

# METSÄ BOARD

INTERIM REPORT

**JANUARY–SEPTEMBER 2016**



## METSÄ BOARD'S COMPARABLE OPERATING RESULT IN JANUARY–SEPTEMBER 2016 WAS EUR 104.7 MILLION

### JANUARY–SEPTEMBER 2016 (1–9/2015)

- Sales amounted to EUR 1,298.5 million (1,545.3).
- Comparable operating result was EUR 104.7 million (144.8), or 8.1 per cent of sales. Operating result was EUR 93.8 million (164.9).
- Comparable result before taxes was EUR 84.0 million (119.8). Result before taxes was EUR 73.0 million (137.7).
- Comparable earnings per share were EUR 0.21 (0.27), and earnings per share were EUR 0.18 (0.32).

### JULY–SEPTEMBER 2016 (4–6/2016)

- Sales amounted to EUR 440.0 million (422.9).
- Comparable operating result was EUR 34.0 million (35.8), or 7.7 per cent (8.5) of sales. Operating result was EUR 26.6 million (34.5).
- Comparable result before taxes was EUR 27.1 million (26.8). Result before taxes was EUR 19.8 million (25.5).
- Comparable earnings per share were EUR 0.07 (0.07), and earnings per share were EUR 0.05 (0.06).

### EVENTS IN JULY–SEPTEMBER 2016

- The production volumes of Husum's new folding boxboard machine grew steadily.
- Metsä Board's production of uncoated fine paper ended in July.
- The wallpaper base machine PM3 at the Kyro mill was closed down in September.

### EVENTS AFTER THE REVIEW PERIOD

- Metsä Board was identified as a global leader for its actions and strategies in response to climate change. CDP (formerly Carbon Disclosure Project) awarded Metsä Board a position on the Climate A List. Metsä Board was among the 9% of corporations participating in programme to be awarded a position on the list.

### PROFIT GUIDANCE FOR OCTOBER–DECEMBER 2016

Metsä Board's comparable operating result for the fourth quarter of 2016 is expected to remain roughly on the same level as in the third quarter of 2016.

### Mika Joukio, CEO:

*“Comparable operating result for the third quarter remained on the same level as in the previous quarter, as we expected. Our result continued to be burdened by the lower price level of the start-up volumes of Husum's new folding boxboard. In addition, a leak in the pulp mill's recovery boiler and the production-related challenges of the new folding boxboard machine in the second quarter slowed down our customer deliveries especially to North-America. The production and delivery volumes of Husum's new folding boxboard have increased steadily since the summer, and the average price of the order inflow is already at a good level. Due to the long lead time, the profit impact of the improved average price will nevertheless be visible with a delay of approximately three months. The profit development of our Finnish mills was positive. The decrease in working capital turned our cash flow from operations clearly positive.*

*During the review period, we produced our last fine paper reels and announced to discontinue the loss-making wallpaper business. In the future, we will focus on premium fresh fibre paperboard used in consumer goods and retail-ready packaging, in line with our strategy.*

*After the review period, we were identified by CDP as a global leader for our actions and strategies in response to climate change. The importance of responsibility and its assessment is gaining increased prominence in our customer relationships, and improves our competitiveness. I am also very proud of the recognition our premium products received at the Pro Carton ECMA Awards, in which Metsä Board's fresh fibre paperboard was used in three prize-winning paperboard packages.*

*Metsä Board's future looks bright. Husum's new folding boxboard machine's capacity is approaching the targeted nominal capacity, which enables us to better meet increasing demand in our main market areas. Next year, we will also have our own extrusion coating line, which will expand the range of paperboard suitable for food and food service packaging. We can look forward to a busy year in 2017, but we have every chance of achieving our long-term growth and profitability targets.”*

**FINANCIAL KEY FIGURES**

	2016	2016	2016	2015	2016	2015	2015
	Q3	Q2	Q1	Q3	Q1–Q3	Q1–Q3	Q1–Q4
Sales, EUR million	440.0	422.9	435.6	497.6	1,298.5	1,545.3	2,007.5
EBITDA, EUR million	60.6	59.6	55.5	80.8	175.7	243.4	302.5
comparable, EUR million	59.4	60.7	57.8	80.8	178.0	223.6	283.3
EBITDA, % of sales	13.8	14.1	12.7	16.2	13.5	15.8	15.1
comparable, % of sales	13.5	14.4	13.3	16.2	13.7	14.5	14.1
Operating result, EUR million	26.6	34.5	32.7	54.6	93.8	164.9	199.0
comparable, EUR million	34.0	35.8	35.0	54.6	104.7	144.8	179.9
Operating result, % of sales	6.0	8.2	7.5	11.0	7.2	10.7	9.9
comparable, % of sales	7.7	8.5	8.0	11.0	8.1	9.4	9.0
Result before taxes, EUR million	19.8	25.5	27.7	47.5	73.0	137.7	167.1
comparable, EUR million	27.1	26.8	30.0	47.5	84.0	119.8	150.2
Result for the period, EUR million	18.6	23.2	23.9	26.8	65.7	110.8	137.3
comparable, EUR million	24.1	24.6	25.7	26.4	74.4	92.7	120.2
Result per share, EUR	0.05	0.06	0.07	0.08	0.18	0.32	0.39
comparable, EUR million	0.07	0.07	0.07	0.08	0.21	0.27	0.34
Return on equity, %	7.4	9.4	9.5	10.6	8.6	15.9	14.7
comparable, %	9.6	9.9	10.2	10.4	9.8	13.3	12.9
Return on capital employed, %	6.3	8.2	7.8	13.0	7.4	13.8	12.5
comparable, %	8.0	8.5	8.3	13.0	8.3	12.1	11.3
Equity ratio at end of period, %	48	47	44	46	48	46	46
Net gearing ratio at end of period, %	49	54	42	34	49	34	32
Interest-bearing net liabilities/EBITDA <sup>1)</sup>	2.1	2.1	1.5	1.2	2.1	1.2	1.2
Shareholders' equity per share at end of period, EUR	2.82	2.81	2.77	2.86	2.82	2.86	2.89
Interest-bearing net liabilities, EUR million	487.6	541.4	412.3	344.2	487.6	344.2	333.4
Gross investments, EUR million	16.4	48.3	54.3	44.8	119.0	117.0	177.8
Net cash flow from operating activities, EUR million	67.0	-22.2	-22.3	92.5	22.5	180.8	246.7
Personnel at the end of period	2,493	2,762	2,573	2,642	2,493	2,642	2,601

<sup>1)</sup> Ratio of end of period interest-bearing net liabilities to 12-month rolling comparable EBITDA

**DELIVERY AND PRODUCTION VOLUMES**

	2016	2016	2016	2015	2015	2016	2015	2015
1000 t	Q3	Q2	Q1	Q4	Q3	Q1–Q3	Q1–Q3	Q1–Q4
Deliveries								
Paperboard	422	408	378	365	373	1,208	1,084	1,449
Paper	7	11	15	65	118	33	412	478
Market Pulp	128	113	144	134	123	385	415	549
Production								
Paperboard	456	428	405	375	367	1,290	1,106	1,481
Paper	2	9	12	38	113	23	392	430
Metsä Fibre pulp <sup>1)</sup>	144	139	146	148	143	428	437	586
Metsä Board pulp	314	307	309	257	318	930	949	1,206

<sup>1)</sup> Equal to Metsä Board's 24.9 per cent holding in Metsä Fibre.

