.3	4 657.9
Change in stocks of finished goods and work in progress		-9.8	45.4	-55.2	-9.6	1.4	64.8
Other operating income		43.4	52.3	-8.9	17.7	27.1	70.5
Material and services		-2 450.3	-2 333.4	-116.9	-828.2	-771.6	-3 132.7
Employee costs		-459.8	-473.1	13.3	-146.9	-149.3	-626.3
Depreciation and impairment losses		-179.3	-190.8	11.5	-64.7	-65.0	-244.3
Other operating expenses		-259.3	-250.5	-8.8	-85.5	-78.5	-347.5
Operating result	2	396.7	332.7	64.0	143.3	107.4	442.3
Share of results from associated companies and joint ventures		15.9	-1.4	17.3	-3.0	-0.5	-1.1
Exchange gains and losses		-3.3	0.8	-4.1	-0.7	1.3	-5.7
Other net financial items	2	-64.1	-56.5	-7.5	-30.9	-18.7	-74.9
Result before income tax		345.2	275.5	69.7	108.6	89.5	360.6
Income tax	3	-65.8	-63.8	-2.1	-22.0	-21.7	-80.7
Result for the period		279.4	211.7	67.6	86.6	67.8	279.9
Other comprehensive income							
Items that will not be reclassified to profit and loss							
Items relating to adjustments of defined benefit plans		1.6	-38.4	40.1	1.4	-28.5	-12.3
Income tax relating to items that will not be reclassified		-0.3	8.2	-8.6	-0.3	5.9	3.1
Total		1.3	-30.2	31.5	1.2	-22.6	-9.3
Items that may be reclassified subsequently to profit and loss							
Cash flow hedges		44.4	-6.8	51.2	-6.1	4.8	17.2
Available for sale financial assets	8	22.4	-34.1	56.5	-2.1	-8.3	-26.7
Currency translation differences		-14.8	-24.5	9.8	-12.0	-10.5	-14.0
Share of comprehensive income of joint venture		0.4	0.7	-0.3	0.0	0.1	1.2
Other items		0.0	0.0	0.0	0.0	0.0	0.0
Income tax relating to items that may be reclassified		-12.9	7.0	-19.9	2.0	0.5	0.5
Total		39.5	-57.7	97.2	-18.2	-13.5	-21.8
Other comprehensive income, net of tax		40.8	-87.9	128.7	-17.0	-36.1	-31.1
Total comprehensive income for the period		320.2	123.8	196.4	69.6	31.7	248.9
Result for the period attributable to:							
Members of parent company		183.2	138.2	45.1	52.6	45.6	182.6
Non-controlling interests		96.1	73.5	22.6	34.0	22.2	97.3
Total		279.4	211.7	67.6	86.6	67.8	279.9
Total comprehensive income attributable to:							
Members of parent company		20.6	76.5	130.1	45.1	19.3	160.6
Non-controlling interests		113.5	47.3	66.3	24.5	12.4	88.2
Total		320.2	123.8	196.4	69.6	31.7	248.9

The notes are an integral part of this interim report.

UNAUDITED CONSOLIDATED BALANCE SHEET

EUR million	Note	2017 30.9.	2016 30.9.	2016 31.12.
ASSETS				
Non-current assets				
Goodwill		516.3	516.7	517.6
Other intangible assets		272.4	229.4	231.5
Tangible assets	4	2 854.9	2 377.7	2 542.5
Biological assets		3.3	3.1	3.1
Investments in associated companies and joint ventures		50.2	41.9	42.1
Available for sale investments	8	222.5	192.8	200.1
Non-current financial assets	8	24.3	7.4	21.5
Deferred tax receivables		29.2	41.6	37.9
		3 973.1	3 410.5	3 596.2
Current assets				
Inventories		750.3	742.1	767.2
Accounts receivables and other receivables		770.8	686.6	670.3
Tax receivables based on the taxable income for the period		32.0	16.1	14.3
Cash and cash equivalents	8	993.8	800.5	895.1
		2 546.8	2 245.3	2 346.8
Assets classified as held for sale		3.1	3.6	2.8
Total assets		6 523.0	5 659.4	5 945.8
MEMBERS' FUNDS AND LIABILITIES				
Members' funds				
Members' funds		2 149.0	1 863.9	1 941.6
Non-controlling interests		673.4	617.4	658.4
		2 822.4	2 481.3	2 600.0
Non-current liabilities				
Deferred tax liabilities		239.9	205.5	213.4
Post-employment benefit obligations		82.1	101.5	83.9
Provisions	5	20.2	21.5	20.2
Borrowings	8	1 438.8	1 378.7	1 265.3
Other liabilities		18.3	44.6	28.5
		1 799.3	1 752.0	1 611.4
Current liabilities				
Provisions	5	3.0	8.5	5.0
Current borrowings	8	724.0	418.3	667.2
Accounts payable and other liabilities		1 159.2	986.6	1 051.3
Tax liabilities based on the taxable income for the period		13.1	10.2	9.0
		1 899.3	1 423.6	1 732.5
Liabilities classified as held for sale		2.1	2.6	1.9
Total liabilities		3 700.6	3 178.1	3 345.8
Total members' funds and liabilities		6 523.0	5 659.4	5 945.8

