

## **Metsä Group's operating result for 2013 excluding non-recurring items was EUR 342 million**

### **Operating result excluding non-recurring items was EUR 87 million in October–December**

#### **Full year result for 2013**

- Sales amounted to EUR 4,932 million (2012: EUR 5,001 million).
- Operating result excluding non-recurring items was EUR 342 million (256). Operating result including non-recurring items was EUR 334 million (241).
- Result before taxes excluding non-recurring items was EUR 232 million (147). Including non-recurring items, the result before taxes was EUR 224 million (133).
- Return on capital employed excluding non-recurring items was 9.1 per cent (7.1).
- Cash flow from operations amounted to EUR 488 million (444).

#### **Result for October–December 2013**

- Sales amounted to EUR 1,217 million (10–12/2012: EUR 1,228 million).
- Operating result excluding non-recurring items was EUR 87 million (71). Operating result including non-recurring items was EUR 88 million (77).
- Result before taxes and excluding non-recurring items was EUR 60 million (42). Result before taxes including non-recurring items was EUR 61 million (48).
- Return on capital employed excluding non-recurring items was 9.3 per cent (7.3).

#### **Events during the fourth quarter of 2013**

- Sales and production of pulp continued to be strong.
- Delivery volumes of paperboard decreased from the previous quarter mainly due to seasonal reasons. Delivery volumes of paper were approximately on a par with the previous quarter.
- Negotiations on folding boxboard price increases in Europe were completed, and contract prices will increase slightly in 2014.
- Metsä Wood discontinued the operations of the upgrading and distribution unit in Kaskinen, Finland.
- Metsäliitto Cooperative signed a syndicated credit facilities agreement of EUR 400 million.

#### **Events after the period**

- Metsäliitto Cooperative increased its shareholding in Metsä Tissue in a share transaction on 15 January 2014. The shares represented a total of 6 per cent of the share capital of the company. After the transaction, Metsäliitto Cooperative owns a total of 91 per cent of Metsä Tissue.
- Metsäliitto Cooperative, Metsä Group's parent company, celebrated its 80<sup>th</sup> anniversary on 23 January 2014.



Metsä Group

Financial Statements Bulletin 2013

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**"Metsä Group's full-year operating result improved clearly, while sales remained at the previous year's level. During the past year, we have decreased our net debt, and our equity ratio has improved as planned. Considering the prevailing market conditions, we can also be satisfied with the return on capital employed.**

**Our focused strategy is working well. As a producer of pulp and board, we are among the international leaders. Our strong brand products in tissue and cooking papers match the growing demand well, and the refocused strategy of wood products industry lays a solid foundation for the business area in the future. Our businesses are supported by efficient wood supply, guaranteeing a steady flow of raw material to our mills.**

**Metsä Group is confident about the future. The high-quality raw material acquired from owner-members, state-of-the-art production units, skilled employees and ecological products will continue to be our competitive advantages."**

***Kari Jordan, President & CEO, Metsä Group***



## Metsä Group

<b>Income statement, EUR million</b>	2013	2012	2013	2012
The figures for 2012 are restated	1–12	1–12	10–12	10–12
Sales	4 931.6	5 001.0	1 216.9	1 228.0
Other operating income	81.2	76.8	25.0	25.3
Operating expenses	-4 423.2	-4 587.2	-1 093.5	-1 123.7
Depreciation and impairment losses	-255.1	-249.1	-60.9	-52.5
Operating result	334.4	241.5	87.6	77.2
Share of profit from associates	9.7	4.8	0.5	-0.3
Exchange gains and losses	-4.6	2.4	-2.6	1.1
Other net financial items	-115.9	-115.5	-24.1	-30.3
Result before income tax	223.7	133.2	61.3	47.7
Income taxes	-35.1	-31.8	10.3	2.0
Result for the period	188.7	101.4	71.6	49.7

<b>Profitability</b>	2013	2012	2013	2012
The figures for 2012 are restated	1–12	1–12	10–12	10–12
Operating result, EUR mill.	334.4	241.5	87.6	77.2
- " -, excluding non-recurring items	342.3	255.7	86.6	71.0
- " - % of sales	6.9	5.1	7.1	5.8
Return on capital employed, %	8.9	6.7	9.4	8.0
- " -, excluding non-recurring items	9.1	7.1	9.3	7.3
Return on equity, %	9.9	6.1	14.9	10.8
- " -, excluding non-recurring items	10.3	6.9	14.7	9.4

<b>Financial position</b>	2013	2012	2013	2012
The figures for 2012 are restated	31.12.	31.12.	30.9.	30.9.
Equity ratio, %	38.1	34.8	36.1	34.2
Net gearing ratio, %	76	86	84	90
Interest-bearing net liabilities, EUR mill.	1 486	1 590	1 583	1 648

## Segments

<b>Sales and Operating result January–December 2013 (EUR mill.)</b>	Wood Supply & Forest Services	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers
Sales	1 561.0	897.0	1 313.8	2 019.3	1 000.1
Other operating income	9.3	9.8	18.6	53.0	6.0
Operating expenses	-1 539.6	-872.0	-1 075.8	-1 857.5	-911.4
Depreciation & impairment losses	-2.8	-36.9	-59.9	-101.3	-39.7
Operating result	27.8	-2.1	196.6	113.6	55.1
Non-recurring items	-	17.2	-	-9.2	-0.6
Operating result, excl. non-rec. items	27.8	15.1	196.6	104.4	54.5
- % of sales	1.8	1.7	15.0	5.2	5.4

*Metsä Group is a responsible forest industry group whose products' main raw material is renewable and sustainably grown Northern wood. Metsä Group focuses on tissue and cooking papers, consumer packaging paperboards, pulp, wood products, and wood supply and forest services. Its high-quality products combine renewable raw materials, customer-orientation, sustainable development and innovation. Metsä Group's sales totalled EUR 4.9 billion in 2013, and it employs approximately 11,000 people. The Group operates in some 30 countries. Metsäliitto Cooperative is the parent company of Metsä Group and is owned by approximately 123,000 Finnish forest owners.*

The Financial Statements Bulletin is unaudited

## **METSÄ GROUP**

### **FINANCIAL STATEMENTS 2013**

#### **Sales and result**

Metsä Group's sales in 2013 totalled EUR 4,931.6 million (2012: EUR 5,001.0 million). Closed and restructured units decreased the Group's sales by approximately EUR 76 million compared to 2012.

Operating result excluding non-recurring items was EUR 342.3 million (255.7), or 6.9 per cent of sales (5.1). The operating result was improved by higher delivery volumes of folding boxboard and white-top kraftliner as well as increase in the prices of pulp and bleached chemithermomechanical pulp. Foreign currency-denominated market prices were over 5 per cent higher for softwood pulp and hardwood pulp on average compared with 2012. Euro-denominated prices were 2 per cent higher on average compared with 2012. In addition to higher sales volumes, lower fixed costs and improved production efficiency contributed to the improvement of the operating result of tissue and cooking apers. The Group's fixed costs were approximately 5 per cent lower than in 2012. Losses from closed and restructured units were approximately EUR 9 million lower than in 2012.

Non-recurring items amounted to EUR -7.9 million net (2012: -14.2). A total of EUR 1.0 million net of non-recurring items was recognised during the fourth quarter of the year. Of these, some EUR 5.3 million was related to the sale of land areas and EUR 2.8 million to reversals of previously made provisions. A cost provision of EUR 6.6 million was recognised for landscaping the decommissioned landfill site of the Husum mill in Sweden.

The operating result including non-recurring items was EUR 334.4 million (241.5). Results from associated companies were EUR 9.7 million (4.8), financial income was EUR 8.3 million (15.3), net exchange gains on financial items were EUR -4.6 million (2.4) and financial expenses were EUR 124.1 million (130.8). Financial expenses include additional interest of approximately EUR 8 million, associated with the early repayment of a USD-loan in March. Financial income in the comparison year includes a EUR 7.6 million dividend paid by Pohjolan Voima Oy.

The result before taxes for the period was EUR 223.7 million (133.2) and taxes, including changes in deferred tax liabilities, were EUR 35.1 million (31.8). The net result for the period was EUR 188.7 million (101.4).

Excluding non-recurring items, the Group's return on capital employed was 9.1 per cent (7.1) and the return on equity was 10.3 per cent (6.9). Including non-recurring items, the return on capital employed was 8.9 per cent (6.7) and the return on equity was 9.9 per cent (6.1).

