

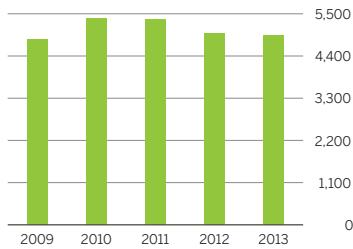


METSÄ GROUP'S FINANCIAL STATEMENTS
2013

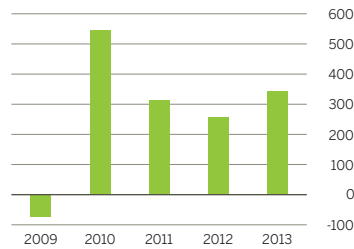


FINANCIAL STATEMENTS 2013

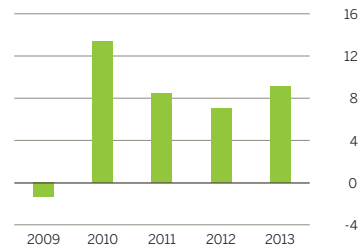
SALES EUR MILLION



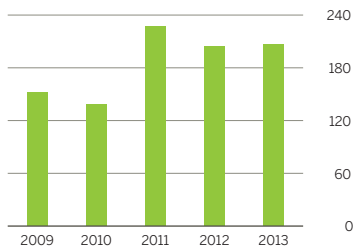
OPERATING RESULT EXCL. NON-RECURRING ITEMS, EUR MILLION



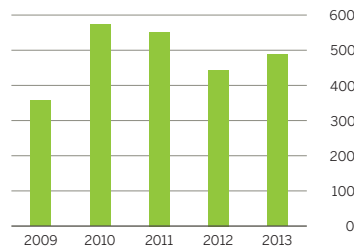
RETURN ON CAPITAL EMPLOYED EXCL. NON-RECURRING ITEMS, %



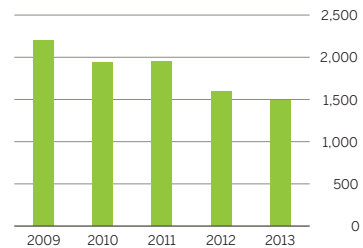
INVESTMENTS EUR MILLION



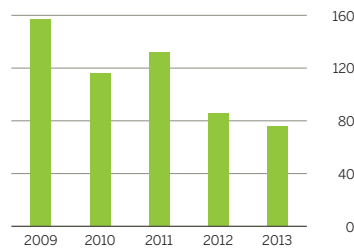
CASH FLOW FROM OPERATIONS EUR MILLION



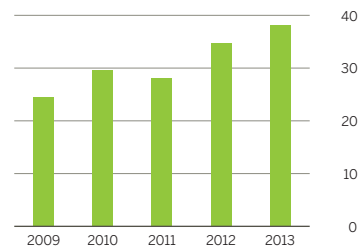
INTEREST-BEARING NET LIABILITIES EUR MILLION



NET GEARING RATIO %



EQUITY RATIO %



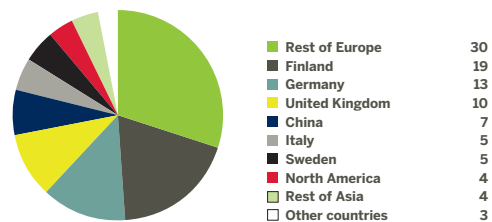
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SALES BY MARKET AREA %





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REPORT OF THE BOARD OF DIRECTORS

SALES AND RESULT

Metsä Group's sales in 2013 totalled EUR 4,931.6 million (2012: EUR 5,001.0 million and 2011: EUR 5,345.8). 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 (2012: 255.7 and 2011: 314.5), or 6.9 per cent of sales (2012: 5.1 and 2011: 5.9). 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 papers. 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 and 2011: -285.3). Of the most significant positive items some EUR 5.3 million was related to the sale of land areas, EUR 4.6 million to the sale of Alizay in France, EUR 2.5 million to the sale of the old paper machine in Äänekoski in Finland, and EUR 3.2 million to reversals of previously made provisions. Impairment losses and write-downs of Metsä Wood's upgrading and distribution unit in Kaskinen, Finland, and the extrusion coating line in Suolahti, Finland were EUR 8.5 million. Other items due to Metsä Wood's efficiency improvement programme accounted for EUR 8.8 million. 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 (2012: 241.5 and 2011: 29.2). Results from associated companies were EUR 9.7 million (2012: 4.8 and 2011: 4.2), financial income was EUR 8.3 million (2012: 15.3 and 2011: 8.7), net exchange gains on financial items were EUR -4.6 million (2012: 2.4 and 2011: 2.3) and financial expenses were EUR 124.1 million (2012: 130.8 and 2011: 142.0). 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 (2012: 133.2 and 2011: -97.7) and taxes, including changes in deferred tax liabilities, were EUR 35.1 million (2012: 31.8 and 2011: 58.9). The net result for the period was EUR 188.7 million (2012: 101.4 and 2011: -156.6).

Excluding non-recurring items, the Group's return on capital employed was 9.1 per cent (2012: 7.1 and 2011: 8.5) and the return on equity was 10.3 per cent (2012: 6.9 and 2011: 8.6). Including non-recurring items, the return on capital employed was 8.9 per cent (2012: 6.7 and 2011: 1.1) and the return on equity was 9.9 per cent (2012: 6.1 and 2011: -9.9).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity is good. Total liquidity at the end of December was EUR 1,188.4 million (2012: 1,167.8 and 2011: 854.9). This consisted of EUR 452.7 million (2012: 518.5 and 2011: 330.4) of liquid assets and investments and EUR 735.7 million (2012: 649.3 and 2011: 524.5) of committed credit facility agreements not included in 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 (2012: 526.5 and 2011: 524.1). 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 (2012: 34.8 and 2011: 28.1) and net gearing was 76 per cent (2012: 86 and 2011: 132). Interest-bearing net liabilities stood at EUR 1,486.1 million (2012: 1,590.0 and 2011: 1,953.4).