The notes are an integral part of this interim report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS

Equity attributable to members of parent company							
EUR million	Members' capital	Translation differences	Fair value and other reserves	Re-tained earnings	Total	Non-controlling interest	Total
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				138.2	138.2	73.5	211.7
Other comprehensive income, net after tax		-16.9	-20.6	-24.2	-61.7	-26.2	-87.9
Total comprehensive income		-16.9	-20.6	114.0	76.5	47.3	123.8
Transactions with owners:							
Dividends paid				-41.9	-41.9	-68.9	-110.8
Change in members' capital	32.2		0.0	-8.3	24.0		24.0
Change in other equity					0.0	24.9	24.9
Share based payments				-0.9	-0.9	-0.1	-1.0
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 30.9.2016	777.9	-19.6	176.9	928.6	1 863.9	617.4	2 481.3

Equity attributable to members of parent company							
EUR million	Members' capital	Translation differences	Fair value and other reserves	Re-tained earnings	Total	Non-controlling interest	Total
Members' funds 1.1.2017	769.4	-10.9	193.5	989.6	1 941.6	658.4	2 600.0
Result for the period				183.2	183.2	96,1	279.4
Other comprehensive income, net after tax		-4.9	27.6	0.7	23.4	17.4	40.8
Total comprehensive income		-4.9	27.6	183.9	206.6	113.5	320.2
Transactions with owners:							
Dividends paid				-41.4	-41.4	-70.6	-112.0
Change in members' capital	49.1		0.0	-8.3	40.9		40.9
Change in other equity					0.0		0.0
Share based payments				-1.2	-1.2	-0.2	-1.4
Acquired shares from non-controlling interests, which did not change the controlling right				1.5	1.5	-32.3	-30.7
Sold shares from non-controlling interests, which did not change the controlling right			-0.0	-0.9	-0.9	4.5	5.4
Members' funds 30.9.2017	818.5	-15.8	221.1	1 125.2	2 149.0	673.4	2 822.4

The notes are an integral part of this interim report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2017 1–9	2016 1–9	2016 1–12
Result for the period	7	279.4	211.7	279.9
Total adjustments	7	278.0	267.8	350.5
Change in working capital		53.4	-181.3	-126.2
Cash flow arising from operations		610.7	298.2	504.3
Net financial items		-54.7	-23.6	-41.0
Income taxes paid		-57.2	-98.2	-115.5
Net cash flow arising from operating activities		498.8	176.4	347.8
Acquisitions		-2.5	0.0	0.0
Investments in tangible and intangible assets		-530.1	-540.2	-757.9
Omaisuuuden myynnit ja muut erät	7	29.3	49.2	67.9
Investointien nettorahavirrat		-503.3	-491.0	-690.0
Change in members' funds		40.9	24.0	41.0
Change in other equity		0.0	24.9	24.9
Change in non-controlling interest		-27.7	0.0	0.0
Change in long-term loans and other financial items		212.9	64.9	169.6
Dividends paid		-122.1	-120.2	-120.2
Net cash flow arising from financing activities		103.9	-6.4	115.4
Rahavarojen muutos		99.4	-321.0	-226.8
Cash and cash equivalents at beginning of period		895.1	1 120.8	1 120.8
Translation difference		-0.8	0.7	1.1
Change in cash and cash equivalents		99.4	-321.0	-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		993.8	800.5	895.1

The notes are an integral part of this interim report.

