METSÄ GROUP

INTERIM REPORT

JANUARY–MARCH 2018

Metsä

METSÄ GROUP'S COMPARABLE OPERATING RESULT IN JANUARY–MARCH 2018 WAS EUR 208 MILLION

JANUARY–MARCH 2018 (1–3/2017)

- Sales were EUR 1,428 million (1–3/2017: EUR 1,216 million).
- Operating result was EUR 208 million (131). Comparable operating result was EUR 208 million (128).
- Result before tax was EUR 185 million (130). Comparable result before tax was EUR 185 million (126).
- Comparable return on capital employed was 16.6% (12.5).
- Cash flow from operations was EUR 34 million (-1).

EVENTS DURING THE FIRST QUARTER OF 2018

- The market prices of long-fibre and short-fibre pulp continued to increase.
- The market prices of folding boxboard and white kraftliner rose. The improved sales prices compensated for the unfavourable exchange rate changes in full.
- Metsä Group announced it would pay double bonuses on pulpwood from owner-members between 1 March and 31 May 2018.
- Standard & Poor's Ratings Services raised Metsä Board's credit rating to investment grade.
- Ilkka Hämälä started as the President and CEO of Metsä Group on 1 April 2018.

RESULT GUIDANCE FOR APRIL–JUNE 2018

Metsä Group's comparable operating result in the second quarter of 2018 is expected to be roughly at the same level as in the first quarter of 2018.

EVENTS AFTER THE REVIEW PERIOD

Metsä Board agreed on changes in its syndicated credit agreement maturing in 2020. The agreement has previously consisted of a EUR 150 million term loan and an undrawn revolving credit facility of EUR 100 million.

In April 2018, the company repaid EUR 100 million of its existing loan and simultaneously increased the size of its credit facility by EUR 50 million. After the change, the syndicated credit agreement consists of a EUR 50 million term loan and an undrawn revolving credit facility of EUR 150 million.

President and CEO Ilkka Hämälä:

"Metsä Group's profit-making ability improved considerably during the first quarter of 2018 compared to the corresponding period in the previous year. The biggest factors behind the improved result were the positive development in pulp prices and the improved performance of the paperboard business. Production at the Äänekoski bioproduct mill has developed in line with the planned start-up curve. The capacity utilisation rate of Husum's folding boxboard machine has also risen close to the target.

The investment programme of the Wood Products Industry has progressed to the normal production phase at Lohja Kerto mill. The start-up of equipment at the veneer mill in Äänekoski and at the birch plywood mill under construction in Pärnu has begun as planned. The construction work for the new Kerto production line at Punkaharju mill, for which the investment decision was made at the end of 2017, has begun.

Our Tissue and Cooking Paper Industry has several ongoing investments in processing lines aiming to improve the product portfolio and internal efficiency. The investment in increasing capacity for cooking papers at the Düren mill is progressing towards start-up in the third quarter, according to schedule.

Global economic growth is supporting demand for our products in all our business areas. The economic growth has been accompanied by cost inflation. Improving the cost-effectiveness of the Group, as well as Finland's national competitiveness, is crucially important for our future success. It is particularly important to remember this during the current positive economic cycle."

KEY FIGURES

Condensed income statement, EUR million	2018 1–3	2017 1–3	2017 1–12
Sales	1 427.8	1 216.1	5 040.0
Other operating income	10.3	14.0	60.3
Operating expenses	-1 147.7	-1 036.3	-4 269.7
Depreciation and impairment losses	-82.5	-62.7	-249.7
Operating result	207.9	131.2	581.0
Share of results from associated companies and joint ventures	0.7	14.0	17.1
Exchange gains and losses	-3.5	1.4	-3.3
Other net financial items	-20.6	-17.1	-88.5
Result before income tax	184.5	129.5	506.2
Income tax	-38.3	-22.9	-102.3
Result for the period	146.3	106.7	403.9

Profitability	2018 1–3	2017 1–3	2017 1–12
Operating result, EUR million	207.9	131.2	581.0
Comparable operating result	207.9	127.9	566.1
% of sales	14.6	10.5	11.2
Return on capital employed, %	16.6	12.8	12.6
Comparable return on capital employed	16.6	12.5	12.3
Return on equity, %	19.4	16.3	14.5
Comparable return on equity	19.4	15.7	14.0

Financial position	2018 31.3.	2017 31.3.	2017 31.12.
Equity ratio, %	46.5	44.1	45.0
Net gearing ratio, %	34	46	34
Interest-bearing net liabilities, EUR million	1 039	1 226	993

SEGMENTS

Sales and Operating result 1–3/2018, EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp and Sawn Timber Industry	Paperboard Industry	Tissue and Cooking Papers
Sales	489.9	108.7	600.5	492.3	258.8
Other operating income	1.2	1.3	4.9	3.2	0.8
Operating expenses	-481.4	-100.1	-420.8	-401.2	-238.1
Depreciation and impairment losses	-1.1	-3.7	-39.7	-25.3	-9.3
Operating result	8.7	6.2	144.9	69.0	12.3
Items affecting comparability	-	-	-	-	-
Comparable operating result	8.7	6.2	144.9	69.0	12.3
% of sales	1.8	5.7	24.1	14.0	4.7

THE INTERIM REPORT IS UNAUDITED

INTERIM REPORT 1 JANUARY–31 MARCH 2018

SALES AND RESULT

Metsä Group's sales in the first quarter of 2018 were EUR 1,427.8 million (1–3/2017: EUR 1,216.1 million). The growth of sales was mainly due to higher delivery volumes and higher pulp and paperboard prices.

The comparable operating result was EUR 207.9 million (127.9), or 14.6% (10.5) of sales. The operating result improved, mainly due to an increase in pulp prices and positive development in the paperboard business. Exchange rate fluctuations after hedging had a negative effect of approximately EUR 40 million on the operating result of the review period. The effect was mainly attributable to the US dollar weakening against the euro by approximately 16%.

No items affecting comparability were recognised during the first quarter (1–3/2017: +3.3).

Metsä Group's operating result (IFRS) was EUR 207.9 million (131.2). The share in the results of associated companies and joint ventures was EUR 0.7 million (14.0), financial income was EUR 0.5 million (0.9), exchange rate differences in financing were EUR -3.5 million (+1.4), and financial expenses totalled EUR 21.1 million (18.0).

The result before taxes was EUR 184.5 million (129.5), and taxes including changes in deferred tax liabilities totalled EUR 38.3 million (22.9). The Group's effective tax rate was 20.7% (17.6). The result for the review period was EUR 146.3 million (106.7).

The return on capital employed was 16.6% (12.8), and the return on equity was 19.4% (16.3).