Net cash flow from operating activities amounted to EUR 313.5 million (2012: 257.1 and 2011: 323.0). EUR 47.6 million was tied to working capital since the beginning of the year (2012: released 82.1 and 2011: released 74.4).

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 (2012: 61.0 and 2011: 60.7) and net gearing was 16 per cent (2012: 21 and 2011: 41).

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. Based on notifications received by the end of 2013, EUR 26.4 million (28.7) of the additional members' capital will fall due on 1 July 2014.

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 (2012: 11,986 and 2011: 13,046). At the end of December, the number of personnel in the Group was 10,741 (2012: 11,447 and 2011: 12,525), of whom 5,238 are in Finland (2012: 5,414 and 2011: 5,660) and 5,503 outside Finland (2012: 6,033 and 2011: 6,865). During the financial period, personnel turnover amounted to 9.5 per cent (2012: 20.0 and 2011: 7.8) and the average duration of employment was 16.7 years (2012: 16.3 and 2011: 15.6). Salaries and fees paid to the employees of Metsä Group totalled EUR 466.7 million (2012: 469.3 and 2011: 598.6).

The parent company Metsäliitto Cooperative employed 2,579 people at the end of December (2012: 2,645 and 2011: 2,723). The parent company paid EUR 105.3 million in salaries and fees (2012: 97.1 and 2011: 99.7).

Metsä Group promotes good management practices by training managers, supervisors and employees to understand and comply with the Group's Code of Conduct and shared policies. Metsä Group aims to ensure through training that all employees are aware of the requirements of the Code of Conduct. The training began in autumn 2011, and by the end of 2013, approximately 84 per cent of the officials (2012: 75) had completed the training.

The Group's HR administration and business areas have begun preparations for the future retirement wave by developing the current personnel and preparing for future recruitment needs. Metsä Group also took part in a school campaign by the Finnish Forest Industries Federation and the Dialogi project for vocational institutes, aiming to survey future employees' expectations of work.

Occupational safety is of prime importance to Metsä Group, and we feel that the level of safety reflects the overall quality of the Group's functions. We strive for continuous improvement and our aim is to improve our lost-time accident frequency rate by 10 per cent each year. The long-term objective is zero accidents. In 2013, the lost-time accident rate decreased by 16 per cent to 13.2 (2012: 15.7 and 2011: 18.3). There was one fatal occupational accident in production during the period under review (2012: 1 and 2011: 1). Absence due to illness within the Group amounted to 4.0 per cent (2012: 4.1 and 2011: 4.4) of regular work time.

A personnel job satisfaction survey was also conducted in 2013, focusing specifically on matters concerning well-being at work and occupational safety. The survey results will help us improve personnel job satisfaction and also help the business areas reach their strategic objectives. On a scale of 4–10, the Group-level result of the survey on the functionality of the work community was 8.3.

MEMBERS

At the end of the year, Metsäliitto Cooperative had 123,275 members (2012: 124,255 and 2011: 125,144). 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 in 2013 (2012: 204.5 and 2011: 227.1). 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 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 ARRANGEMENTS

In January 2013 Metsä Board sold the Alizay mill site in France including all equipment and buildings to Conseil General de l'Eurelle, representing the French state, for EUR 22 million.

In April, Metsä Wood divested the shares of Metsä Wood Merk GmbH to the German-based Ed. Züblin AG Group, which is part of the Strabag Group. The Casteljalous sawmill and upgrading unit in France was closed down and at the end of the year, the operations of the upgrading and distribution unit in Kaskinen, Finland was also discontinued.

In May, Metsäliitto Cooperative acquired from Varma Mutual Pension Insurance Company all its holdings in Metsä Tissue Corporation, representing a total of 8.38 per cent of Metsä Tissue's share capital. In January 2014, Metsäliitto Cooperative increased its shareholding in Metsä Tissue by purchasing 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.

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). 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.

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 Casteljalous 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 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 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.

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 from the beginning of 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.

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 several 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.

RESEARCH AND DEVELOPMENT

Metsäliitto Group's research and development expenses totalled EUR 17.7 million (2012: 19.6 and 2011: 19.4), or 0.4 per cent of operating expenses (2012: 0.4 and 2011: 0.3).

Metsä Group's shared focus areas for research and development are improving processes and resource efficiency, renewable raw materials as a competitive advantage and added-value products and services. The focus areas with regard to process and resource efficiency include increasing the yield of production, energy efficiency and optimum utilisation of by-products. We carry out product and service development in close cooperation with our customers.

By actively participating in the planning and supervision of the research programmes of FIBIC Oy (the Finnish bioeconomy cluster), basic research has been directed towards both serving the needs of current business and mapping new business opportunities.

At the end of 2012, Metsä Group took part in establishing the European Bio-Based Industries Consortium, which aims to reinforce the competitiveness of European industry. Through this community, we are involved in establishing a private-public sector innovation partnership under the auspices of the European Commission as part of the implementation of the Horizon 2020 programme. The innovation partnership aims in particular to accelerate the commercialisation of research results.

Wood Supply and Forest Services projects were related to the development of member services, the productivity of transportation, harvesting and forest services, as well as information systems supporting these. Taimiturva, the most extensive regeneration service on the market, was launched for members, and new functions were added to the Metsäverkko service. In order to improve the productivity of transport, larger timber trucks permitted by the new legislation and a new operational planning and control system for transports were deployed. The LogForce entrepreneur system, which will become a standard system allowing multiple entrepreneurship, is part of the control system.

Wood Products Industry focused on the continuous development of structural solutions for construction, added-value products and industrial plywood products according to customer requirements. We continued to develop frame structure solutions for commercial construction, as well as roof and intermediate floor elements and also protecting plywood products against fire, moisture and mould, as well as treatments to increase long-term durability. In addition, the flexible sawing of products facilitated by the modernised saw line of the Vilppula sawmill was significant. The sawmill's modern production technology and comprehensive cutting models make it possible to manufacture products which meet customer needs even better than before and enables thereby customer-oriented product development.

