

METSÄ BOARD

FINANCIAL STATEMENTS BULLETIN

2018



MetsäBoard

METSÄ BOARD'S COMPARABLE OPERATING RESULT IN 2018 WAS EUR 252 MILLION

JANUARY–DECEMBER 2018 (1–12/2017)

- Sales were EUR 1,944.1 million (1,848.6).
- Comparable operating result was EUR 251.9 million (193.5), or 13.0% (10.5%) of sales. Operating result was EUR 246.3 million (207.1).
- Comparable earnings per share were EUR 0.58 (0.39), and earnings per share were EUR 0.57 (0.42).
- Comparable return on capital employed was 14.4% (11.2%).

- The delivery volumes of market pulp, particularly in China, declined during the fourth quarter of the year. The difference between the price of market pulp in Europe and China grew clearly towards the end of 2018.
- On 14 November, Metsä Board held a Capital Markets Day in London for analysts and institutional investors. The company's financial targets remained unchanged. In the short term, the company aims for more modest growth than in previous years, with focus on profitability.

OCTOBER–DECEMBER 2018 (7–9/2018)

- Sales were EUR 458.0 million (475.1).
- Comparable operating result was EUR 60.1 million (63.7), or 13.1% (13.4%) of sales. Operating result was EUR 60.1 million (63.7).
- Comparable earnings per share were EUR 0.14 (0.16), and earnings per share were EUR 0.14 (0.16).
- Comparable return on capital employed was 13.7% (15.0%).

EVENTS AFTER THE FINANCIAL PERIOD

- Metsä Board was again recognised for sustainability when the company was included on CDP's Water A and Climate A lists and scored A- in CDP's forest programme. In addition, Metsä Board was recognised as a world leader for supplier engagement on climate change. CDP is a non-profit global environmental disclosure platform.
- Moody's Investors Service upgraded Metsä Board's credit rating to investment grade. The rating was upgraded from Ba1 to Baa3. The outlook for the rating is stable.

EVENTS IN OCTOBER–DECEMBER 2018

- Paperboard deliveries were on a lower level compared to the previous quarter due to the seasonal decline in December, among other factors.
- The average prices of folding boxboard and white kraftliner rose slightly. Metsä Board announced an increase of EUR 80 per tonne in the price of folding boxboard in Europe. The company estimates slightly more than a third of the increase, on average, to have been realised. The higher prices took effect for the most part as of the beginning of 2019.
- A new baling line was taken into use at the Kaskinen BCTMP mill. Metsä Board announced that it would invest in a new sheeting line at the Äänekoski paperboard mill.
- Metsä Board lowered its result guidance for the fourth quarter in December. The guidance was weakened by the pulp market's uncertainty, particularly in China, and the machinery breakdown at the Husum pulp mill in Sweden.

RESULT GUIDANCE FOR JANUARY–MARCH 2019

Metsä Board's comparable operating result for the first quarter of 2019 is expected to remain roughly at the same level as in the fourth quarter of 2018.

BOARD OF DIRECTORS' PROPOSAL FOR DIVIDEND AND OTHER DISTRIBUTION OF EQUITY

The Board of Directors proposes to the Annual General Meeting to be held on 28 March 2019 that a dividend of EUR 0.10 per share be distributed for the 2018 financial year 2018, and further that EUR 0.19 per share be distributed from the unrestricted equity reserve. The proposed distribution, a total of EUR 0.29 per share, is equal to 51% of the earnings per share for 2018.

Metsä Board's CEO Mika Joukio:

"Our comparable result in October–December, EUR 60.1 million, was roughly at the same level as in the previous quarter. The average prices of our paperboards increased, but delivery volumes remained on a

lower level than in the previous quarters due to a seasonal decline. We estimate that the changes in delivery volumes continued to be influenced by the exceptionally strong demand during the first half of the year.

The profitability of the fourth quarter was burdened by a machinery breakdown at the Husum pulp mill and the increased uncertainty in the pulp market, particularly in China. We have a substantial market pulp position through our holding in Metsä Fibre, due to which changes in the delivery volumes and price level of market pulp have an impact on our profitability.

All in all, 2018 was a good year for Metsä Board, and we continued to grow profitably, supported by strong market trends. The production efficiency of our mills was at a good level, and nearly all of our production lines set new annual production records.

Our comparable operating result improved by nearly a third and was EUR 252 million. Our profitability improved due to higher paperboard prices, a strong pulp market and the increased delivery volumes of folding boxboard.

The prices of white kraftliner have been increased several times over the past 18 months. At the year end, we

announced a price increase in folding boxboard in Europe, of which we achieved slightly over a third.

Our strategy and financial targets remained unchanged in 2018. In the short term, our growth will be more modest than in previous years, and decision-making will be strongly guided by our profitability targets and the growth of shareholder value.

Sustainable business operations are increasingly important to our stakeholders and the entire society. Our goal is to promote packaging solutions which create better consumer experiences with less environmental impact. After the financial period, we received again recognition for our sustainability from CDP.

I have confidence in Metsä Board's future. I want to thank our personnel, customers and other stakeholders for the past year."

Mika Joukio
CEO

FINANCIAL KEY FIGURES

	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2018 Q1–Q4	2017 Q1–Q4
Sales, EUR million	458.0	475.1	518.7	492.3	451.3	1,944.1	1,848.6
EBITDA, EUR million	81.2	84.2	78.5	94.3	77.8	338.2	298.7
comparable, EUR million	81.2	84.2	84.1	94.3	77.8	343.8	289.1
EBITDA, % of sales	17.7	17.7	15.1	19.2	17.2	17.4	16.2
comparable, % of sales	17.7	17.7	16.2	19.2	17.2	17.7	15.6
Operating result, EUR million	60.1	63.7	53.6	69.0	54.4	246.3	207.1
comparable, EUR million	60.1	63.7	59.2	69.0	54.4	251.9	193.5
Operating result, % of sales	13.1	13.4	10.3	14.0	12.0	12.7	11.2
comparable, % of sales	13.1	13.4	11.4	14.0	12.0	13.0	10.5
Result before taxes, EUR million	55.8	59.5	47.8	61.0	46.8	224.2	170.8
comparable, EUR million	55.8	59.5	53.5	61.0	46.8	229.7	157.2
Result for the period, EUR million	50.2	57.5	41.8	53.9	42.1	203.4	150.5
comparable, EUR million	50.2	57.5	46.2	53.9	42.1	207.8	137.5
Earnings per share, EUR	0.14	0.16	0.12	0.15	0.12	0.57	0.42
comparable, EUR	0.14	0.16	0.13	0.15	0.12	0.58	0.39
Return on equity, %	15.5	18.7	14.4	18.7	14.8	16.3	13.6
comparable, %	15.5	18.7	15.9	18.7	14.8	16.7	12.4
Return on capital employed, %	13.7	15.0	12.6	15.8	12.4	14.0	11.9
comparable, %	13.7	15.0	13.9	15.8	12.4	14.4	11.2
Equity ratio at the end of period, %	58	57	55	50	53	58	53
Net gearing ratio at the end of period, %	25	27	33	29	31	25	31
Interest-bearing net liabilities/comparable EBITDA	1.0	1.0	1.2	1.1	1.2	1.0	1.2
Shareholder's equity per share at the end of period, EUR	3.72	3.58	3.32	3.21	3.28	3.72	3.28
Interest-bearing net liabilities, EUR million	334.6	343.6	388.1	334.7	358.4	334.6	358.4
Gross investments, EUR million	33.9	10.7	15.3	10.5	26.7	70.3	65.4
Net cash flow from operations, EUR million	30.4	53.9	36.3	30.2	106.1	150.9	236.3
Personnel at the end of period	2,352	2,375	2,578	2,402	2,351	2,352	2,351

DELIVERY AND PRODUCTION VOLUMES

	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2018 Q1–Q4	2017 Q1–Q4
1000 t	Q4	Q3	Q2	Q1	Q4	Q1–Q4	Q1–Q4
Deliveries							
Paperboard	426	447	489	468	429	1,830	1,803
Market Pulp	95	108	131	124	120	458	515
Production							
Paperboard	470	451	468	477	459	1,866	1,817
Metsä Fibre pulp ¹⁾	193	191	179	177	180	740	619
Metsä Board pulp	338	334	338	352	305	1,363	1,330

¹⁾ Equal to Metsä Board's 24.9 per cent holding in Metsä Fibre.