The comparable return on capital employed was 16.6% (12.5), and the comparable return on equity was 19.4% (15.7).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity has remained strong. Total liquidity at the end of March was EUR 1,676.6 million (31 December 2017: 1,928.3). This consisted of EUR 920.7 million (1,072.4) in liquid assets and investments, and EUR 755.9 million (855.9) in off-balance sheet committed credit facility agreements. In addition, the Group has EUR 161.6 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 2017: 160.8).

The Group's equity ratio at the end of December was 46.5% and net gearing was 34% (31 December 2017: 45.0 and 34, respectively). Net interest-bearing liabilities were EUR 1,039.4 million (31 December 2017: 992.6).

Cash flow from operations amounted to EUR 34.0 million (1–3/2017: -1.4). EUR 265.9 million was tied up in working capital (188.7). Working capital increased by the addition of EUR 150.8 million (53.0) in trade receivables and advance employment pension premiums, the addition of EUR 83.5 million (72.9) in inventories, and a decrease of EUR 31.6 million (62.8) in accounts payable and other liabilities.

At the end of March, the equity ratio of the parent company Metsäliitto Cooperative was 81.0%, and its net gearing was -13% (31 December 2017: 76.7% and -14%, respectively).

Metsäliitto Cooperative made an early repayment of EUR 100 million of its EUR 200 million syndicated loan maturing in February 2019.

In February, Standard & Poor's Ratings Services raised Metsä Board's credit rating to investment grade. The rating was raised from BB+ to BBB-. The outlook for the rating is stable. The raised credit rating does not have an impact on Metsä Board's current financial expenses.

During the first quarter, Metsäliitto Cooperative's members' capital increased by a total of EUR 27.6 million (23.7). The value of participation shares grew by EUR 2.0 million (2.6), that of the additional shares A by EUR 23.3 million (16.4), and that of the additional shares B by EUR 2.3 million (4.7).

PERSONNEL

In January-March, Metsä Group had an average of 9,213 employees (9,306). Personnel expenses totalled EUR 158.7 million (150.2). At the end of March, the Group employed 9,281 people (31 December 2017: 9,126). of whom 4,869 (4,764) were based in Finland and 4,412 (4,362) abroad. The parent company Metsäliitto Cooperative employed 1,902 people at the end of March (31 December 2017: 1,878).

Ilkka Hämälä started his work as the President and CEO of Metsä Group on 1 April 2018. Kari Jordan, President and CEO since 2006, retired on 1 April 2018.

MEMBERS

At the end of March, Metsäliitto Cooperative had 103,511 members (31 December 2017: 103,752). During January–March, 943 new members joined the Cooperative, and 1,184 members cancelled their membership.

INVESTMENTS

Metsä Group's capital expenditure in January–March was EUR 48.2 million (127.5).

Metsä Wood's investment programme

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

The programme has proceeded according to plan. The annual production capacity of Lohja's Kerto® LVL mill increased by approximately 20,000 cubic metres as the two oldest production lines were replaced with a new one. The new Kerto line started up in August 2017.

Metsä Wood's plywood mill in Pärnu will start up in the second half of 2018. The mill will produce birch plywood from veneer made at the new veneer peeling and drying line at Äänekoski. Veneer deliveries to Pärnu began in March.

In December 2017, Metsä Wood announced the construction of a new Kerto® LVL line with a capacity of 65,000 cubic metres at its mill in Punkaharju. The value of the investment is approximately EUR 52 million. The expansion of the mill hall began in January 2018, and the new line will start up during the first half of 2019.

BUSINESS AREAS

Wood Supply and Forest Services

The sales of Wood Supply and Forest Services, i.e. from Metsä Forest, were EUR 489.9 million (1–3/2017: 432.6) and the operating result was EUR 8.7 million (8.5).

In Finland, the supply of wood was steady, and stumpage prices rose slightly. The purchasing volume of wood was at the same level as during the corresponding period in the year before. The challenging harvesting and transportation conditions during the previous quarter improved and remained good throughout the review period.

At the beginning of the review period, wood supply was scarce in the Baltic countries, Russia and northern Sweden due to poor harvesting conditions. The situation did improve towards the end of the period, although the deep snow in northern Sweden slowed down harvesting operations. Demand for all grades of wood was excellent.

During the review period, Metsä Forest bought all grades of wood across Finland through both standing and delivery sales. More wood was purchased than during the corresponding period the year before. Demand focused particularly on 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. Even though the stocks of wood at mills which declined during the previous quarter due to poor harvesting and transportation conditions grew, they still remained below the target level.

In January–March, Metsä Forest delivered a total of 9.6 million cubic metres (8.7) of wood to its customers. Some 85% of this volume was delivered to the Finnish industrial sector. In total, 30% of the wood purchased by Metsä Forest from privately-owned forests was bought digitally. In the sale of forest management services, the figure was 45%. The sales were in line with targets.

Metsä Forest will pay a double bonus on pulpwood purchased between 1 March and 31 May 2018 to those members of Metsäliitto Cooperative entitled to a bonus. The bonus is determined according to the received volume of wood and contract level.

Wood Products Industry

The sales of the Wood Products Industry, i.e. Metsä Wood, were EUR 108.7 million (1–3/2017: 120.2), and the comparable operating result was EUR 6.2 million (10.7).

Metsä Wood's sales in the first quarter declined by 10% from the comparison period. The decline was mainly attributable to the UK business, which euro-denominated sales declined by 15% due to smaller delivery volumes.

The sales of engineered wood products declined by 4% from the previous year due to smaller delivery volumes, even though the average selling price improved. Demand for engineered wood products in the main markets was strong, and the order book level has clearly increased, particularly in plywood products. The ramp-up of the new Kerto line at Lohja, which has progressed slower than planned, and production-related challenges at some of the mills resulted in lower production and delivery volumes than in the comparison period.

Metsä Wood's profitability declined from the comparison period due to the decline in the profitability of the UK operations and the costs of new mills. In addition, a change in the product mix was reflected in production efficiency in the first quarter.

Pulp and Sawn Timber Industry

The sales of the Pulp and Sawn Timber Industry, i.e. Metsä Fibre, were EUR 600.5 million (1–3/2017: 422.0) and the operating result was EUR 144.9 million (54.5).

Demand for pulp remained strong during the first quarter. Compared to the corresponding period in the previous year, the currency-denominated market price of long-fibre and short-fibre pulp increased by 10% and 18%, respectively, in January–March.

During the first quarter, the average price of long-fibre pulp in Europe rose from USD 1,023 to USD 1,089 per tonne and the average price of short-fibre pulp rose from USD 999 to USD 1,029 per tonne.

The sales volume of pulp was 724,000 tonnes, which is approximately 28% higher than in the corresponding period in the previous year (567,000). The higher sales volume is the result of the Äänekoski bioproduct mill which has developed in line with the planned start-up curve.