Metsä Fibre's research and development activities focused on the commissioning of the polysulphide process at the Joutseno mill and supporting customers in adopting the new pulp. In addition, Metsä Fibre researched fossil-free options for the pulp mill concept and reducing the use of water in the pulp process. Surveying the construction of a biogas-generating refinery in Joutseno in cooperation with Helsingin Energia and Gasum continued with an environmental impact assessment. The authorities submitted their opinion on the assessment in December 2013.

The key objective of R&D activities in Paperboard and Paper Industry is to manufacture increasingly lightweight products in the future without compromising their end-use properties. New end use areas are also being continuously sought for products. The operations are based on customer-orientation, production and resource efficiency. In 2013, renewed lightweight folding boxboards with advanced performance and printing properties were introduced to the market. The product reform supports the growth of folding boxboard sales. A significant step was taken in growing the kraftliner business in the spring of 2013, when the production of fully bleached light-weight kraftliners began at the Husum mill. In 2014, the share of kraftliner production will be further increased in Husum.

In the paper business, the aim is to streamline the product portfolio even more. All mills achieved sizeable savings in variable costs during the period under review. The savings measures will continue in 2014. Metsä Board works to actively strengthen its position as the quality leader and to develop its supplier chain services to the highest level. The Lean SCM project, aiming to make supply chain processes and tools more effective, proceeded as planned in 2013, and the aim is to have it completed in terms of the paperboard business in 2014.

The goal of product development in Tissue and Cooking Papers is to respond to the needs of customers and end users by creating the best concepts and solutions in cooperation with them, while improving the user experience of various customer groups and adding to its value. During the year, Metsä Tissue introduced several new and renewed products to the market.

SUSTAINABLE DEVELOPMENT

Metsä Group is committed to promoting sustainable development, continuously improving its operations and conducting responsible business. The operations are guided by the Group's Code of Conduct and the principles of sustainable development, as well as a wide spectrum of policies directing different areas.

Metsä Group supports sustainable and responsible forest management. 100 per cent of the wood we use can be traced back to its origins and originates from sustainably managed forests. The goal is to maintain the share of certified wood in our business at more than 80 per cent. During the financial period, 82 per cent (2012: 82 and 2011: 81) of the wood procured by wood supply came from certified forests. The requirements of the EU Timber Regulation, which came into force in spring 2013, have been included in the practices of Metsä Group's wood supply.

Metsä Group aims to mitigate climate change in its work. Our aim is to reduce fossil CO₂ emissions in production by 30 per cent per product tonne from the 2009 level by 2020. As a result of significant investment, this objective was reached already during 2013, with our carbon dioxide load being 32 per cent lower than in the comparison year. 85 per cent of fuel used by Metsä Group mills is wood-derived biofuel (2012: 83 and 2011:80), mainly the Group's own by-products, such as bark and black liquor. The majority (83 per cent) of the total energy purchased was carbon dioxide neutral (2012: 82 and 2011: 80).

Metsä Group's energy efficiency has improved by 5 per cent since 2009. The goal is to improve energy efficiency by 10 per cent by 2020. Improving energy efficiency is an essential part of all production-related investments.

Metsä Group continuously looks for ways to reduce the usage of clean water in its production by reusing water effectively in processes,

among other things. In 2013, the total consumption of water was 302 million cubic metres (2012: 258 and 2011: 370). Process water consumption amounted to 146 million cubic metres (2012: 149 and 2011: 164). Metsä Group's aim is to reduce process water consumption by 10 per cent by 2020 from the 2010 level.

In 2013, the Group's atmospheric emissions were as follows: fossil carbon dioxide (CO₂) 855,000 tonnes (2012: 962,000 and 2011: 1,200,000), biogenic carbon dioxide 7,070,000 (2012: 6,884,000 and 2011: 7,001,000), nitrogen oxides (as NO₂) 6,500 tonnes (2012: 6,400 and 2011: 7,300) and sulphur (as SO₂) 2,160 tonnes (2012: 1,700 and 2011: 2,400). Emissions into water systems were: phosphorus, 54 tonnes (2012: 50 and 2011: 79), and chemical oxygen demand (COD), 42,900 tonnes (2012: 43,600 and 2011: 45,800).

Our total waste quantity increased by 5 per cent from the previous year to 845,000 tonnes, while production increased by 3 per cent. More than 90 per cent of the residues and waste generated by our production plants is recycled, primarily in reuse of material and secondarily in energy production. Only waste that cannot be utilised for other purposes ends up in landfill. In 2013, the quantity of landfill waste was 76,000 tonnes (2012: 81,400 and 2011: 69,000).

Almost all of the Group's production units have an ISO 9001 quality system and ISO 14001 environmental system in place as well as a Chain of Custody system, enabling reliable verification of the amount of certified wood in the products. In addition, a certified OHSAS 18001 occupational and product safety system and an ISO 50001 energy efficiency system are in place in several of the Group's production units.

No significant deviations resulting in considerable environmental effects occurred in the Group's production units during the year under review. A few deviations from permit conditions were, however, recorded.

The Group's subsidiaries also remain subject to environmental liabilities related to former industrial activities at sites that have since been closed, sold or leased, and from decommissioned landfill sites. Financial provision for the cost of land rehabilitation work has been made in cases where it has been possible to measure the Group's liability for land contamination. The Group's environmental obligations in 2013 totalled EUR 28.2 million (2012: 26.6 and 2011: 26.3). Metsä Group's environmental expenses in 2013 totalled EUR 47.3 million (2012: 49.5 and 2011: 54.0), and they comprised mainly the expenses of use and maintenance of environmental protection equipment, expenses related to waste management and environmental impacts, and depreciation of capitalised environmental expenses.

In addition to our own functions, we are committed to responsibility throughout our supply chain. Since June 2011, our aim has been to include the Supplier Code of Conduct in all new and renewed supplier contracts. In 2013, the Supplier Code of Conduct was included in a total of 216 contracts (2012: 73), covering approximately 50 per cent of all new procurement contracts. Metsä Group aims to audit all raw material suppliers with a high risk rating by the end of 2015. The procurement function launched a systematic audit of raw materials and the countries processing them, in accordance with the sustainable development criteria, during the year under review.