**FINANCIAL STATEMENTS BULLETIN
FOR 1 JANUARY – 31 DECEMBER
2018****OCTOBER–DECEMBER 2018 (7–9/2018)****SALES AND RESULT**

Metsä Board's sales declined from the previous quarter and were EUR 458.0 million (475.1). Sales declined due to the lower delivery volumes of paperboard and market pulp. Folding boxboard accounted for 58% of sales, while 24% of sales derived from kraftliner and 17% from market pulp.

The comparable operating result was EUR 60.1 million (63.7), and the operating result was EUR 60.1 million (63.7). There were no items affecting comparability.

Total deliveries of paperboard declined and were 426,000 (447,000) tonnes. Deliveries of folding boxboard amounted to 293,000 (297,000) tonnes, and deliveries of white kraftliner totalled 134,000 (149,000) tonnes. Paperboard deliveries were at a record high level during the first half of the year. This is estimated to have increased customers' stocks and reduced orders during the second half of the year. During the fourth quarter, the decline in delivery volumes was also influenced by a slowdown in economic growth and the seasonal decline in December.

In addition to the decline in delivery volumes, the operating result of the fourth quarter was weakened by a machinery breakdown at the pulp mill of the Husum integrated mill, which also resulted in losses in paperboard production. Furthermore, uncertainty, particularly in China's pulp market, reduced the delivery volumes and prices of market pulp. The negative result impact from these totalled approximately EUR 10 million. The price level of pulp in China has an impact on Metsä Board's result, given that roughly half of Metsä Board's pulp surplus is sold to China.

The production costs of paperboard remained stable. In Sweden, the price of imported wood remained high. In Finland, the price of wood remained fairly stable.

The operating result for October–December improved due to the sale of emission rights. Exchange rate fluctuations including hedges had a positive impact of approximately 7 million compared to the previous quarter.

Financial income and expenses totalled EUR -4.4 million (-4.2), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR 0.3 million (-0.2).

Result before taxes was EUR 55.8 million (59.5). Comparable result before taxes was EUR 55.8 million (59.5). Income taxes amounted to EUR 5.5 million (2.1).

Earnings per share were EUR 0.14 (0.16). The return on equity was 15.5% (18.7%), and the comparable return on equity was 15.5% (18.7%). The return on capital

employed was 13.7% (15.0%), and the comparable return on capital employed was 13.7% (15.0%).

MARKET DEVELOPMENT

Deliveries by European producers of folding boxboard in October–December declined by 3% compared to the previous quarter. Deliveries by European producers of white kraftliner declined by 2%. The market prices of folding boxboard and white kraftliner in Europe rose slightly.

In Europe, the euro-denominated market price of long-fibre pulp increased by about 1%, while its dollar-denominated market price remained stable compared to the previous quarter, calculated from the quarterly averages. The euro-denominated market price of short-fibre pulp increased by 1%, while its dollar-denominated market price declined by 1%. In China, the dollar-denominated market price of long-fibre pulp declined by 5% and that of short-fibre pulp by 4%. Pulp prices in China fell sharply during the fourth quarter, and at the end of the year, the prices were clearly lower than the average for the quarter.

JANUARY–DECEMBER 2018 (1–12/2017)**SALES AND RESULT**

Metsä Board's sales increased and were EUR 1,944.1 million (1,848.6). Sales grew due to the higher average prices of end products and the increased delivery volumes of folding boxboard. Folding boxboard accounted for 56% of sales, while 26% of sales derived from kraftliner and 18% from market pulp.

The comparable operating result was EUR 251.9 million (193.5), and the operating result was EUR 246.3 million (207.1). Items affecting comparability during the financial period totalled EUR 5.6 million and consisted of cost provisions related to the operational efficiency programme at the Husum mill and the amount paid to Pohjolan Voima with regard to the divestment of TVO's Meri-Pori coal-fired power plant.

Total deliveries of paperboard were 1,830,000 (1,803,000) tonnes. Deliveries of folding boxboard totalled 1,215,000 (1,144,000) tonnes, of which 69% was delivered to the EMEA region, 21% to the Americas, and 10% to the APAC region. Deliveries of white kraftliner totalled 615,000 (659,000) tonnes, of which 72% was delivered to the EMEA region and 28% to the Americas.

Profitability in 2018 improved due to the higher prices of paperboard and market pulp and the higher delivery volumes of folding boxboard. The increased production and delivery volumes of pulp from the associated company Metsä Fibre had a clearly positive effect on results.

The total production costs of both paperboard and pulp increased from the previous year. Exceptional weather conditions made harvesting conditions more difficult

and increased wood prices nearly everywhere in northern Europe. The price increase was particularly steep in terms of wood imported to Sweden from the Baltic countries. The costs attributable to the increased price of wood grew by more than EUR 30 million compared to the previous year. The result was further burdened by more expensive road transport costs in the United States and an acceleration in general cost inflation.

Exchange rate fluctuations including hedges had a negative effect of approximately EUR 53 million on the operating result of the financial period compared to the previous year.

Financial income and expenses totalled EUR -22.3 million (-36.3), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -3.1 million (-1.1).

The result before taxes for the financial period was EUR 224.2 million (170.8). Comparable result before taxes was EUR 229.7 million (157.2). Income taxes amounted to EUR 20.8 million (20.3).

Earnings per share were EUR 0.57 (0.42). Comparable earnings per share were EUR 0.58 (0.39). The return on equity was 16.3% (13.6%), and the comparable return on equity was 16.7% (12.4%). The return on capital employed was 14.0% (11.9%), and the comparable return on capital employed was 14.4% (11.2%).

MARKET DEVELOPMENT

Deliveries by European producers of folding boxboard in January–December grew by 5% compared to the previous year. Deliveries by European producers of white kraftliner declined by 4%. The market price of folding boxboard in Europe grew by 4% and that of white kraftliner by 8%.

Metsä Board's share of the total deliveries by European folding boxboard producers was 35%, and 57% of exports from Europe.

In Europe, the euro-denominated market price of long-fibre pulp increased by 27%, while its dollar-denominated market price increased by 32% compared to the previous year. The euro-denominated market price of short-fibre pulp increased by 21%, while its dollar-denominated market price increased by 27%. In China, the dollar-denominated market price of long-fibre pulp increased by 26% and that of short-fibre pulp by 19%.

CASH FLOW

Net cash flow from operations in January–December was EUR 150.9 million (1–12/2017: 236.3 million). Working capital increased by EUR 62.4 million (1–12/2017: decreased by EUR 34.1 million). Changes in working capital weakened cash flow, particularly in the fourth quarter.

INVESTMENTS

Gross investments in 2018 totalled EUR 70.3 million (2017: 65.4) and were mainly related to maintenance.

Metsä Board invested in a new baling line at the Kaskinen mill. The value of the investment was approximately EUR 6 million, and it increased the mill's annual capacity by about 30,000 tonnes to 370,000 tonnes.