**INTERIM REPORT 1 JANUARY–  
30 SEPTEMBER 2016****JULY–SEPTEMBER 2016 (4–6/2016)****SALES AND RESULT**

Metsä Board's sales amounted to EUR 440.0 million (422.9). Sales increased due to the deliveries of Husum's new folding boxboard and market pulp. The operating result was EUR 26.6 million (34.5), and the comparable operating result was EUR 34.0 million (35.8). Items affecting comparability were EUR 7.4 million net and related primarily to the closure of the wall-paper base paper business.

As expected, the comparable operating result remained at the same level as in the previous quarter. In Finland, the operating result of board mills improved. The operating result continued to be burdened by the lower price of the start-up volumes of Husum's folding boxboard. In addition, profitability was weakened by the technical problems at Husum's pulp mill and the resulting downtime.

Fluctuations in exchange rates had a slightly positive effect on the third quarter operating result. There were no significant changes in the total production costs.

The total delivery volume of Metsä Board's folding boxboard and white fresh fibre linerboards in July–September totalled 413,000 tonnes (398,000), and the delivery volume of papers was 7,000 tonnes (11,000). The delivery volume of market pulp increased to 128,000 tonnes (113,000).

Metsä Board's folding boxboard deliveries increased by 6 per cent. Deliveries by European folding boxboard producers increased by 4 per cent.

The average prices of paperboards produced at Metsä Board's mills in Finland remained stable or increased slightly. The euro- and dollar-denominated market prices for long-fibre pulp increased, while the euro- and dollar-denominated market prices for short-fibre pulp decreased.

Fine paper production at the Husum mill ended in July. At the end of the review period roughly 2,000 tonnes of fine paper remained in stock. This will be sold by the end of 2016.

Net cash flow from operations was EUR 67.0 million (-22.2). The cash flow in the comparison period was weakened mainly by increase in working capital.

Financial income and expenses during the review period totalled EUR -6.8 million (-9.1), including foreign exchange rate differences from trade receivables, trade payables and financial items, as well as EUR -0.7 million (-1.9) from the valuation of currency hedging instruments.

The July–September result before taxes was EUR 19.8 million (25.5). The comparable result before taxes was

EUR 27.1 million (26.8). Income taxes amounted to EUR -1.2 million (-2.3).

Earnings per share were EUR 0.05 (0.06). The return on equity was 7.4 per cent (9.4), and the comparable return on equity was 9.6 per cent (9.9). The return on capital employed was 6.3 per cent (8.2), and the comparable return on capital employed was 8.0 per cent (8.5).

**JANUARY–SEPTEMBER 2016 (1–9/2015)****SALES AND RESULT**

Metsä Board's sales amounted to EUR 1,298.5 million (1,545.3). Sales declined due to a considerable decrease in paper deliveries. The operating result was EUR 93.8 million (164.9), and the comparable operating result was EUR 104.7 million (144.8). Items affecting comparability were EUR 10.9 million net and related primarily to the closure of the wallpaper base business.

The operating result was weakened by the start-up of the new folding boxboard machine at Husum, due to which the production volumes of pulp and paperboard there remained low. Deliveries to customers were delayed by a leak in the pulp mill's recovery boiler and the production-related challenges of the new folding boxboard machine. The result for the review period was also negatively impacted by lower price of the start-up volumes of Husum's folding boxboard and the fluctuations in pulp prices. Exchange rate fluctuations after hedging had a positive total impact on the operating result of the review period.

There were no significant changes in the total production costs.

The total delivery volume of Metsä Board's folding boxboard and white fresh fibre linerboards in January–September totalled 1,181,000 tonnes (1,049,000). The delivery volume of papers was 33,000 tonnes (412,000). The delivery volume of market pulp totalled 385,000 tonnes (415,000). The volume of pulp deliveries declined due to the downtime attributable to the investment programme at Husum and the discontinued trading activity with Sappi.

Metsä Board's folding boxboard deliveries increased by 16 per cent. Deliveries by European folding boxboard producers increased by 3 per cent.

The average prices of paperboards manufactured at Metsä Board's mills in Finland decreased slightly. The euro and dollar-denominated market prices for short-fibre and long-fibre pulp decreased markedly.

Net cash flow from operations was EUR 22.5 million (180.8). Cash flow was impacted by the weaker result and the increase in working capital due to the investment programme at Husum.

Financial income and expenses totalled EUR -20.8 million (-27.3), including foreign exchange rate differences from trade receivables, trade payables, financial items

and EUR -1.0 million (-5.3) from the valuation of currency hedging instruments.

The result before taxes for the review period was EUR 73.0 million (137.7). The comparable result before taxes was EUR 84.0 million (119.8). Income taxes amounted to EUR -7.3 million (-26.9). Previously unrecognised income taxes of approximately EUR 15 million were recognised in the comparison period.

Earnings per share were EUR 0.18 (0.32). Comparable earnings per share were EUR 0.21 (0.27). The return on equity was 8.6 per cent (15.9), and the comparable return on equity was 9.8 per cent (13.3). The return on capital employed was 7.4 per cent (13.8), and the comparable return on capital employed was 8.3 per cent (12.1).

## FINANCING

Metsä Board's equity ratio at the end of September was 48 per cent (30 September 2015: 46) and the net gearing ratio was 49 per cent (34). The ratio of interest-bearing net liabilities to the comparable EBITDA of the previous 12 months was 2.1 at the end of the review period (1.2).

The fair value of investments available for sale was EUR 184.8 million at the end of the review period. The change in fair value from the beginning of the review period, EUR -25.3 million, related to the decrease in the fair value of the shares in Pohjolan Voima Oy.