#### **Sales and operating result in October–December**

Metsä Group's sales for the last quarter of the year were EUR 1,216.9 million (10–12/2012: EUR 1,228.0 million). The operating result excluding non-recurring items was EUR 86.6 million (71.0), and the operating result including non-recurring items was EUR 87.6 million

(77.2). Compared to the third quarter, the operating result excluding non-recurring items improved by EUR 13.6 million.

### **Balance sheet and financing**

Metsä Group's liquidity is good. Total liquidity at the end of December was EUR 1,188.4 million (31 December 2012: 1,167.8). This consisted of EUR 452.7 million (518.5) of liquid assets and investments and EUR 735.7 million (649.3) of committed credit facility agreements not included on the balance sheet.

The liquidity reserve of the Group is complemented by uncommitted commercial paper programmes and credit facilities amounting to EUR 174.7 million (31 December 2012: 526.5). The amount of available commercial paper programmes was adjusted during 2013 to match the Group's size and needs.

The Group's equity ratio at the end of December was 38.1 per cent and net gearing was 76 per cent (31 December 2012: 34.8 and 86, respectively). Interest-bearing net liabilities stood at EUR 1,486.1 million (31 December 2012: 1,590.0).

Cash flow from operations amounted to EUR 488.3 million (443.5). EUR 55.0 million was released from working capital during the fourth quarter, but EUR 47.6 million has been tied to working capital since the beginning of the year (2012: released 82.1).

The change in the fair value of investments available for sale was EUR -57.9 million, related primarily to the decline in the fair value of Pohjolan Voima Oy's shares due to the change in forward prices of electricity.

The equity ratio of the parent company Metsäliitto Cooperative was 62.3 per cent at the end of December and net gearing was 16 per cent (31 December 2012: 61.0 and 21, respectively).

During January–December, Metsäliitto Cooperative's members' capital increased by a total of EUR 61.8 million (45.4). The actual members' capital grew by EUR 2.7 million (2.4), the additional members' capital A by EUR 38.9 million (28.9) and the additional members' capital B by EUR 34.6 million (14.2). The increase in additional members' capital B includes EUR 14.4 million transferred from the additional members' capital C.

At the beginning of April, Metsä Board repaid the remaining portion of EUR 450 million of the EUR 500 million eurobond and drew EUR 500 million of the syndicated credit agreement signed in May 2012. In December, Metsä Board prepaid the EUR 150 million term loan of its syndicated credit facility drawn-down in April. The agreed original maturity date of the loan was 30 June 2014. Metsä Board concurrently drew a EUR 75 million pension premium loan and a EUR 50 million bank loan.

In May, Moody's Investors Service upgraded Metsä Board's credit rating from B3 to B2. The outlook of the rating was upgraded from stable to positive in December. Standard & Poor's Rating Services upgraded Metsä Board's credit rating from B- to B in August and from B to B+ in December. The outlook of the rating is stable. The upgraded credit ratings did not have an impact on Metsä Board's current financial costs.

In April, Metsä Tissue signed a syndicated loan agreement of EUR 200 million. The loan was used to refinance the syndicated loan maturing in September 2013.

Metsäliitto Cooperative signed a syndicated credit facilities agreement of EUR 400 million in December. The loan was used to refinance the syndicated facility maturing in April.

On 30 September 2013, Metsäliitto Cooperative and Metsä Board entered into an agreement on an arrangement whereby Metsäliitto Cooperative fully acquired the ownership of Metsä Group Treasury Oy (formerly Metsä Group Financial Services Oy), which is the Group's internal bank. The arrangement had no impact on the key ratios of Metsä Group.

### **Personnel**

Metsä Group employed an average of 11,222 people in January–December (1–12 2012: 11,986). At the end of December, the number of personnel in the Group was 10,741 (31 December 2012: 11,447), of whom 5,238 (5,414) worked in Finland and 5,503 (6,033) in other countries. The parent company Metsäliitto Cooperative employed 2,579 people at the end of December (31 December 2012: 2,645).

### **Members**

At the end of the year, Metsäliitto Cooperative had 123,275 members (31 December 2012: 124,255). During the year, 2,233 new members joined the Cooperative and 3,213 members cancelled their membership.

### **Investments**

Metsä Group's capital expenditure totalled EUR 206.6 million (204.5) in 2013. In addition, Metsä Board and Metsä Fibre committed to investing in shares in Pohjolan Voima Oy for approximately EUR 6 million and EUR 2 million, respectively.

Metsä Tissue's EUR 55 million investment in the Krapkowice mill in Poland was completed. The investment includes two new state-of-the-art tissue paper machines, a new away-from-home product converting line, as well as a new converting and logistics facility.

In order to increase the share of renewable energy, Katrinefors Kraftvärme AB, a 50/50 joint venture owned by Metsä Tissue and the local municipal energy company VänerEnergi AB, started the construction of a new bioenergy plant in Mariestad, Sweden, in conjunction with the Metsä Tissue mill. With the bioenergy plant, the oil usage of Metsä Tissue's Mariestad mill will decrease by 90 per cent and its carbon dioxide emissions will decrease by 6,000 tonnes. The total investment will amount to approximately EUR 30 million, of which Metsä Tissue's share will be 50 per cent. The power plant will become operational by the end of 2014.

Metsä Tissue will also build a new converting line of approximately EUR 10 million to be commissioned in summer 2014 at the Mariestad mill. Paper machine 1 of the Raubach mill in Germany was upgraded, and Metsä Tissue inaugurated a new converting and logistics facility in Russia.

The change of the pulp manufacturing process at Metsä Fibre's Joutseno mill in Finland to polysulphide digestion was completed in May, and Metsä Fibre launched the Botnia Nordic

Plus softwood pulps in the summer. They include new technical properties that customers can utilise in the development of their own processes.

In June, it was decided to renew the bottom and modernise the air system of the recovery boiler at the Joutseno mill. The renewal of the recovery boiler bottom will ensure the operational reliability and boiler safety of the mill, while the modernisation of the air system will decrease the nitrogen oxide emissions of flue gases. In August, it was also decided to renew the woodchip silo and enhance the odorous gases treatment system of the woodchip silo at the Joutseno mill. The investment will improve the mill's operational reliability and decrease the mill's odorous gas emissions. The investments will be commissioned in June 2014.

The renewal of the automation system of Metsä Fibre's Kemi pulp mill in Finland has begun, and the investment project will be fully completed by 2015.

The new infeed, saw line and green sorting lines at Metsä Wood's Vilppula sawmill in Finland started as planned in September. The benefits of the approximately EUR 30 million investment in the sawmill include better production efficiency and the ability to respond to various customer needs as a result of the added flexibility.

## **Business areas**

### *Wood Supply and Forest Services*

Metsä Forest's sales totalled EUR 1,561.0 million (2012: 1,515.4) and operating result amounted to EUR 27.8 million (20.2). Sales for the last quarter of the year were EUR 393.4 million (10–12/2012: 375.6) and operating result was EUR 7.1 million (7.0). The operating result does not include non-recurring items.

In Finland, wood trade volumes were above average during the year. After slowing down during the summer, the wood trade picked up and reached the previous year's level. Metsä Forest actively bought all timber grades through standing and delivery sales. In the autumn, demand focused on log intensive regeneration sites, summer thinning and energy wood. Procurement of forest energy developed favourably, and sales of forestry services continued to grow.

Metsä Forest delivered approximately 30 million cubic metres (30) of wood raw material to its customers, of which approximately 83 per cent went to industry in Finland. The majority of wood in Finland was sourced from Metsäliitto Cooperative's members, and the purchases from the Finnish private forests were higher than planned.

The functioning of the round softwood export licence system in Russia improved during the summer, even though the related bureaucracy still hampered exports. There was a good supply of wood, and prices were stable. There was an oversupply of fibre wood in the Baltic market, but sawmills suffered from the scarce availability of logs. In Sweden, the availability of timber from private forests was scarce, but wood supply from company-owned and state-owned forests continued normally.

Various events were arranged for the members of Metsäliitto Cooperative, including the Metsäpäivä (“Forest Day”) event in the Helsinki region, attracting over 3,000 visitors. Taimiturva, the most extensive regeneration service on the market, was added to the service portfolio offered to Metsäliitto Cooperative’s members in the spring. The service allows forest owners to purchase a stand with an average height of 1.3 metres and in accordance with the targeted density. The development of the Metsäverkko internet service also continued with the implementation of new functionalities.