In addition, the company announced an investment in a sheeting line at the Äänekoski mill. The new line is expected to be in production use in September 2019. The investment increases the annual capacity of the sheeting plant by 35,000 tonnes to 120,000 tonnes. The value of the investment is approximately EUR 11 million, the majority of which will be allocated to 2019.

BALANCE SHEET AND FINANCING

Metsä Board's equity ratio at the end of the year was 58% (31 December 2017: 53%), and its net gearing ratio was 25% (31 December 2017: 31%). The ratio of interest-bearing net liabilities to comparable EBITDA in the previous 12 months was 1.0 at the end of the financial period (31 December 2017: 1.2).

At the end of the financial period, interest-bearing liabilities totalled EUR 447.2 million (31 December 2017: 577.0). Foreign currency-denominated loans accounted for 1.5% of loans and floating-rate loans for 15%, with the rest being fixed-rate loans. At the end of the year, the average interest rate on loans was 3.3% (31 December 2017: 3.3), and the average maturity of long-term loans was 5.5 years (31 December 2017: 5.4). The interest rate maturity of loans at the end of the year was 60.0 months (31 December 2017: 67.9).

At the end of the year, net interest-bearing liabilities totalled EUR 334.6 million (31 December 2017: 358.4).

Metsä Board's liquidity has remained strong. At the end of the financial period, the available liquidity was EUR 425.4 million (31 December 2017: 449.2), consisting of the following items: liquid assets and investments of EUR 109.7 million, a syndicated credit facility (revolving credit facility) of EUR 150.0 million, and undrawn pension premium (TyEL) funds of EUR 165.7 million. Of the liquid assets, EUR 98.2 million consisted of short-term deposits with Metsä Group Treasury, and EUR 11.5 million were cash funds and investments. Other interest-bearing receivables amounted to EUR 2.9 million. In addition, Metsä Board's liquidity reserve is complemented by Metsä Group's internal undrawn short-term credit facility of EUR 150.0 million.

Metsä Board has agreed to changes in its syndicated credit agreement maturing in March 2020. The agreement previously consisted of a EUR 150 million term loan and an undrawn revolving credit facility of EUR 100 million. On 27 April 2018, the company repaid EUR 100 million of its existing loan and simultaneously increased the size of its undrawn 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.

The fair value of long-term investments was EUR 270.1 million at the end of the financial period (31 December 2017: 240.3). The change in fair value from the beginning of the financial period, EUR 29.8 million, was related to the increase in the fair value of the shares in Pohjolan Voima Oyj.

At the end of the financial period, an average of 7.3 months of the net foreign currency exposure was hedged, including the hedging of the balance sheet position of trade receivables and trade payables (31 December 2017: 8.0). The degree of hedging during the period varied between seven and nine months, on average. In addition to the balance sheet position, half of the projected annual net foreign currency exposure at the normal level is hedged. The amount of hedging may deviate from the normal level by 40% in either direction. When hedging is at the normal level, the aim is to allocate the hedges primarily to the following two quarters.

Metsä Board has credit ratings issued by S&P Global and Moody's. The company's rating by S&P Global is BBB- (investment grade), with a stable outlook. After the financial period, the credit rating by Moody's rose from the level Ba1 to Baa3 (investment grade), with a stable outlook.

PERSONNEL

At the end of the year, the number of personnel was 2,352 (31 December 2017: 2,351), of whom 1,361 (1,344) were based in Finland. In January–December, Metsä Board employed 2,435 people on average (1–12/2017: 2,456). Personnel expenses, including the cost provisions related to the operational efficiency programme at the Husum mill, totalled EUR 203.1 million in January–December (1–12/2017: 198.0).

BUSINESS DEVELOPMENT

The demand for recyclable fresh fibre paperboard is supported by market trends such as globalisation, urbanisation, sustainability, product safety and the growth of e-commerce. Pure fresh fibre paperboard is replacing non-renewable packaging materials and the use of recycled paperboard, particularly in food and food service packaging, to an increasing degree.

The production efficiency of Metsä Board's mills was at a good level in 2018, and nearly all of the production lines set new annual production records. The total production volume of paperboard was 1,866,000 tonnes (in 2017: 1,817,000).

The delivery volumes of Metsä Board's paperboard in 2018 totalled 1,830,000 tonnes (in 2017: 1,803,000). Paperboard deliveries were at a record high level during the first half of the year. This is estimated to have increased customers' stocks and reduced the number of orders during the second half of the year. Changes in

delivery volumes have also been influenced by the company's own actions to improve the average price of folding boxboard and the slowdown of economic growth towards the end of 2018.

Metsä Board delivers paperboard globally to the EMEA and APAC regions and the Americas. Metsä Board is the biggest producer of folding boxboard and white kraftliner in Europe. In the APAC region, the company focuses on demanding end-uses together with global brand owners, primarily in folding boxboard. Metsä Board seeks the fastest growth in the Americas. In 2018, Metsä Board's deliveries of folding boxboard in the Americas grew by 9%. In addition, the company has a strong market position in coated white kraftliner in North America.

The market prices of paperboards, particularly white kraftliners, increased in local currencies during the year in all of the company's market areas. In 2018, Metsä Board announced price increases in kraftliners twice in Europe and once in the Americas. At the end of 2017, Metsä Board announced an increase of EUR 90 per tonne in the price of folding boxboard in Europe, of which roughly half was achieved. Correspondingly, slightly more than a third of the increase of EUR 80 per tonne announced in late 2018 was achieved.

The result improvement achieved at the Husum integrated mill in 2018 was approximately EUR 90 million compared to 2016. The improvement was slightly higher than expected, and it was based on the increased price of market pulp and the weaker Swedish krona. On the other hand, costs increased due to more expensive imported wood and profits were lower due to a weaker US dollar. A significant portion of Husum's folding boxboard is sold to the Americas. Metsä Board continues its actions to improve the average sales price of folding boxboard.

In 2018, the price of market pulp increased strongly in both Europe and China. Metsä Board's net position in market pulp in 2018 was some 550,000 tonnes, accounting for the holding in associated company Metsä Fibre. Most of the market pulp is chemical long-fibre pulp sold to the EMEA and APAC regions. The uncertainty of the pulp market in the fourth quarter, particularly in China, decreased the delivery volumes and sales prices of market pulp.

RESEARCH AND DEVELOPMENT

In its R&D work, Metsä Board focuses on reducing the weight of paperboard and on the development of new barrier materials, particularly for the food packaging sector. In cooperation with its customers, the company develops lighter, more environmentally friendly and efficient packaging, and uses the potential of fresh fibre paperboards in innovative ways. The progress made in the improved properties of BCTMP provides excellent opportunities to this work.

In early 2018, the company launched a biobased, bio-degradable eco-barrier paperboard. Metsä Board also continues to develop other barrier solutions and investigates the exploitation of dispersion coating and biobased coating solutions, particularly in food and food service packaging.

In 2018, the costs of research and development operations were approximately EUR 6.3 million (in 2017: 5.5).

SUSTAINABILITY

Sustainability is an integral part of Metsä Board's day-to-day operations and management. In addition to its own operations, Metsä Board promotes sustainability throughout the supply chain.

In 2018, Metsä Board achieved good grades in a number of ESG assessments – including ISS-oekom, MSCI and Sustainalytics – covering the environment, social responsibility and good corporate governance. In 2018, EcoVadis, which conducts supplier responsibility evaluations, gave Metsä Board's sustainability practices gold-level certification for the second time. After the financial period, CDP, a non-profit global reporting system for environmental data, again included Metsä Board on its Water A and Climate A lists and recognised Metsä Board as a world leader for supplier engagement on climate change. The company also achieved the A- level in CDP's forest programme.