The amount of defined-benefit pension obligations increased due to a decrease in the discount rate, and EUR -9.2 million after taxes was recognised in other comprehensive income items.

At the end of September, net interest-bearing liabilities totalled EUR 487.6 million (344.2). Foreign currency-denominated loans accounted for 0.4 per cent of loans and floating-rate loans for 38 per cent, with the rest being fixed-rate loans. At the end of September, the average interest rate on loans was 3.3 per cent (3.8), and the average maturity of long-term loans was 2.4 years (2.8). The interest rate maturity of loans was 16.7 months at the end of September (22.8). During the period, the interest rate maturity has varied between 15 and 21 months.

Net cash flow from operations in January–September was EUR 22.5 million (1–9/2015: 180.8). Working capital increased by EUR 88.8 million in January–September (decrease of 18.4 in 1–9/2015). The increase in working capital resulted mainly from the growth in the finished products inventory related to the investment programme at Husum and the reduction of trade payables.

At the end of the review period, an average of 5.4 months of the net foreign currency exposure was hedged. The degree of hedging during the period varied between three and six months, on average.

The financing agreement includes financial covenants concerning the Group's financial performance and capital structure. The company has considerable headroom in relation to covenants set in the credit agreements.

Metsä Board's liquidity has remained strong. At the end of the review period, the available liquidity was EUR 366.5 million (30 September 2015: 467.3), consisting of the following items: liquid assets and investments of EUR 201.8 million, a syndicated credit facility of EUR 100.0 million, and undrawn pension premium (TyEL) funds of EUR 64.7 million. Of the liquid assets, EUR 190.2 million consisted of short-term deposits with Metsä Group Treasury, and EUR 11.6 million were cash funds and investments. Other interest-bearing receivables amounted to EUR 3.7 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.

## CHANGES IN THE CORPORATE MANAGEMENT TEAM

Jussi Noponen was appointed Metsä Board's Chief Financial Officer and a member of the Corporate Management Team as of 16 September 2016. Noponen reports to CEO Mika Joukio. Markus Holm, Metsä Board's previous CFO, is transferring to another company.

## PERSONNEL

At the end of September, the number of personnel was 2,493 (2,642), of whom 1,474 (1,493) worked in Finland. In January–September, Metsä Board employed 2,628 (2,931) people on average. Personnel expenses totalled EUR 162.2 million (177.7).

## INVESTMENTS

Gross investments in January–September totalled EUR 119.0 million (117.0), primarily concerning the investment programme at Husum. The estimate concerning the total gross investments in 2016 increased to EUR 165 million from the earlier EUR 135 million. The change was mainly due to the cost overruns in the Husum investment programme and the cost allocation between years of extrusion coating line.

## BUSINESS DEVELOPMENT

Demand for Metsä Board's lightweight, recyclable and ecological fresh fibre paperboard has grown in all of the company's main market areas during the current year. The new folding boxboard capacity enables Metsä Board to better meet the increasing global demand for paperboards.

The investment programme at Husum has been completed, and the new folding boxboard machine in Sweden started up in February. The leak in the pulp mill's recovery boiler and the bottlenecks in the finishing area of the new folding boxboard production line have delayed customer deliveries mainly to North-America. The

bottlenecks have now been resolved, and the production and delivery volumes of folding boxboard have increased. Due to the repair measures concerning the recovery boiler, the integrated mill's annual maintenance shutdown during the fourth quarter was extended by approximately a week.

The EUR 10 million efficiency improvement programme at the Husum integrated mill that was launched in May is progressing according to plan.

At the end of the review period, the installation of the main equipment for extrusion coating line began in Husum. The coating line will be commissioned in 2017, and its paperboard coating capacity will be approximately 100,000 tonnes per year. The investment is valued at EUR 38 million, allocated primarily to 2016. The company will also continue to develop other barrier solutions.

Metsä Board's production of uncoated fine paper at Husum ended in July.

In September, the company announced to discontinue the production of wallpaper base paper and to close down the machine PM3 at the Kyro mill in Hämeenkyrö, Finland. As a result, the number of personnel at the mill will be reduced by 94 people. In the future, Metsä Board will focus on premium fresh fibre paperboards for consumer goods and retail-ready packaging.

In June, Metsä Board invested EUR 24.9 million in the new bioproduct mill of its associated company Metsä Fibre. The company has no other financial commitments in the project. The investment will increase Metsä Board's annual pulp capacity by approximately 200,000 tonnes starting from 2018.

## LEGAL PROCEEDINGS

In May 2014, Metsä Board petitioned the District Court of Helsinki to revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 that orders 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 petition. Metsä Board filed an appeal on the District Court's judgment to the Court of Appeals. The Court of Appeals overruled Metsä Board's appeal in its judgment of 21 October 2016. Metsä Board has an opportunity to submit an appeal to the Supreme Court until 21 December 2016.

In the autumn of 2015, the Finnish Tax Administration gave an opinion against the deductibility of certain losses in Metsä Board Corporation's 2014 taxation. The company recognised roughly EUR 15 million in previously unrecognised income taxes in the result for the third quarter of 2015. Metsä Board has appealed the decision issued by the Tax Administration, as the company believes the losses are deductible.

## SHARES

In January–September, the highest price for Metsä Board's A share on Nasdaq Helsinki was EUR 6.93, the

lowest price was EUR 4.80, and the average price was EUR 5.73. At the end of September, the price for the A share was EUR 5.72. The average daily trading volume was 2,816 shares.

In January–September, the highest price for Metsä Board's B share was EUR 7.15, the lowest price was EUR 4.23 and the average price was EUR 5.22. At the end of September, the price for the B share was EUR 5.27. The average daily trading volume was 734,162 shares.

In January–September, the total trading volume of the A shares was EUR 3.1 million, and the total trading volume of the B shares was EUR 727.5 million. At the end of September, the market value of the A shares was EUR 205 million and the market value of the B shares was EUR 1.68 billion.

At the end of September, Metsäliitto Cooperative owned 42 per cent of the shares, with 61 per cent of the voting rights. International and nominee-registered investors held 15 per cent of the shares (30 September 2015: 19 per cent).

The company does not hold any treasury shares.

## NEAR-TERM RISKS AND UNCERTAINTIES

Considerable uncertainties still exist in the global and, particularly, European economies. If realised, they may result in weakened demand and reduced prices for paperboard and pulp products. The 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 sales growth in Europe, and particularly in Americas. Increasing sales at the global level 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.

