

# METSÄ GROUP

INTERIM REPORT

**JANUARY–SEPTEMBER 2019**



## METSÄ GROUP'S COMPARABLE OPERATING RESULT IN JANUARY–SEPTEMBER 2019 WAS EUR 418 MILLION

### JANUARY–SEPTEMBER 2019 (1–9/2018)

- Sales were EUR 4,183 million (4,290).
- Operating result was EUR 342 million (635). Comparable operating result was EUR 418 million (641).
- Result before tax was EUR 298 million (576). Comparable result before tax was EUR 374 million (582).
- Comparable return on capital employed was 11.0% (17.1).
- Cash flow from operations was EUR 421 million (591).

### JULY–SEPTEMBER 2019 (7–9/2018)

- Sales were EUR 1,374 million (1,386).
- Operating result was EUR 110 million (223). Comparable operating result was EUR 110 million (223).
- Result before tax was EUR 96 million (208). Comparable result before tax was EUR 96 million (208).
- Comparable return on capital employed was 8.7% (18.3).
- Cash flow from operations was EUR 239 million (314).

### EVENTS IN THE THIRD QUARTER OF 2019

- The prices of long-fibre and short-fibre pulp in Europe declined by 13% compared to the previous quarter. In China, the price of long-fibre pulp declined by 15% and the price of short-fibre pulp by 24%.
- The delivery volumes of paperboard grew from the previous quarter. Prices remained stable.
- Several scheduled maintenance shutdowns curtailed the production of Metsä Group's chemical and high-yield pulp during the third quarter.
- Metsä Board signed a bank financing arrangement, comprising a loan of EUR 150 million and a revolving credit facility of EUR 200 million.
- Metsä Board started up a new sheet-cutting line at the Äänekoski paperboard mill.
- In August–September, Metsäliitto Cooperative acquired EUR 75.3 million worth of Metsä Board Corporation's B shares from the market.
- Metsä Tissue announced its plan for a next-generation tissue paper mill in Mariestad, Sweden, and the start of a related environmental permit process.

### EVENTS AFTER THE PERIOD

- In the end of October, Metsä Fibre was awarded for its sustainability work by the EFQM Global Excellence Award. The company won the Outstanding Achievement for Sustainability Award and reached the EFQM rating Recognised for Excellence 6 Stars.
- Metsä Board announced on 30 October 2019 to make certain financial commitments for the implementation phase related to the Husum investment plans prior to the final investment decision. The total value of the commitments will be a maximum of EUR 100 million, and is included in the total value of the first phase of the investment, estimated at EUR 320 million.

### RESULT GUIDANCE FOR OCTOBER–DECEMBER 2019

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

### President and CEO Ilkka Hämmälä:

*"Metsä Group's third quarter result weakened, as expected, compared to the previous quarter. The price level of pulp in Europe continued to decline as a result of China's lower price level. In China, the prices of softwood pulp were stable during the third quarter and took a slightly upward turn at the end of September as softwood pulp inventories approached their average level, and as a number of producers announced production curtailments attributable to the market situation and technical reasons.*

*Metsä Board issued a positive profit warning immediately after the end of the third quarter. The result remained at the level of the previous quarter due to the stronger than expected paperboard market.*

*The market for sawn timber and veneer products continued to be weaker than normal as demand, particularly in Europe, was at a low level. The sawn timber market was also weakened by the additional production which entered the market following storm damages in Central European forests.*

*Demand for Metsä Tissue's products remained stable. The decline in pulp prices improved the company's result, along with the reorganisation of the business carried out during the first half of the year.*

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

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

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

*The pre-engineering projects concerning the Kemi, Rauma and Husum investments continue with the aim of ensuring the projects are ready for the final decisions during the first half of 2020.*

*The equipment installations at the demo plant for textile fibre at Äänekoski are progressing. Production is set to begin in early 2020.”*

**KEY FIGURES**

<b>Condensed income statement, EUR million</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>1–9</b>	<b>1–9</b>	<b>7–9</b>	<b>7–9</b>	<b>1–12</b>
Sales	4 183.1	4 290.2	1 373.7	1 385.8	5 709.1
Other operating income	36.0	34.9	8.2	14.0	58.1
Operating expenses	-3 580.6	-3 473.3	-1 202.4	-1 110.1	-4 639.5
Depreciation and impairment losses	-296.5	-216.3	-69.2	-66.7	-284.8
Operating result	342.1	635.4	110.3	223.1	843.0
Share of results from associated companies and joint ventures	2.6	4.5	0.2	3.7	7.0
Exchange gains and losses	-5.5	-5.9	-1.1	-1.4	-6.3
Other net financial items	-41.1	-57.8	-13.8	-17.3	-74.6
Result before income tax	298.1	576.3	95.6	208.2	769.1
Income tax	-74.9	-117.4	-19.7	-38.3	-156.4
Result for the period	223.2	458.9	75.9	169.9	612.7

<b>Profitability</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>1–9</b>	<b>1–9</b>	<b>7–9</b>	<b>7–9</b>	<b>1–12</b>
Operating result, EUR million	342.1	635.4	110.3	223.1	843.0
Comparable operating result	418.4	641.0	110.3	223.0	848.5
% of sales	10.0	14.9	8.0	16.1	14.9
Return on capital employed, %	9.0	17.0	8.7	18.3	16.6
Comparable return on capital employed	11.0	17.1	8.7	18.3	16.8
Return on equity, %	8.1	19.0	8.1	20.1	18.5
Comparable return on equity	10.8	19.2	8.1	20.1	18.7

<b>Financial position</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>30.9.</b>	<b>30.9.</b>	<b>30.6.</b>	<b>30.6.</b>	<b>31.12.</b>
Equity ratio, %	56.0	52.7	56.2	51.2	53.1
Net gearing ratio, %	13	18	15	26	13
Interest-bearing net liabilities, EUR million	488	622	562	841	463

**SEGMENTS**

<b>Sales and Operating result 1–9/2019, EUR million</b>	<b>Wood Supply and Forest Services</b>	<b>Wood Products Industry</b>	<b>Pulp and Sawn Timber Industry</b>	<b>Paperboard Industry</b>	<b>Tissue and Greaseproof Papers</b>
Sales	1 508.0	341.1	1 745.8	1 453.4	796.5
Other operating income	7.7	4.5	7.9	34.4	3.3
Operating expenses	-1 487.8	-321.7	-1 432.6	-1 252.7	-727.5
Depreciation and impairment losses	-6.1	-13.6	-82.5	-74.3	-135.8
Operating result	21.8	10.3	238.7	160.8	-63.5
Items affecting comparability	-	-2.0	-	-15.5	110.3
Comparable operating result	21.8	8.3	238.7	145.3	46.7
% of sales	1.4	2.4	13.7	10.0	5.9

**THIS INTERIM REPORT IS UNAUDITED****INTERIM REPORT 1 JANUARY–30 SEPTEMBER 2019****SALES AND RESULT**

Metsä Group's sales in January–September 2019 were EUR 4,183.1 million (1–9/2018: 4,290.2). Sales decreased due, for example, to paperboard delivery volumes and pulp prices, both of which were lower than last year.

The comparable operating result was EUR 418.4 million (641.0), or 10.0% (14.9%) of sales. The decrease was mainly due to higher raw material and production costs compared to the corresponding period last year, as well as the decline of pulp's sales prices, particularly in the Chinese market.

Exchange rate fluctuations after hedging had a positive effect of around EUR 80 million on the operating result in the review period, compared to the corresponding period in the previous year. The US dollar strengthened by around 6% against the euro.

Sales in the third quarter of the year totalled EUR 1,373.7 million, whereas sales for the corresponding period last year were EUR 1,385.8 million. The comparable operating result was EUR 110.3 million (7–9/2018: 223.0).

Items affecting comparability amounted to EUR -76.3 million (-5.6). The most significant item was an impairment loss of around EUR 102 million recognised by Metsä Tissue mainly with regard to goodwill. At the Group level, the impairment loss was around EUR 77 million after eliminations. Other items affecting comparability included a capital gain on shares in Liaison Technologies, Inc., that were included in Metsä Board's non-operating investments in shares, as well as the sale of plots in Niemenranta, Tampere, and a cost provision related to Metsä Tissue's ongoing efficiency programme.

Metsä Group's operating result (IFRS) was EUR 342.1 million (635.4). The share of the results of associated companies and joint ventures was EUR 2.6 million (4.5), financial income was EUR 4.0 million (2.1), exchange rate differences in financing were EUR -5.5 million (-5.9), and financial expenses totalled EUR 45.1 million (59.9).