Statutory labour negotiations on the preliminary plan to enhance operational control and restructure Metsä Forest were commenced in December. The negotiations concerned all personnel in Finland, excluding loggers, and the international wood supply country companies. The negotiations were completed on 15 January 2014, and the new organisation will take effect on 1 April 2014.

#### *Wood Products*

Metsä Wood’s sales totalled EUR 897.0 million (2012: 904.2) and the operating result excluding non-recurring items was EUR 15.1 million (18.6). The operating result including non-recurring items was EUR -2.1 million (16.3).

During the first half of the year, sales and profitability were on the previous year’s level, but financial performance was poorer during the latter half of the year compared with the previous year. Sales for the last quarter of the year were EUR 213.7 million (10–12/2012: 216.0) and the operating result excluding non-recurring items was EUR 1.8 million (1.8).

Uncertainty and the limited availability of financing for construction projects hampered the construction market in parts of Europe. However, in the United Kingdom, the economy and construction began to pick up gradually. Demand outside Europe, Asia in particular, increased.

Metsä Wood’s strong position in wood construction supported the sales of Kerto and other building products. The development of demand levelled off towards the end of the year according to ordinary seasonal fluctuations. Industrial use of plywood products increased in the main markets, and profitability developed favourably towards the end of the year due to the efficiency measures taken.

The market balance of sawn timber remained moderate throughout the year. The slight positive price trend of sawn timber was not sufficient to offset the effect of concurrently increasing rawmaterial prices. The production shutdown due to the investment in the Vilppula sawmill limited the delivery volumes of sawn timber.

Industrial use of Metsä Wood products was promoted during the year. The transport and logistics company DB Schenker, for example, chose Metsä Wood’s wooden structures for the 12,000-square-metre expansion of its terminal in Vantaa, Finland. Metsä Wood delivered the frame, roof and external walls of the terminal expansion, including their installation. Construction work began in May 2013.

All of the shares of Metsä Wood Merk GmbH were sold to the German-based Ed. Züblin AG Group, which is part of the Strabag Group, in April 2013. The transaction will support Metsä



Wood's focus on wood construction system and component solutions in the Central European market. The parties concurrently agreed on long-term cooperation, with both companies selling each other's products.

Metsä Wood announced in April that it will restructure its functions and launched an efficiency programme to improve the company's competitiveness and profitability. In connection with the efficiency programme, the company launched negotiations on the reduction of personnel. The negotiations resulted in the company's personnel being decreased by 73 people in Finland and 135 people in the United Kingdom. In addition, the closing down of the Casteljaloux sawmill and converting unit in France resulted in the employment contracts of 31 employees being terminated at the end of the year.

Metsä Wood announced in August that it was planning to discontinue the operations of the upgrading and distribution unit in Kaskinen, Finland. No commercially viable options could be found to continue the operations during the statutory labour negotiation procedure. The operations of the unit were closed down at the end of the year, and the number of personnel was decreased by a total of 51 people.

### *Pulp*

Metsä Fibre's sales totalled EUR 1,313.8 million (2012: 1,273.9), and profitability improved year-on-year. The operating result excluding non-recurring items was EUR 196.6 million (148.1). The key factors contributing to the improvement of sales and operating result were increased pulp prices and sales volumes. The market began to grow during the first quarter, and slight increase continued throughout the year. The demand for bleached market pulp grew by approximately 9 per cent in China compared with 2012.

The softwood pulp market remained balanced. The supply of short-fibre pulp increased slightly due to new capacity. The price trend of pulp was positive throughout the year, especially in softwood pulp, with the price increased by USD 100 during the year to USD 910 per tonne.

Metsä Fibre's deliveries of pulp amounted to 2,297,000 tonnes (2,258,000), of which 888,000 tonnes went to shareholders (905,000) and 1,409,000 to market customers (1,353,000). Metsä Fibre's mills reached a new annual production record of 2,297,000 tonnes in 2013 (2012: 2,237,000). New annual production records were reached at the Kemi and Rauma mills in Finland, as well as at the Metsä Svir sawmill in Russia.

Metsä Fibre's sales for the last quarter of the year were EUR 339.8 million (10–12/2012: 321.4) and the operating result excluding non-recurring items was EUR 51.1 million (30.8).

Metsä Fibre's wood consumption totalled 12.5 million cubic metres (12.2) in 2013. Of this, softwood accounted for approximately 82 per cent. Of the wood, 87 per cent came from certified forests, most of which have been certified under the Finnish PEFC standard.

The change of the pulp manufacturing process at the Joutseno mill to polysulphide digestion was completed during the year. In addition, a decision was made to renew the bottom of the recovery boiler of the Joutseno mill and modernise its air system, as well as to renew the

woodchip silo and make its odorous gas treatment system more effective. An upgrade of the automation system of the Kemi pulp mills was started.

The most significant R&D project in 2013 was to support the adoption of polysulphide pulp. In addition, decreasing the use of water in the pulp process was investigated, among other things. The feasibility study on the construction of a biogas-generating refinery at the Joutseno mill in cooperation with Helsingin Energia and Gasum was continued with an environmental impact assessment, and the authorities' statement on it was completed in December.

#### *Paperboard and Paper*

Metsä Board's sales totalled EUR 2,019.3 million (2012: 2,107.6) and the operating result excluding non-recurring items was EUR 104.4 million (74,9). Non-recurring items in the operating result totalled EUR +9.2 million net (+146.2).

The operating result was improved by the considerable increase in the delivery volumes of folding boxboard and white-top kraftliner, as well as reduced losses in the units which were closed down and restructured, as well as the increase in pulp and chemithermomechanical pulp prices. The price of white-top kraftliner was slightly higher than in the previous year, but the average selling prices of folding boxboard and papers were slightly lower. The operating result was also impaired by the weakening of the US dollar and pound sterling and strengthening of the Swedish krona against the euro.

Sales in the last quarter of the year amounted to EUR 479.2 million (10–12/2012: 508.5) and the operating result excluding non-recurring items was EUR 29.3 million (23.6).

Metsä Board's operating result including non-recurring items was EUR 113.6 million (221.1). Net interest and other financial expenses were EUR 54.7 million (52.3) and exchange gains/losses recognised in financial items were EUR -1.1 million (5.0). Financial expenses were higher compared with the comparison period mainly due to the early repayment of a USD-denominated loan. Pohjolan Voima Oy also paid a dividend of EUR 5.5 million in the comparison period.

Excluding non-recurring items, the result before taxes was EUR 48.6 million (27.7), earnings per share were EUR 0.17 (0.13) and the return on capital employed was 6.4 per cent (4.8). Including non-recurring items, the result before taxes was EUR 57.8 million (173.9), earnings per share were EUR 0.19 (0.52) and the return on capital employed was 7.0 per cent (12.4).

At the end of December, Metsä Board's equity ratio was 40.7 per cent and net gearing was 70 per cent (31 December 2012: 33.2 and 73, respectively). The sale of Metsä Group Treasury Oy to Metsäliitto Cooperative at the end of September clearly decreased Metsä Board's interest-bearing liabilities and liquid assets, but the impact on interest-bearing net liabilities was low. As a result of the arrangement, the equity ratio of Metsä Board improved by approximately 5 percentage points and the return on capital employed by approximately 1 percentage point.

Metsä Board announced in November that it would renew its management and reporting structure to better reflect the company's strategy and to create a better platform for growth in

the folding boxboard and kraftliner businesses. Metsä Board operates through two business areas: Cartonboard, and Linerboard and Paper. These will also be Metsä Board's reporting segments as of the first quarter of 2014.

Metsä Board's financial statements were published on 6 February 2014.

#### *Tissue and Cooking Paper*

Metsä Tissue's sales totalled EUR 1,000.1 million (2012: 981.5). The sales of Metsä Tissue's own brands remained stable in Finland and Scandinavia. Proportionally, sales of Metsä Tissue's own brands grew the most in Russia and Central Eastern Europe.

The operating result excluding non-recurring items was EUR 54.5 million (41.9). In addition to growth in sales, factors that contributed to the improvement in the operating result included the lower fixed costs resulting from organisational restructuring and the increase in production efficiency.

Sales for the last quarter of the year amounted to EUR 258.5 million (10–12/2012: 254.1) and the operating result excluding non-recurring items was EUR 14.7 million (13.5).

Metsä Tissue's investment programme at the Krapkowice mill in Poland was completed according to plan. The value of the programme is EUR 55 million. The investment included two new tissue paper machines, a new away-from-home product converting line and a modern logistics facility. Following the modernisation, the Krapkowice mill is among the most efficient tissue paper mills in Europe.

