

Metsäliitto Group's interim report 1–6/2008

Metsäliitto Group's operating result, excluding non-recurring items, EUR 62 million in the first half of the year

Result for the first six months of 2008

- Sales EUR 3,822 million (EUR 3,888 million).
- The operating result excluding non-recurring items was EUR 62 million (161). Operating profit including non-recurring items was EUR 156 million (92).
- Result before tax and excluding non-recurring items was EUR -52 million (58). The result from continuing operations, including changes in deferred tax liability, was EUR 33 million (-55).

Result for the second quarter of 2008

- Sales EUR 1,892 million (EUR 1,918 million).
- The operating result excluding non-recurring items was EUR 14 million (75). Operating profit including non-recurring items was EUR 86 million (64).
- Result before tax and excluding non-recurring items was EUR -39 million (33). The result from continuing operations, including changes in deferred tax liability, was EUR 32 million (-4).

Events in the second quarter

- Regarding its programme to improve the profitability of operations announced in late 2007, M-real increased the annual objective of the programme from EUR 100 million to EUR 150 million.
- Metsä Tissue started the upgrading of Katrin away-from-home products in Russia.
- M-real sold a total of 100,000 Pohjolan Voima Oy B2 stocks to Kymppivoima Oy for EUR 80 million. A sales gain and fair value of EUR 74 million was realised from the deal.

“The Finnish Government’s latest measures to ease taxation of wood sales provide very welcome assistance to meet the current challenges in the wood trade. Metsäliitto is in an excellent position to respond to a considerable upturn in the wood trade throughout Finland for all species of wood. Significant steps to develop Tissue Paper and Wood Products Industry businesses continue to be taken. Board and Paper Industry has found new profit improvement methods based on business concept streamlining, and the recovery of M-real is progressing. In the second quarter, the operational circumstances of the forest industry have become even more difficult, which is why we will continue our persistent work in order to improve our profitability.”
Kari Jordan, President & CEO, Metsäliitto Group

Metsäliitto is the eighth largest forest industry group in the world with sales of EUR 8 billion and 20,000 employees. Its five business areas include wood supply, wood products industry, pulp, board and paper, and tissue and cooking papers. The Group's parent company Metsäliitto Cooperative and subsidiaries Metsä-Botnia, M-real and Metsä Tissue operate in 30 countries.

Metsäliitto Group

Income statement (Continuing operations)	2008 1-6	2007 1-6	2008 Q2	2007 Q2	2007 1-12
Sales	3 822	3 888	1 892	1 919	7 669
Other operating income	201	61	128	37	136
Operating expenses	-3 637	-3 609	-1 822	-1 775	-7 126
Depreciation and impairment losses	-230	-248	-112	-117	-706
Operating profit	156	92	86	64	-27
Share of results in associates	3	3	1	1	12
Net exchange gains / losses	-2	-4	-1	1	1
Other financial income & expenses	-116	-102	-53	-44	-228
Result before tax	41	-11	33	22	-242
Income tax	-8	-44	-1	-26	-24
Result from continuing operations	33	-55	32	-4	-265

Metsäliitto Group

Profitability (Continuing operations)	2008 1-6	2007 1-6	2008 Q2	2007 Q2	2007 1-12
Operating profit, EUR mill.	156	92	86	64	-27
- " -, excluding non-recurring items	62	161	14	75	276
Return on capital employed, %	5.6	3.5	6.1	4.8	0.1
- " -, excluding non-recurring items	2.5	5.8	1.3	5.5	5.0
Return on equity, %	2.9	-4.4	5.6	-0.6	-10.9
- " -, excluding non-recurring items	-5.2	1.2	-6.7	1.1	1.3

Financial position	2008	2007	2008	2007	2007
	30.6	30.6	31.3	31.3	31.12
Equity ratio, %	30.1	29.0	29.2	29.0	28.8
Gearing ratio, %	157	160	161	156	163
Net gearing ratio, %	147	149	142	145	142
Interest-bearing net liabilities, EUR mill.	3 421	3 647	3 329	3 600	3 271

Business areas

Sales and Operating profit 1-6/2008 (EUR mill.)	Wood			Board and	Tissue and
	Wood Supply	Products Industry	Pulp *) Industry	Paper Industry	Cooking Papers
Sales	960	644	810	2 164	461
Other operating income	7	4	16	176	11
Operating expenses	-942	-630	-637	-2 112	-423
Depreciation & impairment losses	-3	-21	-69	-153	-29
Operating profit	22	-3	120	75	20

*) Represents 100%. The Metsäliitto Group consolidates 53% of the Pulp Industry.