RISK MANAGEMENT AND RISK FACTORS

The Group's governance system and risk management policy ratified by the Board of Directors regulate the risk management work carried out

in Metsä Group. The Group's risk management is systematic and preventive and assesses and manages business-related risks, threats and opportunities.

Metsä Group assesses its strategic, operative, financial and liability risks as part of its continuing operations. In addition, the Group carries out risk assessments as part of the annual planning and strategy process. The risk assessment carried out in the annual planning process focuses on identifying sales and cost risks, and in the risk assessment in the strategy process, the business areas review risks related to the implementation of the company's business strategy. The Group's management team reviews the most significant risks regularly as part of its management work. The results of the risk management process are reported to the Board of Directors and the Board's Audit Committee on a regular basis.

Risk assessments carried out in 2013 identified the following risks and uncertainties with a possible impact on Metsä Group's financial performance and ability to operate:

DEVELOPMENT OF THE GLOBAL ECONOMY AND THE EURO AREA

In the main market areas, demand for wood products, pulp, paper and paperboard follows the general economic development. Confidence in the favourable development and growth of the global economy and the euro area has improved slightly, but there are still significant factors of uncertainty related to the economic change. The possible slowdown and stop of the favourable development of the economy may have direct negative effects on the demand for products, profitability, and potentially the availability and cost of financing in Metsä Group.

AVAILABILITY OF FINANCING

The Group's access to capital and the price of capital are largely dependent on the conditions prevailing in the financial markets, changes in them and the Group's own financial position. Despite the slightly improved confidence in the economy the European debt crisis which has lasted for many years still have an impact on the international financial markets and the operations of and lending provided by banks. In addition, increasingly stringent regulation of the financial markets will make the availability of financing tighter. These factors may have negative effects on the availability and price of external capital needed by Metsä Group.

Metsä Group has prepared for the refinancing risk by utilising a variety of financing sources and starting refinancing processes well before the loans mature. In addition, the Group had credit facilities of more than EUR 700 million at its disposal at the end of 2013.

CYCLICAL NATURE OF OPERATIONS AND THE COMPETITIVE ENVIRONMENT

Metsä Group operates in a cyclical sector, where the balance of supply and demand considerably affects the price level of products. A possible decrease in demand or increase in supply may have unfavourable effects on the market balance. Unfavourable economic trends or competitors' increased capacity may lower the prices of end products. On the other hand, potential capacity closures in the industry or consolidation of the industry structure may correspondingly lead to an increase in prices. Larger exchange rate fluctuations with long-term effects will impact the market balance of forest industry products in the main market areas and the competitiveness of producers in Europe.



DEMAND AND MARKET PRICE OF PULP

At full capacity, Metsä Fibre produces approximately 2.4 million tonnes of bleached softwood and hardwood pulp per year. The result of the pulp segment has a key impact on the business operations of Metsä Group as a whole. The start-up of competitors' new short-fibre pulp mills during the first two quarters will have a substantial impact on the pulp market. The new pulp mills may have an adverse impact on Metsä Group's business operations and result.

CREDIT AND OTHER COUNTERPARTY RISKS

The management of the credit risks involved in commercial activities is the responsibility of the business areas and centralised credit control. Credit control defines the internal credit limits set for customers and payment terms together with the company's business areas. Most of the credit risks are covered with insurance agreements made with credit insurance companies. Metsä Group's customer credit risk was at a regular level in 2013. The Group has reduced its credit risk by intensifying its own internal credit control procedures and processes.

The main principles of credit control are defined in the credit guidelines of the risk management policy confirmed by Metsä Group's Board of Directors. The operational management of the Group and the business areas participate in the assessment of credit risk and in making final decisions on credit, if needed.

In money market investments, derivatives and loans, we only approve counterparties which have been defined in the Group's financial policy, meet the creditworthiness criteria or have been separately designated by the Board's decision.

CUSTOMER RELATIONSHIPS

A considerable amount of sales in certain business operations of the Group is directed to a small volume of customers. Losing one or several significant customer relationships may thus have an adverse impact on the operations of that business as well as on the Group's result.

PRICE RISKS IN THE PRODUCTION AND LOGISTICS COSTS AND AVAILABILITY OF PRODUCTION INPUTS

Unforeseen changes in the price of the production inputs most important for the operations, such as wood, energy and chemicals, or problems with their availability, may reduce profitability and threaten the continuity of operations. Metsä Group works to hedge against this risk by entering into long-term delivery agreements and related derivative contracts. In addition, a steep increase in transportation and other logistics costs may affect Metsä Group's profitability.

Potential changes in laws, regulation or taxation regarding important production factors may also increase Metsä Group's expenses considerably.

LIABILITY RISKS

Metsä Group's business operations involve various types of liability risks arising from damage to third parties, such as common business liability risks, contract risks, environmental risks and product liability risks. These risks are managed by, for example, improving the effectiveness of business processes through agreement training, improving management practices, increasing quality requirements and increasing the transparency of operations. Some of the aforementioned liability risks are covered with insurance agreements.

BUSINESS INTERRUPTION RISKS

Large losses, major accidents, natural disasters, environmental damage, serious malfunctions in key information systems, labour disputes and delivery problems of the most important raw materials may interrupt business operations.

If prolonged, the economic losses may be very substantial, even cause loss of customers. Continuity and recovery plans have been drawn up in the business areas, mills and service operations (as the Group IT) in preparation for the realisation of these risks. The property and interruption risks of the production units are to a great extent covered by insurance contracts.

SAFETY RISKS

Risks threatening corporate safety and security include shortcomings and failures in terms of occupational safety, information security, personal safety, corruption, external threats and lack of internal control. Management of corporate safety contributes to ensuring the Group's uninterrupted operations. This is carried out by developing and streamlining the most central operating processes which take safety into account and by increasing instructions, training and internal control related to the management of the key threats, as well as by emergency controls carried out at frequent intervals.