The result before taxes was EUR 298.1 million (576.3), and taxes, including changes in deferred tax liabilities, totalled EUR 74.9 million (117.4). The Group's effective tax rate was 25.1% (20.4%). The result for the review period was EUR 223.2 million (458.9).

The return on capital employed was 9.0% (17.0%), and the return on equity was 8.1% (19.0%). The comparable return on capital employed was 11.0% (17.1%), and the comparable return on equity was 10.8% (19.2%).

**BALANCE SHEET AND FINANCING**

Metsä Group's liquidity has remained strong. Total liquidity at the end of September was EUR 1,817.0 million (31 December 2018: 1,940.1). This consisted of EUR 910.7 million (1,083.9) in liquid assets and investments, and EUR 906.3 million (856.3) in off-balance sheet committed credit facility agreements.

The Group's liquidity reserve is complemented by uncommitted commercial paper programmes and credit facilities amounting to EUR 161.5 million (31 December 2018: 160.8).

Cash flow from operations was EUR 421.5 million (590.6). EUR 204.5 million was tied up in working capital (277.6). Working capital increased with the addition of EUR 48.4 million in trade and other receivables, the addition of EUR 20.5 million in inventories, and a decrease of EUR 135.7 million in trade payables and other liabilities.

The Group's equity ratio at the end of September was 56.0%, and its net gearing was 13% (31 December 2018: 53.1% and 13%, respectively). Net interest-bearing liabilities were EUR 488.1 million (31 December 2018: 463.3).

At the end of September, the equity ratio of the parent company Metsäliitto Cooperative was 88.0%, and net gearing was -19% (31 December 2018: 85.2% and -18%, respectively).

At the end of September, Metsä Board signed a bank financing arrangement consisting of a five-year drawn loan of EUR 150 million and a five-year multicurrency revolving credit facility of EUR 200 million, with two one-year extension options and an increase option of EUR 50 million. The facility includes sustainability targets. The arrangement replaces the EUR 50 million loan and the EUR 150 million undrawn revolving credit facility maturing in March 2020.

In August–September, Metsäliitto Cooperative acquired Metsä Board Corporation B shares to a value of EUR 75.3 million from the market on the basis of the Board of Directors' authorisation. The number of shares acquired totalled 15,865,000, and the average price was EUR 4.75 per share. Following the share acquisition, Metsäliitto Cooperative holds 45.35% of Metsä Board's shares and 63.32% of the voting rights conferred by shares.

In January–September, Metsäliitto Cooperative's members' capital increased by a total of EUR 115.4 million (86.8). The value of participation shares grew by EUR 7.1 million (9.6), and that of A additional shares by EUR 108.8 million (83.8). The value of B additional shares declined by EUR 0.5 million (-6.6).

## PERSONNEL

In January–September, Metsä Group had an average of 9,726 employees (9,513). Personnel expenses were EUR 474.1 million (477.0). At the end of September, the Group employed 9,434 people (31 December 2018: 9,310), of whom 5,012 (4,834) were based in Finland and 4,422 (4,476) abroad. The parent company Metsäliitto Cooperative employed 1,956 people at the end of September (31 December 2018: 1,924).

## MEMBERS

At the end of September, Metsäliitto Cooperative had 103,541 members (31 December 2018: 103,420). During January–September, 2,212 new members joined the Cooperative, and 2,091 members cancelled their memberships. At the end of September 2019, the forest area owned by the members totalled 5.344 million hectares (31 December 2018: 5.265).

## INVESTMENTS

Metsä Group's increases in intangible and tangible fixed assets in January–September were EUR 137.1 million (161.7). The figure includes EUR 14.9 million (0.0) of acquired business operations' fixed assets and EUR 6.8 million (0.0) of investments in right-of-use assets.

In September, Metsä Board started up a new sheet-cutting line at the Äänekoski paperboard mill as planned. The line's capacity is 35,000 tonnes, and it increases the sheet-cutting capacity of the Äänekoski mill to 120,000 tonnes a year. The value of the investment was roughly EUR 11 million. The new sheet-cutting line enables faster deliveries to customers.

In addition to the new sheet cutter, the investment covered an increase to the automation of existing sheet cutters and a renewal of sheeting reel processing and warehousing equipment.

## INVESTMENT PRE-ENGINEERING

In April 2019, Metsä Fibre started a pre-engineering project related to the construction of a bioproduct mill in Metsä Group's current mill area in Kemi. If implemented, the bioproduct mill will produce around 1.5 million tonnes of softwood and hardwood pulp annually, in addition to many other bioproducts. The new mill is intended to re-place the current pulp mill in Kemi, which has an annual capacity of around 620,000 tonnes. The value of the investment is around EUR 1.5 billion.

In September 2019, Metsä Fibre filed the Kemi bioproduct mill's environmental permit application with the Regional State Administrative Agency for Northern Finland. The response to the application is expected in early 2020.

In addition, Metsä Fibre has filed an EIA report pursuant to the Act on Environmental Impact Assessment Procedure with the Lapland Centre for Economic Development, Transport and the Environment (ELY Centre).

The final investment decision on the new bioproduct mill will be made in the summer of 2020 at the earliest, after which the construction of the mill could begin. The mill could start up in the first half of the 2020s.

In April 2019, Metsä Fibre also kicked off a pre-engineering project related to the construction of a pine sawmill in its mill area in Rauma. The sawmill's estimated annual production volume would be roughly 750,000 cubic metres a year. The value of the investment would be approximately EUR 200 million. The actual investment decision is expected in early 2020.

In April 2019, Metsä Board announced the launch a pre-engineering for the first phase of the renewal of the Husum pulp mill in Sweden. The first phase of the renewal includes a new recovery boiler and a new turbine. In August 2019, the company announced that it will apply an amendment to its current environmental permit. The final investment decision of the renewal's first phase will be made when the environmental permit has been received, in the second quarter of 2020 at the earliest.

The second phase of the investment, which would be implemented in the 2020s, would involve the replacement of the existing fibre lines with a new fibre line.

The purpose of the investment is to further develop Metsä Board's pulp and energy production, as well as to move towards fossil-free mills. In addition, the renewal of the pulp mill would enable the long-term development and growth of competitive paperboard business operations at the Husum integrated mill over the coming years.

After the review period, Metsä Board announced to make certain financial commitments for the implementation phase prior to the final investment decision. The total value of the commitments will be a maximum of EUR 100 million, and is included in the total value of the first phase of the investment, estimated at EUR 320 million.

In April 2019, Metsä Tissue published its new strategy, which includes the Future Mill programme. The programme aims to increase the long-term industrial efficiency and environmental performance of the tissue paper business. As part of the programme, Metsä Tissue applied for a new environmental permit in Mariestad, Sweden, in September. The first phase of the plan involves a new tissue paper machine, as well as an automated warehouse and office building for the Mariestad mill. The estimated value of the potential investments, which could be implemented in 2021–2023, would be approximately EUR 230 million. The Nordic countries constitute Metsä Tissue's most important market area, and the company is committed to the development of its operations there.

## SUSTAINABILITY

In February, Metsä Group renewed its strategic sustainable development goals as part of the renewal of its strategy. The targets for 2030 cover all of the Group's operations and are also reflected in its supply chain.

For example, Metsä Group aims to increase the amount of carbon stored in forests and products, and achieve completely fossil-free production by 2030. Metsä Group's sustainable development goals are available in full on its website at [www.metsagroup.com](http://www.metsagroup.com).

In September, Metsä Fibre and Gasum agreed a collaboration to start up the biogas plant in the area of the Äänekoski bioproduct mill in accordance with the original plan. Gasum will support the start-up of the biogas plant's refining operations and distribute the biogas as traffic fuel. The biogas plant is intended to be started up in full in early 2020.

## BUSINESS AREAS

### Wood Supply and Forest Services

The sales of Wood Supply and Forest Services, i.e. Metsä Forest, totalled EUR 1,508.0 million (1–9/2018: 1,457.0), and the operating result was EUR 21.8 million (23.4).

Metsä Forest's sales in the third quarter were EUR 473.9 million (7–9/2018: 471.4), and the operating result was EUR 5.0 million (8.9).

The supply of wood in Finland was slightly weaker than in the corresponding period last year. Log prices have declined since the beginning of the year, and the prices of pulpwood began to decline in the third quarter. The cumulative volume of purchased wood in January–September was lower than in the corresponding period last year. On the other hand, harvesting and transportation conditions have remained good throughout the year.

The supply of wood in the Baltic Sea area continued to be strong during the third quarter. The supply of softwood was especially good, due to widespread insect damage in continental Europe and southern Sweden. As a result, birch accounted for a smaller share of the supply, because felling focused on coniferous forests. With the exception of Sweden, the log market also experienced overproduction. The overproduction of birch was particularly prevalent in Russia.