The figures are unaudited

METSÄLIITTO GROUP

INTERIM REPORT 1 January – 30 June 2008

Sales and result

Metsäliitto Group's sales for January–June were EUR 3,822 million (3,888). The comparable sales were at last year's level. The sales have been increased by the pulp mill in Uruguay, which has had an excellent start. However, the sales have been decreased by the closedown of the Sittingbourne and Wifsta paper mills, and the divestment of the folding carton business.

The operating result excluding non-recurring items was EUR 62 million (161). The net amount of non-recurring items was EUR +93 million (-69). In May, M-Real sold a total of 100,000 Pohjolan Voima Oy B2 stocks to Kymppivoima Oy for EUR 80 million, for which a sales gain and fair market value of EUR 74 million was realised. Another significant non-recurring income was booked during the first quarter. This, the sale of the mill operations in the UK, and pension liability arrangements amounted to an income of EUR 24 million in total. Furthermore, different cost provisions were booked during the first half of the year, totalling approximately EUR 5 million.

Operating result including non-recurring items was EUR 156 million (92). The Group's net financial expenses were 3.1% of sales (2.7). Financial income was EUR 10 million (14), shares in associate companies were EUR 3 million (3) and financial expenses were EUR 127 million (117). Net exchange gains/losses recognised in financial items were EUR -2 million (-4). At the end of June, the exchange rate of the US dollar against the euro was 7% weaker and that of the British pound 8% weaker than at the beginning of the year. On average, the dollar and the pound weakened during the first half of the year by 15% compared to the same period last year.

The result before taxes was EUR 41 million (-11) and taxes, including changes in deferred tax liability, were EUR 8 million (44). The result for continuing operations was EUR 33 million (-55), the result for discontinued operations was EUR -25 million (1) and the result for the financial period was EUR 8 million (-54).

The EUR 25 million sales gain reduction from the sales of the Map Merchant Group in 2007 has been included in the result for discontinued operations during the second quarter. As a whole, the sales' positive effect on cash flow was EUR 364 million, whereas the gain on sale was EUR 51 million.

The result for January–June attributable to the owners of the parent company was EUR 19 million (29) and to the minority EUR -11 million (-83).

The Group's return on capital employed for continuing operations was 5.6% (3.5) and return on equity was 2.9% (-4.4). Excluding non-recurring items, return on capital employed was 2.5% (5.8) and return on equity was -5.2% (1.2).

Balance sheet and financing

Metsäliitto Group's total liquidity was EUR 1.4 billion at the end of June (31 December 2007: 1.6). Of this, EUR 0.2 billion (0.4) was in terms of liquid assets and investments, and EUR 1.2 billion (1.2) in binding credit facility agreements not included in the balance sheet. In addition, the Group can satisfy short-term financial needs with non-binding commercial paper schemes in Finland and abroad, as well as credit lines amounting to approximately EUR 0.5 billion.

Metsäliitto Group has booked its Pohjolan Voima shares at their fair market value. As a result of the valuation, the equity ratio on 31 December 2007 increased from 27.0% to 28.8%, and the net gearing ratio decreased from 157% to 142%.

The Group's equity ratio in June was 30.1% and net gearing was 147% (31 December 2007: 28.8% and 142%, respectively). Interest-bearing net liabilities stood at EUR 3,421 million (31 December 2007: 3,271). The equity ratio of the parent company, Metsäliitto Cooperative, was 56.9% at the end of June and the net gearing ratio was 45% (31 December 2007: 55.0% and 37%, respectively).