PERSONNEL

Metsä Group has paid special attention to ensuring the availability and retention of competent personnel by means of various personnel development programmes, successor plans and development of the Group's image as an employer. Metsä Group prepares for, among others, risks relating to generational shifts and other HR risks by means of measures ensuring working ability, career planning and work rotation of personnel. In addition, Metsä Group invests heavily in cooperation with educational institutions at all levels and launches trainee programmes as needed.

FINANCIAL RISKS

The main financial risks in business operations relate mainly to currencies, interest rates, liquidity and counterparty risks, and the use of derivative instruments. Financial risks are managed in accordance with the financial policy confirmed by Metsä Group's Board of Directors. The goal is to reduce uncertainty, improve predictability, balance cash flow and give the business units time to adjust their operations to the changed circumstances.

CHANGES IN MEMBERS' CAPITAL AND ADDITIONAL MEMBERS' CAPITAL

A member of Metsäliitto Cooperative who wishes to cancel their membership is entitled to receive a refund of the contribution payment and the additional contribution payment. The member may also receive a refund of the additional contributions based on a written claim. Based on the cooperative's rules, the amount of members' capital and additional contributions that can be refunded is the equivalent of one third of the distributable equity in accordance with the latest balance sheet adopted by the Annual General Meeting. Refunds of members' capital which are larger than usual may have an adverse effect on Metsä Group's financial position.

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.

PREPARING FOR AND TRANSFERRING RISKS

The identified risks are prepared for to the best of the company's knowledge and in the manner which is most appropriate for the Group. With regard to loss risks, the Group works actively with insurance companies in risk management, for example by regularly executing risk assessments in different areas, such as at mills and in the delivery chain. The Group's production units and shared service units have also prepared for potential interruptions and disturbances in operations by drawing up continuity and recovery plans. The Group's crisis management plan directs crisis management within the Group, business areas and units.

The Group's business areas carry part of the risks themselves, and risks exceeding the business area's risk tolerance have been selectively transferred to insurance companies, banks and other counterparties by means of insurance, derivative and other contracts. The most common loss risks are covered by the following comprehensive global insurance contracts:

- Property and business interruption insurance programme
- General third-party and product liability insurance
- General liability insurance for the management and administrative bodies
- Cargo insurance programme
- Credit insurance programme

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.

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 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.



PROPOSAL FOR THE DISTRIBUTION OF THE SURPLUS

METSÄLIITTO COOPERATIVE

EUR

At the disposal of the Representative Council		
surplus of the period		48,098,156.39
retained earnings from previous years		595,983,633.63
Total		644,081,790.02

The Board of Directors proposes,		
under Section 13, a transfer to general reserve II of	2,404,907.82	
in addition	2.18	2,404,910.00

an interest of		
6.5% be distributed on paid-in members' capital	13,135,268.01	
5.0% be distributed on paid-in additional members' capital A	26,857,186.76	
4.5% be distributed on paid-in additional members' capital B	4,509,565.25	44,502,020.02
to be retained on the surplus and deficit account		597,174,860.00
Total		644,081,790.02

If the Representative Council approves the above proposal, the members' funds will be

Members' capital		203,407,308.67
Additional members' capital A		554,684,359.92
Additional members' capital B		110,542,437.05
General reserve I		3,939,904.28
General reserve II		64,144,460.00
Surplus and deficit account		597,174,860.00
Members' funds total		1,533,893,329.92

Espoo, 6 February 2014

Martti Asunta
Chairman

Kari Jordan
Vice Chairman
President & CEO

Mikael Aminoff

Eino Halonen

Arto Hiltunen

Saini Jääskeläinen

Juha Parpala

Timo Saukkonen

Antti Tukeva

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	1.1.–31.12.2013	Restated 1.1.–31.12.2012
SALES	3, 5	4,931.6	5,001.0
Change in stocks of finished goods and work in progress		31.2	-13.4
Other operating income	3, 6	81.2	76.8
Materials and services	3, 7	-3,399.1	-3,462.4
Employee costs	3, 7	-692.2	-705.5
Depreciation, amortisation and impairment charges	3, 8	-255.1	-249.1
Other operating expenses	3, 7	-363.1	-406.0
OPERATING RESULT		334.4	241.5
Share of profit from associated companies		9.7	4.8
Net exchange gains/losses	9	-4.6	2.4
Other financial income	9	8.3	15.3
Interest and other financial expenses	9	-124.1	-130.8
RESULT BEFORE TAX		223.7	133.2
Income taxes	10	-35.1	-31.8
RESULT FOR THE PERIOD		188.7	101.4
OTHER COMPREHENSIVE INCOME	10, 21		
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS			
Items relating to adjustments of defined benefit plans		2.4	-25.3
Income tax relating to items that will not be reclassified		-0.1	7.1
Total		2.3	-18.1
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS			
Cash flow hedges		-2.5	-0.5
Available for sale financial assets		-57.9	-17.3
Currency translation differences		-20.3	15.2
Other items		-0.2	0.1
Income tax relating to items that may be reclassified		22.3	5.3
Total		-58.5	2.8
Other comprehensive income, net of tax		-56.2	-15.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		132.5	86.1
RESULT ATTRIBUTABLE TO:			
Members of parent company		109.2	59.2
Non-controlling interest		79.5	42.1
		188.7	101.4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Members of parent company		83.1	49.6
Non-controlling interest		49.3	36.5
		132.5	86.1

The notes are an integral part of these financial statements.