LEGAL PROCEEDINGS

In May 2014, Metsä Board requested the District Court of Helsinki to revoke the award issued by the Arbitral Tribunal on 11 February 2014 that ordered Metsä Board to pay EUR 19.7 million in damages to UPM Kymmene Corporation. In a judgment issued in June 2015, the District Court rejected Metsä Board's request. Metsä Board appealed the decision of the District Court to the Court of Appeal. The Court of Appeal dismissed Metsä Board's appeal on 21 October 2016. Metsä Board has applied for leave to appeal the matter to the Supreme Court.

In the autumn of 2015, the Finnish Tax Administration refused the deductibility of certain losses in Metsä Board's 2014 taxation. Metsä Board has appealed 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 appeal the decision to the Administrative Court of Helsinki.

STRATEGY AND FINANCIAL TARGETS

Metsä Board is a leading European producer of fresh fibre paperboards. The company focuses on lightweight, premium fresh fibre paperboards used in consumer goods, retail-ready and food service packaging. Metsä Board expects global demand for premium fresh fibre paperboard to grow by around 3% a year.

In the medium-term, Metsä Board aims to a moderate growth, taking into account the prevailing market environment. Decision-making is based on profitability targets and the increase of shareholder value. The company also aims to retain a strong balance sheet.

Long-term financial targets remained unchanged in 2018:

- Comparable return on capital employed (ROCE), at least 12%.
Actual in 2018 was 14.4%.
- A ratio of interest-bearing net liabilities to comparable EBITDA, at maximum 2.5.
Actual in 2018 was 1.0.
- Growth in total paperboard deliveries exceeding average market growth.
Actual in 2018 was 1.6%.

In addition, Metsä Board aims to distribute at least 50% of the result for the financial period in dividends every year. The Board of Directors' proposal to the Annual General Meeting concerning the distribution for the 2018 financial year corresponds to 51% of the result for the financial period.

RESOLUTIONS OF THE 2018 ANNUAL GENERAL MEETING

Metsä Board's Annual General Meeting held on 27 March 2018 adopted the company's financial statements for the financial year 2017 and decided to distribute a dividend of EUR 0.21 per share.

The Annual General Meeting decided to keep the Board of Directors' annual remuneration unchanged in such a way that the Chair of the Board of Directors is paid annual remuneration of EUR 95,000, the Deputy Chair is paid EUR 80,000 and each member of the Board is paid EUR 62,500, and that a meeting fee of EUR 700 will be paid for each meeting of the Board and committees of the Board that a member attends. The Annual General Meeting decided to pay roughly half of the remuneration in the form of the company's B shares acquired through public trading. Furthermore, the Annual General Meeting decided to pay the Chair of the Audit Committee monthly remuneration of EUR 800.

The Annual General Meeting confirmed the number of members of the Board of Directors as nine (9) and elected the following individuals as members of the Board of Directors: Hannu Anttila, teollisuusneuvos (Finnish honorary title); Martti Asunta, metsäneuvos (Finnish honorary title); Ilkka Härmälä, M.Sc. (Eng.); Kirsi Komi, LL.M.; Kai Korhonen, M.Sc. (Eng.); Liisa Leino, teollisuusneuvos (Finnish honorary title); Jussi Linnaranta, M.Sc. (Agriculture and Forestry); Juha Niemelä, vuorineuvos (Finnish honorary title); and Veli Sundbäck, ambassador. At its constitutive meeting, the Board of Directors elected Ilkka Härmälä as its Chair

and Martti Asunta as its Vice Chair. The Board members' term of office expires at the end of the next Annual General Meeting.

Further information on the decisions of the Annual General Meeting, the constitution of the Board of Directors, and introductions of the Board members is available on Metsä Board's website at:
<https://www.metsaboard.com/Investors/General-Meeting/Pages/default.aspx>.

SHARES

At the end of the financial period, the price for Metsä Board's B share on the Nasdaq Helsinki was EUR 5.12. The share's highest and lowest prices in 2018 were EUR 10.30 and EUR 4.98, respectively. At the end of the financial period, the price for Metsä Board's A share on the Nasdaq Helsinki was EUR 6.14. The share's highest and lowest prices in 2018 were EUR 10.10 and EUR 6.00, respectively.

In 2018, the average daily trading volumes of the B and A shares on the Nasdaq Helsinki were 723,339 shares and 8,911 shares, respectively. The total trading volumes of the B and A shares were EUR 1,438.2 million and EUR 18.6 million, respectively.

In addition to the Nasdaq Helsinki, Metsä Board's shares are traded on other marketplaces, such as Chi-X and BATS. The Nasdaq Helsinki's share of total trading in 2018 was 69%.

In 2018, a total of 527,888 of Metsä Board's A shares were converted to B shares. At the end of the year, there were 35,358,794 A shares and 320,153,952 B shares.

At the end of the financial period, the market value of all Metsä Board's shares was EUR 1.86 billion, of which the market value of the B shares was EUR 1.64 billion, and that of the A shares was EUR 0.22 billion.

At the end of the year, Metsäliitto Cooperative owned 41% of the shares, and the voting rights conferred by these shares amounted to 62%. At the end of the year, foreign and nominee-registered investors held 21% of all the shares (31 December 2017: 20%). The company does not hold any treasury shares.

NEAR-TERM RISKS AND UNCERTAINTIES

Considerable uncertainties still exist in the global economy. If realised, they may result in weakened demand and reduced prices for paperboard and pulp products. An imbalance in supply and demand may impact the prices of end products and Metsä Board's profitability.

Metsä Board is focusing on the active development and growth of its paperboard business. Growing the paperboard business and introducing new production to the market are dependent on the successful growth of

sales in Europe, and particularly in the Americas. Increasing sales on a global scale also involves cost and exchange rate risks.

There are several geopolitical risk concentrations around the world, and forecasting developments in them is difficult. Changes in these areas may be very sudden and unpredictable. There have been, and will continue to be, international sanctions related to these crises, and they may also have a direct or indirect impact on the demand for paperboards and, therefore, on Metsä Board's result.

During 2018, various countries have imposed new import duties on each other's products, in addition to other trade restrictions, but these have not had a direct effect on Metsä Board's business operations so far. Negative developments in world trade could, if continued, weaken Metsä Board's result.

Wood accounts for more than a quarter of Metsä Board's total costs, including its share of Metsä Fibre's costs. The availability of the wood raw material becoming more difficult or a sudden increase in prices would have a weakening effect on Metsä Board's result.

Climate change may cause an increasing number of extreme weather phenomena, such as storms, floods and drought, and weaken the availability of the process water required by mills and result in breaks in production. Extreme weather conditions may also limit the availability of the wood raw material. Should they materialise, extreme weather phenomena could have a negative effect on Metsä Board's profitability.

The US dollar strengthening by 10% against the euro would have a positive impact of approximately EUR 74 million on Metsä Board's annual operating result. Correspondingly, the Swedish krona strengthening by 10% would have a negative impact of approximately EUR 50 million. The British pound strengthening by 10% would have a positive impact of approximately EUR 8 million. The impact of weakened exchange rates would be the opposite. The sensitivities do not include the impact of hedging.

The forward-looking estimates and statements in this financial statements bulletin are based on current plans and estimates. For this reason, they contain risks and other uncertainties that may cause the results to differ from the statements concerning them. In the short term, Metsä Board's result will be particularly affected by the price of and demand for finished products, raw material costs, the price of energy, and the exchange rate development of the euro compared to the company's other main currencies.

Further information on long-term risks is also available on pages 26–28 of Metsä Board's 2017 Annual Report, and on pages 26–36 of the prospectus concerning the bond issued in 2017.

NEAR-TERM OUTLOOK

Metsä Board's paperboard deliveries in the first quarter are expected to rise slightly compared to the fourth quarter of 2018.

The market prices of folding boxboard in local currencies are expected to increase. The company continues its measures to improve the average price of folding boxboard by optimising the sales mix.