Delivery volumes of sawn timber were roughly 445,000 cubic metres, which is about 9% lower than in the corresponding period in the previous year. The balance between supply and demand in sawn timber has improved, and average prices in January–March increased by 14% compared to the corresponding period in the previous year.

Paperboard Industry

The sales of the Paperboard Industry, i.e. Metsä Board, were EUR 492.3 million (1–3/2017: 444.5). The operating result was EUR 69.0 million (45.2).

The sales and operating result improved due to the increased delivery volumes and higher sales prices of paperboard and market pulp. The result also improved due to the increased pulp production and delivery volumes of Metsä Board's associated company Metsä Fibre. Exchange rate fluctuations after hedging had a negative effect of approximately EUR 15 million on the operating result of the review period.

Metsä Board announced an increase of EUR 90 per tonne in the price of folding boxboard in Europe as of November 2017, and increases of EUR 50 per tonne in white kraftliner prices in Europe and USD 50 per tonne in the Americas in February 2018. The company estimates that approximately half of the announced price increases have been or will be achieved.

Metsä Board's production efficiency in the first quarter of 2018 was good. Several production units have set new monthly production records. The total delivery volume of Metsä Board's folding boxboard and white kraftliners in January–March was approximately 468,000 tonnes (428,000).

Metsä Board's return on capital employed was 15.8% (10.6%), and its earnings per share were EUR 0.15 (0.10).

The equity ratio at the end of December was 49.6% and net gearing was 29% (31 December 2017: 52.6% and 31%, respectively).

Metsä Board's Interim Report was published on 3 May 2018.

Tissue and Cooking Papers

The sales of Tissue and Cooking Papers, i.e. Metsä Tissue, were EUR 258.8 million (1–3/2017: 252.0). The growth in sales was primarily due to increased sales volumes.

The operating result was EUR 12.3 million (17.6). The result was weakened by the price of fresh fibre, which was higher than in January–March of the previous year. The weakening of the Norwegian krone, Swedish krona and UK pound against the euro also had a negative effect on the operating result.

In the third quarter of 2017, Metsä Tissue decided on an investment project involving the construction of a new converting line for away-from-home products in Germany and a new converting line for consumer products in Slovakia. A new away-from-home converting line will be built at the Raubach mill in Germany. The investment meets growing demand in Western European markets. The new capacity will be in use by the end of 2018.

A new converting line for consumer products will be built at the Žilina mill in Slovakia. The investment strengthens the profitability of the operations and the competitiveness of the Tento tissue paper in Eastern Central European markets. The new capacity will be in use by the end of 2018.

The modernisation of the baking paper machine PM 5 in Düren, Germany, continues. The additional volume will enter the market during the final quarter of 2018. In addition, the renewal of the deinking plant underway at the Mänttä mill will be carried out in phases over a period of three years.

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 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 2017.

PENDING DISPUTES

In March 2011, the state enterprise Metsähallitus filed a claim for damages at the District Court of Helsinki, demanding that Metsäliitto Cooperative and two other forest industry companies jointly pay compensation for alleged damage caused by prohibited cooperation with regard to prices in the raw wood market. The claim 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 132 million, of which approximately EUR 43 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–November 2017 concerning the claims for damages filed by private individuals, the District Court of Helsinki dismissed the claimants' petitions and obligated the claimants to compensate the defendants in full for their legal costs. The claimants have informed the District Court on January 12, 2018 that they will not appeal the decision at the Court of Appeal.

The Helsinki District Court dismissed in its rulings issued in October 2017 the claim for damages of approximately EUR 5.7 million made by 30 municipalities against the defendant companies jointly and ruled that the municipalities are responsible for reimbursing the defendant companies for their legal expenses. Metsäliitto Cooperative's share of the municipalities' claim for damages in the district court was approximately EUR 1.9 million. The ruling by the District Court regarding the municipalities is not final because the municipalities have appealed the decision to the Court of Appeal.

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

In the autumn of 2015, the Finnish Tax Administration took a stand against the deductibility of certain losses in Metsä Board's 2014 taxation. Metsä Board has appealed against the decision issued by the Tax Administration, as the company believes the losses are deductible. The Board of Adjustment dismissed the company's appeal in March 2018. The company will now appeal the decision to the Administrative Court of Helsinki.

NEAR-TERM OUTLOOK

Demand for wood will focus on regeneration and thinning felling that can be harvested in the summer and, in energy wood, primarily on crown wood. The sales of forest management services are expected to remain good.

General market demand for wood products is expected to remain strong, which improves order book levels compared to previous years, particularly in plywood products. The strong construction market supports demand for Kerto® LVL products. Uncertainty in the UK market is expected to continue, particularly in terms of distributor customers.

The pulp market is expected to remain at its current, good level. Demand for sawn timber is also expected to remain good in all main markets.

Demand for high-quality consumer packaging paperboard made from fresh fibre is expected to continue to grow. Metsä Board's paperboard deliveries in April–June are expected to grow slightly from the previous quarter. The market prices of folding boxboard and white kraftliner in local currencies are expected to remain stable or to rise slightly.

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

EVENTS AFTER THE REVIEW PERIOD

Metsä Board agreed on changes in its syndicated credit agreement maturing in 2020. The agreement has previously consisted of a EUR 150 million term loan and an undrawn revolving credit facility of EUR 100 million. In April 2018, the company repaid EUR 100 million of its existing loan and simultaneously increased the size of its credit facility by EUR 50 million.

RESULT GUIDANCE FOR APRIL–JUNE 2018

Metsä Group has simplified its principles with regard to result guidance. The result guidance is issued on forecast changes in comparable operating result between the current quarter and the previous quarter, and there are three levels: weaker, roughly at the same level, and better. Previously, there were seven levels.

Several maintenance shutdowns are set to take place at both Metsä Board and Metsä Fibre mills in the second quarter, which will burden the result compared to the first quarter.

Metsä Group's comparable operating result in the second quarter of 2018 is expected to be roughly at the same level as in the first quarter of 2018.

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

Metsäliitto Cooperative's Board of Directors proposes to the Representative Council on 3 May 2018 that interest of 7.0% (6.0% in 2016) be distributed on the participation shares of the members for 2017. Interest of 6.5% (5.5) is proposed for additional shares A, and interest of 2.5% (2.5) for additional shares B.