During the third quarter, Metsä Forest bought all grades of wood through both standing and delivery sales across Finland. Metsä Forest bought slightly less wood than in the corresponding period last year. Demand focused particularly on thinning 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. The sales of forest management services were in line with targets.

Wood deliveries to customers' production facilities were carried out smoothly. In January–September 2019, Metsä Forest delivered a total of approximately 26.4 million cubic metres (27.2) of wood to its customers. Some 85% of this amount went to the Finnish industrial sector.

In January–September, 40% of the wood acquired by Metsä Forest from private forest owners was purchased digitally. In the sale of forest management services, the figure was 47%.

In September, Metsä Forest launched a new pine and spruce mixed cultivation service for forest owners.

### Wood Products Industry

The sales of the Wood Products Industry, i.e. Metsä Wood, were EUR 341.1 million (1–9/2018: 333.9), and the comparable operating result was EUR 8.3 million (14.4).

Metsä Wood's sales in the third quarter were EUR 111.0 million (7–9/2018: 105.9), and the operating result was EUR 3.1 million (7–9/2018: 2.8).

Delivery volumes of Kerto LVL grew, but the delivery volumes of plywood products declined from the comparison period. The average sales price of birch plywood was close to the previous year's level, while the prices of spruce plywood and Kerto LVL products rose. The delivery volumes of the UK business declined from the level of the previous year, but the average price improved.

Production has been adjusted as a result of the uncertain market situation in Kerto LVL and birch plywood products, and the additional capacity provided by investments has not been used in full. The uncertainty attributable to Brexit in the UK business has weakened consumer confidence and demand.

The ramp-up of the new Kerto LVL line at Punkaharju, Finland, has proceeded according to plan, and its shift efficiency has proved better than expected. The production of birch plywood at the Pärnu mill has progressed according to plan, apart from adjustment measures.

The profitability of the business with respect to the comparison period weakened, given that production was adjusted as the market slowed. In addition, costs arising from the ramp-up of strategic investments burdened profitability, along with production challenges and higher wood costs. The profitability of the UK business improved from the comparison period.

### Pulp and Sawn Timber Industry

The sales of the Pulp and Sawn Timber Industry, i.e. Metsä Fibre, totalled EUR 1,745.8 million (1–9/2018: 1,839.0), and the operating result was EUR 238.7 million (496.7).

Metsä Fibre's sales in the third quarter were EUR 567.0 million (7–9/2018: 609.5), and the operating result was EUR 33.2 million (186.9).

The sales volume of pulp in January–September was 2,269,000 tonnes (2,127,000).

In Europe, the currency-denominated market price of long-fibre and short-fibre pulp in January–September declined by 9% and 11% respectively compared to the corresponding period last year. In China, the prices of long-fibre pulp declined by approximately 27% and those of short-fibre pulp by roughly 21% compared to the corresponding period last year.

The delivery volumes of sawn timber during the first three quarters of the year were 1,379,000 cubic metres, which is approximately 7% higher than in the corresponding period last year. The average market prices of sawn timber in January–September declined by roughly 9% compared to the corresponding period last year, due to overproduction in the main markets for sawn timber.

Demand for spruce sawn timber has remained at a good level in all the European markets and has begun to recover in the Chinese market, while demand for pine sawn timber has decreased year-on-year.

Metsä Fibre's operating result in January–September was EUR 238.7 million (496.7). The operating result was weakened by a decline in currency-denominated prices and an increase in the prices of raw materials. The strengthening of the US dollar compared to the corresponding period in the previous year contributed to the improved result. The annual maintenance shut-downs of 4 (3) mills took place during the review period.

The price of market pulp declined significantly during January–September. At the beginning of January, the average price of long-fibre pulp in Europe was USD 1,180 per tonne, as opposed to USD 866 per tonne at the end of the third quarter. At the beginning of January, the average price of short-fibre pulp was USD 1,010 per tonne, as opposed to USD 764 per tonne at the end of the review period. In China, the average price of long-fibre pulp was USD 700 per tonne in January and USD 568 per tonne at the end of the period. The prices of softwood pulp in China were stable during the third quarter and took a slight upward turn at the end of September.

The decline in the demand for market pulp has especially concerned short-fibre pulp. On the other hand, demand for long-fibre pulp has grown compared to the previous year. The full production of the new capacity and high capacity utilisation rates have increased the supply of market pulp and kept producers' inventories at a high level. Nevertheless, inventory levels began to decline during the third quarter, particularly in long-fibre pulp.

## Paperboard Industry

The sales of the Paperboard Industry, i.e. Metsä Board, in January–September were EUR 1,453.4 million (1–9/2018: 1,486.1). Folding boxboard represented 60% of sales (55), while 26% of sales (26) came from white kraftliner and 14% (19) from market pulp.

Metsä Board's total deliveries of paperboard during the review period were 1,352,000 tonnes (1,405,000), of which deliveries of folding boxboard accounted for 907,000 tonnes (922,000), and deliveries of white kraftliner accounted for 445,000 tonnes (482,000). Metsä Board's own market pulp deliveries were 322,000 tonnes (362,000).

Metsä Board's sales in the third quarter were EUR 489.2 million (7–9/2018: 475.1), and the comparable operating result was EUR 42.5 million (63.7).

Metsä Board's comparable operating result in January–September was EUR 145.3 million (191.9). The higher sales prices of paperboards, and those of folding boxboard in particular, had a positive effect on the comparable operating result. Correspondingly, profitability was weakened by market pulp's lower delivery volumes and sales prices.

The production costs of paperboard and pulp were higher than in the comparison period and had a negative effect on the result. Cost inflation in 2018 was rapid, and especially the price of raw wood and logistics costs increased. The price of wood imported to Sweden from the Baltic countries declined slightly during the third quarter.

Exchange rate fluctuations, including hedges, had a positive impact of around EUR 38 million on the result.

Metsä Fibre's share of Metsä Board's January–September comparable operating result was EUR 44.4 million (92.0).

Metsä Board's comparable return on capital employed was 11.0% (14.7%), and its comparable earnings per share were EUR 0.32 (0.44).

The equity ratio at the end of September was 58.4% and net gearing was 27% (31 December 2018: 58.1% and 25%, respectively).

Metsä Board's Interim Report was published on 31 October 2019.

## Tissue and Greaseproof Papers

The sales of Tissue and Greaseproof Papers, i.e. Metsä Tissue, totalled EUR 796.5 million (1–9/2018: 769.4). Sales increased, mainly due to higher sales prices. They offset the sales volumes, which were slightly lower than last year, as well as the weakening of the Swedish and Norwegian currencies against the euro.

Metsä Tissue's comparable operating result was EUR 46.7 million (30.2). In addition to the increase in sales



prices, the improved result was impacted by the efficiency measures and by lower raw material costs.

Metsä Tissue's sales in the third quarter were EUR 263.1 million (7–9/2018: 254.3), and the comparable operating result was EUR 22.8 million (6.4).

The programme aiming for a reduction of EUR 25 million in fixed costs initiated in February 2019 is set to be completed by the end of this year. At the same time, Metsä Tissue adopted a process management model aiming to improve internal efficiency and simplify operations in the tissue paper business.

The operational review of mill operations begun in May was completed in August. The strategic assessment of the Stotzheim napkin mill and the related efficiency measures are progressing as planned.

## RISKS AND UNCERTAINTIES

The estimates and statements in this report are based on current plans and estimates. They involve risks and uncertainties that may cause the results to differ from those expressed in such statements. In the short term, the price of and demand for end products, raw material costs, energy prices and the exchange rate development of the euro have an effect on the results of Metsä Group.

There are several geopolitical risks and crises around the world, and forecasting developments in them is difficult. Changes in these areas may be very sudden and unpredictable. There have been international sanctions related to the management of these international crises, and they may also have a direct or indirect impact on the demand for forest industry products and, therefore, on Metsä Group's result.

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

The risks related to the Group's business have been explained more extensively in Metsä Group's 2018 Annual Review.

## PENDING DISPUTES

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

## EVENTS AFTER THE PERIOD

In the end of October, Metsä Fibre was awarded for the company's sustainability work by the EFQM Global Excellence Award. The company won the Outstanding Achievement for Sustainability Award and reached the EFQM rating Recognised for Excellence 6 Stars.

Metsä Fibre received special thanks for the ways it takes sustainability into account in its investments and action plans, and for the way sustainability is reflected in the corporate culture at all levels of the organisation.