Metsäliitto Cooperative's members' capital decreased by EUR 5.6 million in January–June. The actual members' capital grew by EUR 4.4 million, the additional members' capital A decreased by EUR 7.8 million and the additional members' capital B decreased by EUR 2.2 million. At the end of June, Metsäliitto Cooperative had 130,169 members (31 December 2007: 131,032).

At its meeting on 23 April 2008, Metsäliitto Cooperative's Representative Council decided to pay 6.5% (6.0) of interest on the subscribed members' capital, 5.5% (5.0) on the additional A series capital and 4.0% (3.5) on the additional B series capital for 2007. Thus, the interest on members' capital for 2007 totals EUR 41.1 million (36.2).

Personnel

The Group employed an average of 20,097 people (22,137) during the first half of the year. At the end of June, the number of personnel in the Group was 20,515 (31 December 2007: 20,105). The parent company Metsäliitto Cooperative employed 3,527 people at the end of June (31 December 2007: 3,165).

Investments, acquisitions and divestments

Metsäliitto Group's capital expenditure and corporate acquisitions totalled EUR 110 million (193).

Investments in fixed assets

The modernisation investment of Metsä-Botnia's Äänekoski mill's chlorine dioxide plant has been completed, and the renewed plant will be introduced in the maintenance outage in the autumn. The objective of the investment is to reduce AOX (Adsorbable Organic Halogens) emission levels. Furthermore, the entire automation system of the Äänekoski mill will be modernised. The investment will be completed

by the autumn, and the new system will be introduced in the autumn maintenance outage as well.

Structural changes

The profit improvement and complexity reduction programme M-real announced in November 2007 has progressed according to plan. As part of the programme, M-real shut down its BCTMP plant in Lielähti and paper machine 2 producing coated magazine paper at the Kangas mill. M-real's Publishing and Commercial Printing business areas were combined into the Graphic Papers business area and a project to simplify the coated magazine paper operations and to lighten the sales and marketing organisation was initiated at the same time. As part of the programme, M-real announced it is also prepared to take other measures, such as capacity cuts, if they are required by changes in the business environment. In May 2008, the aggregate annual profit improvement target of the programme was increased from the original EUR 100 million to EUR 150 million. The full effect on earnings will be reached by the end of 2010.

In February 2008, an additional goal of at least EUR 200 million from asset sales was announced by M-real. The company plans to reach this target by the end of the first quarter of 2009. So far, a total of EUR 162 million of the programme has been implemented, including the divestments of the New Thames mill and the 100,000 Pohjolan Voima B2 shares. Taking into account the pension commitments regarding the mill operations in the UK, the positive effect on cash flow by the divestment of the New Thames mill totalled approximately EUR 82 million, and a gain on sale of approximately EUR 24 million was booked for the deal. The positive effect on cash flow by the divestment of the Pohjolan Voima shares was EUR 80 million, and the non-recurring effect on earnings totalled EUR 74 million.

As announced on 13 June 2008, the divestment of the Reflex mill to Arjowiggins was suspended. The European Commission granted a conditional approval for the deal, but the terms and conditions meant that it was impossible to implement the deal.

Business areas

Wood Supply

Wood Supply sales were EUR 960 million (815) in January-June, and the operating result came to EUR 22 million (20). The operating result includes approximately EUR 2 million in non-recurring income (2). Wood Supply Finland accounted for EUR 654 million (578) of the sales and EUR 17 million (14) of the operating profit.

During the first half of the year, the domestic wood supply's purchase volumes in Finland were less than half of the corresponding figures last year. The entire purchase volume of the forest industry from private forests totalled approximately 12.5 million cubic metres (27.5). The national Summer Logging campaign started by Metsäliitto at the beginning of April aims to increase summer-time harvesting. The objective is to increase the amount of thinning by a quarter from last year. The market situation for roundwood out of delivery sales that is collected by forest owners

themselves has been good. In fact, the proportion of delivery-to-roadside sales constituted one third of Metsäliitto's procurement.

In Russia, wood supply increased, and the prices remained stable. Russia has not announced any changes to the planned export tax rise on roundwood, which will take effect around the turn of the year. In January-June, Metsäliitto's imports from Russia to Finland amounted to 1.1 million cubic metres (0.9).