A new converting and logistics facility was inaugurated in Vorsino, Russia, during the spring. The unit will serve the needs of the growing tissue markets in Moscow, St. Petersburg and other major cities.

Katrinefors Kraftvärme AB, a joint venture in which Metsä Tissue has a 50 per cent holding, announced that it will build a bioenergy plant on the Mariestad mill site in Sweden. In addition, Metsä Tissue will build a new converting line at the Mariestad mill.

Metsä Tissue launched dozens of consumer and away-from-home products during 2013. A four-layer toilet paper was launched in the autumn in the Finnish, Scandinavian, Baltic and Russian markets. A stronger household towel, designed specifically for kitchen use, was also launched in Scandinavia.

#### **Events after the period**

Metsäliitto Cooperative increased its shareholding in Metsä Tissue in a share transaction on 15 January 2014. Metsäliitto Cooperative purchased shares representing a total of 6 per cent of the share capital of Metsä Tissue Corporation from Jozef Antošík. Following the transaction, Metsäliitto Cooperative holds a total of 91 per cent of the share capital of Metsä Tissue and Jozef Antošík 9 per cent.

**Risks and uncertainties**

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

The risks related to the Group's business have been explained more extensively in Metsä Group's Annual Report for 2012.

**Pending disputes**

In March 2011, the state enterprise Metsähallitus filed a claim for damages at the District Court of Helsinki, demanding that Metsäliitto Cooperative and two other forest industry companies jointly pay compensation for alleged damage caused by prohibited cooperation with regard to prices in the raw wood market. The claim is related to the 3 December 2009 decision by the Market Court which states that the aforementioned companies have violated the act on competition restrictions in the raw wood market. In addition, some municipalities, parishes and a group of individuals in Finland have instituted similar proceedings. The total amount of all claims that Metsäliitto Cooperative is aware of and that were directed at Metsäliitto Cooperative and the other aforementioned companies jointly is approximately EUR 215 million, of which approximately EUR 72 million is directed at Metsäliitto Cooperative alone. In addition, the aforementioned proceedings are associated with interest, value added tax claims and legal process expenses. Metsäliitto Cooperative's view is that the claims for damages are unfounded, and the company has not recognised any provisions regarding them.

UPM-Kymmene Corporation launched arbitration proceedings in November 2012, whereby it claims jointly from Metsäliitto Cooperative and Metsä Board primarily EUR 58.5 million in damages, and secondarily the return of a EUR 58.5 million claimed unjust enrichment. The claims are based on an alleged breach of the tag-along clause specified in Metsä Fibre's shareholders' agreement signed in 2009. Metsäliitto Cooperative considers the claim unfounded and has not booked provisions related to the claim. The arbitral tribunal is expected to render its final decision during the first quarter of 2014.

**Near-term outlook**

The wood orders of Metsä Forest's customers for 2014 are at a normal level. The demand for wood continues to be steady for all timber grades.

The demand for wood products will continue to be stable within the normal seasonal fluctuation range. The industrial and sawn timber product market is expected to be reasonably balanced during the first quarter. However, the outlook for construction and upgrading business is challenging in large part of the main market areas.

The start-up of competitors' new short-fibre pulp mills in South America and increasing production volumes during the first two quarters will have a substantial impact on the pulp market. On the other hand, the favourable development is supported by the low levels of softwood pulp suppliers' stock, delays in additional capacity projects and China's



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investments in tissue paper and board production capacity. The Asian market will become even more important to Metsä Fibre.

The delivery volumes of folding boxboard and white-top kraftliner are expected to increase slightly during the first quarter of 2014. Metsä Board increased the prices of folding boxboard in Europe during the fourth quarter of 2013, but no significant changes in the average price of white-top kraftliner are expected in the near future.

Delivery volumes of uncoated fine paper and coated papers are expected to be approximately at the previous quarter's level in the first quarter of 2014. Still no significant changes in paper prices are expected.

The demand for tissue and cooking papers is expected to continue its favourable development. However, changes in the prices of energy and raw materials will have a significant effect on the development of the company's operating result. These costs increasing and the local availability, quality and price of recycled paper will present significant challenges in 2014.

Metsä Group's operating result excluding non-recurring items in the first quarter of 2014 is expected to slightly improve from the fourth quarter of 2013.

#### **Proposal for interest on members' capital**

Metsäliitto Cooperative's Board of Directors has decided to propose to the Supervisory Board that an interest of 5.5 per cent, and an additional 1.0 per cent to celebrate the parent company's anniversary, altogether 6.5 per cent (5.5 for 2012), be distributed on the statutory capital invested by the members for 2013. An interest of 5.0 per cent (5.0) is proposed for additional members' capital A, and an interest of 4.5 per cent (4.5) for additional members' capital B.

The proposal of the Board of Directors will be dealt with in April by Metsäliitto Cooperative's Supervisory Board, which, in turn, will make a proposal on the interest on members' capital to the Representative Council meeting in May.

Espoo, Finland, 6 February 2014

Board of Directors

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

Vesa-Pekka Takala, CFO, Metsä Group, tel. +358 (0)10 465 4260

Reeta Kaukiainen, SVP, Communications, Metsä Group, tel. +358 (0)10 465 4541,  
+358 (0)50 522 0924

**SEGMENTS**

The figures for 2012 are restated  
(EUR million)

<b>Wood Supply and Forest Services</b>	1–12/13	1–12/12	10–12/13	10–12/12
Sales	1 561.0	1 515.4	393.4	375.6
EBITDA	30.7	22.9	7.8	7.8
- " -, excl. non-recurring items	30.7	22.9	7.8	7.8
Depreciation and impairment	-2.8	-2.7	-0.7	-0.8
Operating result	27.8	20.2	7.1	7.0
- " -, excl. non-recurring items	27.8	20.2	7.1	7.0
- " -, % of sales	1.8	1.3	1.8	1.9
ROCE excl. non-rec. items, %	25.6	17.1	23.5	27.2
Capital expenditure	5.4	5.9	1.6	2.0
Personnel at end of period	919	1 007	919	1 007

<b>Wood Products Industry</b>	1–12/13	1–12/12	10–12/13	10–12/12
Sales	897.0	904.2	213.7	216.0
EBITDA	34.8	47.5	8.6	9.0
- " -, excl. non-recurring items	44.0	49.7	8.6	10.0
Depreciation and impairment	-36.9	-31.1	-6.6	-8.2
Operating result	-2.1	16.3	2.0	0.7
- " -, excl. non-recurring items	15.1	18.6	1.8	1.8
- " -, % of sales	1.7	2.1	0.8	0.8
ROCE excl. non-rec. items, %	5.1	5.5	4.6	2.1
Capital expenditure	43.5	26.8	10.2	9.4
Personnel at end of period	2 490	2 749	2 490	2 749

<b>Pulp Industry</b>	1–12/13	1–12/12	10–12/13	10–12/12
Sales	1 313.8	1 273.9	339.8	321.4
EBITDA	256.5	207.5	64.9	45.7
- " -, excl. non-recurring items	256.5	207.5	64.9	45.7
Depreciation and impairment	-59.9	-57.0	-13.8	-15.0
Operating result	196.6	150.5	51.1	30.8
- " -, excl. non-recurring items	196.6	148.1	51.1	30.8
- " -, % of sales	15.0	11.6	15.0	9.6
ROCE excl. non-rec. items, %	28.9	22.5	28.7	17.5
Capital expenditure	26.6	35.3	8.6	6.5
Personnel at end of period	873	876	873	876

<b>Paperboard and Paper Industry</b>	1–12/13	1–12/12	10–12/13	10–12/12
Sales	2 019.3	2 107.6	479.2	508.5
EBITDA	214.8	321.4	56.7	53.8
- " -, excl. non-recurring items	208.0	186.0	55.5	49.0
Depreciation and impairment	-101.3	-100.3	-26.2	-14.4
Operating result	113.6	221.1	30.5	39.4
- " -, excl. non-recurring items	104.4	74.9	29.3	23.6
- " -, % of sales	5.2	3.6	6.1	4.6
ROCE excl. non-rec. items, %	6.4	4.8	7.9	5.4
Capital expenditure	66.9	66.1	20.2	28.2
Personnel at end of period	3 116	3 279	3 116	3 279

<b>Tissue and Cooking Papers</b>	1–12/13	1–12/12	10–12/13	10–12/12
Sales	1 000.1	981.5	258.5	254.1
EBITDA	94.8	77.8	24.6	17.5
- " -, excl. non-recurring items	94.2	84.6	24.6	24.2
Depreciation and impairment	-39.7	-42.7	-9.9	-10.7
Operating result	55.1	35.1	14.7	6.7
- " -, excl. non-recurring items	54.5	41.9	14.7	13.5
- " -, % of sales	5.4	4.3	5.7	5.3
ROCE excl. non-rec. items, %	8.5	6.8	9.3	8.5
Capital expenditure	53.0	64.3	29.4	15.9
Personnel at end of period	2 837	3 035	2 837	3 035

<b>Other operations</b>	1–12/13	1–12/12	10–12/13	10–12/12
Sales	5.8	3.3	1.7	0.6
EBITDA	-5.0	72.7	-4.1	-0.3
- " -, excl. non-recurring items	-4.6	-0.9	-3.7	0.1
Depreciation and impairment	-2.0	-5.0	-0.6	-3.8
Operating result	-7.0	67.7	-4.7	-4.1
- " -, excl. non-recurring items	-6.6	-5.9	-4.3	-3.7
Capital expenditure	17.2	17.0	3.7	4.2
Personnel at end of period	507	501	507	501

Other operations include among others Metsä Group's service and holding functions as well as a 48.98% share of Metsätapiola's real estate operations.