The EFQM Excellence Model is used as an evaluation and development tool in tens of thousands of organisations globally, both in the public and private sectors. The objective of the EFQM Global Excellence Award is to recognise Role Model organisations worldwide, whether private, public or non-for-profit. These are excellent organisations with an indisputable track record of success in turning strategy into action and continuously improving their performance.

Metsä Board announced on 30 October 2019 to make certain financial commitments for the implementation phase related to the Husum investment plans prior to the final investment decision. The total value of the commitments will be a maximum of EUR 100 million, and is included in the total value of the first phase of the investment, estimated at EUR 320 million.

## NEAR-TERM OUTLOOK

Wood demand will focus on stands to be harvested when the ground is unfrozen, and on crown wood in terms of energy wood. The demand for forest management services remains good. The oversupply of wood in the Baltic Sea area is expected to continue.

The demand for Kerto LVL and birch plywood products will continue to be uncertain, and the adjustment of production will be continued during the fourth quarter. The decline in demand for spruce plywood products which began in the third quarter is expected to continue in the fourth quarter.

Delivery volumes in the UK market will decline seasonally during the fourth quarter and the uncertainty attributable to Brexit will be even more visible in the demand of the DIY segment.

The demand for long-fibre market pulp in developing markets is expected to remain good during the rest of the year. The supply and demand will be balanced by the production curtailments announced by pulp producers and by the annual maintenance shutdowns taking place during the third and fourth quarters.

The sawn timber market situation is in the main markets expected to remain challenging, due to the ample supply and high inventory levels. Europe has an especially abundant supply of cheap raw material attributable to storms and insect damages.

Metsä Board's paperboard deliveries during the fourth quarter are expected to decline from the level of the third quarter. The decline in delivery volumes is influenced by the seasonally slower December, for example.

Prices for folding boxboard and white kraftliner are expected to remain stable.

Demand in the tissue and greaseproof paper markets is expected to remain stable in all market areas. The implemented efficiency measures, as well as higher sales prices and lower raw material costs, will have a positive

effect on profitability in the fourth quarter.

### **RESULT GUIDANCE FOR JULY–SEPTEMBER 2019**

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

Espoo, Finland, 31 October 2019

#### **BOARD OF DIRECTORS**

#### **For further information, please contact:**

Vesa-Pekka Takala, EVP, CFO Metsä Group, tel. +358 10 465 4260

Juha Laine, SVP, Communications, Metsä Group, tel. +358 10 465 4541

#### **Metsä Group will publish its financial reports in 2020 as follows:**

12 February 2020: Financial statements for 2019

29 April 2020: Interim report for January–March 2020

30 July 2020: Half Year Report for 2020

29 October 2020: Interim report for January–September 2020

**SEGMENTS**

	2019	2018	2019	2018	2018
<b>Wood Supply and Forest Services</b>	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	1 508.0	1 457.0	473.9	471.4	1 983.4
EBITDA, EUR million	27.9	26.7	7.1	10.0	36.6
Comparable EBITDA, EUR million	27.9	26.7	7.1	10.0	36.6
Operating result, EUR million	21.8	23.4	5.0	8.9	32.3
Comparable operating result, EUR million	21.8	23.4	5.0	8.9	32.3
% of sales	1.4	1.6	1.1	1.9	1.6
Comparable ROCE, %	18.3	20.5	12.6	23.5	20.7
Capital expenditure, EUR million	7.3	2.6	3.2	0.9	4.1
Personnel at end of period	845	849	845	849	844

	2019	2018	2019	2018	2018
<b>Wood Products Industry</b>	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	341.1	333.9	111.0	105.9	441.7
EBITDA, EUR million	24.0	24.3	8.0	6.0	30.2
Comparable EBITDA, EUR million	22.0	24.3	8.0	6.0	30.2
Operating result, EUR million	10.3	14.4	3.1	2.8	16.6
Comparable operating result, EUR million	8.3	14.4	3.1	2.8	16.6
% of sales	2.4	4.3	2.8	2.6	3.8
Comparable ROCE, %	3.8	8.0	4.1	4.1	7.0
Capital expenditure, EUR million	27.9	66.2	4.1	17.9	82.7
Personnel at end of period	1 544	1 496	1 544	1 496	1 506

	2019	2018	2019	2018	2018
<b>Pulp and Sawn Timber Industry</b>	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	1 745.8	1 839.0	567.0	609.5	2 469.1
EBITDA, EUR million	321.2	591.2	61.5	216.1	792.4
Comparable EBITDA, EUR million	321.2	591.2	61.5	216.1	792.4
Operating result, EUR million	238.7	496.7	33.2	186.9	668.8
Comparable operating result, EUR million	238.7	496.7	33.2	186.9	668.8
% of sales	13.7	27.0	5.9	30.7	27.1
Comparable ROCE, %	15.7	35.3	6.7	39.3	34.7
Capital expenditure, EUR million	64.5	29.4	8.7	17.6	62.3
Personnel at end of period	1 302	1 224	1 302	1 224	1 210

	2019	2018	2019	2018	2018
<b>Paperboard Industry</b>	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	1 453.4	1 486.1	489.2	475.1	1 944.1
EBITDA, EUR million	235.1	257.0	62.1	84.2	338.2
Comparable EBITDA, EUR million	219.6	262.6	62.1	84.2	343.8
Operating result, EUR million	160.8	186.3	42.5	63.7	246.3
Comparable operating result, EUR million	145.3	191.9	42.5	63.7	251.9
% of sales	10.0	12.9	8.7	13.4	13.0
Comparable ROCE, %	11.0	14.7	9.7	15.0	14.4
Capital expenditure, EUR million	42.2	36.4	17.9	10.7	70.3
Personnel at end of period	2 382	2 375	2 382	2 375	2 352

	2019	2018	2019	2018	2018
	1–9	1–9	7–9	7–9	1–12
<b>Tissue and Greaseproof Papers</b>					
Sales, EUR million	796.5	769.4	263.1	254.3	1 039.8
EBITDA, EUR million	72.3	57.7	33.9	15.6	73.6
Comparable EBITDA, EUR million	80.1	57.7	33.9	15.6	73.6
Operating result, EUR million	-63.5	30.2	22.7	6.4	36.3
Comparable operating result, EUR million	46.7	30.2	22.8	6.4	36.3
% of sales	5.9	3.9	8.7	2.5	3.5
Comparable ROCE, %	10.4	6.3	16.4	3.7	5.7
Capital expenditure, EUR million	13.0	23.6	4.6	12.3	48.0
Personnel at end of period	2 772	2 896	2 772	2 896	2 865

	2019	2018	2019	2018	2018
	1–9	1–9	7–9	7–9	1–12
<b>Other operations</b>					
Sales, EUR million	6.6	3.7	2.3	1.2	5.4
EBITDA, EUR million	2.7	0.9	5.0	2.3	-2.6
Comparable EBITDA, EUR million	2.7	0.9	5.0	2.3	-2.6
Operating result, EUR million	-1.0	-1.2	3.7	1.6	-5.6
Comparable operating result, EUR million	-1.0	-1.2	3.7	1.6	-5.6
Capital expenditure, EUR million	3.2	4.5	1.5	1.9	8.2
Personnel at end of period	589	508	589	508	533

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

	2019	2018	2019	2018	2018
	1–9	1–9	7–9	7–9	1–12
<b>Internal sales and eliminations</b>					
Sales, EUR million	-1 688.4	-1 599.0	-532.8	-531.4	-2 174.3
EBITDA, EUR million	-44.6	-106.0	1.9	-44.4	-140.6
Comparable EBITDA, EUR million	-35.8	-106.0	1.9	-44.4	-140.6
Operating result, EUR million	-25.0	-114.4	0.1	-47.2	-151.7
Comparable operating result, EUR million	-41.4	-114.4	0.1	-47.2	-151.7

	2019	2018	2019	2018	2018
	1–9	1–9	7–9	7–9	1–12
<b>Metsä Group</b>					
Sales, EUR million	4 183.1	4 290.2	1 373.7	1 385.8	5 709.1
EBITDA, EUR million	638.6	851.7	179.5	289.8	1 127.8
Comparable EBITDA, EUR million	637.7	857.3	179.5	289.7	1 133.4
Operating result, EUR million	342.1	635.4	110.3	223.1	843.0
Comparable operating result, EUR million	418.4	641.0	110.3	223.0	848.5
% of sales	10.0	14.9	8.0	16.1	14.9
Comparable ROCE, %	11.0	17.1	8.7	18.3	16.8
Capital expenditure, EUR million	137.1	161.7	40.0	61.2	274.5
Personnel at end of period	9 434	9 348	9 434	9 348	9 310