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

Espoo, Finland, 3 May 2018
BOARD OF DIRECTORS

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

2 August 2018: Half year financial report January–June 2018
8 November 2018: Interim report January–September 2018

SEGMENTS

Wood Supply and Forest Services	2018 1–3	2017 1–3	2017 1–12
Sales, EUR million	489.9	432.6	1 634.4
EBITDA, EUR million	9.8	9.4	28.4
Comparable EBITDA, EUR million	9.8	9.4	28.4
Operating result, EUR million	8.7	8.5	24.3
Comparable operating result, EUR million	8.7	8.5	24.3
% of sales	1.8	2.0	1.5
Comparable ROCE, %	24.1	25.9	17.6
Capital expenditure, EUR million	0.9	1.0	4.2
Personnel at end of period	855	845	848

Wood Products Industry	2018 1–3	2017 1–3	2017 1–12
Sales, EUR million	108.7	120.2	459.9
EBITDA, EUR million	9.8	16.9	47.3
Comparable EBITDA, EUR million	9.8	13.6	45.5
Operating result, EUR million	6.2	14.0	35.3
Comparable operating result, EUR million	6.2	10.7	33.5
% of sales	5.7	8.9	7.3
Comparable ROCE, %	10.7	23.5	17.6
Capital expenditure, EUR million	26.6	5.7	57.3
Personnel at end of period	1 464	1 512	1 428

Pulp and Sawn Timber Industry	2018 1–3	2017 1–3	2017 1–12
Sales, EUR million	600.5	422.0	1 875.7
EBITDA, EUR million	184.6	75.9	406.1
Comparable EBITDA, EUR million	184.6	75.9	406.2
Operating result, EUR million	144.9	54.5	319.5
Comparable operating result, EUR million	144.9	54.5	319.7
% of sales	24.1	12.9	17.0
Comparable ROCE, %	32.8	16.7	20.9
Capital expenditure, EUR million	3.9	98.7	436.2
Personnel at end of period	1 237	1 245	1 215

Paperboard Industry	2018 1–3	2017 1–3	2017 1–12
Sales, EUR million	492.3	444.5	1 848.6
EBITDA, EUR million	94.3	68.8	298.7
Comparable EBITDA, EUR million	94.3	68.8	289.1
Operating result, EUR million	69.0	45.2	207.1
Comparable operating result, EUR million	69.0	45.2	193.5
% of sales	14.0	10.2	10.5
Comparable ROCE, %	15.8	10.6	11.2
Capital expenditure, EUR million	10.5	19.0	65.4
Personnel at end of period	2 402	2 450	2 351

Tissue and Cooking Papers	2018 1–3	2017 1–3	2017 1–12
Sales, EUR million	258.8	252.0	1 013.6
EBITDA, EUR million	21.6	27.1	112.0
Comparable EBITDA, EUR million	21.6	27.1	112.4
Operating result, EUR million	12.3	17.6	73.5
Comparable operating result, EUR million	12.3	17.6	73.9
% of sales	4.7	7.0	7.3
Comparable ROCE, %	8.1	10.9	11.5
Capital expenditure, EUR million	6.0	2.9	39.1
Personnel at end of period	2 826	2 772	2 795

Other operations	2018 1–3	2017 1–3	2017 1–12
Sales, EUR million	1.3	1.1	4.9
EBITDA, EUR million	-0.2	5.0	-0.6
Comparable EBITDA, EUR million	-0.2	5.0	-0.6
Operating result, EUR million	-0.9	4.4	-3.2
Comparable operating result, EUR million	-0.9	4.4	-3.2
Capital expenditure, EUR million	0.7	0.9	6.2
Personnel at end of period	499	486	490

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.

Internal sales and eliminations	2018 1–3	2017 1–3	2017 1–12
Sales, EUR million	-523.7	-456.3	-1 796.9
EBITDA, EUR million	-29.5	-9.2	-61.2
Comparable EBITDA, EUR million	-29.5	-9.2	-61.2
Operating result, EUR million	-32.2	-13.0	-75.6
Comparable operating result, EUR million	-32.2	-13.0	-75.6

Metsä Group	2018 1–3	2017 1–3	2017 1–12
Sales, EUR million	1 427.8	1 216.1	5 040.0
EBITDA, EUR million	290.4	193.9	830.7
Comparable EBITDA, EUR million	290.4	190.5	819.7
Operating result, EUR million	207.9	131.2	581.0
Comparable operating result, EUR million	207.9	127.9	566.1
% of sales	14.6	10.5	11.2
Comparable ROCE, %	16.6	12.5	12.3
Capital expenditure, EUR million	48.2	127.5	607.7
Personnel at end of period	9 281	9 310	9 126

RECONCILIATION OF OPERATING RESULT AND EBITDA

EUR million	2018 1–3	2017 1–3	2017 1–12
OPERATING RESULT (IFRS)	**207.9**	**131.2**	**581.0**
Depreciation and impairment charges	82.5	62.7	249.7
EBITDA	**290.4**	**193.9**	**830.7**
Items affecting comparability:			
Wood Products Industry	-	-3.3	-1.8
Pulp and Sawn Timber Industry	-	-	0.1
Paperboard Industry	-	-	-9.7
Tissue and Cooking Papers	-	-	0.5
Total	0.0	-3.3	-10.9
COMPARABLE EBITDA	**290.4**	**190.5**	**819.7**
Depreciation and impairment charges	-82.5	-62.7	-249.7
Items affecting comparability:			
Depreciation:			
Wood Products Industry	-	0.1	0.1
Impairment charges and reversals:			
Paperboard Industry	-	-	-3.9
COMPARABLE OPERATING RESULT	**207.9**	**127.9**	**566.1**

EUR million	2018 1–3	2017 1–3	2017 1–12
OPERATING RESULT (IFRS)	**207.9**	**131.2**	**581.0**
Depreciation and impairment charges	82.5	62.7	249.7
EBITDA	**290.4**	**193.9**	**830.7**
Items affecting comparability:			
Other operating income	-	-3.4	-13.6
Change in inventories	-	0.0	0.0
Other operating expenses	-	-	2.6
Total	0.0	-3.3	-10.9
COMPARABLE EBITDA	**290.4**	**190.5**	**819.7**
Depreciation and impairment charges	-82.5	-62.7	-249.7
Items affecting comparability:			
Depreciation	-	0.1	0.1
Impairment charges	-	-	-3.9
COMPARABLE OPERATING RESULT	**207.9**	**127.9**	**566.1**

