METSÄ BOARD

INTERIM REPORT

JANUARY–MARCH 2019

MetsäBoard

METSÄ BOARD'S COMPARABLE OPERATING RESULT IN JANUARY–MARCH 2019 WAS EUR 62 MILLION

JANUARY–MARCH 2019 (10–12/2018)

- Sales were EUR 487.1 million (458.0).
- Comparable operating result was EUR 61.8 million (60.1), or 12.7% (13.1%) of sales. Operating result was EUR 71.9 million (60.1).
- Comparable earnings per share were EUR 0.14 (0.14), and earnings per share were EUR 0.17 (0.14).
- Comparable return on capital employed was 14.4% (13.7%).

JANUARY–MARCH 2019 (1–3/2018)

- Sales were EUR 487.1 million (492.3).
- Comparable operating result was EUR 61.8 million (69.0), or 12.7% (14.0%) of sales. Operating result was EUR 71.9 million (69.0).
- Comparable earnings per share were EUR 0.14 (0.15), and earnings per share were EUR 0.17 (0.15).
- Comparable return on capital employed was 14.4% (15.8%).

EVENTS IN JANUARY–MARCH 2019

- The prices of Metsä Board's folding boxboard rose as of the beginning of the year, and the prices of white kraftliner remained stable.
- The total deliveries of paperboard grew from the previous quarter, but were lower than in the corresponding period in 2018. Demand for folding boxboard was good, but the delivery volumes of white kraftliner continued to decline, especially in Europe.
- The delivery volumes of market pulp began to grow again after the sudden decline in the previous quarter. The market in China picked up, and prices began to rise during the review period. In Europe, prices decreased.
- No annual maintenance shutdowns took place at Metsä Board's mills during the review period. An annual maintenance shutdown took place in March at the Äänekoski bioproduct mill of Metsä Board's associated company Metsä Fibre.
- The Annual General Meeting held on 28 March 2019 decided to distribute a total of EUR 103 million to shareholders as dividends and capital repayment. The dividend and capital repayment date was 9 April 2019.

EVENTS AFTER THE REVIEW PERIOD

Metsä Board has created a new, enhanced folding boxboard portfolio, designed specifically to help brand owners and packaging converters tackle the big issues in packaging: saving resources, reducing carbon footprint and ensuring product safety.

Metsä Board and its associated company Metsä Fibre, have decided to launch pre-engineering phases for three major investments. The investments will further develop the competitiveness of the pulp and energy production for both companies, and move them towards fossil-free production. Metsä Board is planning to invest EUR 300 million in the first phase of the renewal of the Husum pulp mill in Sweden in 2019–2022. Metsä Fibre's plans include the construction of a new bioproduct mill with annual pulp capacity of approximately 1.5 million tonnes in Kemi, Finland and a new pine sawmill in Rauma, Finland. The total value of Metsä Fibre's investments would amount to approximately EUR 1.7 billion.

Metsä Board updated its long-term financial targets. The company will remove the volume growth target of paperboard deliveries that exceeds the average market growth. The other financial targets remain unchanged.

RESULT GUIDANCE FOR APRIL–JUNE 2019

Metsä Board's comparable operating result for the second quarter of 2019 is expected to weaken compared to the first quarter of 2019.

Metsä Board's CEO Mika Joukio:

"Our comparable operating result in January–March was EUR 62 million, which is approximately at the level of the previous quarter and slightly lower than in the corresponding period last year. Our total paperboard deliveries grew slightly from the previous quarter, in line with our expectations.

Profitability improved, particularly due to the good prices of and demand for folding boxboard in both Europe and the Americas. High-quality European folding boxboard made from fresh fibre has been in particularly high demand in North America, and we have been able to meet this demand. The lightness of our paperboards is one of our most important competitive factors, and we continue to actively develop this.

The market situation in white kraftliners has weakened, and delivery volumes continued to decline during the review period. While the price level remained high during the first quarter, we believe that the weaker demand will start to have an impact on the average price of our linerboard sales in the next few months.

The pulp market picked up from the end of last year, and pulp delivery volumes grew at both Metsä Board and our associated company Metsä Fibre. Even so, the average prices of market pulp remained weaker than in the previous quarter. The difference between long-fibre pulp prices in China and Europe has also decreased as prices in Europe are declining, while prices in China have started rising.

As announced at the end of last year, our future growth is strongly guided by profitability. In the future, we will allocate our capital in a manner that allows us to develop the paperboard business by putting profitability first. In practice, this means small and mid-sized investments in our existing production lines.

Sustainability will continue to be at the core of our business. Our paperboards, made from wood fibre, help our customers to reduce their fossil-based carbon dioxide emissions by providing them with sustainable alternatives. In 2019, we will adopt new 2030 sustainability development goals focused on long-term work aiming to mitigate climate change.

I want to thank our personnel, customers and other stakeholders for the good start in 2019."