<b>Internal sales and eliminations</b>	1–12/13	1–12/12	10–12/13	10–12/12
Sales	-1 865.4	-1 784.8	-469.3	-448.1
EBITDA	-37.1	-259.2	-9.9	-3.9
- " -, excl. non-recurring items	-37.1	-31.9	-9.9	-2.4
Depreciation and impairment	-12.5	-10.2	-3.2	0.5
Operating result	-49.6	-269.4	-13.1	-3.4
- " -, excl. non-recurring items	-49.6	-42.1	-13.1	-1.9

<b>Metsä Group</b>	1–12/13	1–12/12	10–12/13	10–12/12
Sales	4 931.6	5 001.0	1 216.9	1 228.0
EBITDA	589.6	490.6	148.5	129.6
- " -, excl. non-recurring items	591.7	517.9	147.7	134.4
Depreciation and impairment	-255.1	-249.1	-60.9	-52.5
Operating result	334.4	241.5	87.6	77.2
- " -, excl. non-recurring items	342.3	255.7	86.6	71.0
- " -, % of sales	6.9	5.1	7.1	5.8
ROCE excl. non-rec. items, %	9.1	7.1	9.3	7.3
Capital expenditure	206.6	204.5	73.3	57.7
Personnel at end of period	10 741	11 447	10 741	11 447

EBITDA = Operating result before depreciation and impairment losses.

ROCE = Return on capital employed



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6 February 2014 at noon

<b>Quarterly data</b> (EUR million)	2013 10–12	2013 7–9	2013 4–6	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
<b>Sales</b>								
Wood Supply and Forest Services	393.4	352.5	392.2	422.8	375.6	350.8	384.8	404.1
Wood Products Industry	213.7	207.6	260.2	215.5	216.0	217.0	249.4	221.8
Pulp Industry	339.8	341.6	309.3	323.1	321.4	326.6	300.4	325.5
Paperboard and Paper Industry	479.2	502.3	502.8	535.0	508.5	532.3	522.2	544.6
Tissue and Cooking Papers	258.5	247.8	243.8	250.1	254.1	248.5	235.4	243.5
Other operations	1.7	2.1	1.1	1.0	0.6	1.0	0.8	0.9
Internal sales	-469.3	-440.9	-468.8	-486.4	-448.1	-434.0	-446.2	-456.5
<b>Sales total</b>	<b>1 216.9</b>	<b>1 213.0</b>	<b>1 240.5</b>	<b>1 261.1</b>	<b>1 228.0</b>	<b>1 242.2</b>	<b>1 246.9</b>	<b>1 283.9</b>
<b>Operating result</b>								
Wood Supply and Forest Services	7.1	5.5	7.7	7.4	7.0	1.9	5.3	6.0
Wood Products Industry	2.0	-12.8	4.5	4.3	0.7	-0.8	12.1	4.2
Pulp Industry	51.1	50.7	47.5	47.3	30.8	40.3	34.6	44.8
Paperboard and Paper Industry	30.5	19.3	28.9	34.8	39.3	23.4	162.0	-3.6
Tissue and Cooking Papers	14.7	12.8	13.9	13.7	6.7	11.4	7.0	10.0
Other operations	-4.7	1.1	-2.5	-0.9	-4.1	-5.2	78.7	-1.7
Eliminations	-13.1	-13.3	-10.7	-12.5	-3.3	-14.0	-237.4	-14.6
<b>Operating result total</b>	<b>87.6</b>	<b>63.3</b>	<b>89.3</b>	<b>94.2</b>	<b>77.2</b>	<b>57.0</b>	<b>62.2</b>	<b>45.1</b>
- % of sales	7.2	5.2	7.2	7.5	6.3	4.6	5.0	3.5
<b>Share of results from associated companies</b>	0.5	-0.2	2.8	6.7	-0.3	1.1	4.9	-1.0
<b>Exchange gains and losses</b>	-2.6	-2.0	-0.2	0.2	1.1	1.7	-1.7	1.3
<b>Other net financial items</b>	-24.1	-30.0	-23.0	-38.8	-30.3	-35.2	-14.5	-35.3
<b>Result before income tax</b>	<b>61.3</b>	<b>31.2</b>	<b>69.0</b>	<b>62.3</b>	<b>47.7</b>	<b>24.6</b>	<b>50.9</b>	<b>10.1</b>
<b>Income tax</b>	<b>10.3</b>	<b>-10.6</b>	<b>-18.8</b>	<b>-16.0</b>	<b>2.0</b>	<b>-8.6</b>	<b>-16.8</b>	<b>-8.5</b>
<b>Result for the period</b>	<b>71.6</b>	<b>20.6</b>	<b>50.2</b>	<b>46.3</b>	<b>49.7</b>	<b>16.0</b>	<b>34.1</b>	<b>1.6</b>

<b>Operating result excl. non-rec. items</b>	2013 10–12	2013 7–9	2013 4–6	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Wood Supply and Forest Services	7.1	5.5	7.7	7.4	7.0	1.9	5.3	6.0
Wood Products Industry	1.8	-2.8	11.8	4.3	1.8	0.5	12.1	4.2
Pulp Industry	51.1	50.7	47.5	47.3	30.8	40.3	34.6	42.5
Paperboard and Paper Industry	29.3	18.9	26.0	30.2	23.5	25.5	19.8	6.1
Tissue and Cooking Papers	14.7	12.8	13.9	13.1	13.5	11.5	7.0	10.0
Other operations & eliminations	-17.4	-12.2	-13.2	-13.3	-5.7	-11.9	-14.9	-15.8
<b>Operating result total</b>	<b>86.6</b>	<b>73.0</b>	<b>93.7</b>	<b>89.0</b>	<b>71.0</b>	<b>67.8</b>	<b>63.9</b>	<b>53.0</b>
- % of sales	7.1	6.0	7.6	7.1	5.8	5.5	5.1	4.1



**Calculation of key ratios**

Return on capital employed (%) ROCE	=	(Result before tax + exchange gains/losses and other net financial expenses) per (Balance total - non-interest-bearing liabilities (average))
Return on equity (%) ROE	=	(Result before tax - income taxes) per (Members' funds (average))
Equity ratio (%)	=	(Members' funds) per (Balance total - advance payments received)
Net gearing ratio (%)	=	(Interest bearing borrowings – cash and cash equivalents - interest-bearing receivables) per (Members' funds)