The global economic uncertainty, slowdown in China's economic growth and reductions in inventory levels in the value chain are still causing uncertainty in Metsä Board's business operations.

A maintenance shutdown at Metsä Fibre's Äänekoski bioproduct mill is set to take place in the first quarter.

Changes in exchange rates including the impact of hedges will have a positive effect on the operating result for the first quarter compared to the previous quarter.

Production costs are expected to remain stable. The price of wood is expected to remain on a high level in the beginning of the year.

EVENTS AFTER THE FINANCIAL PERIOD

Metsä Board was again recognised for sustainability when the company was included on CDP's Water A and Climate A lists and scored A- in CDP's forest programme. In addition, Metsä Board was recognised as a world leader for supplier engagement on climate change. CDP is a non-profit global environmental disclosure platform.

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

RESULT GUIDANCE FOR JANUARY–MARCH 2019

Metsä Board's comparable operating result for the first quarter of 2019 is expected to remain roughly at the same level as in the fourth quarter of 2018.

BOARD OF DIRECTORS' PROPOSAL FOR DIVIDEND AND OTHER DISTRIBUTION OF EQUITY

The distributable funds of the parent company on 31 December 2018 were EUR 530.3 million, of which the retained earnings are EUR 145.4 million.

The Board of Directors proposes to the Annual General Meeting to be held on 28 March 2019, that a dividend of 0.10 euros per share be distributed for the financial year 2018, and further that 0.19 euros per share be distributed from the unrestricted equity reserve, altogether 0.29 euros per share.

The distribution will be paid to shareholders who on the record date for the distribution, 1 April 2019, are recorded in the shareholders' register held by Euroclear Finland Ltd. The distribution is proposed to be paid on 9 April 2019.

METSÄ BOARD CORPORATION

Espoo, Finland, 7 February 2019
BOARD OF DIRECTORS

Further information:

Jussi Noponen, CFO
tel. +358 10 465 4913

Katri Sundström, VP, Investor Relations,
tel. +358 400 976 333

Further information will be available as of 1 p.m. on 07/02/2019.

A conference call held for investors and analysts in English will begin at 3 p.m. Conference call participants are requested to dial in and register a few minutes earlier on the following numbers:

Finland +358 9 7479 0361
Sweden +46 8 5033 6574
United Kingdom +44 330 336 9105
United States +1 323-794-2551

The conference ID is 9681033.

Metsä Board's financial reporting in 2019:

26 April 2019: Interim Report for January–March 2019
1 August 2019: Half-Year Financial Report for January–June 2019
31 October 2019: Interim Report for January–September 2019

CALCULATION OF KEY RATIOS

Return on equity (%)	=	(Result before tax - direct taxes) per (Shareholders' equity (average))
Return on capital employed (%)	=	(Result before tax + interest expenses, net exchange gains/losses and other financial expenses) per (Shareholders' equity + interest-bearing borrowings (average))
Equity ratio (%)	=	(Shareholders' equity) per (Total assets - advance payments re- ceived)
Net gearing ratio (%)	=	(Interest-bearing borrowings - liquid funds - interest-bearing receivables) per (Shareholders' equity)
Earnings per share	=	(Profit attributable to shareholders of parent company) per (Adjusted number of shares (average))
Shareholders' equity per share	=	(Equity attributable to shareholders of parent company) per (Adjusted number of shares at the end of period)

COMPARABLE PERFORMANCE MEASURES

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 Board's case International Financial Reporting Standards as adopted in the EU pursuant to Regulation (EC) No 1606/2002. With the exception of Earnings per share defined in IAS 33 Earnings Per Share, performance measures provided in the interim report all qualify as alternative performance measures under the ESMA guidelines.

Metsä Board 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.

Exceptional and material items outside the ordinary course of business have been eliminated from the comparable operating result. Metsä Board has defined operating result as follows: Result for the period presented in IFRS income statement before income taxes, financial income and expense as well as share of result of associate companies and joint ventures.

Reconciliation of operating result under IFRS and comparable operating result as well as EBITDA and comparable EBITDA is presented in this financial statements bulletin. Comparable return on capital employed has been calculated using the same adjustments as the comparable operating result, and it has been further adjusted with items of financial income affecting comparability when applicable. Metsä Board considers that key figures derived in this manner improve 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 Board'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 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	Q4 2018	Q4 2017	Q1–Q4 2018	Q1–Q4 2017
Sales	2, 6	458.0	451.3	1,944.1	1,848.6
Change in stocks of finished goods and work in progress		32.5	10.4	-32.2	-3.5
Other operating income	2, 6	16.0	7.6	25.6	29.3
Material and services	6	-367.9	-324.3	-1,374.4	-1,290.1
Employee costs		-48.4	-51.7	-203.1	-198.0
Share of result of associated company		32.5	23.2	124.5	58.9
Depreciation, amortisation and impairment losses		-21.1	-23.4	-91.8	-91.6
Other operating expenses		-41.4	-38.7	-146.3	-146.4
Operating result	2	60.1	54.4	246.3	207.1
Share of results of associated companies and joint ventures		0.1	0.0	0.1	0.0
Net exchange gains and losses		0.3	-0.5	-3.1	-1.1
Other net financial items	2, 6	-4.7	-7.1	-19.2	-35.2
Result before income tax		55.8	46.8	224.2	170.8
Income taxes	3	-5.5	-4.7	-20.8	-20.3
Result for the period		50.2	42.1	203.4	150.5

EUR million	Note	Q4 2018	Q4 2017	Q1–Q4 2018	Q1–Q4 2017
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains/losses on defined pension plans		-3.2	2.8	1.2	4.2
Financial assets at fair value through other comprehensive income	8	-4.4	25.9	29.9	44.4
Share of other comprehensive income of associated company		-0.1	1.2	0.2	2.0
Income tax relating to items that will not be reclassified		2.1	-5.6	-5.6	-9.6
Total		-5.7	24.3	25.8	40.9
Items that may be reclassified to profit or loss					
Cash flow hedges		2.7	-8.7	10.7	10.6
Translation differences		2.8	-6.0	-7.6	-20.3
Share of other comprehensive income of associated company		-0.7	-0.9	-4.0	3.1
Income tax relating to components of other comprehensive income		-0.6	1.7	-2.3	-2.2
Total		4.2	-13.9	-3.1	-8.9
Other comprehensive income, net of tax		-1.4	10.4	22.6	32.0
Total comprehensive income for the period		48.8	52.5	226.0	182.5
Result for the period attributable to					
Shareholders of parent company		50.2	42.1	203.4	150.5
Non-controlling interests		-	-	-	-
Total comprehensive income for the period attributable to					
Shareholders of parent company		48.8	52.5	226.0	182.5
Non-controlling interests		-	-	-	-
Total		48.8	52.5	226.0	182.5
Earnings per share for result attributable to shareholders of parent company (EUR/share)		0.14	0.12	0.57	0.42

The accompanying notes are an integral part of the unaudited condensed half year financial statements.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Goodwill		12.4	12.4
Other intangible assets		10.1	14.2
Tangible assets	4	753.2	788.6
Investments in associated companies and joint ventures		411.3	324.4
Other investments	8	270.1	240.3
Other non-current financial assets	6, 8	28.5	23.4
Deferred tax receivables	2	5.5	4.3
		1,491.0	1,407.5
Current assets			
Inventories		365.6	322.9
Accounts receivables and other receivables	6, 8	317.9	280.6
Cash and cash equivalents	6, 8	109.7	215.1
		793.2	818.6
Total assets		2,284.2	2,226.1
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Equity attributable to shareholders of parent company		1,322.9	1,167.4
Non-controlling interests		0.0	0.0
Total equity		1,322.9	1,167.3
Non-current liabilities			
Deferred tax liabilities		104.5	86.1
Post-employment benefit obligations	2	13.6	14.5
Provisions	5	7.2	6.1
Borrowings	8	342.4	534.5
Other liabilities	8	3.4	0.7
		471.0	641.9
Current liabilities			
Provisions	5	4.0	1.3
Current borrowings	6, 8	104.8	42.5
Accounts payable and other liabilities	6, 8	381.4	373.1
		490.2	416.9
Total liabilities		961.3	1,058.7
Total shareholders' equity and liabilities		2,284.2	2,226.1