Mika Joukio
CEO

FINANCIAL KEY FIGURES

	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2018 Q1–Q4
Sales, EUR million	487.1	458.0	475.1	518.7	492.3	1,944.1
EBITDA, EUR million	99.3	81.2	84.2	78.5	94.3	338.2
comparable, EUR million	89.3	81.2	84.2	84.1	94.3	343.8
EBITDA, % of sales	20.4	17.7	17.7	15.1	19.2	17.4
comparable, % of sales	18.3	17.7	17.7	16.2	19.2	17.7
Operating result, EUR million	71.9	60.1	63.7	53.6	69.0	246.3
comparable, EUR million	61.8	60.1	63.7	59.2	69.0	251.9
Operating result, % of sales	14.8	13.1	13.4	10.3	14.0	12.7
comparable, % of sales	12.7	13.1	13.4	11.4	14.0	13.0
Result before taxes, EUR million	67.9	55.8	59.5	47.8	61.0	224.2
comparable, EUR million	57.9	55.8	59.5	53.5	61.0	229.7
Result for the period, EUR million	59.6	50.2	57.5	41.8	53.9	203.4
comparable, EUR million	50.2	50.2	57.5	46.2	53.9	207.8
Earnings per share, EUR	0.17	0.14	0.16	0.12	0.15	0.57
comparable, EUR	0.14	0.14	0.16	0.13	0.15	0.58
Return on equity, %	18.4	15.5	18.7	14.4	18.7	16.3
comparable, %	15.5	15.5	18.7	15.9	18.7	16.7
Return on capital employed, %	16.7	13.7	15.0	12.6	15.8	14.0
comparable, %	14.4	13.7	15.0	13.9	15.8	14.4
Equity ratio at the end of period, %	56	58	57	55	50	58
Net gearing ratio at the end of period, %	23	25	27	33	29	25
Interest-bearing net liabilities/comparable EBITDA	0.9	1.0	1.0	1.2	1.1	1.0
Shareholder's equity per share at the end of period, EUR	3.57	3.72	3.58	3.32	3.21	3.72
Interest-bearing net liabilities, EUR million	296.6	334.6	343.6	388.1	334.7	334.6
Gross investments, EUR million	6.4	33.9	10.7	15.3	10.5	70.3
Net cash flow from operations, EUR million	36.4	30.4	53.9	36.3	30.2	150.9
Personnel at the end of period	2,382	2,352	2,375	2,578	2,402	2,352

DELIVERY AND PRODUCTION VOLUMES

1000 t	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2018 Q1–Q4
Deliveries						
Paperboard	440	426	447	489	468	1,830
Market Pulp	109	95	108	131	124	458
Production						
Paperboard	460	470	451	468	477	1,866
Metsä Fibre pulp[1)]	181	193	191	179	177	740
Metsä Board pulp	346	338	334	338	352	1,363

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

INTERIM REPORT 1 January – 31 March 2019

JANUARY–MARCH 2019 (10–12/2018)

SALES AND RESULT

Metsä Board’s sales increased from the previous quarter and amounted to EUR 487.1 million (458.0). The growth in sales was mainly the result of higher delivery volumes in paperboard and market pulp. Folding boxboard accounted for 58% of sales, while 24% of sales derived from white kraftliner and 18% from market pulp.

Total deliveries of paperboard increased and were 440,000 (426,000) tonnes. Deliveries of folding boxboard amounted to 302,000 (293,000) tonnes, and deliveries of white kraftliner totalled 138,000 (134,000) tonnes.

The comparable operating result was EUR 61.8 million (60.1), and the operating result was EUR 71.9 million (60.1). Items affecting comparability during the period totalled EUR 10.0 million and comprised a EUR 3.3 million capital gain on a non-operative investment in shares and the Äänevoima shares sold to Metsä Fibre, whose net impact on the operating result was EUR 6.8 million.

The comparable operating result improved due to the increased delivery volumes of paperboards and pulp, as well as the higher paperboard prices. The review period also included fewer planned maintenance shutdowns of mills than the other quarters. Exchange rate fluctuations including hedges had a positive impact of approximately EUR 6 million on the result.

The sales prices of market pulp were lower than in the previous quarter. The production costs of paperboards and pulp increased slightly.

The associated company Metsä Fibre’s share of Metsä Board’s January–March comparable operating result was EUR 21 million (33).

Financial income and expenses totalled EUR -4.0 million (-4.4), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -0.4 million (-0.3).

Result before taxes was EUR 67.9 million (55.8). Comparable result before taxes was EUR 57.9 million (55.8). Income taxes amounted to EUR 8.3 million (5.5).

Earnings per share were EUR 0.17 (0.14). The return on equity was 18.4% (15.5%), and the comparable return on equity was 15.5% (15.5%). The return on capital employed was 16.7% (13.7%), and the comparable return on capital employed was 14.4% (13.7%).

MARKET DEVELOPMENT

Deliveries by European producers of folding boxboard in January–March grew by 1% and market prices increased compared to the previous quarter. Correspondingly, deliveries by producers of white kraftliner increased by 6% and market prices decreased slightly.

In North America, the production of solid bleached boxboard and food service paperboard for local consumption grew compared to the previous quarter. Market prices remained stable.

In Europe, the dollar-denominated market price of long-fibre pulp declined by 6% compared to the previous quarter, calculated from the difference between the average prices of the quarters. The dollar-denominated market price of short-fibre pulp declined by 5%.

In China, the dollar-denominated market price of long-fibre pulp declined by 16% and that of short-fibre pulp by 11%.

JANUARY–MARCH 2019 (1–3/2018)

SALES AND RESULT

Metsä Board’s sales remained almost at the level of the previous quarter and were EUR 487.1 million (492.3). Folding boxboard accounted for 58% of sales, while 24% of sales derived from white kraftliner and 18% from market pulp.

Total deliveries of paperboard were 440,000 (468,000) tonnes. Deliveries of folding boxboard totalled 302,000 (297,000) tonnes, of which 71% was delivered to the EMEA region, 21% to the Americas, and 8% to the APAC region. Deliveries of white kraftliner totalled 138,000 (171,000) tonnes, of which 65% was delivered to the EMEA region and 35% to the Americas.