In the Baltics, private forests' wood supply has remained low. At the beginning of the year, Metsäliitto succeeded in purchasing only slightly over half of its private forest procurement target. The wood flow from state owned forests in the Baltics countries has been normal due to improved road conditions. At the beginning of the year, wood prices were clearly decreasing.

The Swedish wood market situation has remained stable. Wood procurement from the storm-felled forests in Central Europe has been slower than planned. The wood supply in France is good, and prices are on a slight decrease.

Metsäliitto's deliveries to the mills totalled 18.5 million (18.8) cubic metres in the entire operating area during the first half of the year.

Wood Products Industry

Metsäliitto Wood Products Industry sales were EUR 644 million (740) in January-June, and the operating result came to EUR -3 million (68). The disproportionate relationship between wood raw material and the market price of sawn timber in particular is the main reason for the unprofitable result. Furthermore, productivity has been burdened, especially by changes in exchange rates and increased logistics expenses.

Price pressures have continued to exist in sawn timber products, and pressures have increased in other product groups as well. Due to the weakened market situation, sawn timber production has been adjusted at different production facilities. The slowdown in construction and the builders merchant and DIY business continues.

The objective of Metsäliitto Wood Products Industry's business strategy is to increase the added value and decrease the proportion of standard products. The change is most visible in plywood. During the first half of the year, the new birch plywood upgrading mill in Suolahti, which manufactures plywood products that are upgraded and tailored to a higher extent than before, was launched, and the results of the successful work already show in the result. According to the strategy, product development was reinforced at the beginning of the year as well.

In the first quarter, iLevel's European engineering wood operations were acquired from the American Weyerhaeuser, and the modernisation of the Boston unit's upgrading line in Great Britain, aiming at a more effective manufacturing of a customer-oriented product range, was launched during the second quarter.

Pulp

During the first half of the year, Metsä-Botnia's sales increased by 19% compared with the corresponding period last year, amounting to EUR 810 million (682).

The operating result was EUR 120 million (101). The sales and the operating result were improved, particularly by the successful production by the mill in Uruguay and the positive price development of pulp. Earnings were weighted down by a clear weakening of the US dollar against the euro, a considerable increase in wood raw material prices and the curtailments of production at the Finnish mills.

During the second quarter, there were several disturbances in the pulp market. In Latin America, there were difficulties in eucalyptus production, and there were also difficulties in the procurement of wood raw material in Finland and Indonesia. At the same time, capacity was shut down in Finland and Canada.

Foreign currency-denominated market prices for softwood pulp were, on average, 16% higher in the first half of the year compared with the corresponding period last year. The average prices of hardwood pulp increased by 21%. On the other hand, the US dollar dropped over 15%, so euro-denominated prices did not increase much.

The launch of the pulp mill in Uruguay has been a success. The Fray Bentos mill reached its nominal production volume in 145 days, which is a new world record in the launch of pulp mills. The mill's six-month production was 432,000 tonnes. The environmental values of the mill have clearly remained below EU standards and the permitted values set by Uruguay's environmental authorities.

Metsä-Botnia's CEO Erkki Varis will retire on 31 August 2008. His successor, Ilkka Hämmälä, starts on 1 September 2008.

M-real's result includes 30% of pulp production's operating profit. In total, 53% of the figures for the Pulp Industry are consolidated into Metsäliitto Group's financial statements.

Board and Paper

Board and Paper Industry's sales totalled EUR 2,164 million (2,253), and the operating result excluding non-recurring items was EUR -18 million (18).

Increased wood raw material and energy costs, the stronger euro against the US dollar and British pound, and the curtailments of production at Metsä-Botnia's mills in Finland depressed the operating result excluding non-recurring items compared with last year. The result was improved by the implemented cost-saving measures and price increases and the launch of the pulp mill in Uruguay in November 2007.

Non-recurring items totalled EUR 93 million net (63) in January-June. During the second quarter, the EUR 74 million gain on the sales of the Pohjolan Voima shares

was booked as income, and a EUR 2 million cost provision dealing with the sales network streamlining programme was booked as an expense. During the first quarter, EUR 24 million had been booked as income connected to the release of pension liabilities in Great Britain as a result of the divestment of the New Thames mill and from some other liabilities related to the shut-down of the Sittingbourne mill. Different cost provisions totalling EUR 3 million had been booked as expenses.