**RECONCILIATION OF OPERATING RESULT AND EBITDA**

EUR million	2019 1–9	2018 1–9	2019 7–9	2018 7–9	2018 1–12
<b>OPERATING RESULT (IFRS)</b>	<b>342.1</b>	<b>635.9</b>	<b>110.3</b>	<b>223.1</b>	<b>843.0</b>
Depreciation and impairment charges	296.5	216.3	69.2	66.7	284.8
<b>EBITDA</b>	<b>638.6</b>	<b>851.7</b>	<b>179.5</b>	<b>289.8</b>	<b>1 127.8</b>
Items affecting comparability:					
Wood Products Industry	-2.0	-	-	-	-
Paperboard Industry	-15.5	5.6	-	0.0	5.6
Tissue and Greaseproof Papers	7.8	-	0.0	-	-
Elimination	8.8	-	-	-	-
Total	-0.9	5.6	0.0	0.0	5.6
<b>COMPARABLE EBITDA</b>	<b>637.7</b>	<b>857.3</b>	<b>179.5</b>	<b>289.7</b>	<b>1 133.4</b>
Depreciation and impairment charges	-296.5	-216.3	-69.2	-66.7	-284.8
Items affecting comparability:					
Depreciation	-	-	-	-	-
Impairment charges and reversals	102.5	-	-	-	-
Elimination	-25.2	-	-	-	-
<b>COMPARABLE OPERATING RESULT</b>	<b>418.4</b>	<b>641.0</b>	<b>110.3</b>	<b>223.0</b>	<b>848.5</b>

  

EUR million	2019 1–9	2018 1–9	2019 7–9	2018 7–9	2018 1–12
<b>OPERATING RESULT (IFRS)</b>	<b>342.1</b>	<b>635.9</b>	<b>110.3</b>	<b>223.1</b>	<b>843.0</b>
Depreciation and impairment charges	296.5	216.3	69.2	66.7	284.8
<b>EBITDA</b>	<b>638.6</b>	<b>851.7</b>	<b>179.5</b>	<b>289.8</b>	<b>1 127.8</b>
Items affecting comparability:					
Other operating income	-8.7	-	-	-	-
Employee costs	6.8	4.1	-	0.0	4.1
Other operating expenses	1.0	1.5	0.0	-	1.5
Total	-0.9	5.6	0.0	0.0	5.6
<b>COMPARABLE EBITDA</b>	<b>637.7</b>	<b>857.3</b>	<b>179.5</b>	<b>289.7</b>	<b>1 133.4</b>
Depreciation and impairment charges	-296.5	-216.3	-69.2	-66.7	-284.8
Items affecting comparability:					
Depreciation	-	-	-	-	-
Impairment charges	102.5	-	-	-	-
Elimination	-25.2	-	-	-	-
<b>COMPARABLE OPERATING RESULT</b>	<b>418.4</b>	<b>641.0</b>	<b>110.3</b>	<b>223.0</b>	<b>848.5</b>

Items with “+” sign = expenses affecting comparability

Items with “-” sign = income affecting comparability

Items affecting comparability during January–September 2019 amounted to EUR -76.3 million. The most significant item was Metsä Tissue’s recognition of an impairment of EUR 102.5 million, mainly related to goodwill. After elimination, the Metsä Group effect of the impairment was EUR 77.2 million. Other items affecting comparability were the capital gain on the shares in Liaison Technologies Inc., included in Metsä Board’s non-operative investments in shares, Metsä Board’s sales of plots in Niemenranta in Tampere and Metsä Tissue’s cost provision related to the ongoing efficiency programme.

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

**QUARTERLY DATA**

EUR million	2019 7–9	2019 4–6	2019 1–3	2018 10–12	2018 7–9	2018 4–6	2018 1–3
<b>Sales</b>							
Wood Supply and Forest Services	473.9	508.3	525.8	526.4	471.4	495.7	489.9
Wood Products Industry	111.0	118.9	111.3	107.8	105.9	119.4	108.7
Pulp and Sawn Timber Industry	567.0	556.1	622.8	630.1	609.5	629.0	600.5
Paperboard Industry	489.2	477.1	487.1	458.0	475.1	518.7	492.3
Tissue and Greaseproof Papers	263.1	266.1	267.3	270.3	254.3	256.3	258.8
Other operations	2.3	2.3	2.0	1.7	1.2	1.2	1.3
Internal sales	-532.8	-557.0	-578.6	-575.4	-531.4	-543.8	-523.7
<b>Sales</b>	<b>1 373.7</b>	<b>1 371.7</b>	<b>1 437.7</b>	<b>1 419.0</b>	<b>1 385.8</b>	<b>1 476.5</b>	<b>1 427.8</b>
<b>Operating result</b>							
Wood Supply and Forest Services	5.0	5.6	11.3	8.9	8.9	5.8	8.7
Wood Products Industry	3.1	5.3	1.8	2.2	2.8	5.5	6.2
Pulp and Sawn Timber Industry	33.2	83.1	122.4	172.1	186.9	164.9	144.9
Paperboard Industry	42.5	46.4	71.9	60.1	63.7	53.6	69.0
Tissue and Greaseproof Papers	22.7	-96.8	10.5	6.1	6.4	11.5	12.3
Other operations	3.7	-3.3	-1.4	-4.4	1.6	-1.8	-0.9
Eliminations	0.1	8.5	-33.6	-37.3	-47.2	-34.9	-32.2
<b>Operating result</b>	<b>110.3</b>	<b>48.8</b>	<b>183.0</b>	<b>207.6</b>	<b>223.1</b>	<b>204.5</b>	<b>207.9</b>
% of sales	8.0	3.6	12.7	14.6	16.1	13.8	14.6
Share of results from associated companies and joint ventures	0.2	2.8	-0.4	2.5	3.7	0.0	0.7
Exchange gains and losses	-1.1	-1.9	-2.6	-0.4	-1.4	-1.0	-3.5
Other net financial items	-13.8	-13.9	-13.4	-16.8	-17.3	-19.9	-20.6
<b>Result before income tax</b>	<b>95.6</b>	<b>35.9</b>	<b>166.6</b>	<b>192.8</b>	<b>208.2</b>	<b>183.6</b>	<b>184.5</b>
Income tax	-19.7	-21.3	-33.9	-39.0	-38.3	-40.8	-38.3
<b>Result for the period</b>	<b>75.9</b>	<b>14.6</b>	<b>132.7</b>	<b>153.8</b>	<b>169.8</b>	<b>142.8</b>	<b>146.3</b>
<b>Comparable operating result</b>							
Wood Supply and Forest Services	5.0	5.6	11.3	8.9	8.9	5.8	8.7
Wood Products Industry	3.1	3.3	1.8	2.2	2.8	5.5	6.2
Pulp and Sawn Timber Industry	33.2	83.1	122.4	172.1	186.9	164.9	144.9
Paperboard Industry	42.5	41.0	61.8	60.1	63.7	59.2	69.0
Tissue and Greaseproof Papers	22.8	13.5	10.5	6.1	6.4	11.5	12.3
Other operations and eliminations	3.7	-18.0	-28.2	-41.7	-45.7	-36.8	-33.2
<b>Comparable operating result</b>	<b>110.3</b>	<b>128.4</b>	<b>179.7</b>	<b>207.6</b>	<b>223.0</b>	<b>210.1</b>	<b>207.9</b>
% of sales	8.0	9.4	12.5	14.6	16.1	14.2	14.6