The comparable operating result was EUR 61.8 million (69.0), and the operating result was EUR 71.9 million (69.0). Items affecting comparability during the period totalled EUR 10.0 million and comprised a EUR 3.3 million capital gain on a non-operative investment in shares and the Äänevoima shares sold to Metsä Fibre, whose net impact on the operating result was EUR 6.8 million.

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

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

The associated company Metsä Fibre's share of Metsä Board's January–March comparable operating result was EUR 21 million (28).

Financial income and expenses totalled EUR -4.0 million (-8.0), including foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments, totalling EUR -0.4 million (-3.0).

The result before taxes in the review period was EUR 67.9 million (61.0). The comparable result before taxes was EUR 57.9 million (61.0). Income taxes amounted to EUR 8.3 million (7.1).

Earnings per share were EUR 0.17 (0.15). Comparable earnings per share were EUR 0.14 (0.15). The return on equity was 18.4% (18.7%), and the comparable return on equity was 15.5% (18.7%). The return on capital employed was 16.7% (15.8%), and the comparable return on capital employed was 14.4% (15.8%).

MARKET DEVELOPMENT

Deliveries by European producers of folding boxboard in January–March declined by 3% and market prices increased from the corresponding period in the previous year. Correspondingly, deliveries by producers of white kraftliner declined by 5% and market prices increased.

Metsä Board's share of the total deliveries by European folding boxboard producers was 36% (35%), and in exports from Europe it was 60% (57%).

In North America, the production of solid bleached boxboard and food service paperboard for local consumption grew compared to the corresponding period in the previous year. Market prices also increased.

In Europe, the dollar-denominated market price of long-fibre pulp increased by 9% compared to the previous year. The dollar-denominated market price of short-fibre pulp declined by 1%.

In China, the dollar-denominated market price of long-fibre pulp declined by 21% and that of short-fibre pulp by 12%.

CASH FLOW

Net cash flow from operations in January–March was EUR 36.4 million (1–3/2018: 30.2). Working capital increased by EUR 76.6 million (1–3/2018: increased by EUR 57.2 million). Working capital increased due to growth in inventories and trade receivables. Net cash flow from operations for the review period includes a EUR 63.3 million (34.9) dividend from Metsä Fibre.

INVESTMENTS

Gross investments during the review period totalled EUR 6.4 million (1–3/2018: 10.5).

BALANCE SHEET AND FINANCING

Metsä Board's equity ratio at the end of March was 56% (31 March 2018: 50%) and the net gearing ratio was 23% (29%). The ratio of interest-bearing net liabilities to comparable EBITDA in the previous 12 months was 0.9 (1.1) at the end of the review period.

At the end of March, interest-bearing liabilities totalled EUR 394.9 million (31 March 2018: 616.8). Foreign currency-denominated loans accounted for 2.4% of loans and floating-rate loans for 0.9%, with the rest being fixed-rate loans. At the end of March, the average interest rate on liabilities was 3.2% (3.0%), and the average maturity of non-current liabilities was 6.1 years (5.1). The interest rate maturity of loans at the end of March was 65.0 months (57.6). During the review period, the company paid the remaining EUR 60.3 million share of the bond issued in 2014.

At the end of March, net interest-bearing liabilities totalled EUR 296.6 million (31 March 2018: 334.7).

Metsä Board's liquidity has remained strong. At the end of the review period, the available liquidity was EUR 411.0 million (31 March 2018: 512.7), consisting of the following items: liquid assets and investments of EUR 95.4 million, a syndicated credit facility (revolving credit facility) of EUR 150.0 million, and undrawn pension premium (TyEL) funds of EUR 165.6 million. Of the liquid assets, EUR 88.1 million consisted of short-term deposits with Metsä Group Treasury, and EUR 7.3 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.

The fair value of long-term investments was EUR 279.6 million at the end of the review period (31 March 2018: 245.7). The change in fair value from the beginning of the review period, EUR 9.6 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 7.5 months of the net foreign currency exposure was hedged, including the hedging of the balance sheet position of trade receivables and trade payables (31 March 2018: 7.5). The degree of hedging during the period varied between seven and eight 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.

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

PERSONNEL

At the end of the year, the number of personnel was 2,382 (31 March 2018: 2,402), of whom 1,399 (1,390) were based in Finland. During the review period, Metsä

Board employed 2,372 people on average (1–3/2018: 2,384). Personnel expenses in January–September totalled EUR 47.0 million (1–3/2018: 49.8).

BUSINESS DEVELOPMENT

Metsä Board is the biggest producer of folding boxboard and white kraftliner in Europe. Demand for folding boxboard has been good, and deliveries to the EMEA region during the review period grew compared to the corresponding period last year. In 2018, Metsä Board announced an increase of EUR 80 per tonne in the price of folding boxboard in Europe, of which roughly a third was achieved. The increased prices took effect primarily at the beginning of the year.

Demand for white kraftliner in the EMEA region has declined. Metsä Board's deliveries of white kraftliner to Europe declined clearly from the comparison period. The price level remained stable.

Metsä Board's deliveries to the Americas consist of folding boxboard and coated white kraftliner. The company is the biggest European supplier of folding boxboard in North America. Demand for folding boxboard in the Americas was at a good level during the review period, and deliveries grew compared to the comparison period. The average price of folding boxboard improved due to an increase in market prices and the company's own actions to improve the sales mix. Deliveries of white kraftliner to the Americas during the review period were roughly at the level of the comparison period.