## FINANCIAL STATEMENTS

Unaudited

The figures for 2012 are restated

### METSÄ GROUP

<b>Condensed consolidated statement of comprehensive income, EUR million</b>		2013	2012		2013	2012
	Note	1–12	1–12	Change	10–12	10–12
<b>Sales</b>	2	<b>4 931.6</b>	<b>5 001.0</b>	<b>-69.4</b>	<b>1 216.9</b>	<b>1 228.0</b>
Change in stocks of finished goods and work in progress		31.2	-13.4	44.5	24.1	13.0
Other operating income		81.2	76.8	4.3	25.0	25.3
Material and services		-3399.1	-3462.4	63.4	-847.4	-871.9
Employee costs		-692.2	-705.5	13.3	-167.7	-169.0
Depreciation, amortization and impairment losses		-255.1	-249.1	-6.0	-60.9	-52.5
Other operating expenses		-363.1	-406.0	42.9	-102.5	-95.7
<b>Operating result</b>	2	<b>334.4</b>	<b>241.5</b>	<b>93.0</b>	<b>87.6</b>	<b>77.2</b>
Share of results from associated companies		9.7	4.8	4.9	0.5	-0.3
Exchange gains and losses		-4.6	2.4	-7.0	-2.6	1.1
Other net financial items	2	-115.9	-115.5	-0.4	-24.1	-30.3
<b>Result before income tax</b>		<b>223.7</b>	<b>133.2</b>	<b>90.5</b>	<b>61.3</b>	<b>47.7</b>
Income taxes	3	-35.1	-31.8	-3.2	10.3	2.0
<b>Result for the period</b>		<b>188.7</b>	<b>101.4</b>	<b>87.3</b>	<b>71.6</b>	<b>49.7</b>
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit and loss</b>						
Items relating to adjustments of defined benefit plans		2.4	-25.3	27.7	10.2	0.0
Income tax relating to items that will not be reclassified		-0.1	7.1	-7.3	-2.8	0.0
Total		2.3	-18.1	20.4	7.4	0.0
<b>Items that may be reclassified subsequently to profit and loss</b>						
Cash flow hedges		-2.5	-0.5	-2.0	-9.6	0.3
Available for sale financial assets		-57.9	-17.3	-40.6	-5.0	10.9
Currency translation differences		-20.3	15.2	-35.5	-11.2	-7.6
Other items		-0.2	0.1	-0.2	-0.2	0.0
Income tax relating to items that may be reclassified		22.3	5.3	17.0	11.8	-7.4
Total		-58.5	2.8	-61.3	-14.1	-3.6
<b>Other comprehensive income, net of tax</b>		<b>-56.2</b>	<b>-15.3</b>	<b>-40.9</b>	<b>-6.7</b>	<b>-3.6</b>
<b>Total comprehensive income for the period</b>		<b>132.5</b>	<b>86.1</b>	<b>46.4</b>	<b>64.9</b>	<b>27.9</b>

#### Result attributable to:

Members of parent company	109.2	59.2	50.0	37.3	24.4
Non-controlling interests	79.5	42.1	37.3	34.3	25.3
	188.7	101.4	87.3	71.6	49.7

#### Total comprehensive income attributable to:

Members of parent company	83.1	49.6	33.6	35.5	10.4
Non-controlling interests	49.3	36.5	12.9	29.4	17.6
	132.5	86.1	46.4	64.9	27.9

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

## Unaudited

The figures for 2012 are restated

**Condensed consolidated balance sheet**

EUR million	Note	2013 31.12.	2012 31.12.	2012 1.1.
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		529.0	533.8	528.5
Other intangible assets		254.2	238.9	232.2
Tangible assets	4	1 988.3	2 073.3	2 129.0
Biological assets		11.1	8.4	8.5
Investments in associated companies		73.0	66.6	69.6
Available for sale investments		305.7	356.2	367.9
Non-current financial assets		20.1	13.9	11.5
Deferred tax receivables		47.0	70.4	65.4
		<b>3 228.4</b>	<b>3 361.4</b>	<b>3 412.5</b>
<b>Current assets</b>				
Inventories		775.0	724.8	781.3
Accounts receivables and other receivables		703.3	710.7	735.4
Tax receivables based on the taxable income for the period		4.6	8.4	34.0
Cash and cash equivalents		452.7	518.5	330.4
		<b>1 935.5</b>	<b>1 962.4</b>	<b>1 881.1</b>
Assets classified as held for sale		-	20.6	6.8
<b>Total assets</b>		<b>5 164.0</b>	<b>5 344.4</b>	<b>5 300.4</b>
<b>MEMBERS' FUNDS AND LIABILITIES</b>				
<b>Members' funds</b>				
Members' funds		1 482.6	1 366.7	1 126.1
Non-controlling interests		476.3	491.2	358.9
		<b>1 958.9</b>	<b>1 857.9</b>	<b>1 485.0</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities		244.3	319.4	362.2
Post-employment benefit obligations		154.4	154.0	135.5
Provisions	5	19.3	34.6	44.7
Borrowings		1 601.9	1 161.2	1 854.2
Other liabilities		27.0	34.9	32.7
		<b>2 046.8</b>	<b>1 704.2</b>	<b>2 429.4</b>
<b>Current liabilities</b>				
Provisions	5	33.9	53.8	144.8
Current borrowings		354.6	958.2	438.5
Accounts payable and other liabilities		760.9	765.8	790.6
Tax liabilities based on the taxable income for the period		8.8	4.5	12.2
		<b>1 158.3</b>	<b>1 782.4</b>	<b>1 386.1</b>
Liabilities classified as held for sale		-	-	-
<b>Total liabilities</b>		<b>3 205.1</b>	<b>3 486.5</b>	<b>3 815.5</b>
<b>Total members' funds and liabilities</b>		<b>5 164.0</b>	<b>5 344.4</b>	<b>5 300.4</b>

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

## Unaudited

## Equity attributable to members of parent company

**Change in members' funds**

EUR million	Members' capital	Trans-lation differ-ences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total
Members' funds 1.1.2012	572.6	28.9	240.2	293.5	1 135.2	359.9	1 495.2
IAS 19 restatement				-9.1	-9.1	-1.1	-10.2
<b>Adjusted members' funds 1.1.2012</b>	<b>572.6</b>	<b>28.9</b>	<b>240.2</b>	<b>284.4</b>	<b>1 126.1</b>	<b>358.9</b>	<b>1 485.0</b>
Result for the period				59.2	59.2	42.1	101.4
Other comprehensive income, net after tax		9.0	-7.3	-11.4	9.7	-5.6	-15.3
<b>Total comprehensive income</b>		<b>9.0</b>	<b>-7.3</b>	<b>47.9</b>	<b>49.6</b>	<b>36.5</b>	<b>86.1</b>
Transactions with owners							
Dividends paid				-29.6	-29.6	-12.8	-42.3
Change in members' capital	21.9				21.9		21.9
Transfer from unrestricted to restricted			3.2	-3.2	0.0		0.0
Acquired shares from non-controlling interests, which did not change the controlling right				198.7	198.7	108.6	307.3
<b>Members' funds 31.12.2012</b>	<b>594.5</b>	<b>37.9</b>	<b>236.1</b>	<b>498.2</b>	<b>1 366.7</b>	<b>491.2</b>	<b>1 857.9</b>
Members' funds 1.1.2013	594.5	38.2	236.1	519.0	1 387.8	500.0	1 887.8
IAS 19 restatement		-0.3	0.0	-20.9	-21.1	-8.8	-29.9
<b>Adjusted members' funds 1.1.2013</b>	<b>594.5</b>	<b>37.9</b>	<b>236.1</b>	<b>498.2</b>	<b>1 366.7</b>	<b>491.2</b>	<b>1 857.9</b>
Result for the period				109.2	109.2	79.5	188.7
Other comprehensive income, net after tax		-13.0	-17.0	3.9	-26.1	-30.1	-56.2
<b>Total comprehensive income</b>		<b>-13.0</b>	<b>-17.0</b>	<b>113.1</b>	<b>83.1</b>	<b>49.3</b>	<b>132.5</b>
Transactions with owners							
Dividends paid				-31.6	-31.6	-36.8	-68.4
Change in members' capital	60.2			-1.4	58.9		58.9
Transfer from unrestricted to restricted			5.7	-5.7	0.0		0.0
Acquired shares from non-controlling interests, which did not change the controlling right			0.1	5.4	5.5	-27.4	-21.9
<b>Members' funds 31.12.2013</b>	<b>654.7</b>	<b>24.9</b>	<b>224.9</b>	<b>578.0</b>	<b>1 482.6</b>	<b>476.3</b>	<b>1 958.9</b>

## Unaudited

<b>Condensed consolidated cash flow statement</b>		2013	2012
EUR million	Note	1–12	1–12
Result for the period		188.7	101.4
Total adjustments	7	347.3	260.1
Change in working capital		-47.6	82.1
<b>Cash flow arising from operations</b>		<b>488.3</b>	<b>443.5</b>
Net financial items		-123.8	-130.3
Income taxes paid		-51.0	-56.2
<b>Net cash flow arising from operating activities</b>		<b>313.5</b>	<b>257.1</b>
Acquisitions		-2.1	-6.6
Investments in tangible and intangible assets		-206.6	-201.7
Disposals and other items	7	41.1	33.4
<b>Net cash flow arising from investing activities</b>		<b>-167.5</b>	<b>-174.9</b>
Change in members' funds		60.4	45.4
Change in shares of non-controlling interests		-21.1	306.7
Change in long-term loans and other financial items		-172.2	-194.6
Dividends paid		-78.1	-52.3
<b>Net cash flow arising from financing activities</b>		<b>-211.0</b>	<b>105.2</b>
<b>Change in cash and cash equivalents</b>		<b>-65.1</b>	<b>187.3</b>
Cash and cash equivalents at beginning of period		518.5	330.4
Translation difference		-0.8	0.9
Change in cash and cash equivalents		-65.1	187.3
<b>Cash and cash equivalents at end of period</b>		<b>452.7</b>	<b>518.5</b>