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

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

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

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

QUARTERLY DATA

EUR million	2018 1–3	2017 10–12	2017 7–9	2017 4–6	2017 1–3
Sales					
Wood Supply and Forest Services	489.9	428.6	376.4	396.7	432.6
Wood Products Industry	108.7	108.3	109.6	121.8	120.2
Pulp and Sawn Timber Industry	600.5	551.9	475.3	426.5	422.0
Paperboard Industry	492.3	451.3	478.6	474.2	444.5
Tissue and Cooking Papers	258.8	260.5	249.6	251.4	252.0
Other operations	1.3	1.7	1.0	1.1	1.1
Internal sales	-523.7	-474.0	-430.2	-436.5	-456.3
Sales	**1 427.8**	**1 328.2**	**1 260.4**	**1 235.2**	**1 216.1**
Operating result					
Wood Supply and Forest Services	8.7	5.4	5.9	4.4	8.5
Wood Products Industry	6.2	6.8	6.3	8.3	14.0
Pulp and Sawn Timber Industry	144.9	125.9	68.4	70.7	54.5
Paperboard Industry	69.0	54.4	60.6	46.9	45.2
Tissue and Cooking Papers	12.3	22.7	16.9	16.3	17.6
Other operations	-0.9	-11.0	2.5	0.8	4.4
Eliminations	-32.2	-20.1	-17.2	-25.2	-13.0
Operating result	**207.9**	**184.3**	**143.3**	**122.2**	**131.2**
% of sales	14.6	13.9	11.4	9.9	10.8
Share of results from associated companies and joint ventures	0.7	1.2	-3.0	4.9	14.0
Exchange gains and losses	-3.5	-0.0	-0.7	-4.0	1.4
Other net financial items	-20.6	-24.4	-30.9	-16.1	-17.1
Result before income tax	**184.5**	**161.0**	**108.6**	**107.1**	**129.5**
Income tax	-38.3	-36.5	-22.0	-20.9	-22.9
Result for the period	**146.3**	**124.5**	**86.6**	**86.1**	**106.7**
Comparable operating result					
Wood Supply and Forest Services	8.7	5.4	5.9	4.4	8.5
Wood Products Industry	6.2	6.9	7.6	8.4	10.7
Pulp and Sawn Timber Industry	144.9	125.9	68.4	70.8	54.5
Paperboard Industry	69.0	54.4	50.4	43.5	45.2
Tissue and Cooking Papers	12.3	23.3	16.8	16.3	17.6
Other operations and eliminations	-33.2	-31.0	-14.8	-24.4	-8.6
Comparable operating result	**207.9**	**184.9**	**134.3**	**119.1**	**127.9**
% of sales	14.6	13.9	10.7	9.6	10.5

CALCULATION OF KEY RATIOS

Return on capital employed (%) ROCE	=	(Result before tax + exchange gains/losses and other net financial expenses) per (Balance total – non-interest-bearing liabilities) (average))
Return on equity (%) ROE	=	(Result before tax – income tax) per (Members' funds (average))
Equity ratio (%)	=	(Members' funds) per (Balance total – advance payments received)
Net gearing ratio (%)	=	(Interest-bearing borrowings – cash and cash equivalents – interest-bearing receivables per (Members' funds)
EBITDA	=	Operating result before depreciation and impairment losses
Operating result	=	Result before income tax, financial income and -expenses, exchange gains and losses and share of results from associated companies and joint ventures

COMPARABLE KEY RATIOS

European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures define alternative performance measures as a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined in the applicable financial reporting framework, in Metsä Group's case International Financial Reporting Standards as adopted in the EU pursuant to Regulation (EC) No 1606/2002. Performance measures presented in the interim 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 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. In Metsä Group's view, comparable performance measures better reflect the underlying operational performance of the company by eliminating the result effect arising from items and transactions outside ordinary course of business.

FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	2018 1–3	2017 1–3	Change	2017 1–12
Sales	2, 3	**1 427.8**	**1 216.1**	**211.7**	**5 040.0**
Change in stocks of finished goods and work in progress		-56.4	19.1	-75.5	14.6
Other operating income		10.3	14.0	-3.8	60.3
Material and services		-840.5	-817.0	-23.5	-3 308.4
Employee costs		-158.7	-150.2	-8.5	-620.5
Depreciation and impairment losses		-82.5	-62.7	-19.8	-249.7
Other operating expenses		-92.0	-88.2	-3.8	-355.3
Operating result	2	**207.9**	**131.2**	**76.7**	**581.0**
Share of results from associated companies and joint ventures		0.7	14.0	-13.3	17.1
Exchange gains and losses		-3.5	1.4	-4.9	-3.3
Other net financial items	2	-20.6	-17.1	-3.6	-88.5
Result before income tax		**184.5**	**129.5**	**55.0**	**506.2**
Income tax	4	-38.3	-22.9	-15.4	-102.3
Result for the period		**146.3**	**106.7**	**39.6**	**403.9**
Other comprehensive income					
Items that will not be reclassified to profit and loss					
Items relating to adjustments of defined benefit plans		5.3	-0.0	5.3	9.4
Fair value of financial assets through other comprehensive income		5.1	15.5	-10.4	54.2
Income tax relating to items that will not be reclassified		-2.0	-3.1	1.2	-12.5
Yhteensä		8.4	12.3	-3.9	51.1
Items that may be reclassified subsequently to profit and loss					
Cash flow hedges		-2.4	8.7	-11.1	33.0
Currency translation differences		-18.5	6.1	-24.6	-25.6
Share of comprehensive income of joint venture		0.0	0.4	-0.4	3.8
Income tax relating to items that may be reclassified		0.4	-1.7	2.1	-6.2
Total		-20.4	13.6	-34.1	5.0
Other comprehensive income, net of tax		-12.0	25.9	-38.0	56.1
Total comprehensive income for the period		**134.2**	**132.6**	**1.6**	**460.0**
Result for the period attributable to:					
Members of parent company		87.3	77.1	10.2	261.0
Non-controlling interests		58.9	29.5	29.4	142.9
Total		146.3	106.7	39.6	403.9
Total comprehensive income attributable to:					
Members of parent company		79.9	92.5	-12.6	293.2
Non-controlling interests		54.4	40.1	14.2	166.8
Total		134.2	132.6	1.6	460.0

The notes are an integral part of this interim report.