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested un-restricted equity	Retained earnings	Total	Non-controlling interests	Total
Shareholders' equity, 1 January 2017		557.9	3.2	114.7	383.1	-6.4	1,052.5	0.0	1,052.5
Comprehensive income for the period									
Result for the period						150.5	150.5		150.5
Other comprehensive income net of tax total			-21.0	49.6		3.4	32.0		32.0
Comprehensive income total			-21.0	49.6		153.9	182.5	-	182.5
Share based payments						-0.1	-0.1		-0.1
Related party transactions									
Dividends paid						-67.5	-67.5		-67.5
Shareholders' equity, 31 December 2017		557.9	-17.8	164.3	383.1	79.9	1,167.4	0.0	1,167.4

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested un-restricted equity	Retained earnings	Total	Non-controlling interests	Total
Shareholders' equity, 31 December 2017		557.9	-17.8	164.3	383.1	79.9	1,167.4	0.0	1,167.3
IFRS 2 change in accounting principles						2.9	2.9		2.9
IFRS 9 change in accounting principles						-0.2	-0.2		-0.2
Shareholders' equity, 1 January 2018		557.9	-17.8	164.3	383.1	82.6	1,170.1	0.0	1,170.1
Comprehensive income for the period									
Result for the period						203.4	203.4		203.4
Other comprehensive income net of tax total			-8.6	29.6		1.6	22.6		22.6
Comprehensive income total			-8.6	29.6		205.0	226.0	-	226.0
Share based payments						1.4	1.4		1.4
Related party transactions									
Dividends paid						-74.7	-74.7		-74.7
Shareholders' equity, 31 December 2018		557.9	-26.4	194.0	383.1	214.4	1,322.9	0.0	1,322.9

The accompanying notes are an integral part of the unaudited condensed interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	Q1–Q4 2018	Q1–Q4 2017	Q4 2018
Result for the period		203.4	150.5	50.2
Total adjustments	7	5.0	74.6	-11.5
Change in working capital		-62.4	34.1	-3.2
Net financial items	7	20.1	-13.2	-11.2
Income taxes paid		-15.2	-9.7	6.1
Net cash flow from operations		150.9	236.3	30.4
Acquisition of other shares			-1.2	
Investments in intangible and tangible assets		-67.7	-64.7	-33.7
Disposals and other items	6, 7	11.9	5.5	11.4
Net cash flow from investing		-55.8	-60.5	-22.4
Changes in non-current loans and in other financial items	6	-131.9	-112.7	-22.0
Dividends paid		-74.7	-67.5	-
Net cash flow from financing		-206.5	-180.3	-22.0
Changes in cash and cash equivalents		-111.4	-4.5	-14.0
Cash and cash equivalents at beginning of period	6	215.1	220.6	122.2
Translation difference in cash and cash equivalents		6.0	-1.1	1.5
Changes in cash and cash equivalents		-111.4	-4.5	-14.0
Cash and cash equivalents at end of period	6	109.7	215.1	109.7

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS BULLETIN**NOTE 1 – BACKGROUND AND BASIS OF PREPARATION**

Metsä Board Corporation and its subsidiaries comprise a forest industry group whose main product areas are fresh fibre cartonboards and linerboards. Metsä Board Corporation, the parent company, is domiciled in Helsinki and the registered address of the company is Revontulenpuisto 2, 02100 Espoo, Finland. Metsä Board's ultimate parent company is Metsäliitto Cooperative.

This unaudited financial statements bulletin 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 effects of foreign exchange changes on review period operating result vis-à-vis comparison period result 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 2017 IFRS financial statements with the following exception:

Depreciation of machinery and equipment during the financial year has been adjusted between the quarters when applicable in order to correspond with the distribution of the economic benefit of the asset between quarters.

The Group has adopted the following new standards and amendments to existing standards on 1 January 2018:

IFRS 15 Revenue from contracts with customers and *IFRS 15 Clarifications to IFRS 15 'Revenue from Contracts with Customers'*. The new standard replaces 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 recognized as control is transferred, 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.

Adoption of *IFRS 15 Revenue from contracts with customers* does not have an effect on revenue recognition principles applied by the Group to determine the amount and accrual of revenues.

IFRS 9 Financial instruments and amendments to the standard. IFRS 9 replaces IAS 39 standard. The new standard includes revised guidance on the recognition and measurement of financial instruments. It also includes a new expected credit loss model for calculating impairment of financial assets. The rules applicable to general hedge accounting have also been revised while the provisions pertaining to recognition and derecognition of financial instruments have been retained.

The Group's recognition and measurement of financial assets change only slightly, and the changes do not have a material effect on the consolidated financial statements. In accordance with IFRS 9, the Group measures at fair value its Pohjolan Voima Oyj shares, which it had 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.

Hedge accounting principles under IFRS 9 make it possible to apply hedge accounting to new hedging items and instruments, such as currency options, and as such are in line with the risk management practices of the Group. The change in hedge accounting does not have a material effect in conjunction with the adoption of IFRS 9. Starting from 1 January 2018, the Group applies a model based on expected credit loss to assessing the impairment of financial assets. Impairments on accounts receivables as well as cash and cash equivalents are recognized based on the constructed model in accordance with the criteria outlined in IFRS 9. As of 1 January 2018, the Group has recognized an adjustment of EUR -0.2 million to retained earnings for impairment of financial assets.

Amendments to IFRS 2 Share-based payment – Clarification and measurement of sharebased payment transactions. The amendments clarify the accounting of business transactions that involve share-based payments. With the amendments, Metsä Board's share-based compensation arrangements are treated entirely as arrangements settled in shares. On the date of transition, the carrying amount of liabilities arising from share-based payments is transferred to equity. As of 1 January 2018, the Group has recognized an adjustment of EUR 2.9 million to retained earnings for share-based payments.

The Group will adopt the following new standard at the beginning of year 2019:

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 greatly the accounting treatment applied to finance leases under IAS 17.

As a result of the change, the Group will 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 will be treated as short-term leases. The 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 Group will apply hindsight in the determination of a lease term when the lease includes extension or termination options. 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 comparative information will not be adjusted.

Current rental payments related to non-terminable other leases are presented as lease obligations at nominal value in notes. At the end of the 2018 financial period, these lease liabilities stood at EUR 16.2 million. EUR 1.8 of the lease liabilities relate to low-value ICT assets, to which the Group applies the exemption included in the standard. The Group estimates that, of the remaining lease obligations, approximately EUR 17 million in property, plant and equipment as well as lease liabilities will be recognised on the balance sheet on 1 January 2019. The most material differences between the lease liabilities recognised on the balance sheet and the reported lease obligations will be attributable to short-term leases, the different treatment of leases with an option to extend and leases valid until further notice.

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

Other new or amended standards have no effect on Group's consolidated accounts.

All amounts in the financial statements bulletin are presented in millions of euros, unless otherwise stated.

This financial statements bulletin was authorised for issue by the Board of Directors of Metsä Board on 7 February 2019.

NOTE 2 – SEGMENT INFORMATION

The Corporate Management Team is the chief operational decision-maker monitoring business operations performance based on the operating segments.