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 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 main currencies.

The US dollar strengthening by 10 per cent against euro would have a positive impact of approximately

EUR 60 million on Metsä Board's annual operating result. Correspondingly, the Swedish krona strengthening by 10 per cent would have a negative impact of approximately EUR 30 million. The British pound strengthening by 10 per cent would have a positive impact of approximately EUR 5 million. The impact of weakened exchange rates would be the opposite. These sensitivities are presented before the impact of hedging.

More information about longer-term risk factors can also be found on pages 23–25 of Metsä Board's 2015 Annual Report.

### NEAR-TERM OUTLOOK

Metsä Board's paperboard deliveries in October–December are expected to remain on the same level as in the previous quarter due to the seasonally weaker December. The increase in the average price for folding boxboard is supported by smaller share of Husum's start-up deliveries out of total total deliveries.

The average price for Husum's folding boxboard orders received in September–October has been at a good level. Due to the long lead time, the profit impact of the improved average price will recognise with a delay of approximately three months.

The result of the fourth quarter will be weakened by the annual maintenance shutdown of the Husum integrated mill, which was extended by approximately a week due to the problems discovered in the pulp mill's recovery boiler.

Full production capacity of the new folding boxboard machine at Husum is expected to be reached by the end of 2016.

Total production costs in October–December are expected to remain at approximately the level of the third quarter of 2016.

The estimate concerning the total gross investment in 2016 increased to EUR 165 million from the earlier EUR 135 million. The change was mainly due to cost overruns in the investment at Husum and the cost allocation between years of extrusion coating line.

Demand for premium fresh fibre paperboards is expected to remain good in both Europe and the Americas. The increased capacity of European folding boxboard producers has not had a negative effect on the demand for and prices of Metsä Board's products. The

market prices of folding boxboard and white fresh fibre linerboards are expected to remain fairly stable or increase slightly. The global demand and supply for long-fibre and short-fibre pulp is expected to remain stable.

### EVENTS AFTER THE REVIEW PERIOD

- Metsä Board was identified as a global leader for its actions and strategies in response to climate change. CDP (formerly Carbon Disclosure Project) awarded Metsä Board a position on the Climate A List. Metsä Board was among 9% of corporations participating in programme to be awarded a position on the list.

### PROFIT GUIDANCE FOR OCTOBER–DECEMBER 2016

Metsä Board's comparable operating result for the fourth quarter of 2016 is expected to remain roughly on the same level as in the third quarter of 2016.

### METSÄ BOARD CORPORATION

Espoo, Finland, 2 November 2016  
BOARD OF DIRECTORS

#### Further information:

Jussi Noponen, CFO  
tel. +358 (0)10 465 4913

Katri Sundström, Head of Investor Relations, tel. +358 (0)400 976 333

More information will be available as of 1 p.m. on 2 November 2016. 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 (0)9 7479 0361  
Sweden +46 (0)8 5033 6574  
United Kingdom +44 (0)203 043 2003  
United States +1 719-457-2086

The conference ID is 8298586.

#### The following financial reports are to be published:

2 February 2017, Financial Statements Bulletin for 2016  
4 May 2017, Interim Report for January–March 2017  
3 August 2017, Half-year Financial report for January–June 2017  
1 November 2017, Interim Report for January–September 2017

## 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 operating result and Comparable return on capital employed

New European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures are effective for the financial year 2016. From Q3 2016 Metsä Board has relabeled the previously referenced “excluding non-recurring items” non-IFRS financial measures with “comparable” performance measures. Exceptional and material items outside the ordinary course of business have been eliminated from the comparable operating result, and they have been allocated to the operating segments. The change in terminology does not affect the definition of items affecting comparability and therefore no restatement of historical data is necessary.

Reconciliation of operating result under IFRS and comparable operating result is presented in this interim report. Comparable return on capital employed has been calculated using the same adjustments as the comparable operating result, and it has been further adjusted with financial items affecting comparability when applicable. Metsä 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.

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

EUR million	Note	Q3 2016	Q3 2015	Q1–Q3 2016	Q1–Q3 2015	Q1–Q4 2015
<b>Sales</b>	<b>2, 6</b>	<b>440.0</b>	<b>497.6</b>	<b>1,298.5</b>	<b>1,545.3</b>	<b>2,007.5</b>
Change in stocks of finished goods and work in progress		-10.8	-6.2	29.9	-10.1	-15.1
Other operating income	<b>2, 6</b>	14.4	6.0	28.6	37.8	47.7
Material and services	<b>6</b>	-309.0	-344.1	-946.8	-1,081.2	-1,408.0
Employee costs		-52.9	-52.4	-162.2	-177.7	-234.5
Share of result of associated company		11.7	15.4	35.5	46.6	61.3
Depreciation, amortisation and impairment losses		-34.0	-26.2	-81.9	-78.5	-103.5
Other operating expenses		-32.7	-35.5	-107.8	-117.3	-156.4
<b>Operating result</b>	<b>2</b>	<b>26.6</b>	<b>54.6</b>	<b>93.8</b>	<b>164.9</b>	<b>199.0</b>
Share of results of associated companies and joint ventures		0.0	0.0	0.0	0.1	0.1
Net exchange gains and losses		-0.7	-0.6	-1.0	-5.3	-3.4
Other net financial items	<b>2, 6</b>	-6.1	-6.5	-19.8	-22.0	-28.6
<b>Result before income tax</b>		<b>19.8</b>	<b>47.5</b>	<b>73.0</b>	<b>137.7</b>	<b>167.1</b>
Income taxes	<b>3</b>	-1.2	-20.7	-7.3	-26.9	-29.8
<b>Result for the period</b>		<b>18.6</b>	<b>26.8</b>	<b>65.7</b>	<b>110.8</b>	<b>137.3</b>