UNAUDITED CONSOLIDATED BALANCE SHEET

EUR million	Note	2018 31.3.	2017 31.3.	2017 31.12.
ASSETS				
Non-current assets				
Goodwill		508.4	517.9	513.8
Other intangible assets		250.6	230.6	260.2
Tangible assets	5	2 823.1	2 601.5	2 867.0
Biological assets		3.1	3.2	3.1
Investments in associated companies and joint ventures		50.4	48.5	50.7
Available for sale investments	9	259.4	215.6	254.3
Non-current financial assets	9	34.4	18.8	28.3
Deferred tax receivables		25.8	27.9	26.4
		3 955.2	**3 663.9**	**4 003.6**
Current assets				
Inventories		860.6	841.1	782.3
Accounts receivables and other receivables		846.9	747.7	705.9
Tax receivables based on the taxable income for the period		8.8	25.3	21.6
Cash and cash equivalents	9	920.7	736.8	1 072.4
		2 637.0	**2 350.9**	**2 582.2**
Assets classified as held for sale		2.4	12.1	2.4
Total assets		**6 594.6**	**6 026.9**	**6 588.2**
MEMBERS' FUNDS AND LIABILITIES				
Members' funds				
Members' funds		2 353.1	2 053.7	2 233.8
Non-controlling interests		706.9	598.6	726.8
		3 060.0	**2 652.3**	**2 960.7**
Non-current liabilities				
Deferred tax liabilities		261.8	217.6	260.9
Post-employment benefit obligations		77.0	83.8	78.8
Provisions	6	19.5	20.5	19.6
Borrowings	9	1 373.7	1 365.1	1 642.5
Other liabilities		17.7	23.6	17.3
		1 749.7	**1 710.6**	**2 019.2**
Current liabilities				
Provisions	6	2.8	3.6	2.5
Current borrowings	9	591.1	603.7	428.7
Accounts payable and other liabilities		1 174.9	1 038.3	1 164.6
Tax liabilities based on the taxable income for the period		14.6	14.8	11.0
		1 783.4	**1 660.4**	**1 606.9**
Liabilities classified as held for sale		1.5	3.5	1.5
Total liabilities		**3 534.6**	**3 374.6**	**3 627.6**
Total members' funds and liabilities		**6 594.6**	**6 026.9**	**6 588.2**

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	Trans-lation differ-ences	Fair value and other reserves	Re-tained earnings	Total	Non-control-ling interest	Total
Members' funds 1.1.2017	**769.4**	**-10.9**	**193.5**	**989.6**	**1 941.6**	**658.4**	**2 600.0**
Result for the period				77.1	77.1	29.5	106.7
Other comprehensive income, net after tax		5.1	10.5	-0.3	15.3	10.6	25.9
Total comprehensive income		**5.1**	**10.5**	**76.9**	**92.5**	**40.1**	**132.6**
Transactions with owners:							
Dividends paid				3.4	3.4	-70.6	-67.2
Change in members' capital	23.7			-5.7	18.0		18.0
Change in other equity					0.0		0.0
Share based payments				-2.4	-2.4	-0.4	-2.8
Acquired shares from non-controlling interests, which did not change the controlling right				1.5	1.5	-32.3	-30.7
Sold shares from non-controlling interests, which did not change the controlling right			0.0	-0.9	-0.9	3.3	2.4
Members' funds 31.3.2017	**793.1**	**-5.8**	**204.0**	**1 062.4**	**2 053.7**	**598.6**	**2 652.3**

	Equity attributable to members of parent company						
EUR million	Members' capital	Trans-lation differ-ences	Fair value and other reserves	Re-tained earnings	Total	Non-control-ling interest	Total
Members' funds 31.12.2017	813.4	-19.5	228.6	1 211.3	2 233.8	726.8	2 960.7
IFRS 2 change in accounting principle				18.1	18.1	2.4	20.5
IFRS 9 change in accounting principle				-0.4	-0.4	-0.1	-0.5
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	-4.5	-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	24.4		24.4
Change in other equity					0.0		0.0
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**

The notes are an integral part of this interim report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2018 1–3	2017 1–3	2017 1–12
Result for the period	8	146.3	106.7	403.9
Total adjustments	8	153.7	80.6	405.7
Change in working capital		-265.9	-188.7	95.4
Cash flow arising from operations		**34.0**	**-1.4**	**905.0**
Net financial items		-4.9	-20.6	-90.2
Income taxes paid		-17.3	-19.0	-65.3
Net cash flow arising from operating activities		**11.7**	**-41.0**	**749.4**
Acquisitions		0.0	0.0	-2.6
Investments in tangible and intangible assets		-48.2	-127.5	-607.7
Disposals and other items	8	0.7	13.8	30.8
Net cash flow arising from investing activities		**-47.5**	**-113.6**	**-579.5**
Change in members' funds		24.5	18.0	58.5
Change in other equity		0.0	0.0	0.0
Change in non-controlling interest		0.0	-30.7	-27.7
Change in long-term loans and other financial items		-105.3	39.8	99.6
Dividends paid		-35.0	-31.1	-122.1
Net cash flow arising from financing activities		**-115.8**	**-4.0**	**8.3**
Change in cash and cash equivalents		**-151.5**	**-158.7**	**178.2**
Cash and cash equivalents at beginning of period		1 072.4	895.1	895.1
Translation difference		-0.2	0.4	-0.9
Change in cash and cash equivalents		-151.5	-158.7	178.2
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		**920.7**	**736.8**	**1 072.4**

The notes are an integral part of this interim report.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

NOTE 1 – BACKGROUND AND ACCOUNTING POLICIES

Metsäliitto Cooperative and its subsidiaries comprise a forest industry group ("Metsä Group" or "Group"), which operations are organised into five business segments: Wood Supply and Forest Services, Wood Products Industry, Pulp and Sawn Timber Industry, Paperboard Industry and Tissue and Cooking Papers. Metsä Group's parent company is Metsäliitto Cooperative. The parent company is domiciled in Helsinki and the registered address is Revontulenpuisto 2, 02100 Espoo, Finland.

This unaudited interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2017 IFRS financial statements. The same accounting policies have been applied as in the 2017 IFRS financial statements with the following exception:

• Depreciation of machinery and equipment during the financial year has been specified further between the quarters where applicable in order to correspond with the allocation of the use of the economic benefit of the asset

In 2018 Metsä Group has adopted the following new and amended standards and interpretations:

• *IFRS 15 Revenue from Contracts with Customers*. The new standard will replace the current IAS 18 and IAS 11 standards and the related interpretations. IFRS 15 includes five-step guidelines on recognising revenue in terms of amount and timing. Revenue is recognised as control is passed, either over time or at a point in time. The standard also increases the amount of information to be presented in the notes to the financial statements.

The adoption of IFRS 15 Revenue from Contracts with Customers will have no impact on the principles applied by the Group to the amount and timing of revenue recognition.

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

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

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

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

• Amendments to IFRS 2 *Share-based Payment: Classification and Measurement of Share-based Payment Transactions.* The amendments clarify the accounting of certain types of business transactions that involve share-based payments. With the amendments, Metsä Group's share-based compensation arrangements will be processed as arrangements settled in shares. On the date of transition, the carrying amount of liabilities arising from share-based payments will be transferred to members' funds. As of 1 January 2018, the Group has recognised in retained earnings an adjustment of EUR 18.1 million due to share-based payments and an adjustment of EUR 2.4 million in non-controlling interest.

In 2019 Metsä Group will 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.