NOTES TO THE UNAUDITED CONDENSED INTERIM REPORT

NOTE 1 – BACKGROUND AND ACCOUNTING POLICIES

Metsäliitto Cooperative and its subsidiaries comprise a forest industry group (“Metsä Group” or “Group”), which operations are organised into five business segments: Wood Supply and Forest Services, Wood Products Industry, Pulp 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 1 November 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 SEGMENT

EUR million	1–9/2017	1–9/2017	1–9/2017	1–9/2016	1–9/2016	1–9/2016
	External	Internal	Total	External	Internal	Total
Wood Supply and Forest Services	319.5	886.3	1 205.8	293.6	841.6	1 135.2
Wood Products Industry	334.3	17.3	351.6	352.9	13.4	366.3
Pulp and Sawn Timber Industry	955.7	368.1	1 323.7	848.4	371.6	1 220.0
Paperboard Industry	1 350.2	47.1	1 397.3	1 247.1	51.4	1 298.5
Tissue and Cooking Papers	752.1	1.0	753.1	740.7	1.0	741.6
Other operations	0.0	3.2	3.2	0.1	3.8	3.9
Elimination of internal sales		-1 323.0	-1 323.0	-	-1 282.7	-1 282.7
Total sales	3 711.8	0.0	3 711.8	3 482.7	0.0	3 482.7

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
	1–9	1–9	1–12
Wood Supply and Forest Services	18.9	22.0	30.9
Wood Products Industry	28.5	30.0	40.0
Pulp and Sawn Timber Industry	193.6	167.5	220.8
Paperboard Industry	152.7	93.8	132.3
Tissue and Cooking Papers	50.7	44.5	61.3
Other operations	7.5	8.1	0.0
Eliminations	-55.3	-33.2	-42.9
Operating result total	396.7	332.7	442.3
Share of results from associated companies and joint ventures	15.9	-1.4	-1.1
Financial costs, net	-67.4	-55.8	-80.6
Income taxes	-65.8	-63.8	-80.7
Result for the period	279.4	211.7	279.9

ASSETS AND LIABILITIES BY SEGMENTS

Assets	2017	2016	2016
EUR million	30.9.	30.9.	31.12.
Wood Supply and Forest Services	274.7	278.5	274.4
Wood Products Industry	225.9	191.5	191.5
Pulp and Sawn Timber Industry	1 985.7	1 404.8	1 556.8
Paperboard Industry	1 981.9	1 893.7	1 959.8
Tissue and Cooking Papers	878.8	860.9	866.3
Other operations	210.1	230.7	225.1
Assets classified as held for sale	3.1	3.6	2.8
Eliminations	-234.7	-219.9	-227.8
Unallocated assets	1 197.5	1 015.6	1 096.8
Total	6 523.0	5 659.4	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	30.9.	30.9.	31.12.
Wood Supply and Forest Services	202.9	179.2	207.0
Wood Products Industry	66.1	84.7	74.8
Pulp and Sawn Timber Industry	485.3	373.9	360.6
Paperboard Industry	344.2	336.3	365.4
Tissue and Cooking Papers	304.9	293.2	289.8
Other operations	91.3	95.5	103.9
Liabilities classified as held for sale	2.1	2.6	1.9
Eliminations	-234.7	-219.9	-227.8
Unallocated liabilities	2 438.5	2 032.7	2 170.2
Total	3 700.6	3 178.1	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
	1–9	1–9	1–12
Taxes for the period	42.9	65.8	83.3
Taxes for previous periods	0.7	0.4	0.0
Change in deferred taxes	22.2	-2.4	-2.6
Total income taxes	65.8	63.8	80.7

NOTE 4 – CHANGE IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2017	2016	2016
	1–9	1–9	1–12
Book value at beginning of period	2 542.5	2 059.1	2 059.0
Investments	493.8	531.7	747.9
Decreases	-14.7	-13.4	-17.3
Assets classified as held for sale	-2.0	-4.8	-4.8
Depreciation and impairment losses	-164.4	-177.6	-226.5
Translation differences and other changes	-0.4	-17.2	-15.9
Book value at end of period	2 854.9	2 377.7	2 542.5

Assets classified as held for sale in 2017 include unsold apartments and parking places of Asunto Oy Tapiolan Tammi. Depreciation and impairment losses include an impairment reversal of EUR 3.9 million due to the sale of Metsä Board's discontinued Kyro paper machine.