Metsä Board's business operations consist solely of folding boxboard, fresh fibre linerboard and market pulp businesses. Metsä Board reports on its financial performance in one reporting segment.

GEOGRAPHICAL DISTRIBUTION OF SALES

EUR Million	Q4 2018	Q4 2017	Q1–Q4 2018	Q1–Q4 2017
EMEA	337.8	335.5	1429.7	1 340.9
Americas	87.8	78.8	361.2	347.9
APAC	32.4	37.0	153.2	159.8
Total	458.0	451.3	1 944.1	1 848.6

RECONCILIATION OF OPERATING RESULT AND EBITDA

EUR Million	Q4 2018	Q4 2017	Q1–Q4 2018	Q1–Q4 2017
Operating result	60.1	54.4	246.3	207.1
Depreciation, amortisation and impairment losses	21.1	23.4	91.8	91.6
EBITDA	81.2	77.8	338.2	298.7
Items affecting comparability:				
Gains and losses on disposal in other operating income and expenses	-	0.0	-	-10.2
Employee costs	-0.0	-	4.1	-
Other operating expenses	0.0	-	1.5	0.5
Total	-0.0	0.0	5.6	-9.7
EBITDA, comparable	81.2	77.8	343.8	289.1
Depreciation, amortisation and impairment losses	-21.1	-23.4	-91.8	-91.6
Items affecting comparability:				
Impairment charges and reversals of impairments	-	-	-	-3.9
Operating result, comparable	60.1	54.4	251.9	193.5

“+” sign items = expense affecting comparability

“-” sign items = income affecting comparability

There were no items affecting comparability in the review period.

Items affecting comparability in the financial year amounted to EUR 5.6 million and consisted of EUR 4.1 million employee costs arising from efficiency improvement programme at Husum mill as well as other costs affecting comparability of EUR 1.5 million, mainly comprising the amount paid to Pohjolan Voima with regard to the divestment of TVO's Meri-Pori coal-fired power plant.

Items affecting comparability during 2017 consisted mainly of a reversal of previously recognized impairment loss of EUR 3.9 million on the closed and sold paper machine at Kyro mill and release to profit and loss of cumulative translation difference amounting to EUR 10.2 million and arising from liquidation of non-operational English subsidiaries in accordance with IFRS accounting rules.

NOTE 3 – INCOME TAXES

EUR million	Q1–Q4 2018	Q1–Q4 2017
Taxes for the current period	9.5	18.5
Taxes for the prior periods	-0.1	0.1
Change in deferred taxes	11.4	1.8
Total income taxes	20.8	20.3

NOTE 4 – CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	Q1–Q4 2018	Q1–Q4 2017
Carrying value at beginning of period	788.6	829.8
Capital expenditure	69.3	62.3
Decreases	-0.1	-3.8
Depreciation, amortization and impairment losses	-89.0	-88.5
Translation difference	-15.6	-11.3
Carrying value at end of period	753.2	788.6

No impairments were recognized in the financial year.

A reversal of EUR 3.9 million of previously recognized impairment loss on the closed and sold paper machine at Kyro mill was recognized in 2017.

NOTE 5 – PROVISIONS

EUR million	Restructuring	Environmental obligations	Other provisions	Total
1 Jan 2018	0.2	5.6	1.5	7.3
Translation differences	-	-	-0.0	-0.0
Increases	4.1	0.0	2.0	6.2
Utilised during the year	-0.1	-0.1	-1.8	-2.0
Unused amounts reversed	-0.2	-	-	-0.2
31 Dec 2018	4.0	5.5	1.7	11.2

The non-current part of provisions was EUR 7.2 million and the current part EUR 4.0 million, total provisions amount to EUR 11.2 million. Non-current provisions are estimated to be utilised mainly by the end of 2025. The increase in restructuring provision of EUR 4.1 million

arises from efficiency improvement programme at Husum mill. The provision of EUR 1.7 million recognized in the second quarter and arising from divestment of coal-fired TVO power plant in Meri-Pori was utilized in December 2018.

NOTE 6 – RELATED PARTY TRANSACTIONS

Related parties include Metsä Board's ultimate parent company Finnish Metsäliitto Cooperative, other subsidiaries of Metsäliitto, associated companies and joint ventures as well as Metsäliitto Employees' Pension Foundation. The members of The Board of Directors and Metsä Group's Executive Management Team and Metsä Board's Corporate Management Team as well as their close family members are also included in related parties.

Metsä Board enters into a significant number of transactions with related parties for the purchases of inventories, sale of goods, corporate services as well as financial transactions. Arm's length pricing has been followed in product and service transactions undertaken and interest rates set between Metsä Board and the related parties.

Transactions with parent and sister companies

EUR million	Q1–Q4 2018	Q1–Q4 2017
Sales	92.1	67.1
Other operating income	5.7	4.4
Purchases	714.8	609.1
Share of result from associated company	124.5	58.9
Interest income	0.0	0.1
Interest expenses	1.8	2.1
Accounts receivables and other receivables	40.7	30.2
Cash and cash equivalents	98.2	207.0
Accounts payable and other liabilities	58.9	51.6

Metsä Fibre's net result is included within operating result line item "Share of result from associated company" and transactions with Metsä Fibre are included in transactions with sister companies.

Metsä Fibre paid a dividend of EUR 34.9 million to Metsä Board in the financial year. Cash and cash equivalents include interest-bearing receivables comparable to cash funds and available from Metsä Group's internal bank Metsä Group Treasury Oy.

Transactions with associated companies and joint ventures

EUR million	Q1–Q4 2018	Q1–Q4 2017
Sales	0.7	0.7
Purchases	5.7	5.5
Other non-current financial assets	-	0.3
Accounts receivables and other receivables	0.3	0.1
Accounts payable and other liabilities	1.4	1.3

NOTE 7 – NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Adjustments to the result for the period

EUR million	Q1–Q4 2018	Q1–Q4 2017	Q4 2018
Taxes	20.8	20.3	5.5
Depreciation, amortization and impairment charges	91.8	91.6	21.1
Share of result from associated companies and joint ventures	-124.6	-58.9	-32.5
Gains and losses on sale of non-current assets	-10.5	-11.5	-8.6
Finance costs, net	22.3	36.3	4.4
Post-employment benefit obligations and provisions	2.7	-3.3	-2.3
Other adjustments	2.6	-	0.9
Total	5.0	74.6	-11.5

Net financial items

Net financial items in consolidated cash flow statement for the financial year include a dividend of EUR 34.9 million paid by Metsä Fibre (2017: EUR 31.1 million).

Disposals and other items

Disposals and other items in the financial year amounted to EUR 11.9 million and include proceeds of EUR 10.4 million from sale of emission rights, EUR 0.6 million from divestment of subsidiary Metsä Board Shanghai Ltd, about EUR 0.4 million proceeds from other asset disposals as well as a EUR 0.6 million change in long-term receivables..

Disposals and other items of EUR 5.5 million for the year ended 31 December 2017 included the disposal of the closed paper machine at Kyrö mill (EUR 3.9 million) and sale of electricity certificates in Sweden (EUR 1.3 million).