EUR million	Note	Q3 2016	Q3 2015	Q1–Q3 2016	Q1–Q3 2015	Q1–Q4 2015
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit or loss</b>						
Actuarial gains/losses on defined pension plans		-9.6	-0.6	-11.7	1.8	6.3
Income tax relating to items that will not be reclassified		2.0	0.3	2.5	-0.9	-2.7
<b>Total</b>		<b>-7.6</b>	<b>-0.3</b>	<b>-9.2</b>	<b>0.9</b>	<b>3.6</b>
<b>Items that may be reclassified to profit or loss</b>						
Cash flow hedges		6.5	-1.5	24.6	2.5	-2.9
Available for sale financial assets	8	-6.7	-10.4	-25.3	-1.0	-23.0
Translation differences		-5.7	-6.6	-14.1	0.3	7.0
Share of other comprehensive income of associated company		-0.9	-2.4	-6.8	1.8	0.3
Income tax relating to components of other comprehensive income		-0.1	2.5	-0.1	-0.1	5.5
<b>Total</b>		<b>-6.9</b>	<b>-18.4</b>	<b>-21.7</b>	<b>3.5</b>	<b>-13.1</b>
<b>Other comprehensive income, net of tax</b>		<b>-14.4</b>	<b>-18.7</b>	<b>-30.8</b>	<b>4.4</b>	<b>-9.5</b>
<b>Total comprehensive income for the period</b>		<b>4.2</b>	<b>8.1</b>	<b>34.8</b>	<b>115.2</b>	<b>127.8</b>
<b>Result for the period attributable to</b>						
Shareholders of parent company		18.6	26.8	65.7	110.8	137.3
Non-controlling interests		0.0	0.0	0.0	0.0	0.0
<b>Total comprehensive income for the period attributable to</b>		<b>4.2</b>	<b>8.1</b>	<b>34.8</b>	<b>115.2</b>	<b>127.8</b>
Shareholders of parent company		4.2	8.1	34.8	115.2	127.8
Non-controlling interests		0.0	0.0	0.0	0.0	0.0
Total		4.2	8.1	34.8	115.2	127.8
<b>Earnings per share for result attributable to shareholders of parent company (EUR/share)</b>		<b>0.05</b>	<b>0.08</b>	<b>0.18</b>	<b>0.32</b>	<b>0.39</b>

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

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

EUR million	Note	As of 30 Sep 2016	As of 30 Sep 2015	As of 31 Dec 2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		12.4	12.7	12.4
Other intangible assets		11.7	13.5	13.7
Tangible assets	4	811.1	771.6	812.3
Investments in associated companies and joint ventures		281.0	246.8	260.2
Available for sale investments	8	184.8	232.3	210.2
Other non-current financial assets	6, 8	5.3	10.8	14.6
Deferred tax receivables	2	4.7	5.2	4.5
		<b>1,310.9</b>	<b>1,292.9</b>	<b>1,327.9</b>
<b>Current assets</b>				
Inventories		324.2	302.5	299.3
Accounts receivables and other receivables	6, 8	277.8	317.1	271.1
Cash and cash equivalents	6, 8	201.8	321.7	321.8
		<b>803.7</b>	<b>941.3</b>	<b>892.2</b>
<b>Total assets</b>		<b>2,114.6</b>	<b>2,234.2</b>	<b>2,220.1</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Equity attributable to shareholders of parent company		1,003.3	1,015.9	1,028.9
Non-controlling interests		0.0	0.0	0.0
<b>Total equity</b>		<b>1,003.3</b>	<b>1,015.9</b>	<b>1,028.9</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities		68.4	75.1	80.2
Post-employment benefit obligations	2	18.0	17.4	14.6
Provisions	5	8.2	16.0	8.3
Borrowings	8	544.6	579.8	611.3
Other liabilities	8	2.5	12.9	11.5
		<b>641.7</b>	<b>701.2</b>	<b>725.9</b>
<b>Current liabilities</b>				
Provisions	5	3.3	11.3	13.8
Current borrowings	6, 8	148.4	90.2	47.6
Accounts payable and other liabilities	6, 8	318.0	415.6	403.9
		<b>469.7</b>	<b>517.1</b>	<b>465.3</b>
<b>Total liabilities</b>		<b>1,111.4</b>	<b>1,218.3</b>	<b>1,191.2</b>
<b>Total shareholders' equity and liabilities</b>		<b>2,114.6</b>	<b>2,234.2</b>	<b>2,220.1</b>

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

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interests	Total
<b>Shareholders' equity, 1 January 2015</b>		557.9	6.9	132.1	284.8	-140.3	841.4	0.0	841.4
<b>Comprehensive income for the period</b>									
Result for the period						110.8	110.8	0.0	110.8
Other comprehensive income net of tax total			1.1	2.4		0.9	4.4		4.4
<b>Comprehensive income total</b>			<b>1.1</b>	<b>2.4</b>		<b>111.7</b>	<b>115.2</b>	<b>0.0</b>	<b>115.2</b>
Share based payments						0.4	0.4		0.4
<b>Related party transactions</b>									
Share issue net of transaction costs					98.3		98.3		98.3
Dividends paid						-39.4	-39.4		-39.4
<b>Shareholders' equity, 30 September 2015</b>		<b>557.9</b>	<b>8.0</b>	<b>134.5</b>	<b>383.1</b>	<b>-67.6</b>	<b>1,015.9</b>	<b>0.0</b>	<b>1,015.9</b>

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interests	Total
Shareholders' equity, 1 January 2016		557.9	14.2	111.7	383.1	-38.0	1 028.9	0.0	1,028.9
<b>Comprehensive income for the period</b>									
Result for the period						65.7	65.7	0.0	65.7
Other comprehensive income net of tax total			-13.3	-8.4		-9.2	-30.8		-30.8
<b>Comprehensive income total</b>			<b>-13.3</b>	<b>-8.4</b>		<b>56.5</b>	<b>34.8</b>	<b>0.0</b>	<b>34.8</b>
Share based payments						-0.1	-0.1		-0.1
<b>Related party transactions</b>									
Dividends paid						-60.4	-60.4		-60.4
<b>Shareholders' equity, 30 September 2016</b>		<b>557.9</b>	<b>0.9</b>	<b>103.3</b>	<b>383.1</b>	<b>-42.0</b>	<b>1,003.3</b>	<b>0.0</b>	<b>1,003.3</b>