Operating result including non-recurring items was EUR 75 million (81). Net interest and other financial expenses totalled EUR 73 million (66), income from associates was EUR -1 million (-1) and net exchange gains/losses booked as financial items were EUR -1 million (-3).

Profit before tax was 0 million euro (11), earnings per share was -0.09 (0.01) and return on investment was 4.0 percent (4.1). Excluding non-recurring items, the result before taxes was EUR -93 million (-52), earnings per share were EUR -0.30 (-0.22) and return on capital employed was -0.5% (1.3).

At the end of June, M-real's equity ratio was 36.5% and net gearing was 100% (31 December 2007: 34.4% and 99%, respectively). In some of M-real's borrowing arrangements, a limit of 120% has been set for net gearing and a limit of 30% for the equity ratio. At the end of June, net gearing calculated in the manner defined in the borrowing agreements was approximately 86% and the equity ratio about 42%.

Tissue and Cooking Papers

In January–June, sales of Metsä Tissue, which produces tissue and cooking papers, stood at EUR 461 million (421), and its operating result was EUR 20 million (14). Sales grew by about 9% year on year. Growth was promoted by increased production volumes (+3%) and the increase in selling prices and the changes in sales structure (+6%). The sales of Metsä Tissue's own brands – Lambi, Katrin, Serla and Mola – grew strongly.

Metsä Tissue strengthens the market position of the the Katrin away-from-home product concept in Central Eastern Europe and Scandinavia. Three rewinders will be transferred to Krapkowice (Poland) from Mariestad (Sweden). A new rewriter for away-from-home products will be assembled in Mariestad and the mill's investments also involve efficiency-boosting measures.

A new, state-of-the-art storage of 36,000 square metres will be built in Düren, Germany. The new storage will enhance the operations by centralising four local storages into a single location.

The investments carried out at the Mänttä mills (Finland) improved product quality and enhanced the efficiency of the production line. The visual look of the Serla product family's packages have been modernised as well.

Business operations in Russia will be expanded, as Metsä Tissue started manufacturing Katrin products locally. Launching its own upgrading operations further strengthens Metsä Tissue's position in the Russian market.

Risks and uncertainties

Since the estimates and statements in this interim report are based on current plans and projections, they involve risks and uncertainties that may cause actual results to materially differ from those expressed in such statements. The risks related to the Group's business have been explained more extensively in Metsäliitto Group's annual report for 2007.

Outlook

The Finnish Government's latest measures to ease taxation of wood sales are expected to stimulate the wood trade in Finland. Metsäliitto is in an excellent position to respond to a considerable upturn in the wood trade provided that the price of wood raw material is internationally competitive. Demand for all wood species is good in Finland and the price continues to be at a high level. Due to the low wood sale volumes and storage levels, the supply of wood to the Group's mills in the next quarter will be difficult, particularly in terms of pulpwood.

During the rest of the year, the market situation of the Wood Products Industry will continue to be challenging. Regarding the business lines, Solid Wood's operating profit for the entire year will be in the red. On the other hand, the operations of other business lines are estimated to remain profitable. Achieving market balance requires that the production capacity is adjusted to suit the demand for sawn timber in particular.

Metsä-Botnia's results for the rest of the year are burdened by high wood prices and the weak dollar. Curtailments of production caused by the availability of wood raw material will continue during the latter half of the year as well.

The demand for M-real's board and magazine paper in the main market is estimated to remain good in the third quarter. Regarding fine paper, however, some kind of weakening in the demand is to be expected. Measures aimed at increasing product prices will continue in all businesses. The price increases of folding boxboard and coated magazine paper have been announced in the main market, and prices are expected to rise towards the end of the year. Price increases are sought actively for fine paper as well, but their successful implementation seems more challenging.