With the amendment, Metsä Group will recognise its currently valid lease agreements on the balance sheet, with the exception of the exemptions provided in the standard that concern short-term lease agreements and assets of insignificant value. Current rental payments related to non-terminable other lease agreements are presented as lease liabilities at nominal value. At the end of the 2017 financial year, these lease liabilities stood at EUR 77.5 million.

Metsä Group will apply the definition of new leases in accordance with IFRS 16 to new and amended agreements signed during or after the transition period. The company will apply a simplified approach to the adoption of the standard, meaning that the accumulated effect of the adoption will be recognised as an adjustment to retained earnings. The comparison information will not be adjusted. The new rules will have an effect on the Group's balance sheet and key figures, and on classifications concerning the income statement and cash flow.

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

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

This interim report was authorised for issue by the Board of Directors of Metsäliitto Cooperative on May 3, 2018.

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	1–3/2018 External	1–3/2018 Internal	1–3/2018 Total	1–3/2017 External	1–3/2017 Internal	1–3/2017 Total
Wood Supply and Forest Services	133.9	356.1	489.9	119.2	313.4	432.6
Wood Products Industry	102.7	5.9	108.7	114.3	5.9	120.2
Pulp and Sawn Timber Industry	461.7	138.8	600.5	301.9	120.1	422.0
Paperboard Industry	470.9	21.4	492.3	429.0	15.5	444.5
Tissue and Cooking Papers	258.6	0.3	258.8	251.8	0.2	252.0
Other operations	0.0	1.3	1.3	0.0	1.1	1.1
Elimination of internal sales	-	-523.7	-523.7	-	-456.3	-456.3
Total sales	1 427.8	0.0	1 427.8	1 216.1	0.0	1 216.1

EUR million	1–12/2017 External	1–12/2017 Internal	1–12/2017 Total
Wood Supply and Forest Services	434.6	1 199.8	1 634.4
Wood Products Industry	436.3	23.6	459.9
Pulp and Sawn Timber Industry	1 375.1	500.5	1 875.7
Paperboard Industry	1 781.4	67.1	1 848.6
Tissue and Cooking Papers	1 012.5	1.1	1 013.6
Other operations	0.1	4.8	4.9
Elimination of internal sales		-1 796.9	-1 796.9
Total sales	5 040.0	0.0	5 040.0

OPERATING RESULT BY SEGMENTS

EUR million	2018 1–3	2017 1–3	2017 1–12
Wood Supply and Forest Services	8.7	8.5	24.3
Wood Products Industry	6.2	14.0	35.3
Pulp and Sawn Timber Industry	144.9	54.5	319.5
Paperboard Industry	69.0	45.2	207.1
Tissue and Cooking Papers	12.3	17.6	73.5
Other operations	-0.9	4.4	-3.2
Eliminations	-32.2	-13.0	-75.6
Operating result total	207.9	131.2	581.0
Share of results from associated companies and joint ventures	0.7	14.0	17.1
Financial costs, net	-24.1	-15.7	-91.8
Income taxes	-38.3	-22.9	-102.3
Result for the period	146.3	106.7	403.9

ASSETS AND LIABILITIES BY SEGMENTS

Assets EUR million	2018 31.3.	2017 31.3.	2017 31.12.
Wood Supply and Forest Services	360.6	326.1	268.4
Wood Products Industry	297.1	221.5	247.1
Pulp and Sawn Timber Industry	1 992.2	1 657.8	1 970.0
Paperboard Industry	2 018.1	1 987.8	2 002.3
Tissue and Cooking Papers	899.9	878.8	887.6
Other operations	230.4	234.4	161.1
Assets classified as held for sale	2.4	12.1	2.4
Eliminations	-294.9	-264.3	-199.4
Unallocated assets	1 088.9	972.7	1 248.6
Total	6 594.6	6 026.9	6 588.2

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 EUR million	2018 31.3.	2017 31.3.	2017 31.12.
Wood Supply and Forest Services	242.4	215.1	209.0
Wood Products Industry	75.0	73.8	65.9
Pulp and Sawn Timber Industry	401.0	331.7	427.6
Paperboard Industry	456.0	416.7	381.6
Tissue and Cooking Papers	318.6	314.3	302.4
Other operations	74.8	65.2	82.4
Assets classified as held for sale	1.5	3.5	1.5
Eliminations	-294.9	-264.3	-199.4
Unallocated assets	2 260.1	2 218.6	2 356.6
Total	3 534.6	3 374.6	3 627.6

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

NOTE 3 – SALES BY MARKET AREA

EUR million	2018 1–3	2017 1–3	2017 1–12
EMEA	1 062.0	946.1	3 843.2
APAC	271.5	173.7	811.3
Americas	94.3	96.3	385.5
Total	1 427.8	1 216.1	5 040.0

NOTE 4 – INCOME TAX

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

EUR million	2018 1–3	2017 1–3	2017 1–12
Taxes for the period	33.2	12.4	58.1
Taxes for previous periods	-0.1	1.5	1.5
Change in deferred taxes	5.2	8.9	42.7
Total income taxes	38.3	22.9	102.3

NOTE 5 – CHANGE IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2018 1–3	2017 1–3	2017 1–12
Book value at beginning of period	2 867.0	2 542.5	2 542.5
Investments	52.1	124.8	576.6
Decreases	-0.3	-10.6	-14.8
Assets classified as held for sale	0.0	-2.0	-2.0
Depreciation and impairment losses	-76.3	-58.2	-228.2
Translation differences and other changes	-19.4	4.9	-7.2
Book value at end of period	2 823.1	2 601.5	2 867.0

NOTE 6 – PROVISIONS

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2018	1.3	15.9	4.9	22.2
Translation differences		-0.0	-0.0	-0.0
Increases		0.1	0.3	0.4
Utilised during the year	-0.0	-0.0	-0.2	-0.2
Unused amounts reversed				0.0
At 31 March 2018	1.3	16.0	5.0	22.3

Of the Metsä Group's total provisions of EUR 22.3 million, the non-current portion was EUR 19.5 million and the current portion EUR 2.8 million. Most of the non-current portion will be paid by the end of 2025.

NOTE 7 – TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2018 1–3	2017 1–3	2017 1–12
Sales	1.5	1.6	9.4
Purchases	20.4	21.1	88.0
Non-current receivables	0.9	1.0	0.9
Current receivables	2.6	3.1	3.4
Non-current liabilities	0.0	0.0	0.0
Current liabilities	5.2	3.7	6.5

NOTE 8 – NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Adjustments to the result for the financial period

Milj. euroa	2018 1–3	2017 1–3	2017 1–12
Taxes	38.3	22.9	102.3
Depreciation and impairment charges	82.5	62.7	249.7
Biological assets	0.1	-0.1	-0.0
Share of results from associated companies	-0.7	-14.0	-17.1
Gains and losses on sale of non-current financial assets	2.3	-5.2	-18.4
Financial costs, net	24.1	15.7	91.8
Pension liabilities and provisions	-0.0	-1.3	-2.6
Other adjustments	7.2	-	-
Total	153.7	80.6	405.7

Disposals and other items

Disposals and other items in January–March 2018 include sales of intangible and tangible assets of EUR 0.6 million and other items of EUR 0.1 million.