In the APAC region, Metsä Board focuses on demanding end uses for folding boxboard in cooperation with international brand owners. Deliveries of folding boxboard to the APAC region during the review period declined from the comparison period.

No annual maintenance shutdowns took place at Metsä Board's mills during the first quarter. The annual maintenance shutdown at Metsä Fibre's Äänekoski bioproduct mill took place in March.

Metsä Board's annual market pulp position, composed of Metsä Board's own pulp production and consumption, as well as of its 24.9% shareholding in Metsä Fibre, shows a surplus of approximately 600,000 tonnes. Metsä Board's own delivery volumes in terms of market pulp during the review period were lower than in the comparison period, but grew from the previous quarter. The pulp market in China has picked up since the end of last year, and the price difference between China and Europe in market pulp has decreased.

SUSTAINABILITY

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

During the review period, Metsä Board was recognised for its sustainability when the company was included on CDP's Water A and Climate A lists and achieved the A-level in the forest programme. In addition, CDP included Metsä Board among the world's best companies in committing its supply chain to work combating climate change. CDP is a non-profit, global reporting system for environmental data.

DECISIONS MADE AT THE 2019 ANNUAL GENERAL MEETING

The Annual General Meeting held on 28 March 2019 adopted the company's financial statements for the financial year 2018, and decided to distribute a dividend of EUR 0.10 per share and capital in the amount of EUR 0.19 per share from the reserve for invested non-restricted equity, totalling EUR 0.29 per share.

The Annual General Meeting decided to keep the Board of Directors' annual remuneration unchanged such 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 to the Board of Directors: Hannu Anttila, Martti Asunta, Ilkka Hämälä, Kirsi Komi, Kai Korhonen, Liisa Leino, Jussi Linnaranta, Juha Niemelä and Veli Sundbäck. At its constitutive meeting, the Board of Directors elected Ilkka Hämälä 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 made by the Annual General Meeting and material related to the meeting is available on the company's website at https://www.metsaboard.com/Investors/General-Meeting/Pages/default.aspx#General-meeting.

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. In March 2019, the Supreme Court decided not to grant an appeal in the matter. The judgment is therefore final.

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 has appealed the decision to the Administrative Court of Helsinki.

SHARES

At the end of the review period, the price for Metsä Board's B share on the Nasdaq Helsinki was EUR 5.47. The share's highest and lowest prices in January–March were EUR 6.60 and EUR 5.05, respectively. At the end of the review period, the price for Metsä Board's A share on the Nasdaq Helsinki was EUR 7.00. The share's highest and lowest prices in January–March were EUR 7.98 and EUR 6.16, respectively.

In January–March, the average daily trading volumes of the B and A shares on the Nasdaq Helsinki were 831,932 shares and 1,898 shares, respectively. The total trading volumes of the B and A shares were EUR 314 million and EUR 0.9 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 during the review period was 74%.

At the end of the review period, there were 320,153,952 B shares and 35,358,794 A shares.

At the end of the review period, the market value of all Metsä Board's shares was EUR 2.0 billion, of which the market value of the B shares and the A shares accounted for EUR 1.75 billion and EUR 0.25 billion, respectively.

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 review period, international and nominee-registered investors held 19% of all the shares (31 March 2018: 21%). 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.

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 70 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 interim report 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.

More information about longer-term risk factors can also be found on pages 24–25 of Metsä Board's 2018 Annual Report.

NEAR-TERM OUTLOOK

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

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

Global demand for pulp is expected to remain at the current level for the next few months. Several maintenance shutdowns will take place at pulp mills during the second quarter, which will reduce supply to some degree. Pulp inventories are expected to remain unchanged or to decline slightly.

Several annual maintenance shutdowns at Metsä Board's mills in Finland and the annual maintenance shutdown of Metsä Fibre's Joutseno pulp mill will take place during the second quarter of the year. Their impact on the result will be negative compared to the first quarter.

Changes in exchange rates, including the impact of hedges, during the second quarter will have a neutral effect compared to the first quarter and a clearly positive effect compared to the corresponding period in the previous year.

The production costs of paperboard and pulp are expected to remain stable.

General uncertainty in the global economy may continue to have a negative effect on the demand for Metsä Board's products.

EVENTS AFTER THE REVIEW PERIOD

Metsä Board has created a new, enhanced folding boxboard portfolio, designed specifically to help brand owners and packaging converters tackle the big issues in packaging: saving resources, reducing carbon footprint and ensuring product safety.

Metsä Board and its associated company Metsä Fibre, have decided to launch pre-engineering phases for three major investments. The investments will further develop the competitiveness of the pulp and energy production for both companies, and move them towards fossil-free production. Metsä Board is planning to invest EUR 300 million in the first phase of the renewal of the Husum pulp mill in Sweden in 2019–2022. Metsä Fibre's plans include the construction of a new bioproduct mill with annual pulp capacity of approximately 1.5 million tonnes in Kemi, Finland and a new pine sawmill in Rauma, Finland. The total value of Metsä Fibre's investments would amount to approximately EUR 1.7 billion.

Metsä Board updated its long-term financial targets. The company will remove the volume growth target of paperboard deliveries that exceeds the average market growth. The other financial targets remain unchanged.

RESULT GUIDANCE FOR APRIL–JUNE 2019

Metsä Board's comparable operating result for the second quarter of 2019 is expected to weaken compared to the first quarter of 2019.