## CALCULATION OF KEY RATIOS

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

## COMPARABLE KEY RATIOS

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

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

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

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

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

EUR million	Note	2019 1–9	2018 1–9	Change	2019 7–9	2018 7–9	2018 1–12
<b>Sales</b>	2, 3	<b>4 183.1</b>	<b>4 290.2</b>	<b>-107.0</b>	<b>1 373.7</b>	<b>1 385.8</b>	<b>5 709.1</b>
Change in stocks of finished goods and work in progress		0.3	-8.8	9.1	-44.9	59.1	54.0
Other operating income		36.0	34.9	1.1	8.2	14.0	58.1
Material and services		-2 842.0	-2 717.4	-124.6	-930.8	-934.9	-3 688.0
Employee costs		-474.1	-477.0	2.9	-144.1	-149.4	-634.7
Depreciation and impairment losses		-296.5	-216.3	-80.1	-69.2	-66.7	-284.8
Other operating expenses		-264.8	-270.2	5.4	-82.6	-84.9	-370.8
<b>Operating result</b>	2	<b>342.1</b>	<b>635.4</b>	<b>-293.3</b>	<b>110.3</b>	<b>223.1</b>	<b>843.0</b>
Share of results from associated companies and joint ventures		2.6	4.5	-1.9	0.2	3.7	7.0
Exchange gains and losses		-5.5	-5.9	0.4	-1.1	-1.4	-6.3
Other net financial items	2	-41.1	-57.8	16.7	-13.8	-17.3	-74.6
<b>Result before income tax</b>		<b>298.1</b>	<b>576.3</b>	<b>-278.2</b>	<b>95.6</b>	<b>208.2</b>	<b>769.1</b>
Income tax	4	-74.9	-117.4	42.4	-19.7	-38.3	-156.4
<b>Result for the period</b>		<b>223.2</b>	<b>458.9</b>	<b>-235.7</b>	<b>75.9</b>	<b>169.9</b>	<b>612.7</b>
<b>Other comprehensive income</b>							
<b>Items that will not be reclassified to profit and loss</b>							
Items relating to adjustments of defined benefit plans		-28.7	8.9	-37.6	-14.5	2.5	4.2
Fair value of financial assets through other comprehensive income		-9.0	36.3	-45.3	7.4	21.6	31.2
Income tax relating to items that will not be reclassified		7.9	-8.8	16.7	1.7	-4.8	-6.6
Yhteensä		-29.8	36.4	-66.2	-5.5	19.3	28.8
<b>Items that may be reclassified subsequently to profit and loss</b>							
Cash flow hedges		-52.2	5.1	-57.3	-28.7	19.9	5.1
Currency translation differences		-10.7	-22.4	11.7	-2.9	4.6	-21.3
Income tax relating to items that may be reclassified		10.6	-1.2	11.7	5.8	-3.9	-1.2
Total		-52.3	-18.5	-33.9	-25.9	20.7	-17.4
<b>Other comprehensive income, net of tax</b>		<b>-82.2</b>	<b>17.9</b>	<b>-100.1</b>	<b>-31.3</b>	<b>40.0</b>	<b>11.4</b>
<b>Total comprehensive income for the period</b>		<b>141.0</b>	<b>476.8</b>	<b>-335.8</b>	<b>44.6</b>	<b>209.9</b>	<b>624.1</b>
<b>Result for the period attributable to:</b>							
Members of parent company		105.0	279.3	-174.3	47.7	102.9	371.8
Non-controlling interests		118.1	179.6	-31.5	28.2	67.0	240.9
Total		223.2	458.9	-235.7	75.9	169.9	612.7
<b>Total comprehensive income attributable to:</b>							
Members of parent company		53.1	286.0	-232.9	26.6	122.0	373.6
Non-controlling interests		87.9	190.8	-102.9	18.0	87.9	250.5
Total		141.0	476.8	-335.8	44.6	209.9	624.1

The notes are an integral part of this interim report.



**UNAUDITED CONSOLIDATED BALANCE SHEET**

EUR million	Note	2019 30.9.	2018 30.9.	2018 31.12.
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		426.6	508.1	508.8
Other intangible assets		229.2	244.3	242.8
Tangible assets	5	2 833.4	2 803.2	2 847.6
Biological assets		2.9	3.1	3.0
Investments in associated companies and joint ventures		68.8	53.3	65.8
Other investments	9	275.5	290.3	285.1
Other non-current financial assets	9	20.0	43.7	38.6
Deferred tax receivables		28.1	24.5	26.9
		<b>3 884.6</b>	<b>3 970.5</b>	<b>4 018.6</b>
<b>Current assets</b>				
Inventories		1 012.0	884.7	990.8
Accounts receivables and other receivables		797.0	827.5	791.6
Tax receivables based on the taxable income for the period		26.6	11.2	7.6
Cash and cash equivalents	9	910.7	941.4	1 083.9
		<b>2 746.2</b>	<b>2 664.9</b>	<b>2 873.7</b>
Assets classified as held for sale		0.9	1.4	1.1
<b>Total assets</b>		<b>6 631.7</b>	<b>6 636.8</b>	<b>6 893.4</b>
<b>MEMBERS' FUNDS AND LIABILITIES</b>				
<b>Members' funds</b>				
Members' funds		2 884.1	2 644.8	2 750.5
Non-controlling interests		825.0	844.4	905.0
		<b>3 709.1</b>	<b>3 489.3</b>	<b>3 655.6</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities		287.6	279.1	290.8
Post-employment benefit obligations		90.8	77.5	77.1
Provisions	6	18.3	20.0	21.4
Borrowings	9	1 043.4	1 153.0	1 098.8
Other liabilities		31.8	12.5	18.1
		<b>1 471.8</b>	<b>1 542.1</b>	<b>1 506.2</b>
<b>Current liabilities</b>				
Provisions	6	6.3	7.8	5.2
Current borrowings	9	360.2	417.8	453.4
Accounts payable and other liabilities		1 080.6	1 131.1	1 206.7
Tax liabilities based on the taxable income for the period		3.4	48.0	65.8
		<b>1 450.4</b>	<b>1 604.7</b>	<b>1 731.1</b>
Liabilities classified as held for sale		0.3	0.8	0.5
<b>Total liabilities</b>		<b>2 922.5</b>	<b>3 147.5</b>	<b>3 237.8</b>
<b>Total members' funds and liabilities</b>		<b>6 631.7</b>	<b>6 636.8</b>	<b>6 893.4</b>

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
<b>Members' funds 1.1.2018</b>	<b>813.4</b>	<b>-19.5</b>	<b>228.6</b>	<b>1 229.1</b>	<b>2 251.6</b>	<b>729.1</b>	<b>2 980.7</b>
Result for the period				279.3	279.3	179.6	458.9
Other comprehensive income, net after tax		-15.2	16.6	5.3	6.7	11.2	17.9
<b>Total comprehensive income</b>		<b>-15.2</b>	<b>16.6</b>	<b>284.6</b>	<b>286.0</b>	<b>190.8</b>	<b>476.8</b>
Transactions with owners:							
Dividends paid				-54.0	-54.0	-78.9	-132.9
Change in members' capital	170.1		0.0	-6.8	163.4		163.4
Change in the reserve for invested unrestricted equity			250.0	-250.0	0.0		0.0
Share based payments				-2.0	-2.0	0.2	-1.9
Sold shares from non-controlling interests, which did not change the controlling right			-0.0	-0.2	-0.2	3.3	3.1
<b>Members' funds 30.9.2018</b>	<b>983.5</b>	<b>-34.7</b>	<b>495.2</b>	<b>1 200.7</b>	<b>2 644.8</b>	<b>844.4</b>	<b>3 489.2</b>

Equity attributable to members of parent company							
EUR million	Members' capital	Translation differences	Fair value and other reserves	Re-tained earnings	Total	Non-controlling interest	Total
<b>Members' funds 1.1.2019</b>	<b>994.7</b>	<b>-34.8</b>	<b>492.8</b>	<b>1 297.8</b>	<b>2 750.5</b>	<b>905.0</b>	<b>3 655.6</b>
Result for the period				105.0	105.0	118.1	223.2
Other comprehensive income, net after tax		-6.6	-26.2	-19.2	-51.9	-30.2	-82.2
<b>Total comprehensive income</b>		<b>-6.6</b>	<b>-26.2</b>	<b>85.9</b>	<b>53.1</b>	<b>87.9</b>	<b>141.0</b>
Transactions with owners:							
Dividends paid				-67.1	-67.1	-84.5	-151.7
Change in members' capital	198.8			-7.6	191.2		191.2
Change in the reserve for invested unrestricted equity	-0.0		250.0	-250.0	0.0	-39.9	-39.9
Share based payments				-12.0	-12.0	-2.0	-14.0
Sold shares from non-controlling interests, which did not change the controlling right			0.3	-0.6	-0.3	3.1	2.7
<b>Members' funds 30.9.2019</b>	<b>1 193.5</b>	<b>-41.3</b>	<b>717.0</b>	<b>1 015.0</b>	<b>2 884.1</b>	<b>825.0</b>	<b>3 709.1</b>

The notes are an integral part of this interim report.