Despite successful profit improvement programmes, M-real will not be fully able to cover this year's cost inflation through its own actions. New profit improvement programmes will be launched during this year. As stated in the press release published on 10 July 2008, M-real's operating result excluding non-recurring items in 2008 will remain weaker than last year due to increasing production costs, the stronger euro and the difficult fine paper market situation.

The weakening growth prospects in Europe are not expected to have any significant influence on the sales volumes of tissue and cooking papers. Increasing raw material costs, regarding energy and transport in particular, will cause cost pressures, the transfer of which into selling prices will further continue.

Metsäliitto Group's operating result excluding non-recurring items in the first half of 2008 was weaker than in last year's first half. This is due to increased production costs, the difficult wood raw material situation, the weak market situation of sawn timber, the decrease in the sales volume of fine paper, the stronger euro, and the fact that price increases for coated fine paper have been delayed. As stated in the press release published on 10 July 2008, due to the reasons mentioned above, Metsäliitto's operating result, excluding non-recurring items, for the whole of 2008 will remain below last year's level. The operating result for the third quarter of 2008, excluding non-recurring items, is expected to remain on the same level as the second quarter.

Espoo, 23 July 2008

Metsäliitto Group
Board of Directors

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Unaudited

METSÄLIITTO GROUP

Income statement (EUR mill.)	2008 1-6	2007 1-6	Change	2008 Q2	2007 Q2	2007 1-12
Sales	3 822	3 888	-66	1 892	1 919	7 669
Other operating income	201	61	140	128	37	136
Materials and services	-2 572	-2 458	-114	-1 297	-1 216	-4 988
Employee costs	-534	-587	53	-263	-288	-1 126
Other operating expenses	-531	-564	33	-262	-271	-1 012
Depreciation and impairment losses	-230	-248	18	-112	-117	-706
Operating profit	156	92	64	86	64	-27
Share of results in associates	3	3	0	1	1	12
Net exchange gains / losses	-2	-4	2	-1	1	1
Other financial income	10	14	-4	5	8	19
Other financial expenses	-127	-117	-10	-58	-53	-247
Result before tax	41	-11	52	33	22	-242
Income taxes	-8	-44	36	-1	-26	-24
Result from continuing operations	33	-55	88	32	-4	-265
Result from discontinued operations	-25	1	-26	-24	-1	55
Net result for the period	8	-54	62	8	-5	-211

Attributable to:

Owners of parent company	19	29	-10	10	26	-9
Minority interest	-11	-83	72	-2	-31	-202
	8	-54	62	8	-5	-211

Unaudited

	2008	2007	2007
	30.6.	30.6.	31.12.
Balance sheet			
ASSETS			
Non-current assets			
Intangible assets	437	602	389
Tangible assets	3 805	4 132	4 021
Biological assets	77	77	83
Shares in associated and other companies	575	453	506
Interest-bearing receivables	16	38	32
Deferred tax receivables	44	83	46
Other non-interest-bearing receivables	10	6	12
	4 963	5 391	5 090
Current assets			
Inventories	1 144	1 159	1 132
Interest-bearing receivables	30	6	27
Non-interest-bearing receivables	1 442	1 657	1 358
Cash and cash equivalents	183	227	428
	2 799	3 050	2 945
Assets classified as held for sale		32	
TOTAL	7 762	8 473	8 035
MEMBERS' FUNDS AND LIABILITIES			
Members' funds	1 335	1 375	1 328
Minority interest	992	1 078	978
Total members' funds	2 326	2 453	2 306
Non-current liabilities			
Deferred tax liabilities	426	449	404
Retirement benefit obligations	176	233	195
Provisions	57	93	83
Other non-interest-bearing liabilities	40	60	50
Interest-bearing liabilities	2 907	3 328	3 011
	3 606	4 164	3 742
Current liabilities			
Non-interest-bearing liabilities	1 086	1 256	1 240
Interest-bearing liabilities	743	589	747
	1 829	1 845	1 987
Total liabilities	5 435	6 009	5 729
Liabilities classified as held for sale		11	
TOTAL	7 762	8 473	8 035