METSÄ BOARD CORPORATION

Espoo, Finland, 26 April 2019
BOARD OF DIRECTORS

Further information:

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Further information will be available as of 1 p.m. on 26 April 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 +1 323-794-2423

The conference ID is 2400473.

Metsä Board's financial reporting in 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 received)
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 interim financial 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 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.

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	Q1 2019	Q1 2018	Q1–Q4 2018
Sales	**2, 6**	**487.1**	**492.3**	**1,944.1**
Change in stocks of finished goods and work in progress		13.0	-60.5	-32.2
Other operating income	**2, 6**	19.9	3.2	25.6
Material and services	**6**	-356.9	-283.2	-1,374.4
Employee costs		-47.0	-49.8	-203.1
Share of result of associated company		20.6	27.8	124.5
Depreciation, amortisation and impairment losses		-27.5	-25.3	-91.8
Other operating expenses		-37.3	-35.5	-146.3
Operating result	**2**	**71.9**	**69.0**	**246.3**
Share of results of associated companies and joint ventures		0.0	0.0	0.1
Net exchange gains and losses		-0.4	-3.0	-3.1
Other net financial items	**2, 6**	-3.6	-5.1	-19.2
Result before income tax		**67.9**	**61.0**	**224.2**
Income taxes	**3**	-8.3	-7.1	-20.8
Result for the period		**59.6**	**53.9**	**203.4**

EUR million	Note	Q1 2019	Q1 2018	Q1–Q4 2018
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains/losses on defined pension plans		-0.8	2.1	1.2
Financial assets at fair value through other comprehensive income	**8**	9.6	5.4	29.9
Share of other comprehensive income of associated company		0.4	-0.1	0.2
Income tax relating to items that will not be reclassified		-1.7	-1.5	-5.6
Total		**7.5**	**6.0**	**25.8**
Items that may be reclassified to profit or loss				
Cash flow hedges		-15.4	-2.8	10.7
Translation differences		-2.7	-12.5	-7.6
Share of other comprehensive income of associated company		-1.2	0.4	-4.0
Income tax relating to components of other comprehensive income		3.2	0.5	-2.3
Total		-16.1	-14.4	-3.1
Other comprehensive income. net of tax		**-8.6**	**-8.4**	**22.6**
Total comprehensive income for the period		**51.0**	**45.6**	**226.0**
Result for the period attributable to				
Shareholders of parent company		59.6	53.9	203.4
Non-controlling interests		-0.0	-	-
Total comprehensive income for the period attributable to				
Shareholders of parent company		51.0	45.6	226.0
Non-controlling interests		-0.0	-	-
Total		51.0	45.6	226.0
Earnings per share for result attributable to shareholders of parent company (EUR/share)		0.17	0.15	0.57

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS				
Non-current assets				
Goodwill		12.4	12.4	12.4
Other intangible assets		9.6	13.4	10.1
Tangible assets	4	738.0	758.2	753.2
Investments in associated companies and joint ventures		367.7	318.1	411.3
Other investments	8	279.6	245.7	270.1
Other non-current financial assets	6, 8	25.4	26.5	28.5
Deferred tax receivables	2	4.1	4.7	5.5
		1,436.7	**1,378.9**	**1,491.0**
Current assets				
Inventories		394.1	324.0	365.6
Accounts receivables and other receivables	6, 8	348.8	325.0	317.9
Cash and cash equivalents	6, 8	95.4	278.6	109.7
		838.4	**927.5**	**793.2**
Total assets		**2,275.1**	**2,306.4**	**2,284.2**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Equity attributable to shareholders of parent company		1,269.8	1,139.8	1,322.9
Non-controlling interests		-	0.0	0.0
Total equity		**1,269.8**	**1,139.8**	**1,322.9**
Non-current liabilities				
Deferred tax liabilities		105.3	87.5	104.5
Post-employment benefit obligations	2	13.8	14.3	13.6
Provisions	5	3.6	6.0	7.2
Borrowings	8	291.9	474.1	342.4
Other liabilities	8	4.5	2.4	3.4
		419.1	**584.3**	**471.0**
Current liabilities				
Provisions	5	5.4	1.3	4.0
Current borrowings	6, 8	103.1	142.7	104.8
Accounts payable and other liabilities	6, 8	477.7	438.2	381.4
		586.2	**582.2**	**490.2**
Total liabilities		**1,005.3**	**1,166.6**	**961.3**
Total shareholders' equity and liabilities		**2,275.1**	**2,306.4**	**2,284.2**

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR million	Note	Share capital	Trans-lation differ-ences	Fair value and other reserves	Reserve for in-vested unre-stricted equity	Retained earnings	Total	Non-con-trolling inter-ests	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						53.9	53.9		53.9
Other comprehensive in-come net of tax total			-12.7	2.6		1.7	-8.4		-8.4
Comprehensive income total			**-12.7**	**2.6**		**55.6**	**45.6**	**-**	**45.6**
Share based payments						-1.2	-1.2		-1.2
Related party transactions									
Dividends paid						-74.7	-74.7		-74.7
Shareholders' equity, 31 March 2018		**557.9**	**-30.5**	**166.9**	**383.1**	**62.4**	**1,139.8**	**0.0**	**1,139.8**