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

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

		Q1–Q3 2016	Q1–Q3 2015	Q1–Q4 2015	Q3 2016
EUR million	Note				
Result for the period		65.7	110.8	137.3	18.6
Total adjustments	7	55.5	58.7	66.3	20.0
Change in working capital		-88.8	18.4	72.2	31.0
<b>Cash flow from operations</b>		<b>32.4</b>	<b>187.9</b>	<b>275.8</b>	<b>69.6</b>
Net financial items	7	17.8	-2.3	-7.8	-1.0
Income taxes paid		-27.8	-4.8	-21.3	-1.5
<b>Net cash flow from operating activities</b>		<b>22.5</b>	<b>180.8</b>	<b>246.7</b>	<b>67.0</b>
Acquisition of other shares				-1.5	
Investments in intangible and tangible assets		-121.1	-117.3	-175.0	-17.6
Disposals and other items	6,7	0.8	-35.8	-30.6	1.7
<b>Net cash flow from investing activities</b>		<b>-120.3</b>	<b>-153.1</b>	<b>-207.1</b>	<b>-15.9</b>
Right issue net of transaction costs			97.9	97.9	
Changes in non-current loans and in other financial items	6	39.4	-14.9	-27.7	-6.4
Dividends paid		-60.4	-39.4	-39.4	
<b>Net cash flow from financing activities</b>		<b>-21.1</b>	<b>43.6</b>	<b>30.8</b>	<b>-6.4</b>
<b>Changes in cash and cash equivalents</b>		<b>-118.9</b>	<b>71.3</b>	<b>70.4</b>	<b>44.7</b>
Cash and cash equivalents at beginning of period	6	321.8	250.4	250.4	157.3
Translation difference in cash and cash equivalents		-1.2	0.0	1.0	-0.3
Changes in cash and cash equivalents		-118.9	71.3	70.4	44.7
<b>Cash and cash equivalents at end of period</b>	6	<b>201.8</b>	<b>321.7</b>	<b>321.8</b>	<b>201.8</b>

The accompanying notes are an integral part of these unaudited condensed financial statements

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

### 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 half year financial report has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2015 IFRS financial statements. The same accounting policies have been applied as in the 2015 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 use of the economic benefit of the asset.

The Group has adopted the following new standards and amendments to existing standards on 1 January 2016:

*Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative:* The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The amendments are not deemed to have a material impact on consolidated financial statements.

*Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations:* The amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendment does not have an impact on consolidated financial statements.

*Annual Improvements to IFRSs, 2012–2014 cycle):* The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in four standards. Their impacts vary standard by standard but are not significant.

All amounts 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 2 November 2016.

### NOTE 2 – SEGMENT INFORMATION

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

After Metsä Board's uncoated paper production ended in July 2016, the remaining business operations of the Group consist solely of folding boxboard, fresh fibre linerboard and market pulp businesses previously reported under Paperboard segment and complemented by the wallpaper base production at Kyro mill, which will now be discontinued. As the paper business previously reported under Non-core operations segment has been fully discontinued, Metsä Board will change its external reporting structure accordingly and starting from third quarter of 2016 report on its financial performance using only one reporting segment.

**Reconciliation of operating result**

EUR million	Q1–Q3 2016	Q1–Q3 2015	Q1–Q4 2015
<b>Operating result (IFRS)</b>	<b>93.8</b>	<b>164.9</b>	<b>199.0</b>
Items affecting comparability:			
Gains and losses on disposal in other operating income and expenses	-5.4	-17.5	-17.5
Employee costs	6.6	-0.2	0.3
Share of result of associated company	-1.8	-	-
Impairment charges and reversals of impairments	8.7	-0.3	0.1
Other operating expenses	2.9	-2.1	-2.0
Total	10.9	-20.1	-19.2
<b>Comparable operating result</b>	<b>104.7</b>	<b>144.8</b>	<b>179.9</b>

“+” sign items = expense affecting comparability

“-” sign items = income affecting comparability

Comparable operating result for the reporting period includes a net disposal gain of EUR 5.4 million consisting of disposals of assets related to wallpaper base business and the sale of Alrec Boiler Oy, a structured entity previously owning the combustion facility in operation at Kaskinen pulp mill and consolidated to group accounts as a subsidiary. As a result of the transactions concerning Alrec Boiler Oy, Metsä Board Oyj has become the direct owner of the combustion facility at Kaskinen while selling its shares in Alrec Boiler Oy to its partner company in accordance with the shareholder agreement between the parties.

Employee costs affecting comparability in January–September 2016 consist of restructuring costs arising from Simpele mill, Belgian sales office and Kyro board and paper mills. Furthermore, a disposal gain of EUR 1.8 million realized by associated company Metsä Fibre has been deducted from operating result as an item affecting comparability. Impairment charges of EUR 8.7 million affecting comparability arise from the remaining carrying values of tangible assets related to the discontinued wallpaper base production at Kyro mill and the closed Belgian sales office while other operating expenses of EUR 2.9 million mainly comprise the expense of writing wallpaper base inventories to their net realizable value.

Items affecting comparability in comparison period 2015 amounted to a positive net effect of EUR 20.1 million including among other things disposal gain of Gohrsmühle mill in Germany amounting to EUR 17.5 million and the result improving reversal of unused provisions valued at EUR 2.6 million originally recognized for closure of the Alizay mill in France as well as an impairment reversal of a sold paper machine in Simpele mill amounting to EUR 0.3 million.

**NOTE 3 – INCOME TAXES**

come statement is comprised of current and deferred taxes.

Tax expense in the interim condensed combined in-

EUR million	Q1–Q3 2016	Q1–Q3 2015	Q1–Q4 2015
Taxes for the current period	13.9	19.5	14.4
Taxes for the prior periods	-0.2	9.8	9.7
Change in deferred taxes	-6.3	-2.4	5.7
Total income taxes	7.3	26.9	29.8

**NOTE 4 – CHANGES IN PROPERTY, PLANT AND EQUIPMENT**

EUR million	Q1–Q3 2016	Q1–Q3 2015	Q1–Q4 2015
Carrying value at beginning of period	812.3	737.7	737.7
Capital expenditure	93.7	116.2	176.1
Decreases	0.0	-6.3	-6.8
Depreciation, amortization and impairment losses	-79.5	-75.9	-99.4
Translation difference	-15.4	-0.1	4.7
<b>Carrying value at end of period</b>	<b>811.1</b>	<b>771.6</b>	<b>812.3</b>

Impairments in the reporting period include an impairment of EUR 8.5 million at Kyro mill related to the discontinued wall-paper base operations. In comparison period, an impairment reversal of EUR 0.3 million was recorded for a sold paper machine at Simpele mill.

**NOTE 5 – PROVISIONS**

EUR million	Restructuring	Environmental obligations	Other provisions	Total
<b>1 Jan 2016</b>	<b>11.9</b>	<b>5.8</b>	<b>4.4</b>	<b>22.1</b>
Translation differences	-0.5	-0.0	-0.1	-0.6
Increases	0.1	0.2	0.5	0.8
Utilised during the year	-8.8	-0.2	-1.3	-10.3
Unused amounts reversed	-0.5	-	-	-0.5
<b>30 Sep 2016</b>	<b>2.3</b>	<b>5.7</b>	<b>3.5</b>	<b>11.5</b>

The non-current portion of provisions was EUR 8.2 million and the current portion EUR 3.3 million, total provi-

sions amounting to EUR 11.5 million. Non-current provisions are estimated to be utilised mainly by the end of 2025.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

To related parties belong 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 also belong to related parties.