Change in members' funds								
EUR mill.	Members' capital	Share premium account	Translation differences	Fair value and other reserves	Retained earnings	Minority interest	Total	
Adjusted members' funds January 1, 2007	577	30	6	136	628	1 194	2 571	
Currency flow hedges								
recorded in equity				2		3		4
transferred to sales				-6		-10		-16
Interest flow hedges								
recorded in equity				2		3		5
transferred to financial items				-1		-2		-3
Commodity hedges								
recorded in equity				-1		0		-1
transferred to purchases				3		5		8
Assets classified as held for sale								
recognised to fair value				-8		-24		-31
transferred to financial items								0
Translation differences			-4					-9
Net investment hedges			5					11
Other items					1	-3		-2
Tax on equity components			-1	2		5		6
Recognised directly in equity	0	0	0	-6	1	-22		-28
Result for the period					29	-83		-54
Total	0	0	0	-6	29	-105		-82
Dividends paid					-35	-13		-47
Increase in members' capital, other changes	10							10
Change in share premium account								0
Change in revaluation reserve				3	-3			0
Transfer from unrestricted to restricted equity								0
Business arrangements						2		2
Total	10	0	0	-3	-38	-11		-36
Adjusted members' funds June 30, 2007	586	30	6	133	620	1 078		2 453

Change in members' funds				Fair				
EUR mill.	Members' capital	Share premium account	Translation differences	value and other reserves	Retained earnings	Minority interest	Total	
Adjusted members' funds January 1, 2008	574	30	-7	148	583	978	2 306	
Currency flow hedges								
recorded in equity				3		4	6	
transferred to sales				-3		-5	-8	
Interest flow hedges								
recorded in equity				0		0	0	
transferred to financial items				0		-1	-1	
Commodity hedges								
recorded in equity				10		10	21	
transferred to purchases				1		1	2	
Assets classified as held for sale								
recognised to fair value				41		58	99	
transferred to financial items				-11		-17	-28	
Translation differences			-6			-6	-12	
Net investment hedges			10			4	14	
Other items					0	0	1	
Tax on equity components			-3	-11		-14	-27	
Recognised directly in equity	0	0	1	30	0	35	67	
Result for the period					19	-11	8	
Total	0	0	1	30	19	24	74	
Dividends paid					-38	-13	-52	
Increase in members' capital, other changes	-6						-6	
Change in share premium account							0	
Change in revaluation reserve							0	
Transfer from unrestricted to restricted equity				6	-6		0	
Business arrangements						4	4	
Total	-6	0	0	6	-44	-10	-54	
Members' funds June 30, 2008	569	30	-6	184	558	992	2 326	

Unaudited Cash flow statement (EUR mill.)	2008 1-6	2007 1-6	2007 1-12
Cash flow from operations			
Result for the period	8	-54	-211
Adjustments total	248	400	859
Change in working capital	-187	-165	-34
Cash generated from operations	68	181	614
Finance costs, net	-126	-123	-265
Income taxes paid	-57	-42	-78
Net cash from operations	-115	15	272
Cash flow from investments			
Acquisitions	-2	-9	-46
Purchases of assets	-108	-184	-447
Sold assets and others	154	85	447
Net cash from investments	44	-109	-45
Cash flow from financing			
Increase in equity	-3	12	29
Change in long-term loans and other financial items	-114	112	-21
Dividends paid	-55	-51	-51
Net cash flow from financing	-173	74	-42
Change in cash and cash equivalents	-243	-21	184
Cash at beginning of period	428	246	246
Translation difference	-1	-1	-3
Change in cash and cash equivalents	-243	-21	184
Cash in assets classified as held for sale	0	3	0
Cash at end of period	183	227	428

Unaudited

BUSINESS SEGMENTS

Consumer Packaging	I-II/08	I-II/07	QII/08	QII/07	I-IV/07
Sales	479	478	244	242	934
EBITDA	85	85	34	35	172
Depreciation & impairment losses	-46	-44	-23	-23	-93
Operating profit	39	41	11	12	79

Papers	I-II/08	I-II/07	QII/08	QII/07	I-IV/07
Sales	1 436	1 511	695	732	2 991
EBITDA	121	82	38	53	204
Depreciation & impairment losses	-115	-117	-57	-60	-452
Operating profit	6	-36	-19	-7	-248