EUR million	Note	Share capital	Trans-lation differ-ences	Fair value and other reserves	Reserve for in-vested unre-stricted equity	Retained earnings	Total	Non-con-trolling inter-ests	Total
Shareholders' equity, 1 January 2019		557.9	-26.4	194.0	383.1	214.4	1,322.9	0.0	1,322.9
Comprehensive income for the period									
Result for the period						59.6	59.6	-0.0	59.6
Other comprehensive in-come net of tax total			-2.0	-5.9		-0.6	-8.6		-8.6
Comprehensive income total			-2.0	-5.9		59.0	51.0	-0.0	51.0
Share based payments						-1.0	-1.0		-1.0
Related party transactions									
Dividends declared and capital distribution					-67.5	-35.6	-103.1		-103.1
Shareholders' equity, 31 March 2019		**557.9**	**-28.4**	**188.0**	**315.5**	**236.8**	**1,269.8**	**-**	**1,269.8**

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	Q1 2019	Q1 2018	Q1–Q4 2018	Q4 2018
Result for the period		59.6	53.9	203.4	50.2
Total adjustments	7	-0.4	12.5	5.0	-11.5
Change in working capital		-76.6	-57.2	-62.4	-3.2
Net financial items	7	62.2	35.1	20.1	-11.2
Income taxes paid		-8.5	-14.1	-15.2	6.1
Net cash flow from operations		**36.4**	**30.2**	**150.9**	**30.4**
Investments in intangible and tangible assets		-6.8	-10.0	-67.7	-33.7
Disposals and other items	6, 7	11.0	0.1	11.9	11.4
Net cash flow from investing		**4.2**	**-9.9**	**-55.8**	**-22.4**
Changes in non-current loans and in other financial items	6	-55.0	42.1	-131.9	-22.0
Dividends paid		-	-	-74.7	-
Net cash flow from financing		**-55.0**	**42.1**	**-206.5**	**-22.0**
Changes in cash and cash equivalents		**-14.4**	**62.4**	**-111.4**	**-14.0**
Cash and cash equivalents at beginning of period	6	109.7	215.1	215.1	122.2
Translation difference in cash and cash equivalents		0.1	1.1	6.0	1.5
Changes in cash and cash equivalents		-14.4	62.4	-111.4	-14.0
Cash and cash equivalents at end of period	6	**95.4**	**278.6**	**109.7**	**109.7**

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 2018 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 2018 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 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 has recognised 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 have 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 applied hindsight in the determination of a lease term when the lease includes extension or termination options. Simplified approach has been applied to adoption of the standard. Comparative information has not been adjusted.

Reconciliation of lease liability, EUR million	
Rent and lease commitments arising from operating leases presented in notes to consolidated financial statements 31 Dec 2018 under section 8.1 Contingent liabilities, assets and commitments	16.2
Deduct: short-term lease contracts recognized as expenses on a straight line basis	-0.1
Deduct: lease contracts covering low value ICT equipment recognized as expenses on a straight line basis	-1.8
	14.3
Discounted at Group's weighted average incremental borrowing rate of 2.17 %	12.8
Add: finance lease liabilities recognized at 31 Dec 2018	8.6
Add: Adjustments arising from different treatment of extension options in lease contracts	1.8
Add: Adjustments arising from different treatment of lease contracts with indefinite lease term	2.1
Add: Other adjustments	0.2
Lease liability recgonized at 1 Jan 2019	25.5

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

Other new or amended standards 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 interim financial report was authorised for issue by the Board of Directors of Metsä Board on 26 April 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	Q1 2019	Q1 2018	Q1–Q4 2018
EMEA	349.3	369.3	1,429.7
Americas	103.8	87.0	361.2
APAC	33.9	36.1	153.2
Total	487.1	492.3	1,944.1

RECONCILIATION OF OPERATING RESULT AND EBITDA

EUR Million	Q1 2019	Q1 2018	Q1–Q4 2018
Operating result	**71.9**	**69.0**	**246.3**
Depreciation, amortisation and impairment losses	27.5	25.3	91.8
EBITDA	**99.3**	**94.3**	**338.2**
Items affecting comparability:			
Gains and losses on disposal in other operating income and expenses	-12.3	-	-
Employee costs	-	-	4.1
Share of result of associated company	2.2	-	-
Other operating expenses	-	-	1.5
Total	-10.0	-	5.6
EBITDA, comparable	**89.3**	**94.3**	**343.8**
Depreciation, amortisation and impairment losses	-27.5	-25.3	-91.8
Items affecting comparability:			
Impairment charges and reversals of impairments	-	-	-
Operating result, comparable	**61.8**	**69.0**	**251.9**

"+" sign items = expense affecting comparability
"-" sign items = income affecting comparability

Items affecting comparability in the review period totaled EUR 10.0 million and comprised disposal gains from shares in Liaison Technologies Inc. reported under other investments (EUR 3.3 million) and Äänevoima Oy shares sold to Metsä Fibre (net effect on operating result EUR 6.8 million).

There were no items affecting comparability in the comparison period.

In 2018 items affecting comparability 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.

NOTE 3 – INCOME TAXES

EUR million	Q1 2019	Q1 2018	Q1–Q4 2018
Taxes for the current period	5.5	4.0	9.5
Taxes for the prior periods	0.0	0.0	-0.1
Change in deferred taxes	2.8	3.0	11.4
Total income taxes	8.3	7.1	20.8

NOTE 4 – CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	Q1 2019	Q1 2018	Q1–Q4 2018
Carrying value at beginning of period	753.2	788.6	788.6
IFRS 16 adoption	16.9	-	-
Capital expenditure	6.1	10.4	69.3
Decreases	-6.4	0.0	-0.1
Depreciation, amortization and impairment losses	-26.8	-24.5	-89.0
Translation difference	-4.9	-16.3	-15.6
Carrying value at end of period	738.0	758.2	753.2

No impairments were recognized in the review period or comparison period.