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

EUR million	Note	2019 1–9	2018 1–9	2018 1–12
Result for the period	8	223.2	458.9	612.7
Total adjustments	8	402.8	409.3	525.0
Change in working capital		-204.5	-277.6	-255.4
<b>Cash flow arising from operations</b>		<b>421.5</b>	<b>590.6</b>	<b>882.2</b>
Net financial items		-29.3	-31.0	-58.3
Income taxes paid		-139.3	-55.7	-62.7
<b>Net cash flow arising from operating activities</b>		<b>252.9</b>	<b>503.8</b>	<b>761.3</b>
Acquisitions		-9.6	0.0	-10.0
Investments in tangible and intangible assets		-113.5	-158.7	-271.9
Disposals and other items	8	18.2	4.4	17.7
<b>Net cash flow arising from investing activities</b>		<b>-104.9</b>	<b>-154.2</b>	<b>-264.2</b>
Change in members' funds		107.8	80.1	112.2
Change in non-controlling interest		-73.2	0.0	0.0
Change in long-term loans and other financial items		-157.8	-417.9	-455.1
Capital distribution		-39.9	0.0	0.0
Dividends paid		-158.6	-142.1	-142.1
<b>Net cash flow arising from financing activities</b>		<b>-321.7</b>	<b>-479.9</b>	<b>-484.9</b>
<b>Change in cash and cash equivalents</b>		<b>-173.7</b>	<b>-130.3</b>	<b>12.1</b>
Cash and cash equivalents at beginning of period		1 083.9	1 072.4	1 072.4
Translation difference		0.6	-0.7	-0.7
Change in cash and cash equivalents		-173.7	-130.3	12.1
<b>Cash and cash equivalents at end of period</b>		<b>910.7</b>	<b>941.4</b>	<b>1 083.9</b>

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 Greaseproof Papers. Metsä Group’s parent company is Metsäliitto Cooperative. The parent company is domiciled in Helsinki and the registered address is Revontulenpuisto 2, 02100 Espoo, Finland.

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

changes on review period operating result vs. comparison period have been calculated based on estimated review period net cash flows in relevant currencies and taking into account the realized effects of foreign exchange hedges.

The same accounting policies have been applied as in the 2018 IFRS financial statements with the following exception:

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

In 2019 Metsä Group has adopted the following new standard:

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

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

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

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

In the income statement the rent costs in January–September (EUR 20.1 million) is recognised as depreciation of right-of-use assets in the operating result (EUR 18.6 million) and as interest expense in financial income and expenses (EUR 2.4 million). In the cash flow statement the amortisations of lease agreement liabilities (EUR

16.7 million) are presented in cash flow arising from financial activities and the interest expenses (EUR 2.4 million) in cash flow from operating activities. In the balance sheet the lease agreement liabilities are included in the financial liabilities.

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

## 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.

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 October 31, 2019.

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	1–9/2019	1–9/2019	1–9/2019	1–9/2018	1–9/2018	1–9/2018
	External	Internal	Total	External	Internal	Total
Wood Supply and Forest Services	378.6	1 129.4	1 508.0	380.2	1 076.8	1 457.0
Wood Products Industry	322.6	18.5	341.1	316.4	17.5	333.9
Pulp and Sawn Timber Industry	1 310.0	435.8	1 745.8	1 404.6	434.4	1 839.0
Paperboard Industry	1 375.9	77.6	1 453.4	1 420.2	65.9	1 486.1
Tissue and Greaseproof Papers	795.8	0.7	796.5	768.8	0.6	769.4
Other operations	0.2	6.4	6.6	0.1	3.6	3.7
Elimination of internal sales		-1 668.4	-1 668.4		-1 599.0	-1 599.0
<b>Total sales</b>	<b>4 183.1</b>	<b>0.0</b>	<b>4 183.1</b>	<b>4 290.2</b>	<b>0.0</b>	<b>4 290.2</b>

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

## OPERATING RESULT BY SEGMENTS

EUR million	2019	2018	2018
	1–9	1–9	1–12
Wood Supply and Forest Services	21.8	23.4	32.3
Wood Products Industry	10.3	14.4	16.6
Pulp and Sawn Timber Industry	238.7	496.7	668.8
Paperboard Industry	160.8	186.3	246.3
Tissue and Greaseproof Papers	-63.5	30.2	36.3
Other operations	-1.0	-1.2	-5.6
Eliminations	-25.0	-114.4	-151.7
<b>Operating result total</b>	<b>342.1</b>	<b>635.4</b>	<b>843.0</b>
Share of results from associated companies and joint ventures	2.6	4.5	7.0
Financial costs, net	-46.6	-63.6	-80.9
Income taxes	-74.9	-117.4	-156.4
<b>Result for the period</b>	<b>223.2</b>	<b>458.9</b>	<b>612.7</b>

**ASSETS AND LIABILITIES BY SEGMENTS**

<b>Assets</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
<b>EUR million</b>	<b>30.9.</b>	<b>30.9.</b>	<b>31.12.</b>
Wood Supply and Forest Services	344.1	316.9	327.4
Wood Products Industry	355.2	325.2	326.5
Pulp and Sawn Timber Industry	2 010.0	2 007.9	2 051.7
Paperboard Industry	2 110.9	2 094.6	2 164.4
Tissue and Greaseproof Papers	822.1	911.3	917.5
Other operations	227.9	184.0	211.1
Assets classified as held for sale	0.9	1.4	1.1
Eliminations	-259.7	-243.9	-247.3
Unallocated assets	1 020.3	1 039.4	1 141.0
<b>Total</b>	<b>6 631.7</b>	<b>6 636.8</b>	<b>6 893.4</b>

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

<b>Liabilities</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
<b>EUR million</b>	<b>30.9.</b>	<b>30.9.</b>	<b>31.12.</b>
Wood Supply and Forest Services	221.3	225.7	274.3
Wood Products Industry	64.6	68.4	66.1
Pulp and Sawn Timber Industry	413.7	418.5	444.1
Paperboard Industry	366.3	377.0	400.9
Tissue and Greaseproof Papers	302.6	303.9	296.2
Other operations	101.4	79.5	86.1
Assets classified as held for sale	0.3	0.8	0.5
Eliminations	-259.7	-243.9	-247.3
Unallocated assets	1 712.0	1 917.6	1 916.8
<b>Total</b>	<b>2 922.5</b>	<b>3 147.5</b>	<b>3 237.8</b>

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

**NOTE 3 – SALES BY MARKET AREA**

<b>EUR million</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>1–9</b>	<b>1–9</b>	<b>1–12</b>
EMEA	3 050.4	3 200.8	4 251.2
APAC	795.0	790.9	1 062.0
Americas	337.7	298.5	395.9
<b>Total</b>	<b>4 183.1</b>	<b>4 290.2</b>	<b>5 709.1</b>

**NOTE 4 – INCOME TAX**

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

<b>EUR million</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>1–9</b>	<b>1–9</b>	<b>1–12</b>
Taxes for the period	57.3	102.7	130.7
Taxes for previous periods	0.5	0.8	0.5
Change in deferred taxes	17.2	13.8	25.2
<b>Total income taxes</b>	<b>74.9</b>	<b>117.4</b>	<b>156.4</b>

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

EUR million	2019 1–9	2018 1–9	2018 1–12
Book value at beginning of period	2 847.6	2 867.0	2 867.0
IFRS 16 change in accounting principles 1.1.2019	75.7	0.0	0.0
Acquired businesses	14.9	0.0	0.0
Investments in tangible assets	110.9	158.5	264.3
Investments in right-of-use assets	6.8	-	-
Decreases	-3.1	-0.8	-1.0
Assets classified as held for sale	-	-0.5	-0.5
Depreciation and impairment losses	-202.3	-198.3	-260.3
Translation differences and other changes	-17.0	-22.8	-21.9
Book value at end of period	2 833.4	2 803.2	2 847.6

Äänevoima Oy, situated on Metsä Group's industrial area in Äänekoski, was acquired by Metsä Fibre on 28, February 2019. After the acquisition the share ownership increased from 56.25% to 100%. Acquired businesses in 2019 include the effect of the deal on tangible assets.

**NOTE 6 – PROVISIONS**

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2019	5.0	16.1	5.4	26.6
Translation differences	-0.2	-0.0	0.1	-0.1
Increases	3.8	0.2	0.8	4.9
Utilised during the year	-2.3	-0.2	-1.2	-3.8
Transferred to accruals and deferred income	-3.1	-	-	-3.1
At 30 September 2019	3.2	16.1	5.2	24.5

According to its updated strategy Metsä Tissue is commencing an operational review in order to improve internal efficiency, reduce complexity and focus on the tissue business. As a part of the implementation Metsä Tissue recognised a total cost provision of EUR 7.8 million in June, of which EUR 3.9 million was recognised as a restructuring provision. In September EUR 3.1 million was transferred from the restructuring provision to accruals and deferred income.

Of the Metsä Group's total provisions of EUR 24.5 million, the non-current portion was EUR 18.3 million and the current portion EUR 6.3 million. Most of the non-current portion will be paid by the end of 2025.