NOTE 8 – FINANCIAL INSTRUMENTS

Financial assets and liabilities and their fair values classified according to IFRS 9 at 31 December 2018:

Financial assets 31 December 2018

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Other non-current investments	3.9	266.1		270.1	270.1
Other non-current financial assets			19.4	19.4	19.4
Accounts receivables and other receivables			303.0	303.0	303.0
Cash and cash equivalent			109.7	109.7	109.7
Derivative financial instruments	1.8	19.9		21.7	21.7
Total	5.8	286.0	432.1	723.9	723.9

Financial liabilities 31 December 2018

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Non-current interest-bearing financial liabilities			342.4	342.4	342.2
Other non-current financial liabilities			0.2	0.2	0.2
Current interest-bearing financial liabilities			104.8	104.8	106.2
Accounts payable and other financial liabilities			347.9	347.9	347.9
Derivative financial instruments	2.2	1.1		3.3	3.3
Total	2.2	1.1	795.2	798.5	799.7

Financial assets and liabilities and their fair values classified according to IAS 39 as of 31 December 2017:

Financial assets 30 December 2017

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Available for sale financial assets		240.3				240.3	240.3
Other non-current financial assets			18.4			18.4	18.4
Accounts receivables and other receivables			271.7			271.7	271.7
Cash and cash equivalent			215.1			215.1	215.1
Derivative financial instruments	3.3			8.9		12.3	12.3
Total financial assets	3.3	240.3	505.2	8.9	-	757.7	757.7

Financial liabilities 30 December 2017

EUR million	Fair value through profit and loss	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Non-current interest-bearing financial liabilities			534.5	534.5	545.7
Other non-current financial liabilities			0.2	0.2	0.2
Current interest-bearing financial liabilities			42.5	42.5	43.9
Accounts payable and other financial liabilities			330.3	330.3	330.3
Derivative financial instruments	0.0	0.8		0.9	0.9
Total financial liabilities	0.0	0.8	907.5	908.4	921.0

Accounts receivables and other receivables do not include advance payments, accrued tax receivables and periodisations of employee costs.

Accounts payable and other financial liabilities do not include advance payments, accrued tax liabilities and periodisations of employee costs.

In Metsä Board, all interest-bearing liabilities are valued in the balance sheet at amortised cost based on effective interest method. Fair values in the table are based

on present value of cash flow of each liability or assets calculated by market rate. The discount rates applied are between 0.3–2.7 per cent (31 December 2017: 0.3–2.4). The fair values of accounts and other receivables and accounts payable and other liabilities do not materially deviate from their carrying amounts in the balance sheet.

Fair value hierarchy of financial assets and liabilities as of 31 December 2018

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		270.1	270.1
Derivative financial assets	19.9	1.8		21.7
Financial liabilities measured at fair value				
Derivative financial liabilities	1.8	1.5		3.3
Financial assets not measured at fair value				
Cash and cash equivalent		109.7		109.7
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		342.2		342.2
Current interest-bearing financial liabilities		106.2		106.2

Fair value hierarchy of financial assets and liabilities as of 31 December 2017

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		240.3	240.3
Derivative financial assets	7.3	4.9		12.3
Financial liabilities measured at fair value				
Derivative financial liabilities		0.9		0.9
Financial assets not measured at fair value				
Cash and cash equivalent		215.1		215.1
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		545.7		545.7
Current interest-bearing financial liabilities		43.9		43.9

Other non-current investments at fair value based on Level 3

	2018	2017
EUR million	31 Dec	31 Dec
Opening balance 1 Jan	240.3	195.9
Total gains and losses in profit or loss	-0.1	-0.0
Total gains and losses in other comprehensive income	29.9	44.4
Purchases	-	-
Disposals	-0.1	-0.0
Closing balance 31 Dec	270.1	240.3

Financial assets and liabilities measured at fair value 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 determined by using valuation techniques that use observable price information from market.

Level 3 Fair value are not based on observable market data, but company's own assumptions.

The fair values of electricity, natural gas, propane, gas oil and heavy fuel oil derivatives are determined by using public price quotations in an active market (Level 1).

The fair values of currency forwards and options are determined by using the market prices of the closing date of the reporting period. The fair values of interest rate swaps are determined by using the present value of expected payments, discounted using a risk adjusted discount rate, supported by market interest rates and other market data of the closing date of the reporting period (Level 2).

For financial instruments not traded on an active market, the fair value is determined by valuation techniques. Judgment is used when choosing the different techniques and making assumptions, which are mainly

based on circumstances prevailing in the markets on each closing date of the reporting period (Level 3).

The valuation techniques are described in more detail in the Annual report.

The most significant asset at fair value not traded on an active market is the investment in Pohjolan Voima Oyj shares classified as a financial asset at fair value through other comprehensive income. The valuation technique applied to Pohjolan Voima shares is described in more detail in the 2017 Annual report. The WACC used in Pohjolan Voima share valuation on 31 December 2018 was 1.97 percent (31.12.2017: 2.34) and 2.97 percent (4.34) for the Olkiluoto 3 under construction. The acquisition cost of shares in Pohjolan Voima Oyj on 31 December 2018 is EUR 38.0 million (39.1) and the fair value EUR 266.1 million (236.2).

The carrying value of other investments as of 31.12.2018 is estimated to change by EUR 3.5 million should the rate used for discounting the cash flows change by 10 percent from the rate estimated by management. The carrying value of other investments is estimated to change by EUR 35.5 million should the energy prices used in calculating the fair value differ by 10 percent from the prices estimated by management.

Derivatives 31 December 2018

EUR million	Nominal value	Fair value			Fair value	
		Derivative Assets	Liab.	Fair value Net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	100.0		1.5	-1.5	-0.7	-0.8
Interest rate derivatives	100.0		1.5	-1.5	-0.7	-0.8
Currency forward contracts	1,155.8	1.8		1.8	0.3	1.5
Currency option contracts	471.6	0.0		0.0		0.0
Currency derivatives	1,627.4	1.8		1.8	0.3	1.5
Electricity derivatives	30.9	19.9		19.9		19.9
Oil derivatives	11.8		1.5	-1.5		-1.5
Other commodity derivatives	2.6		0.2	-0.2		-0.2
Commodity derivatives	45.3	19.9	1.8	18.1		18.1
Derivatives total	1,772.7	21.7	3.3	18.5	-0.3	18.8

Derivatives 31 December 2017

EUR million	Nominal value	Fair value			Fair value	
		Derivative Assets	Liab.	Fair value Net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	300.0		0.9	-0.9	0.0	-0.8
Interest rate derivatives	300.0		0.9	-0.9	0.0	-0.8
Currency forward contracts	1,097.8	4.9		4.9	3.3	1.6
Currency option contracts						
Currency derivatives	1,097.8	4.9		4.9	3.3	1.6
Electricity derivatives	56.6	5.8		5.8		5.8
Oil derivatives	7.5	0.8		0.8		0.8
Other commodity derivatives	3.1	0.8		0.8		0.8
Commodity derivatives	67.1	7.3		7.3		7.3
Derivatives total	1,465.0	12.3	0.9	11.4	3.3	8.1

NOTE 9 – COMMITMENTS AND GUARANTEES

EUR million	31 Dec 2018	31 Dec 2017
Liabilities secured by collateral	56.6	89.2
Pledges granted	145.4	114.6
Real estate mortgages	232.8	232.8
Total pledges and mortgages	378.2	347.4
Guarantees and counter-indemnities	14.0	2.8
Other rent and leasing commitments	16.2	11.6
On behalf of associated companies and joint ventures	0.1	0.1
On behalf of others	-	-
Total	408.5	361.9

Securities and guarantees include pledges, real estate mortgages, floating charges and guarantee liabilities. Metsä Board has entered into operating lease agreements for rental premises, machinery and equipment.

The rent and lease commitments arising from these agreements are included in the table above.

OPEN DERIVATIVE CONTRACTS

EUR million	31 Dec 2018	31 Dec 2017
Interest rate derivatives	100.0	300.0
Currency derivatives	1,627.4	1,097.8
Other derivatives	45.3	67.1
Total	1,772.7	1,465.0

INVESTMENT COMMITMENTS

EUR million	31 Dec 2018	31 Dec 2017
Payments due in following 12 months	0.0	0.3
Payments due later	-	-
Total	0.0	0.3