NOTE 9 – FAIR VALUES OF FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities and fair values.

Financial assets 31.3.2018

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount	Fair value
Other non-current investments	7.6	251.8		259.4	259.4
Other non-current financial assets			27.2	27.2	27.2
Accounts receivables and others			830.9	830.9	830.9
Cash and cash equivalents	181.5		739.2	920.7	920.7
Derivative financial instruments	0.2	18.3		18.5	18.5
Assets classified as held for sale					
Total	189.3	270.1	1 597.3	2 056.7	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	Fair value
Non-current interest-bearing liabilities			1 373.7	1 373.7	1 383.9
Other non-current liabilities			0.8	0.8	0.8
Current interest-bearing liabilities			591.1	591.1	595.7
Accounts payable and others			1 057.3	1 057.3	1 057.3
Derivative financial instruments	0.6	14.8		15.4	15.4
Liabilities classified as held for sale			1.5	1.5	1.5
Total	0.6	14.8	3 024.5	3 039.8	3 054.7

Financial assets 31.3.2017

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Carrying amount	Fair value
Other non-current investments		215.6				215.6	215.6
Other non-current financial assets			18.8			18.8	18.5
Account receivables and others			740.9			740.9	740.9
Cash and cash equiva-lents	111.2		625.7			736.8	736.8
Derivative financial instruments	0.1			3.7		3.8	3,8
Assets classified as held for sale							
Total	111.3	215.6	1 385.3	3.7	0.0	1 716.0	1 715.6

Financial liabilities 31.3.2017

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Carrying amount	Fair value
Non-current interest-bearing liabilities					1 365,1	1 365,1	1 387,9
Other non-current liabilities					0,4	0,4	0,4
Current interest-bearing liabilities					603,7	603,7	604,7
Accounts payable and others					932,7	932,7	932,7
Derivative financial instruments	1,8			21,6		23,4	23,4
Liabilities classified as held for sale					3,5	3,5	3,5
Total	1,8	0,0	0,0	21,6	2 905,5	2 928,9	2 952,7

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

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

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other non-current investments	0.0		215.6	215.6
Current financial assets through profit and loss at fair value	106.2	5.0		111.2
Derivative financial assets	1.0	2.9		3.8
Financial liabilities measured at fair value				
Derivative financial liabilities	2.1	21.3		23.4
Financial assets not measured at fair value				
Financial assets		625.7		625.7
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1 387.9		1 387.9
Current interest-bearing liabilities		604.7		604.7

Financial assets measured at fair value based on level 3

EUR million	2018	2017
Opening balance 1 January	254.3	200.1
Gains and losses in income statement	0.0	0.0
Gains and losses in other comprehensive income	5.1	15.5
Purchases	0.0	0.0
Settlements	0.0	0.0
Closing balance 31 March	259.4	215.6

Fair value of financial assets and liabilities have been categorised according to IFRS 7 Financial Instruments: Disclosures.

Level 1: Fair value is based on quoted prices in active markets.

Level 2: Fair value is based on inputs observable for the asset either directly or indirectly.

Level 3: Fair value is based on company estimates and not on market data.

The fair values of electric power, natural gas, propane, gas oil and heavy fuel oil derivatives are measured on the basis of publicly quoted market prices (Level 1).

The fair values of currency forwards and options are determined on the basis of market prices at the closing date of the reporting period. The fair values of interest rate swaps are measured applying a method based on the present value of future cash flows, supported by market interest rates at the closing date of the reporting period and other market inputs (Level 2). The fair value of financial instruments not traded in an active market is determined using various measurement methods. Discretion is used in choosing the methods and making assumptions based primarily on the market conditions prevailing at the closing date of the reporting period (Level 3).

The accounting policies applied in preparing the financial statements include a more detailed description of the recognition and measurement principles applied.

The most significant item at fair value not traded on an open market is the investment in Pohjolan Voima Oyj shares, reported under available-for-sale financial assets. The valuation method is described in the 2017 Financial Statements. The average weighed capital cost applied in the calculation was 2.24% on 31 March 2018 and for the Olkiluoto 3 power plant under construction 4.24%. The acquisition cost of the Pohjolan Voima Oyj shares is EUR 43.1 million and their fair value is EUR 251.8 million.

The carrying amount of Pohjolan Voima Oyj as of 31 March 2018 is estimated to change by EUR 3.4 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 35.6 million should the energy prices applied in the fair value calculation differ by 10% from the rate estimated by the management.

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

Derivatives 31 March 2017

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	924.8		20.4	-20.4	-0.4	-20.0
Total	924.8	0.0	20.4	-20.4	-0.4	-20.0
Currency forwards	1 923.0	0.0	1.0	-1.0	-1.4	0.5
Currency options	252.5		-0.1	0.1	0.1	
Total	2 175.5	0.0	0.9	-0.9	-1.4	0.5
Electricity derivatives	92.1		0.9	-0.9		-0.9
Pulp derivatives	28.3	2.9		2.9		2.9
Oil derivatives	11.6	0.1	0.3	-0.2	0.1	-0.3
Commodity derivatives	9.6	0.9	0.9	-0.0		-0.0
Total	141.6	3.8	2.1	1.8	0.1	1.7
Derivatives total	3 241.9	3.8	23.4	-19.6	-1.7	-17.9

NOTE 10 – COMMITMENTS AND CONTINGENCIES

EUR million	31.3.2018	31.3.2017	31.12.2017
Own liabilities for which commitments granted	296.8	454.7	403.2
Pledges granted	455.6	414.6	463.2
Floating charges	2.8	2.8	2.8
Real estate mortgages	269.4	272.3	269.5
Chattels mortgage	4.0	4.0	4.0
Commitments for own liabilities, total	731.7	693.6	739.4
Other commitments on own behalf	97.6	90.4	100.4
On behalf of associated companies	0.8	0.7	0.9
On behalf of others	0.0	0.1	0.0
Total	830.5	784.9	840.7

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

The future costs for non-cancellable operating lease contracts were EUR 74.5 million (31.12.2017: 77.5).

COMMITMENTS RELATED TO INVESTMENTS

EUR million	31.3.2018	31.3.2017	31.12.2017
Payments due under 1 year	68.1	205.0	68.7
Payments due in subsequent years		101.9	0.3
Total	68.1	306.9	69.0