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

EUR million	2019 1–9	2018 1–9	2018 1–12
Sales	8.9	8.3	12.1
Purchases	78.2	70.2	101.2
Current receivables	3.7	5.9	5.1
Current liabilities	19.2	6.9	26.3

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

EUR million	2019 1–9	2018 1–9	2018 1–12
Taxes	74.9	117.4	156.4
Depreciation and impairment charges	296.5	216.3	284.8
Biological assets	0.1	0.0	0.1
Share of results from associated companies	-2.6	-4.5	-7.0
Gains and losses on sale of non-current financial assets	-15.2	-2.2	-12.8
Financial costs, net	46.6	63.6	80.9
Pension liabilities and provisions	-4.1	5.5	3.0
Other adjustments	6.6	13.2	19.6
Total	402.8	409.3	525.0

### Disposals and other items

Disposals and other items in January–September 2019 include a capital gain of EUR 3.3 million from Metsä Board's shares in Liaison Technologies Inc. included in other investments, and sales of intangible and tangible assets of EUR 14.1 million. Most significant items were the Metsä Board's sales of property in Tampere Niemenranta for a total of EUR 5.6 million and the sales of emission allowances of EUR 6.0 million by Metsä Board and EUR 0.9 million by Metsä Wood.

### Change in non-controlling interest

In August–September, Metsäliitto Cooperative acquired Metsä Board Corporation B shares to a value of EUR 75.3 million from the market on the basis of the Board of Directors' authorisation. The average price was EUR 4.75 per share. The cash flow impact of the acquisitions in August–September was EUR 73.2 million.

## NOTE 9 – FAIR VALUES OF FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities and fair values.

### Financial assets 30.9.2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Other non-current investments	6.7	268.8		275.5
Other non-current financial assets			15.9	15.9
Accounts receivables and others			784.2	784.2
Cash and cash equivalents	187.7		723.0	910.7
Derivative financial instruments	0.2	12.9		13.1
Assets classified as held for sale				
<b>Total</b>	<b>194.5</b>	<b>281.8</b>	<b>1 523.0</b>	<b>1 999.3</b>
<b>Fair value total</b>	<b>194.5</b>	<b>281.8</b>	<b>1 523.0</b>	<b>1 999.3</b>

### Financial liabilities 30.9.2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Non-current interest-bearing liabilities			1 043.4	1 043.4
Other non-current liabilities			1.1	1.1
Current interest-bearing liabilities			360.2	360.2
Accounts payable and others			962.9	962.9
Derivative financial instruments	3.6	54.0		57.7
Liabilities classified as held for sale			0.3	0.3
<b>Total</b>	<b>3.6</b>	<b>54.0</b>	<b>2 367.8</b>	<b>2 425.5</b>
<b>Fair value total</b>	<b>3.6</b>	<b>54.0</b>	<b>2 401.6</b>	<b>2 459.2</b>



**Financial assets 30.9.2018**

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Other non-current investments	7.3	283.0		290.3
Other non-current financial assets			32.3	32.3
Accounts receivables and others			805.1	805.1
Cash and cash equivalents	149.6		791.8	941.4
Derivative financial instruments	0.3	28.9		29.2
Assets classified as held for sale				
<b>Total</b>	<b>157.2</b>	<b>311.9</b>	<b>1 629.2</b>	<b>2 098.3</b>
<b>Fair value total</b>	<b>157.2</b>	<b>311.9</b>	<b>1 629.2</b>	<b>2 098.3</b>

**Financial liabilities 30.9.2018**

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Non-current interest-bearing liabilities			1 153.0	1 153.0
Other non-current liabilities			0.7	0.7
Current interest-bearing liabilities			417.8	417.8
Accounts payable and others			1 007.4	1 007.4
Derivative financial instruments	2.3	17.5		19.8
Liabilities classified as held for sale			0.8	0.8
<b>Total</b>	<b>2.3</b>	<b>17.5</b>	<b>2 579.6</b>	<b>2 599.4</b>
<b>Fair value total</b>	<b>2.3</b>	<b>17.5</b>	<b>2 599.2</b>	<b>2 619.0</b>

**Fair value hierarchy of financial assets and liabilities 30 September, 2019**

EUR million	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Other non-current investments	0.0		275.5	275.5
Current financial assets through profit and loss at fair value	187.7			187.7
Derivative financial assets	13.0	0.1		13.1
<b>Financial liabilities measured at fair value</b>				
Derivative financial liabilities	2.2	55.5		57.7
<b>Financial assets not measured at fair value</b>				
Financial assets		723.0		723.0
<b>Financial liabilities not measured at fair value</b>				
Non-current interest-bearing liabilities		1 076.1		1 076.1
Current interest-bearing liabilities		361.5		361.5

**Fair value hierarchy of financial assets and liabilities 30 September, 2018**

EUR million	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Other non-current investments	0.0		290.3	290.3
Current financial assets through profit and loss at fair value	149.6			149.6
Derivative financial assets	26.9	2.3		29.2
<b>Financial liabilities measured at fair value</b>				
Derivative financial liabilities		19.8		19.8
<b>Financial assets not measured at fair value</b>				
Financial assets		791.8		791.8
<b>Financial liabilities not measured at fair value</b>				
Non-current interest-bearing liabilities		1 169.6		1 169.6
Current interest-bearing liabilities		420.8		420.8

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

EUR million	2019	2018
Opening balance 1 January	285.1	254.3
Gains and losses in income statement	3.2	0.0
Gains and losses in other comprehensive income	-9.1	36.3
Purchases	0.0	0.0
Settlements	-3.8	-0.2
Closing balance 30 September	275.5	290.3

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

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

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

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

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

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

prevailing at the closing date of the reporting period (Level 3).

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

The most significant item at fair value not traded on an open market is the investment in Pohjolan Voima Oyj shares, reported under available-for-sale financial assets. The valuation method is described in the 2018 Financial Statements. The average weighed capital cost applied in the calculation was 0.97% on 30 September 2019 and for the Olkiluoto 3 power plant under construction 1.97%. The acquisition cost of the Pohjolan Voima Oyj shares is EUR 42.0 million and their fair value is EUR 268.8 million.

The carrying amount of Pohjolan Voima Oyj as of 30 September 2019 is estimated to change by EUR 1.2 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 44.6 million should the energy prices applied in the fair value calculation differ by 10% from the rate estimated by the management.

**Derivatives 30 September, 2019**

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	534.1		29.0	-29.0	-1.7	-27.3
Total	534.1	0.0	29.0	-29.0	-1.7	-27.3
Currency forwards	2 415.3	0.1	24.0	-23.9	-1.9	-22.0
Currency options	795.3		2.5	-2.5		-2.5
Total	3 210.6	0.1	26.5	-26.4	-1.9	-24.5
Electricity derivatives	25.4	12.6		12.6		12.6
Oil derivatives	11.1	0.4	1.4	-1.0		-1.0
Commodity derivatives	6.7	0.1	0.8	-0.7	0.1	-0.8
Total	43.2	13.0	2.2	10.9	0.1	10.8
Derivatives total	3 788.0	13.1	57.7	-44.6	-3.5	-41.1

**Derivatives 30 September, 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	578.4		6.6	-6.6	-0.4	-6.2
Total	578.4	0.0	6.6	-6.6	-0.4	-6.2
Currency forwards	2 294.9	0.1	12.6	-12.5	-1.9	-10.6
Currency options	855.2		0.6	-0.6		-0.6
Total	3 150.1	0.1	13.2	-13.1	-1.9	-11.2
Electricity derivatives	48.8	20.6		20.6		20.6
Pulp derivatives	5.8	2.2		2.2		2.2
Oil derivatives	10.6	3.1		3.1		3.1
Commodity derivatives	7.4	3.2		3.2	0.2	3.0
Total	72.6	29.1	0.0	29.1	0.2	28.9
Derivatives total	3 801.1	29.2	19.8	9.4	-2.1	11.5

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

EUR million	30.9.2019	30.6.2018	31.12.2018
Own liabilities for which commitments granted	71.1	112.4	90.0
Pledges granted	86.9	515.1	299.6
Floating charges	2.8	2.8	2.8
Real estate mortgages	267.5	268.2	267.8
Chattels mortgage	4.0	4.0	4.0
Commitments for own liabilities, total	361.1	790.0	574.1
Rent commitments	7.4	78.0	86.6
Leases not yet commenced to which Metsä Group is committed	28.1		
Other commitments on own behalf	35.3	13.8	26.7
On behalf of associated companies and joint ventures	0.5	0.9	0.7
On behalf of others	0.0	0.0	0.0
Total	432.4	882.7	688.2

Starting from 1 January 2019, rent commitments include liabilities arising from contracts for low value

items and short term leases. Note 1 include additional information on the adopted IFRS 16 -standard.

**COMMITMENTS RELATED TO INVESTMENTS**

EUR million	30.9.2019	30.9.2018	31.12.2018
Payments due under 1 year	6.7	40.1	37.5
Payments due in subsequent years	-	-	-
Total	6.7	40.1	37.5