NOTE 5 – PROVISIONS

EUR million		Restructuring	Environmental obligations	Other provisions	Total
	1 Jan 2019	**4.0**	**5.5**	**1.7**	**11.2**
Translation differences		-0.1	-	-0.0	-0.1
Increases		-	-	0.0	0.0
Utilised during the year		-1.8	-0.0	-0.3	-2.1
Unused amounts reversed		-	-	-	-
	31 Mar 2019	**2.2**	**5.5**	**1.3**	**9.0**

The non-current part of provisions was EUR 3.6 million and the current part EUR 5.4 million, total provisions amount to EUR 9.0 million. Non-current provisions are estimated to be utilised mainly by the end of 2025.

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 2019	Q1 2018	Q1–Q4 2018
Sales	28.4	21.4	92.1
Other operating income	11.2	1.3	5.7
Purchases	188.0	167.2	714.8
Share of result from associated company	20.6	27.8	124.5
Interest income	0.0	0.0	0.0
Interest expenses	0.6	0.4	1.8
Accounts receivables and other receivables	38.6	29.3	40.7
Cash and cash equivalents	88.1	270.5	98.2
Accounts payable and other liabilities	128.5	139.4	58.9

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 63.3 million to Metsä Board in the review period, and Metsä Board recognized a gain of EUR 9.0 million in other operating income on disposal to Metsä Fibre of shares in Äänevoima Oy and a related adjustment of EUR -2.2 million to share of result from associated company.

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 2019	Q1 2018	Q1–Q4 2018
Sales	0.2	0.2	0.7
Purchases	1.4	1.3	5.7
Other non-current financial assets	-	0.3	-
Accounts receivables and other receivables	0.2	0.2	0.3
Accounts payable and other liabilities	1.1	1.0	1.4

NOTE 7 – NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Adjustments to the result for the period

EUR million	Q1 2019	Q1 2018	Q1–Q4 2018	Q4 2018
Taxes	8.3	7.1	20.8	5.5
Depreciation, amortization and impairment charges	27.5	25.3	91.8	21.1
Share of result from associated companies and joint ventures	-20.6	-27.8	-124.6	-32.5
Gains and losses on sale of non-current assets	-16.6	-0.4	-10.5	-8.6
Finance costs, net	4.0	8.0	22.3	4.4
Post-employment benefit obligations and provisions	-2.2	-0.1	2.7	-2.3
Other adjustments	-0.7	0.5	2.6	0.9
Total	-0.4	12.5	5.0	-11.5

Net financial items

Net financial items in consolidated cash flow statement for the review period include a dividend of EUR 63.3 million paid by Metsä Fibre (2018: EUR 34.9 million).

Disposals and other items

Disposals and other items reported for the review period were EUR 11.0 million in total. They consisted of sales proceeds of EUR 3.3 million from sale of Liaison Technologies Inc. shares reported as other investments, proceeds amounting to EUR 3.0 million from emission right sales, cash flow effect of EUR 4.5 million from divestment of Äänevoima Oy shares as well as EUR 0.2 million from related sale of land to Metsä Fibre.

Disposals and other items in 2018 amounted to EUR 11.9 million and included proceeds of EUR 10.4 million from sale of emission rights, EUR 0.6 million from divestment of subsidiary Metsa 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.

NOTE 8 – FINANCIAL INSTRUMENTS

Financial assets and liabilities and their fair values classified according to IFRS 9 at 31 March 2019:

Financial assets 31 March 2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Other non-current investments	3.9	275.7		279.6
Other non-current financial assets			19.4	19.4
Accounts receivables and other receivables			339.6	339.6
Cash and cash equivalent			95.4	95.4
Derivative financial instruments		13.5		13.5
Total carrying amount	**3.9**	**289.2**	**454.4**	**747.5**
Total fair value	**3.9**	**289.2**	**454.4**	**747.5**

Financial liabilities 31 March 2019

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Non-current interest-bearing financial liabilities			291.9	291.9
Other non-current financial liabilities			0.2	0.2
Current interest-bearing financial liabilities			103.1	103.1
Accounts payable and other financial liabilities			440.0	440.0
Derivative financial instruments	2.1	10.1		12.1
Total carrying amount	**2.1**	**10.1**	**835.1**	**847.2**
Total fair value	**2.1**	**10.1**	**846.8**	**859.0**

Financial assets and liabilities and their fair values classified according to IFRS 9 as of 31 March 2018:

Financial assets 31 March 2018

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Other non-current investments	4.1	241.6		245.7
Other non-current financial assets			20.6	20.6
Accounts receivables and other receivables			317.1	317.1
Cash and cash equivalent			278.6	278.6
Derivative financial instruments		11.5		11.5
Total carrying amount	**4.1**	**253.1**	**616.2**	**873.4**
Total fair value	**4.1**	**253.1**	**616.2**	**873.4**

Financial liabilities 31 March 2018

EUR million	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Non-current interest-bearing financial liabilities			474.1	474.1
Other non-current financial liabilities			0.2	0.2
Current interest-bearing financial liabilities			142.7	142.7
Accounts payable and other financial liabilities			400.6	400.6
Derivative financial instruments	-0.3	6.2		5.9
Total carrying amount	**-0.3**	**6.2**	**1,017.7**	**1,023.5**
Total fair value	**-0.3**	**6.2**	**1,028.1**	**1,034.0**