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

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### Note 1 – Background and accounting policies

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

These unaudited condensed financial statements has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2012 IFRS financial statements. The same accounting policies have been applied as in the 2012 IFRS financial statements with the following exception:

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

From the beginning of 2013 Metsä Group has adopted the following new and amended standards and interpretations:

- *Amendments to IAS 1 Presentation of Financial Statements.* The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met.
- *Amendment to IAS 19 Employee Benefits.* The major changes are as follows: in future all actuarial gains and losses are immediately recognized in other comprehensive income, i.e. the corridor approach is eliminated, and finance costs are calculated on a net funding basis. The comparative figures have been adjusted to IAS 19.
- *IAS 19, Employee Benefits.* The new standard’s impact on Metsä Group’s income statement and balance sheet 1.1.2012 and 31.12.2012 was presented in Q1/2013 interim report.
- *IFRS 13 Fair Value Measurement.* IFRS 13 establishes a single source for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. IFRS 13 expands the disclosures to be provided for non-financial assets measured at fair value.
- *Annual Improvements to IFRSs 2009–2011, May 2012).* 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 total five standards.
- *Amendments to IFRS 7 Financial Instruments: Disclosures.* The amendments clarify disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

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

This financial statements bulletin was authorised for issue by the Board of Directors of Metsäliitto Cooperative on 6 February 2014.

**Note 2 – Segment information**

The Group's operating segments are comprised of the Group's business areas. The business areas produce different products and services, and they are managed as separate units. The operating segments are reported uniformly with internal reporting submitted to the chief operational decision-maker. The President and CEO has been appointed as the chief operational decision-maker in charge of allocating resources to the operating segments and evaluating their performance.

The same accounting policies are applied in segment reporting as for the Group as a whole. Transactions between segments are based on market prices.

The figures for 2012 are restated.

<b>Sales</b> Eur million	1–12/2013 External	1–12/2013 Internal	1–12/2013 Total	1–12/2012 External	1–12/2012 Internal	1–12/2012 Total
Wood Supply and Forest Services	371.1	1 189.9	1 561.0	349.4	1 166.0	1 515.4
Wood Products Industry	837.0	60.1	897.0	850.2	54.0	904.2
Pulp Industry	780.3	533.5	1 313.8	772.9	501.0	1 273.9
Paperboard and Paper Industry	1 943.1	76.2	2 019.3	2 046.7	60.9	2 107.6
Tissue and Cooking Papers	999.8	0.3	1 000.1	981.5	0.0	981.5
Other operations	0.4	5.4	5.8	0.3	3.0	3.3
Elimination of internal sales		-1 865.4	-1 865.4		-1 784.8	-1 784.8
<b>Total sales</b>	<b>4 931.6</b>	<b>0.0</b>	<b>4 931.6</b>	<b>5 001.0</b>	<b>0.0</b>	<b>5 001.0</b>

<b>Operating result</b> EUR million	2013 1–12	2012 1–12
Wood Supply and Forest Services	27.8	20.2
Wood Products Industry	-2.1	16.3
Pulp Industry	196.6	150.5
Paperboard and Paper Industry	113.6	221.1
Tissue and Cooking Papers	55.1	35.1
Other operations	-7.0	67.7
Eliminations	-49.6	-269.4
<b>Operating result total</b>	<b>334.4</b>	<b>241.5</b>
Share of results from associates	9.7	4.8
Financial costs, net	-120.4	-113.1
Income taxes	-35.1	-31.8
<b>Result for the period</b>	<b>188.7</b>	<b>101.4</b>

Metsä Group's operating result 2013 includes non-recurring items net of EUR -7.9 million (-14.2). Of these EUR 5.3 million relates to sales of Metsä Board's properties, EUR 4.6 million to the sale of Metsä Board's Alizay mill, EUR 2.5 million to the sale of Metsä Board's old paper machine in Äänekoski and EUR 3.4 million to other items and EUR -6.6 million to environmental obligations. EUR 0.6 million is due to reversed provisions from Metsä Tissue's efficiency improvement programme and EUR -17.2 million to Metsä Wood's efficiency improvement programme. Non-recurring items due to other personnel efficiency programmes were EUR -0.4 million.

<b>Assets</b>	2013	2012
EUR million	31.12.	31.12.
Wood Supply and Forest Services	291.4	267.5
Wood Products Industry	392.1	390.4
Pulp Industry	848.6	877.9
Paperboard and Paper Industry	1 981.0	2 075.8
Tissue and Cooking Papers	917.9	905.4
Other operations	185.4	144.0
Elimination	-268.9	-251.1
Unallocated assets	816.5	934.5
<b>Total</b>	<b>5 164.0</b>	<b>5 344.4</b>

Assets = intangible and tangible assets, inventories, accounts receivables and other non-interest-bearing receivables (excl. interest and tax items).

<b>Liabilities</b>	2013	2012
EUR million	31.12.	31.12.
Wood Supply and Forest Services	228.9	193.1
Wood Products Industry	108.5	113.4
Pulp Industry	116.9	158.5
Paperboard and Paper Industry	455.5	486.5
Tissue and Cooking Papers	273.1	272.9
Other operations	69.9	32.3
Elimination	-268.9	-251.1
Unallocated liabilities	2 221.2	2 481.0
<b>Total</b>	<b>3 205.1</b>	<b>3 486.5</b>

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

### Note 3 – Income taxes

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

	2013	2012
EUR million	1–12	1–12
Taxes for the period	61.2	75.6
Taxes for the prior periods	-2.3	0.1
Change in deferred taxes	-23.9	-43.9
<b>Total income taxes</b>	<b>35.1</b>	<b>31.8</b>

### Note 4 – Change in property, plant and equipment

	2013	2012
EUR million	1–12	1–12
Book value at beginning of period	2 073.3	2 129.0
Investments	182.9	188.3
Decreases	-4.4	-2.2
Assets classified as held for sale	-2.1	-20.6
Depreciation, amortization and impairment losses	-240.7	-234.8
Translation differences and other changes	-20.6	13.5
<b>Book value at end of period</b>	<b>1 988.3</b>	<b>2 073.3</b>



The buildings and machinery of EUR 2.1 million in Metsä Wood GmbH, Germany, was classified as assets held for sale on 31 March, 2013. The sale was closed in April 2013.

Depreciation, amortization and impairment losses include a EUR 4.9 million impairment loss related to the close down of Metsä Wood's upgrading and distribution unit in Kaskinen and a EUR 3,1 million impairment loss related to the close down of the extrusion coating line of Metsä Wood's plywood unit in Suolahti.

Depreciation, amortization and impairment losses also include reversed impairments of EUR 2.5 million relating to the sale of the old paper machine of Metsä Board Äänekoski Paper.

### Note 5 – Provisions

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January, 2013	45.0	26.6	16.9	88.4
Translation differences	-0.2	0.0	-0.2	-0.5
Increases	3.4	7.4	0.9	11.6
Utilized during the year	-33.2	-4.9	-3.1	-41.3
Unused amounts reversed	-3.1	-1.1	-1.2	-5.4
Effect of discounting		0.2		0.2
At 31 December, 2013	11.8	28.2	13.2	53.2

Metsä Wood's restructuring provision of EUR 3.3 million relates to plans of closing down the Casteljaloux sawmill, further processing and distribution unit in France.

An environmental obligation of EUR 6.5 million was posted at Metsä Board Husum, Sweden. Related to the sale of Alizay, Metsä Board reversed provisions of EUR 2.4 million. Reversed provisions of EUR 1.3 million regarding Zanders was also booked.

Of the total provisions of EUR 53.2 million, the non-current portion was EUR 19.3 million and the current portion EUR 33.9 million. The non-current portion will mostly be paid during 2017.

### Note 6 – Related party transactions

The sales of Metsäliitto Cooperative's wood deliveries to the Group subsidiaries totalled EUR 758.0 million in 2013 (728.4). Sales of wood deliveries to joint ventures and associated companies were EUR 21.3 million (16.9).