Wood products	I-II/08	I-II/07	QII/08	QII/07	I-IV/07
Sales	644	740	329	385	1 399
EBITDA	18	91	9	52	134
Depreciation & impairment losses	-21	-23	-10	-11	-47
Operating profit	-3	68	-1	41	87

EBITDA = Result before depreciation and impairment losses

Others	I-II/08	I-II/07	QII/08	QII/07	I-IV/07
Operating profit	114	18	95	17	55
of which					
Wood Supply	22	20	12	10	38
Tissue and Cooking Papers	20	14	11	7	35
Others and Group eliminations	72	-16	72	0	-18

M-real includes 30% of the Pulp Industry's (Metsä-Botnia) operating profit and Metsäliitto a further 23% in the segments Consumer Packaging and Papers.

Production

1 000 units	I-II/08	I-II/07	QII/08	QII/07	I-IV/07
Paper, t	1 821	2 011	865	992	3 935
Paperboard, t	608	613	294	302	1 210
Sawn goods, m ³	874	1 046	471	533	1 837
Processed timber, m ³	292	335	141	169	580
Engineered Wood -products, m ³	426	440	206	217	849
Pulp & CTMP, t (M-real)	870	824	424	398	1 679
Pulp, t (Metsä-Botnia)	1 616	1 346	776	670	2 616
Sawn goods, m ³ (Metsä-Botnia)	82	115	48	64	188

Unaudited

Quarterly data (EUR mill.)	2008 QII	2008 QI	2007 QIV	2007 QIII	2007 QII	2007 QI
Sales						
Consumer Packaging	244	235	225	231	242	236
Papers	695	742	740	740	732	779
Wood Products	329	315	321	338	386	354
Others & internal sales	624	638	583	604	558	600
Group sales	1 892	1 930	1 869	1 913	1 918	1 969
Operating profit						
Consumer Packaging	11	28	3	35	12	29
Papers	-19	24	-241	29	-7	-29
Wood Products	-1	-2	-1	20	41	27
Others	95	20	28	8	18	1
Group operating profit	86	70	-211	92	64	28
- % of sales	4.5	3.6	-11.3	4.8	3.3	1.4
Share of results						
in associates	1	2	7	2	1	2
Net exchange gains / losses	-1	-1	5	0	1	-5
Other fin. income & expenses	-53	-63	-66	-59	-45	-58
Result before tax	33	8	-265	35	21	-33
Income taxes	-1	-7	36	-16	-25	-18
Result from continuing operations	32	1	-229	19	-4	-51
Result from discontinued operations	-24	-1	56	-2	-1	2
Net result for the period	8	0	-173	17	-5	-49

Unaudited

Change in tangible assets	QII/08	QII/07	I-IV/07
Book value at beginning of period	4 021	4 197	4 197
Company acquisitions	0	3	22
Increase	105	193	430
Decrease	-85	-120	-72
Depreciation and impairment charges	-218	-222	-480
Assets classified as held for sale	-	-	-
Translation differences and other changes	-19	81	-76
Book value at end of period	3 805	4 132	4 021

Commitments	QII/08	QII/07	QIV/07
On own behalf (incl. leasing liabilities)	319	365	347
On behalf of associated companies	3	3	3
On behalf of others	2	4	4
Total	324	373	355

Commitments related to fixed assets	QII/08	QII/07	QIV/07
Payments due under 1 year	9	85	38
Payments due in subsequent years	1	7	7

Open derivative contracts	QII/08	QII/07	QIV/07
Interest rate derivatives	1 498	1 984	1 693
Currency derivatives	2 680	3 001	3 268
Other derivatives	214	205	160
Total	4 392	5 190	5 121

The market value of open derivative contracts at the end of the review period was EUR 43 million (12/07: EUR 29 million). Open derivative contracts also include closed contracts to a total amount of EUR 485 million (12/07: EUR 793 million).

Accounting policies

The Financial Statements Bulletin was prepared in accordance with the IAS 34 standard Interim Financial Reporting and the accounting policies presented in Metsäliitto Group's Annual Report 2007.

Taxes include taxes corresponding to the result for the period under review.