Metsä Board enters into a significant number of transactions with related parties for the purchases of inventory, sale of goods, corporate services as well as financial transactions. Product and service transfers and interest between Metsä Board and the related parties have been made at arm's length prices.

**Transactions with parent and sister companies**

EUR million	Q1–Q3 2016	Q1–Q3 2015	Q1–Q4 2015
Sales	51.4	55.4	74.8
Other operating income	10.0	4.1	5.4
Purchases	462.7	507.3	700.3
Share of result from associated companies	35.5	46.6	61.3
Interest income	0.1	0.2	0.2
Interest expenses	2.6	1.3	2.4
Accounts receivables and other receivables	13.5	13.9	13.9
Cash and cash equivalents	190.2	310.4	311.3
Accounts payable and other liabilities	117.8	60.8	72.9

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 32.9 million to Metsä Board during the nine months ended 30 September 2016. 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–Q3 2016	Q1–Q3 2015	Q1–Q4 2015
Sales	0.4	0.4	0.6
Purchases	4.5	5.8	7.4
Other non-current financial assets	0.3	0.3	0.3
Accounts receivables and other receivables	0.1	0.1	0.2
Accounts payable and other liabilities	0.9	1.3	1.5

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

EUR million	Q1–Q3 2016	Q1–Q3 2015	Q1–Q4 2015	Q3 2016
Taxes	7.3	26.9	29.8	1.2
Depreciation, amortization and impairment charges	81.9	78.5	103.5	34.0
Share of result from associated companies and joint ventures	-35.5	-46.7	-61.4	-11.7
Gains and losses on sale of fixed assets	-9.4	-20.9	-23.7	-9.4
Finance costs, net	20.8	27.3	32.0	6.8
Provisions	-9.6	-6.4	-13.9	-0.9
<b>Total</b>	<b>55.5</b>	<b>58.7</b>	<b>66.3</b>	<b>20.0</b>

**Net financial items**

Net financial items in consolidated cash flow statement for nine months ended 30 September 2016 include a dividend of EUR 32.9 million paid by Metsä Fibre (nine months ended 30 September 2015: EUR 24.9 million).

**Disposals and other items**

Disposals and other items of EUR 0.8 million for the nine months ended 30 September 2016 include EUR -2.8 million cash flow effect from disposal of structured entity Alrec Boiler Oy consolidated to group accounts as a subsidiary as well as cash inflow arising from sale of emission rights and electricity certificates. Cash flow effect from the sale of Alrec Boiler Oy totalled EUR -5.5 million, of which EUR -2.7 million is recognised in the cash flow from financing activities.

Nine months ended 30 September 2015 Disposals and other items, EUR -35.8 million, include EUR 1.7 million disposals of fixed assets, EUR 0.4 million disposals of other shares as well as EUR -38.2 million effect on cash flow statement related to disposal of Gohrsmühle mill in Germany.

**NOTE 8 – FINANCIAL INSTRUMENTS**

Financial assets and liabilities and their fair values classified according to IAS 39 for the nine months ended 30 September 2016:

**Financial assets 30 September 2016**

EUR million	Fair value through profit & 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		184.8				184.8	184.8
Other non-current financial assets			5.3			5.3	5.3
Accounts receivables and other receivables			267.2			267.2	267.2
Cash and cash equivalent			201.8			201.8	201.8
Derivative financial instruments				0.1		0.1	0.1
<b>Total financial assets</b>	<b>-</b>	<b>184.8</b>	<b>474.3</b>	<b>0.1</b>	<b>-</b>	<b>659.2</b>	<b>659.2</b>

**Financial liabilities 30 September 2016**

EUR million	Fair value through profit & loss	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Non-current interest-bearing financial liabilities			544.6	544.6	566.7
Other non-current financial liabilities			0.1	0.1	0.1
Current interest-bearing financial liabilities			148.4	148.4	150.2
Accounts payable and other financial liabilities			276.1	276.1	276.1
Derivative financial instruments	0.3	5.0		5.3	5.3
<b>Total financial liabilities</b>	<b>0.3</b>	<b>5.0</b>	<b>969.1</b>	<b>974.4</b>	<b>998.3</b>

Financial assets and liabilities and their fair values classified according to IAS 39 for the nine months ended 30 September 2015:

**Financial assets 30 September 2015**

EUR million	Fair value through profit & 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		232.3				232.3	232.3
Other non-current financial assets			10.8			10.8	10.8
Accounts receivables and other receivables			316.0			316.0	316.0
Cash and cash equivalent			321.7			321.7	321.7
Derivative financial instruments				0.4		0.4	0.4
<b>Total financial assets</b>	<b>-</b>	<b>232.3</b>	<b>648.6</b>	<b>0.4</b>	<b>-</b>	<b>881.2</b>	<b>881.2</b>

**Financial liabilities 30 September 2015**

EUR million	Fair value through profit & loss	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Non-current interest-bearing financial liabilities			579.8	579.8	601.1
Other non-current financial liabilities			1.4	1.4	1.4
Current interest-bearing financial liabilities			90.2	90.2	91.9
Accounts payable and other financial liabilities			348.1	348.1	348.1
Derivative financial instruments	-0.1	20.9		20.8	20.8
<b>Total financial liabilities</b>	<b>-0.1</b>	<b>20.9</b>	<b>1,019.4</b>	<b>1,040.2</b>	<b>1,063.2</b>

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

Accounts payable and other financial liabilities do not include advance payments, deferred tax liability 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. Interest bearing receivables are classified according to the IAS standards. 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 0.3–2.0 per cent (30 September 2015: 0.8–2.8).