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 0.1–2.3 per cent (31 March 2018: 0.3–2.2). 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 March 2019

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		279.6	279.6
Derivative financial assets	13.5			13.5
Financial liabilities measured at fair value				
Derivative financial liabilities		12.1		12.1
Financial assets not measured at fair value				
Cash and cash equivalent		95.4		95.4
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		291.9		291.9
Current interest-bearing financial liabilities		103.1		103.1

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

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other non-current investments	0.0		245.7	245.7
Derivative financial assets	11.5			11.5
Financial liabilities measured at fair value				
Derivative financial liabilities		5.9		5.9
Financial assets not measured at fair value				
Cash and cash equivalent		278.6		278.6
Financial liabilities not measured at fair value				
Non-current interest-bearing financial liabilities		480.8		480.8
Current interest-bearing financial liabilities		146.5		146.5

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

EUR million	2019 31 Mar	2018 31 Mar
Opening balance 1 Jan	270.1	240.3
Total gains and losses in profit or loss	3.3	-
Total gains and losses in other comprehensive income	9.6	5.4
Purchases	-	-
Disposals	-3.3	-
Closing balance 31 Mar	279.6	245.7

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 2018 Annual report. The WACC used in Pohjolan Voima share valuation on 31 March 2019 was 1.67 percent (31.3.2018: 2.24) and 2.67 percent (4.24) for the Olkiluoto 3 under construction. The acquisition cost of shares in Pohjolan Voima Oyj on 31 March 2018 is EUR 38.0 million (39.1) and the fair value EUR 275.7 million (241.6).

The carrying value of other investments as of 31.3.2019 is estimated to change by EUR 3.2 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 37.0 million should the energy prices used in calculating the fair value differ by 10 percent from the prices estimated by management.

Derivatives 31 March 2019

EUR million	Nominal value	Fair value			Fair value	
		Derivative		Fair value	Fair value through profit and loss	Fair value through other comprehen-sive income
		Assets	Liab.	Net		
Interest rate swaps	100.0		2.7	-2.7	-1.0	-1.7
Interest rate derivatives	**100.0**		**2.7**	**-2.7**	**-1.0**	**-1.7**
Currency forward contracts	1,082.8		9.2	-9.2	-1.1	-8.1
Currency option contracts	480.6		0.3	-0.3		-0.3
Currency derivatives	**1,563.4**		**9.5**	**-9.5**	**-1.1**	**-8.4**
Electricity derivatives	27.4	12.2		12.2		12.2
Oil derivatives	9.8	1.2		1.2		1.2
Other commodity derivatives	2.9	0.1		0.1		0.1
Commodity derivatives	**40.0**	**13.5**		**13.5**		**13.5**
Derivatives total	**1,703.4**	**13.5**	**12.1**	**1.3**	**-2.1**	**3.4**

Derivatives 31 March 2018

EUR million	Nominal value	Fair value			Fair value	
		Derivative		Fair value	Fair value through profit and loss	Fair value through other comprehen-sive income
		Assets	Liab.	Net		
Interest rate swaps	250.0		0.4	-0.4		-0.4
Interest rate derivatives	**250.0**		**0.4**	**-0.4**		**-0.4**
Currency forward contracts	884.8		5.5	-5.5	0.3	-5.8
Currency option contracts	48.7		0.0	0.0		0.0
Currency derivatives	**933.5**		**5.5**	**-5.5**	**0.3**	**-5.8**
Electricity derivatives	49.7	10.6		10.6		10.6
Oil derivatives	8.6	0.7		0.7		0.7
Other commodity derivatives	2.8	0.3		0.3		0.3
Commodity derivatives	**61.1**	**11.5**		**11.5**		**11.5**
Derivatives total	**1,244.6**	**11.5**	**5.9**	**5.6**	**0.3**	**5.4**

NOTE 9 – COMMITMENTS AND GUARANTEES

EUR million	31 Mar 2019	31 Mar 2018	31 Dec 2018
Liabilities secured by collateral	56.6	89.2	56.6
Pledges granted	129.9	112.4	145.4
Real estate mortgages	232.8	232.8	232.8
Total pledges and mortgages	362.7	345.2	378.2
Guarantees and counter-indemnities	14.0	2.8	14.0
On behalf of associated companies and joint ventures	0.1	0.1	0.1
On behalf of others	-	-	-
Off-balance sheet rent and leasing commitments	1.8	11.4	16.2
Total	378.7	359.5	408.5

Securities and guarantees include pledges, real estate mortgages and guarantee liabilities. Starting from 1 January 2019, rent and leasing commitments include liabilities arising from contracts for low value items and short term leases excluded from the scope of IFRS 16.

OPEN DERIVATIVE CONTRACTS

EUR million	31 Mar 2019	31 Mar 2018	31 Dec 2018
Interest rate derivatives	100.0	250.0	100.0
Currency derivatives	1,563.4	933.5	1,627.4
Other derivatives	34.9	61.1	45.3
Total	1,698.3	1,244.6	1,772.7

INVESTMENT COMMITMENTS

EUR million	31 Mar 2019	31 Mar 2018	31 Dec 2018
Payments due in following 12 months	0.0	0.1	0.0
Payments due later	-	-	-
Total	0.0	0.1	0.0