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	-0.1	-0.1
Increases	0.0	0.3	1.1	1.3
Utilised during the year	-2.0	-0.1	-0.8	-2.9
Unused amounts reversed	-0.1	-0.3	-0.0	-0.4
At 30 September 2017	1.4	16.1	5.8	23.2

Of the Metsä Group's total provisions of EUR 23.2 million, the non-current portion was EUR 20.2 million and the current portion EUR 3.0 million. Most of the non-current portion will be paid by the end of 2025.

NOTE 6 – TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2017 1–9	2016 1–9	2016 1–12
Sales	10.1	6.9	9.8
Purchases	63.1	60.8	86.5
Non-current receivables	1.0	1.0	1.0
Current receivables	3.0	3.8	3.3
Non-current liabilities	0.0	0.0	0.0
Current liabilities	7.5	5.2	6.0

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

EUR million	2017 1–9	2016 1–9	2016 1–12
Taxes	65.8	63.8	80.7
Depreciation and impairment charges	179.3	190.8	244.3
Biological assets	-0.2	-1.8	-1.7
Share of results from associated companies	-15.9	1.4	1.1
Gains and losses on sale of non-current financial assets	-16.0	-26.6	-34.1
Financial costs, net	67.4	55.8	80.6
Pension liabilities and provisions	-2.6	-15.6	-20.4
Total	278.0	267.8	350.5

Disposals and other items

Disposals and other items in January–September 2017 include EUR 4.9 million for the divestment of Metsä Wood's project business, a total of EUR 7.2 million related to sales of apartments and parking places of Asunto Oy Tapiolan Jalava, Asunto Oy Tapiolan Saarni and Asunto Oy Tapiolan Tammi as well as the sale of

Metsäliitto Cooperative's joint venture ZAO HK Volodskie Lesopromyshlenniki. Disposals and other items furthermore include sales of intangible and tangible assets of EUR 7.0 million and other items of EUR -0.3 million. Most significant were the sale of Metsä Board's discontinued Kyro paper machine for EUR 3.9 million and the sales of Metsä Board's electricity certificates for EUR 1.3 million.

NOTE 8 – FINANCIAL INSTRUMENTS

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

Financial assets 30 September, 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		222.5				222.5	222.5
Other non-current financial assets			19.7			19.7	19.7
Account receivables and others			739.7			739.7	739.7
Cash and cash equivalents	131.4		862.3			993.8	993.8
Derivative financial instruments	-1.8			34.5		32.7	32.7
Assets classified as held for sale							
Total	129.6	222.5	1 621.7	34.5	0.0	2 008.3	2 008.3

Financial liabilities 30 September, 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					1 438.8	1 438.8	1 452.0
Other non-current liabilities					0.4	0.4	0.4
Current interest-bearing liabilities					724.0	724.0	728.2
Accounts payable and others					1 055.2	1 055.2	1 055.2
Derivative financial instruments	0.7			17.3		18.0	18.0
Liabilities classified as held for sale					2.1	2.1	2.1
Total	0.7	0.0	0.0	17.3	3 220.6	3 238.5	3 255.8

Financial assets 30 September, 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		192.8				192.8	192.8
Other non-current financial assets			7.4			7.4	7.4
Account receivables and others			684.7			684.7	684.7
Cash and cash equivalents	79.8		720.7			800.5	800.5
Derivative financial instruments	0.0			0.2		0.2	0.2
Assets classified as held for sale							
Total	79.8	192.8	1 412.8	0.2	0.0	1 685.6	1 685.6

Financial liabilities 30 September, 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					1 378.7	1 378.7	1 413.2
Other non-current liabilities					1.9	1.9	1.9
Current interest-bearing liabilities					418.3	418.3	421.2
Accounts payable and others					862.1	862.1	862.1
Derivative financial instruments	-0.5			50.6		50.1	50.1
Liabilities classified as held for sale					2.6	2.6	2.6
Total	-0.5	0.0	0.0	50.6	2 663.6	2 713.7	2 751.1