CONSOLIDATED BALANCE SHEET

EUR million	Note	31.12.2013	Restated 31.12.2012	Restated 1.1.2012
ASSETS				
NON-CURRENT ASSETS				
Goodwill	11	529.0	533.8	528.5
Other intangible assets	11, 36	254.2	238.9	232.2
Tangible assets	12, 36	1,988.3	2,073.3	2,129.0
Biological assets	13	11.1	8.4	8.5
Investments in associated companies	14	73.0	66.6	69.6
Available for sale investments	15	305.7	356.2	367.9
Other non-current financial assets	16	20.1	13.9	11.5
Deferred tax receivables	17	47.0	70.4	65.4
		3,228.4	3,361.4	3,412.5
CURRENT ASSETS				
Inventories	18	775.0	724.8	781.3
Accounts receivables and other receivables	19	700.9	705.7	735.1
Tax receivables based on the taxable income for the period		4.6	8.4	34.0
Derivative financial instruments	29	2.4	5.1	0.3
Cash and cash equivalents	20	452.7	518.5	330.4
		1,935.5	1,962.4	1,881.1
ASSETS CLASSIFIED AS HELD FOR SALE				
	4	0.0	20.6	6.8
TOTAL ASSETS		5,164.0	5,344.4	5,300.4
MEMBERS' FUNDS AND LIABILITIES				
EQUITY ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY				
Members' capital	21	654.7	594.5	572.6
Translation differences	21	24.9	37.9	28.9
Fair value and other reserves	21	224.9	236.1	240.2
Retained earnings		578.0	498.2	284.4
		1,482.6	1,366.7	1,126.1
NON-CONTROLLING INTEREST				
	22	476.3	491.2	358.9
TOTAL MEMBERS' FUNDS		1,958.9	1,857.9	1,485.0
NON-CURRENT LIABILITIES				
Deferred tax liabilities	17	244.3	319.4	362.2
Post employment benefit obligations	23	154.4	154.0	135.5
Provisions	24, 36	19.3	34.6	44.7
Borrowings	25	1,601.9	1,161.2	1,854.2
Other liabilities	26	6.6	4.2	6.3
Derivative financial instruments	29	20.3	30.7	26.4
		2,046.8	1,704.2	2,429.4
CURRENT LIABILITIES				
Provisions	24, 36	33.9	53.8	144.8
Current borrowings	25	354.6	958.2	438.5
Accounts payable and other liabilities	27	750.8	754.0	761.8
Tax liabilities based on the taxable income for the period		8.8	4.5	12.2
Derivative financial instruments	29	10.2	11.8	28.8
		1,158.3	1,782.4	1,386.1
TOTAL LIABILITIES		3,205.1	3,486.5	3,815.5
TOTAL MEMBERS' FUNDS AND LIABILITIES		5,164.0	5,344.4	5,300.4

The notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN MEMBERS' FUNDS

EUR million	Equity attributable to members of parent company						Non-controlling interest	Total
	Note	Members' capital	Translation differences	Fair value and other reserves	Retained earnings	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				0.0	-9.1	-9.1	-1.1	-10.2
ADJUSTED MEMBERS' FUNDS 1.1.2012		572.6	28.9	240.2	284.4	1,126.1	358.9	1,485.0
Result for the period					59.2	59.2	42.1	101.4
Other comprehensive income, net after tax	10, 21		9.0	-7.3	-11.4	-9.7	-5.6	-15.3
TOTAL COMPREHENSIVE INCOME			9.0	-7.3	47.9	49.6	36.5	86.1
Transactions with owners								
Dividends paid	21				-29.6	-29.6	-12.8	-42.3
Change in members' capital	21	21.9				21.9		21.9
Transfer from unrestricted to restricted equity	21			3.2	-3.2	0.0		0.0
Acquired shares from non-controlling interest, which did not change the controlling right	4				198.7	198.7	108.6	307.3
MEMBERS' FUNDS 31.12.2012		594.5	37.9	236.1	498.2	1,366.7	491.2	1,857.9
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
ADJUSTED MEMBERS' FUNDS 1.1.2013		594.5	37.9	236.1	498.2	1,366.7	491.2	1,857.9
Result for the period					109.2	109.2	79.5	188.7
Other comprehensive income, net after tax	10, 21		-13.0	-17.0	3.9	-26.1	-30.1	-56.2
TOTAL COMPREHENSIVE INCOME			-13.0	-17.0	113.1	83.1	49.3	132.5
Transactions with owners								
Dividends paid	21				-31.6	-31.6	-36.8	-68.4
Change in members' capital	21	60.2			-1.4	58.9		58.9
Transfer from unrestricted to restricted equity	21			5.7	-5.7	0.0		0.0
Acquired shares from non-controlling interest, which did not change the controlling right	4			0.1	5.4	5.5	-27.4	-21.9
MEMBERS' FUNDS 31.12.2013		654.7	24.9	224.9	578.0	1,482.6	476.3	1,958.9

The notes are an integral part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2013	Restated 2012
CASH FLOW FROM OPERATING ACTIVITIES			
Result for the period		188.7	101.4
Adjustments to the result	30	347.3	260.1
Interest received		8.7	7.2
Interest paid		-119.2	-123.8
Dividends received		3.4	12.6
Other financial items, net		-16.7	-26.4
Income taxes paid		-51.0	-56.2
Change in working capital	30	-47.6	82.1
NET CASH FLOW FROM OPERATING ACTIVITIES		313.5	257.1
CASH FLOW ARISING FROM INVESTING ACTIVITIES			
Acquisition of shares in associated companies		0.0	-0.7
Acquisition of other shares		-2.1	-5.9
Investments in tangible and intangible assets		-206.6	-201.7
Proceeds from disposal of shares in subsidiaries, net of cash	4	5.4	-2.8
Proceeds from disposal of shares in associated companies		0.5	11.9
Proceeds from disposal of other shares		0.6	1.2
Proceeds from sale of tangible and intangible assets		36.0	27.9
Change in non-current receivables		-1.3	-4.8
NET CASH FLOW ARISING FROM INVESTING ACTIVITIES		-167.5	-174.9
CASH FLOW ARISING FROM FINANCING ACTIVITIES			
Change in members' capital		60.4	45.4
Non-controlling interest acquired	4, 30	-21.1	-164.4
Non-controlling interest sold	4, 30	0.0	471.1
Increase in non-current liabilities		1,109.4	339.2
Decrease in non-current liabilities		-1,278.8	-524.6
Change in current liabilities, net		3.0	-9.3
Change in current interest-bearing receivables, net		-5.8	0.2
Interest on members' capital and dividends paid		-78.1	-52.3
NET CASH FLOW ARISING FROM FINANCING ACTIVITIES		-211.0	105.2
CHANGE IN CASH AND CASH EQUIVALENTS			
		-65.1	187.3
Cash and cash equivalents at beginning of period		518.5	330.4
Translation differences		-0.8	0.9
Change in cash and cash equivalents		-65.1	187.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	20	452.7	518.5

The notes are an integral part of these financial statements.