Metsä Group's forest holdings are centralised in Finsilva Corporation, which is an associated company of Metsäliitto Cooperative (49.9%). Finsilva sells wood to Metsäliitto Cooperative. The value of wood deliveries in 2013 was EUR 18.3 million (18.0).

### Transactions with joint ventures

Joint ventures have been consolidated using line-by-line method proportionate to the Group's holding. Metsä Group's significant joint ventures are Äänevoima Oy (56.25%) and Metsätapiola real estates (48.98%).

The Group's consolidated income statement and balance sheet include assets, liabilities, income and costs as follows:



EUR million	2013 1–12	2012 1–12
Sales	13.3	12.2
Purchases	14.3	14.0
Non-current assets	58.0	47.9
Current assets	5.1	4.8
Non-current liabilities	49.0	40.8
Current liabilities	3.8	5.1

**Transactions with associated companies**

EUR million	2013 1–12	2012 1–12
Sales	16.9	16.1
Purchases	105.0	94.1
Non-current receivables	2.9	1.5
Current receivables	1.3	1.9
Non-current liabilities	0.0	0.0
Current liabilities	7.1	6.0

**Note 7 – Notes to condensed consolidated cash flow statement**

Adjustments to the result for the period

EUR million	2013 1–12	2012 1–12
Taxes	35.1	31.8
Depreciation, amortization and impairment charges	255.1	249.1
Biological assets	-2.7	0.2
Share of results from associated companies	-9.7	-4.8
Gains and losses on sale of non-current financial assets	-12.9	-20.1
Finance costs, net	120.4	113.0
Pension liabilities and provisions	-38.0	-109.3
Total	347.3	260.1

Disposals and other items

Disposals and other items include EUR 5.4 million from the sale of Metsä Wood's subsidiary Metsä Wood Merk GmbH, EUR 36.0 million from sales of non-current assets and EUR -0.3 million from other items. The most significant items were the sale of Metsä Board Alizay's non-current assets of EUR 22.2 million, the sale of Metsä Board's properties of EUR 5.4 million, the EUR 2.5 million sale of Metsä Board's old paper machine in Äänekoski and the sale of Metsä Board's electricity certificates of EUR 2.4 million.

**Note 8 – Financial instruments****Financial assets and liabilities classified according to IAS 39 and fair value**

EUR million	Fair value through p&l	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
<b>Financial assets 31.12.2013</b>							
Available for sale investments		305.7				305.7	305.7
Other non-current financial assets			20.1			20.1	20.1
Accounts receivables and others			699.3			699.3	699.3
Cash and cash equivalent	20.1		432.6			452.7	452.7
Derivate financial instruments	-0.2			2.5		2.4	2.4
<b>Total</b>	<b>19.9</b>	<b>305.7</b>	<b>1 152.0</b>	<b>2.5</b>	<b>0.0</b>	<b>1 480.2</b>	<b>1 480.2</b>
<b>Financial liabilities 31.12.2013</b>							
Non-current int.-bearing liabilities					1 601.9	1 601.9	1 638.3
Other non-current liabilities					4.7	4.7	4.7
Current interest-bearing liabilities					354.6	354.6	373.4
Accounts payable and others					648.6	648.6	648.6
Derivative financial instruments	4.4			26.1		30.5	30.5
<b>Total</b>	<b>4.4</b>	<b>0.0</b>	<b>0.0</b>	<b>26.1</b>	<b>2 609.8</b>	<b>2 640.3</b>	<b>2 695.5</b>

**Fair value hierarchy of financial assets and liabilities**

EUR million

<b>31.12.2013</b>	Level 1	Level 2	Level 3	Total
<i>Financial assets booked at fair value</i>				
Available for sale financial assets	0.3		305.4	305.7
Current financial assets through profit and loss at fair value	20.1			20.1
Derivative financial assets		2.4		2.4
<i>Financial liabilities booked at fair value</i>				
Derivative financial liabilities	14.8	15.8		30.5
<i>Financial assets not booked at fair value</i>				
Financial assets		432.6		432.6
<i>Financial liabilities not booked at fair value</i>				
Non-current interest-bearing liabilities		1 638.3		1 638.3
Current interest-bearing liabilities		373.4		373.4

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

EUR million	2013
Opening balance 1.1.	355.8
Gains and losses in income statement	0.1
Gains and losses in other comprehensive income	-57.9
Purchases	7.8
Settlements	-0.5
Closing balance 31.12.	305.4

Assets have been categorised according to IFRS 7 paragraph 27 A and 27 B.

Level 1	Fair value is based on quoted prices in active markets
Level 2	Fair value is based on inputs observable for the asset either directly or indirectly
Level 3	Fair value is based on company estimates and not on market data

The fair values of electric power and natural gas derivatives are measured on the basis of publicly quoted market prices (Level 1). The fair values of currency forwards and options are determined on the basis of market prices at the closing date of the reporting period. The fair values of interest rate swaps are measured applying a method based on the present value of future cash flows, supported by market interest rates at the closing date of the reporting period and other market inputs (Level 2). The fair value of financial instruments not traded in an active market is determined using various measurement methods. Discretion is used in choosing the methods and making assumptions based primarily on the market conditions prevailing at the closing date of the reporting period (Level 3).

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

The most significant item at fair value not traded on an open market is the investment in Pohjolan Voima Oy shares, reported under available-for-sale financial assets. The valuation method is described in the 2012 Annual Report. The average weighed capital cost applied in the calculation was 3.9 per cent on 31 December 2013 and for the Olkiluoto 3 power plant under construction 6.9 per cent. The acquisition cost of the Pohjolan Voima Oy shares is EUR 47.8 million and their fair value is EUR 297.9 million.

The carrying amount of available-for-sale financial assets would be estimated to be EUR 2.5 million lower or EUR 4.0 million higher should the rate used for discounting the cash flows differ by 10 per cent from the rate estimated by the management. The carrying amount of available-for-sale financial assets would be estimated to be EUR 36.5 million higher or EUR 36.6 million lower should the energy prices applied in the fair value calculation differ by 10 per cent from the rate estimated by the management.

<b>Derivatives</b>							Hedge	
<b>31.12.2013</b>							accounting	
EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value hedges	Cash flow hedges	Equity hedges	not applied
Interest rate swaps	779.2		13.1	-13.1	2.5	-13.2		-2.4
Total	779.2	0.0	13.1	-13.1	2.5	-13.2	0.0	-2.4
Currency forwards	1 168.8	2.3	0.6	1.7		2.5	-0.6	-0.2
Currency options	74.4	0.0		0.0				0.0
Currency swaps	43.5		2.0	-2.0				-2.0
Total	1 286.8	2.4	2.6	-0.3	0.0	2.5	-0.6	-2.2
Electricity derivatives	172.3		14.7	-14.7		-14.7		0.0
Commodity derivative	7.2		0.1	-0.1		-0.1		
Total	179.5	0.0	14.8	-14.8	0.0	-14.8	0.0	0.0
Derivatives total	2 245.5	2.4	30.5	-28.1	2.5	-25.4	-0.6	-4.6

**Note 9 – Commitments and contingencies**

EUR million	2013 31.12.	2012 31.12.
Own liabilities, for which commitments granted	992.6	591.4
Pledges granted	841.1	470.1
Floating charges	603.0	3.0
Real estate mortgages	970.7	282.2
Chattels mortgage	4.6	4.6
Commitments for own liabilities, total	2 419.4	760.0
Other commitments on own behalf	93.5	83.2
On behalf of associated companies	2.3	3.5
On behalf of others	6.7	10.4
Total	2 521.9	857.1

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

The increase in securities and guarantees is related to the syndicated credit agreement of a total of EUR 600 million signed by Metsä Board in May 2012, of which EUR 500 million was drawn in April 2013. Shares, real estate mortgages and a floating charge of EUR 600 million were pledged as collateral for the loan.

The future costs for non-cancellable operating lease contracts were EUR 37.6 million at the end of December (31.12.2012: 39.7).

**Note 10 – Events after the period**

Metsäliitto Cooperative increased its shareholding in Metsä Tissue in a share transaction on 15 January 2014. Metsäliitto Cooperative purchased shares representing a total of 6 per cent of the share capital of Metsä Tissue Corporation from Jozef Antošík. Following the transaction, Metsäliitto Cooperative holds a total of 91 per cent of the share capital of Metsä Tissue and Jozef Antošík 9 per cent.