**Fair value hierarchy of financial assets and liabilities as of 30 September 2016**

EUR million	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Financial assets at fair value through profit or loss, non-current				-
Available for sale financial assets	0.0		184.8	184.8
Financial assets at fair value through profit or loss, current				-
Derivative financial assets	0.1			0.1
<b>Financial liabilities measured at fair value</b>				
Derivative financial liabilities	2.1	3.1		5.3
<b>Financial assets not measured at fair value</b>				
Cash and cash equivalent		201.8		201.8
<b>Financial liabilities not measured at fair value</b>				
Non-current interest-bearing financial liabilities		566.7		566.7
Current interest-bearing financial liabilities		150.2		150.2

**Fair value hierarchy of financial assets and liabilities as of 30 September 2015**

EUR million	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Financial assets at fair value through profit or loss, non-current				-
Available for sale financial assets	0.1		232.2	232.3
Financial assets at fair value through profit or loss, current				-
Derivative financial assets		0.4		0.4
<b>Financial liabilities measured at fair value</b>				
Derivative financial liabilities	19.5	1.3		20.8
<b>Financial assets not measured at fair value</b>				
Cash and cash equivalent		321.7		321.7
<b>Financial liabilities not measured at fair value</b>				
Non-current interest-bearing financial liabilities		601.1		601.1
Current interest-bearing financial liabilities		91.9		91.9

**Financial assets and liabilities measured at fair value based on Level 3**

	<b>2016</b>	<b>2015</b>
<b>EUR million</b>	<b>30.9.</b>	<b>30.9.</b>
Opening balance	210.1	232.9
Total gains and losses in profit or loss	0.1	0.6
Total gains and losses in other comprehensive income	-25.3	-0.7
Purchases	-	-
Settlements	-0.1	-0.6
Closing balance	184.8	232.2

Financial assets and liabilities measured at fair value have been categorised according to IFRS 7

**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 and natural gas 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 open 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 item at fair value not traded on an open market is the investment in Pohjolan Voima shares, reported under available-for-sale financial assets. The valuation technique applied to Pohjolan Voima shares is described in more detail in the 2015 Annual report.

The WACC used in Pohjolan Voima share valuation on 30 September 2016 was 1.53 percent (30.9.2015: 2.52) and 4.53 percent (6.52) for the Olkiluoto 3 under construction. The acquisition cost of shares in Pohjolan Voima Oy is EUR 39.1 million (39.1) and the fair value EUR 180.7 million (228.0).

The carrying amount of available-for-sale financial assets as of 30.9.2016 is estimated to change by EUR 3.0 million should the rate used for discounting the cash flows change by 10 percent from the rate estimated by management. The carrying amount of available-for-sale financial assets is estimated to change by EUR 32.6 million should the energy prices used for calculating the fair value differ by 10 percent from the prices estimated by management.

**Derivatives 30 September 2016**

EUR million	Nominal value	Fair value			Fair value	
		Derivative Assets	Liab.	Fair value Net	Fair value hedges	Derivatives with no hedge accounting
Interest forward agreements						
Interest rate options						
Interest rate swaps	100.0		2.0	-2.0	-2.0	
<b>Interest rate derivatives</b>	<b>100.0</b>		<b>2.0</b>	<b>-2.0</b>	<b>-2.0</b>	
Currency forward agreements	535.6		1.1	-1.1	-0.8	-0.3
Currency option agreements	53.8		0.0	0.0		0.0
Currency swap agreements						
<b>Currency derivatives</b>	<b>589.3</b>		<b>1.1</b>	<b>-1.1</b>	<b>-0.8</b>	<b>-0.3</b>
Electricity derivatives	59.5	0.1	0.2	-0.1	-0.1	
Pulp derivatives						
Oil derivatives	9.7		1.9	-1.9	-1.9	
Other commodity derivatives	3.3		0.0	0.0	0.0	
<b>Commodity derivatives</b>	<b>72.4</b>	<b>0.1</b>	<b>2.1</b>	<b>-2.0</b>	<b>-2.0</b>	
<b>Derivatives total</b>	<b>761.8</b>	<b>0.1</b>	<b>5.3</b>	<b>-5.1</b>	<b>-4.9</b>	<b>-0.3</b>

**Derivatives 30 September 2015**

EUR million	Nominal value	Fair value			Fair value	
		Derivative Assets	Liab.	Fair value Net	Fair value hedges	Derivatives with no hedge accounting
Interest forward agreements						
Interest rate options						
Interest rate swaps	259.4		1.0	-1.0	3.6	-4.6
<b>Interest rate derivatives</b>	<b>259.4</b>		<b>1.0</b>	<b>-1.0</b>	<b>3.6</b>	<b>-4.6</b>
Currency forward agreements	397.5		0.1	-0.1	-0.6	0.5
Currency option agreements	178.7		0.2	-0.2		-0.2
Currency swap agreements						
<b>Currency derivatives</b>	<b>576.2</b>		<b>0.3</b>	<b>-0.3</b>	<b>-0.6</b>	<b>0.2</b>
Electricity derivatives	62.8		14.0	-14.0	-14.0	
Pulp derivatives	6.1	0.4		0.4	0.4	
Oil derivatives	20.1		4.3	-4.3	-4.3	
Other commodity derivatives	5.7		1.1	-1.1	-1.0	-0.1
<b>Commodity derivatives</b>	<b>94.7</b>	<b>0.4</b>	<b>19.5</b>	<b>-19.1</b>	<b>-19.0</b>	<b>-0.1</b>
<b>Derivatives total</b>	<b>930.3</b>	<b>0.4</b>	<b>20.8</b>	<b>-20.4</b>	<b>3.6</b>	<b>-24.1</b>

**NOTE 9 – COMMITMENTS AND GUARANTEES**

EUR million	30.9.2016	30.9.2015	31.12.2015
Liabilities secured by pledges, real estate mortgages and floating charges	138,0	169,0	157.2
Pledges granted	99,3	87,1	91.9
Floating charges	-	3,0	3.0
Real estate mortgages	232,8	232,8	232.8
Total pledges and mortgages	332,0	322,9	327.7
As security for other own commitments	8,7	7,5	8.5
On behalf of associated companies and joint ventures	0,1	0,1	0.1
On behalf of others	0,1	0,1	0.1
Total	341,0	330,6	336.4

Securities and guarantees include pledges, real estate mortgages, floating charges and guarantee liabilities. Metsä Board holds operating leases for certain vehicles and equipment. Leasing liabilities are included in the table above.

**Open derivative contracts**

EUR million	30.9.2016	30.9.2015	31.12.2015
Interest rate derivatives	100,0	259,4	253.4
Currency derivatives	589,3	576,2	557.4
Other derivatives	72,4	94,7	84.3
Total	761,8	930,3	895.1

The fair value of open derivative contracts calculated at market value at the end of the review period was EUR -5.1 million (EUR -20.4 million 30 September 2015).

**Commitments related to property, plant and equipment**

EUR million	30.9.2016	30.9.2015	31.12.2015
Payments due in following 12 months	21.3	21.3	30.7
Payments due later	1.8	6.3	5.9
Total	23.1	27.6	36.6