NOTES TO THE ACCOUNTS

1. Accounting policies

The principal accounting policies to be adopted in the preparation of the consolidated financial statements are as follows.

MAIN OPERATIONS

Metsäliitto Cooperative and its subsidiaries comprise a forest industry group ("Metsä Group" or "Group"), which operations are organised into five business segments: Wood Supply and Forest Services, Wood Products Industry, Pulp Industry, Paperboard and Paper Industry and Tissue and Cooking Papers. The Group has manufacturing operations in 9 countries. Europe is the Metsä Group's main market area.

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.

A copy of the Financial Statements can be obtained from website www.metsagroup.com or parent company's head office Revontulenpuisto 2, 02100 Espoo, Finland.

The consolidated financial statements were authorised for issue by the Board of Directors on 6 February 2014. According to Finnish Cooperative Act the Representative Council has the possibility to accept or reject the financial statements in the Annual General Meeting after date of publication. The Annual General Meeting also has the possibility to decide to change the financial statements.

ACCOUNTING POLICIES AND MEASUREMENT BASES

Metsäliitto Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), applying the IAS and IFRS standards and SIC and IFRIC interpretations that were effective and approved by the EU at the date of the financial statements 31 December 2013. International Financial Reporting Standards refer to the standards and their interpretations approved for use in the EU by the Finnish Accounting Act and the regulations set out pursuant to it in accordance with the procedure defined in the EU decree (EC) no. 1606/2002. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and Community legislation supplementing the IFRS regulations.

The consolidated financial statements include the information needed for a bond issue.

The consolidated financial statements are presented in millions of euros unless otherwise mentioned.

These financial statements have been prepared based on original acquisition costs, excluding available-for-sale financial assets, financial assets to be recognised at fair value through profit and loss, hedged items in fair value hedging, biological assets and share-based business operations settled by means of cash which have been recognised at fair value.

Management assesses that in foreseeable future group has enough resources to continue as a going concern. The group has prepared the financial statements on a going concern basis.

NEW AND AMENDED STANDARDS APPLIED IN THE FINANCIAL YEAR ENDED

Metsä Group has from the beginning of the year applied the following new and amended standards:

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. The amendments have only had an impact on the presentation of other comprehensive income.

Amendment to IAS 19 Employee Benefits: The major changes are as follows: all actuarial gains and losses are immediately recognised in other comprehensive income, i.e. the corridor approach is no longer applied, and finance costs are calculated on a net funding basis. The amended standard has been applied retrospectively as required under the transitional provisions. The unrecognised actuarial gains and losses have been recorded in the opening statement of financial position as of 1 January 2012 of the comparative year. The comparative information for the financial year 2012 has been adjusted in accordance with the amended standard.

The adjustments made for the year 2012 were as follows:

EUR million	Old accounting policy	New accounting policy	Change
BALANCE SHEET 1.1.2012			
Non-current asset			
Other non-current financial assets	12.6	11.5	-1.1
Deferred tax receivables	61.8	65.4	3.6
Non-current liabilities			
Deferred tax liabilities	362.4	362.2	-0.2
Post-employment benefit obligations	122.6	135.5	-12.9
Members' funds total	1,495.2	1,485.0	-10.2

EUR million	Old accounting policy	New accounting policy	Change
BALANCE SHEET 31.12.2012			
Non-current asset			
Other non-current financial assets	17.2	13.9	-3.3
Deferred tax receivables	60.0	70.4	10.3
Non-current liabilities			
Deferred tax liabilities	320.2	319.4	-0.7
Post-employment benefit obligations	116.2	153.9	37.7
Members' funds total	1,887.8	1,857.9	-29.9

INCOME STATEMENT 2012			
Employee costs	709.5	705.5	-4.0
Other net financial items	110.2	115.5	5.2
Income taxes	31.8	31.8	0.0

OTHER COMPREHENSIVE INCOME 2012			
Items that will not be reclassified to profit or loss			
Actuarial gains/losses on defined pension plans		25.3	25.3
Income tax relating to items that will not be reclassified		-7.1	-7.1



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 has expanded some notes to consolidated financial statements.

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. Their impact has not been significant.

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. The amended standard has not had a significant impact on Metsä Group's consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries include all companies (including units established for a specific purpose) in which the Group has the right to control the principles of finances and operations. This is usually based on holding shares conferring more than one half of the voting rights. When evaluating whether the Group has control over another company, the existence and impact of potential voting power that can be realised at the time of the review by exercising the right or performing an exchange. Subsidiaries are consolidated in the consolidated financial statements in their entirety starting on the day on which the Group obtains control in them. The consolidation stops when the control ceases.

Business combinations are processed using the acquisition method. Consideration paid for the purchase of a subsidiary is determined as the fair value of paid assets, assumed liabilities and equity shares issued by the Group. The assigned consideration includes the fair value of an asset or liability arising as the result of a contingent consideration arrangement. Acquisition-related costs, excluding expenses incurred by the issuance of debt securities or equity securities, are recognised as expenses as they materialise. A paid consideration does not include transactions to be handled separately from the acquisition. The impact of these has been recognised through profit and loss in the acquisition. A possible contingent additional sales price has been measured at fair value at the time of acquisition and classified either as liability or equity. An additional sales price classified as liability is measured at fair value on the closing date of each reporting period and the resulting profit or loss is recognised through profit and loss. The additional sales price classified as equity is not measured again. Identifiable assets obtained in a business merger and assumed liabilities and conditional liabilities are valued at fair value at the date of acquisition. The holding of non-controlling shareholders in the target of the acquisition is recognised on an acquisition-specific basis either at fair value or an amount corresponding to the proportion of the net assets of the target of the acquisition held by non-controlling shareholders.