Fair value hierarchy of financial assets and liabilities 30 September, 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		222.5	222.5
Current financial assets through profit and loss at fair value				
Derivative financial assets	131.4	24.3		131.4
Financial liabilities measured at fair value				
Derivative financial liabilities				
Derivative financial liabilities	0.4	17.6		18.0
Financial assets not measured at fair value				
Financial assets				
		862.3		862.3
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities				
		1 452.0		1 452.0
Current interest-bearing liabilities				
		728.2		728.2

Fair value hierarchy of financial assets and liabilities 30 September, 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				
Available for sale financial assets	0.0		192.8	192.8
Current financial assets through profit and loss at fair value				
Derivative financial assets	70.9	8.9		79.8
	0.2	0.0		0.2
Financial liabilities measured at fair value				
Derivative financial liabilities	4.7	45.4		50.1
Financial assets not measured at fair value				
Financial assets		720.7		720.7
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1 413.2		1 413.2
Current interest-bearing liabilities		421.2		421.2

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	0.2
Gains and losses in other comprehensive income	22.4	-34.0
Purchases	0.0	0.0
Settlements	0.0	-0.4
Closing balance 30 September	222.5	192.8

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 2.40 per cent on 30 September 2017 and for the Olkiluoto 3 power plant under construction 4.40 per cent. The acquisition cost of the Pohjolan Voima Oy shares is EUR 43.1 million and their fair value is EUR 214.9 million.

The carrying amount of Pohjolan Voima Oy as of 30 September 2017 is estimated to change by EUR 4.1 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 37.4 million should the energy prices applied in the fair value calculation differ by 10 per cent from the rate estimated by the management.

Derivatives 30 September, 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	1 120.0		17.3	-17.3		-16.9		-0.4
Total	1 120.0	0.0	17.3	-17.3	0.0	-16.9	0.0	-0.4
Currency forwards	1 928.0	20.7	0.3	20.4		22.6		-2.1
Currency options								
Total	1 928.0	20.7	0.3	20.4	0.0	22.6	0.0	-2.1
Electricity derivatives	81.4	6.9		6.9		6.9		
Pulp derivatives	32.6	3.6		3.6		3.6		
Oil derivatives	8.2	0.0	0.2	-0.1		-0.2		0.0
Commodity derivatives	8.7	1.3	0.2	1.1		1.1		
Total	130.8	11.9	0.4	11.6	0.0	11.5	0.0	0.0
Derivatives total	3 178.8	32.7	18.0	14.7	0.0	17.2	0.0	-2.5

Derivatives 30 September, 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	937.6		39.3	-39.3		-38.8		-0.5
Total	937.6	0.0	39.3	-39.3	0.0	-38.8	0.0	-0.5
Currency forwards	1 158.7	0.0	2.3	-2.3		-3.2		0.9
Currency options	152.3		-0.1	0.1				0.1
Total	1 311.0	0.0	2.2	-2.2	0.0	-3.2	0.0	1.0
Electricity derivatives	73.6	0.2	0.8	-0.6		-0.6		
Pulp derivatives	40.4		3.9	-3.9		-3.9		
Oil derivatives	11.2		2.0	-2.0		-2.0		
Commodity derivatives	12.1		1.9	-1.9		-1.9		
Total	137.3	0.2	8.6	-8.4	0.0	-8.4	0.0	0.0
Derivatives total	2 386.0	0.2	50.1	-49.9	0.0	-50.4	0.0	0.5

NOTE 9 – COMMITMENTS AND CONTINGENCIES

EUR million	30.9.2017	30.9.2016	31.12.2016
Own liabilities for which commitments granted	425.6	497.3	469.0
Pledges granted	441.2	423.3	433.1
Floating charges	2.8	2.8	2.8
Real estate mortgages	270.2	369.6	368.5
Chattels mortgage	4.0	4.0	4.0
Commitments for own liabilities, total	718.2	799.8	808.5
Other commitments on own behalf	97.6	70.1	98.9
On behalf of associated companies	0.6	0.9	0.8
On behalf of others	0.1	5.1	5.0
Total	816.4	875.9	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 78.1 million (31.12.2016: 78.7).

COMMITMENTS RELATED TO INVESTMENTS

EUR million	30.9.2017	30.9.2016	31.12.2016
Payments due under 1 year	132.9	262.6	335.3
Payments due in subsequent years	0.2	150.3	20.0
Total	133.1	412.9	355.3