The amount by which the sum of paid consideration, proportion of non-controlling shareholders in the target and previously owned proportion exceed the Group's proportion of the fair value of the acquired net assets is reported on the balance sheet as goodwill. If the total amount of consideration, proportion of non-controlling shareholders and previously owned portion is lower than the fair value of the net assets and the transaction is a beneficial one, the difference is recognised in the income statement.

Business transactions, receivables and liabilities between the Group companies and unrealised profits are eliminated. Unrealised losses are not eliminated if the loss arises from impairment. The accounting principles followed by subsidiaries have been amended to correspond to the principles followed by the Group if necessary.

In an acquisition that is completed gradually, the previous holding is valued at fair value and the generated gain or loss is recognised through profit and loss. When the Group loses its control in a subsidiary, the remaining investment is measured at the fair value of the date the control is lost and the subsequent difference is recognised through profit and loss. Furthermore, when the Group loses its control, it handles all amounts recognised in other items in the comprehensive income statement related to the subsidiary on the same basis as they should be handled if the Group had transferred the assets and liabilities in question directly.

The acquisitions prior to 1 January 2010 have been handled according to the standards in effect during that time.

SPECIAL PURPOSE ENTITY

Metsäliitto Management Oy, established for the shareholding programme of the members of Metsäliitto Group's Executive Management, has been consolidated as a subsidiary in the Group's financial statements. According to the shareholders' and loan agreement Metsäliitto Cooperative has the controlling right in the company. The controlling right comes from the conditions in the agreement regarding the administration of the series B-shares in Metsä Board, e.g. restrictions in voting, disposals and deposits of shares. Without the permission of Metsäliitto, the company may not make such decisions which have nothing to do with the business of the company or with the execution of the arrangement. Metsäliitto Cooperative or companies controlled by Metsäliitto have no holdings in Metsäliitto Management Oy. The income statement and the balance sheet have been consolidated from the beginning of the arrangement. Metsäliitto Management's acquisitions of series B-shares in Metsä Board have been dealt with as transactions with owners of non-controlling interest.

Metsäliitto Management Oy will be liquidated according to the shareholder agreement after the publication of Metsä Board's Q3/2013 interim report or at the latest by Q3/2017 if the arrangement is to be continued. When the arrangement is dismantled and Metsäliitto hands over the shares or cash to the owners of the company, the investments made by the executive managers will be dealt with as a financial liability and not as a non-controlling interest.

Additional information on share-based incentive schemes is presented in section Share based payment in these accounting policies.

As the weighted average price of Metsä Board's B-share during 20 days after the release of the interim report Q3/2013 exceeded the average price at acquisition, arrangements to liquidate the company has started.

TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS

Business transactions with non-controlling shareholders are processed in the same way as those with Group shareholders. When shares are purchased from non-controlling shareholders, the difference between the consideration paid and the proportion of the net assets in the subsidiary purchased is recognised in equity. Also, profit or loss from sale of shares to non-controlling shareholders is recognised in equity.

ASSOCIATED COMPANIES

Associated companies include all companies in which the Group has considerable influence but no control. Usually, significant influence is based on a shareholding conferring 20–50 per cent of the voting rights. Investments in associated companies are processed using the equity method, and they are initially recognised at cost. The Group's shares in associated companies also include the goodwill measured at the time of acquisition less any impairment.

The Group's share of profits or losses of associated companies following the acquisition is recognised in the income statement and the Group's share of the changes in the associated company's equity is recognised in other comprehensive income. The book value of the investment is adjusted for changes accumulated after the acquisition. If the Group's share of associated companies' losses is as large or larger than its share of the associated company including any other unsecured receivables, the Group will not recognise additional losses unless it has commitments concerning the associated companies and it has not made payments on behalf of it.

A proportion corresponding to the Group's shareholding is eliminated from unrealised profits between the Group and its associated companies. Unrealised losses are also eliminated unless the transaction indicates an impairment of the value of the asset. The accounting principles followed by associated companies have been amended to correspond to the principles followed by the Group if necessary. Profits or losses due to the dilution effect as shareholding in associated company investments decrease are recognised in the income statement.

The Group assesses at each balance sheet date whether there are objective evidence of impairment of investments in associated companies. If so, the Group carries out a full impairment test by comparing the recoverable amount of the investment with the carrying amount.

JOINT VENTURES

The Group's holdings in jointly controlled units are processed in the consolidated financial statements using proportional consolidation. The Group's proportion of the joint venture's individual income items, expenses, assets and liabilities and cash flows are consolidated in the corresponding items of the consolidated financial statements. For assets sold to a joint venture, the proportion of profits or losses belonging to third parties is recognised. The Group does not recognise its share of a joint venture's profits or losses arising from assets purchased from it by the Group before the assets have been sold further to an independent party. However, a loss incurred by business transactions will be recognised immediately if it indicates a decrease in the net realisation value or impairment of current assets.

TRANSACTIONS IN FOREIGN CURRENCY

The figures concerning the profit and financial position of Group units are presented in the currency that is used in the primary operating environment of the unit in question. The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Business transactions denominated in foreign currencies are recognised in the operating currency using the rate of the transaction date. Monetary items denominated in foreign currencies are translated into the functional currency using the rate of the closing date. Non-monetary items in foreign currencies recognised at fair value have been translated into the functional currency using the rate of the date on which the value was determined. Otherwise, non-monetary items have been recognised using the rate of the transaction date.

Any gains or losses resulting from transactions in foreign currencies, and from the translation of monetary items, are recognised under financial income and expenses with the exception of liabilities classified as hedges for net investment in a foreign entity, for which the currency gains and losses are entered for the part of hedge proven effective in the translation differences in other comprehensive income. A change in the fair value of a derivative hedge (currency forward contracts) proven effective is recognised directly in shareholders' equity in the fair value reserve, and only after the realisation of the forecasted sales transaction it is recognised in the income statement as an adjustment of the hedged sales.

The income statements of Group companies whose reporting currencies are other than euro are translated into euros using average exchange rates for the reporting period, and their balance sheets at the exchange rates prevailing at the balance sheet date. Translation differences arising on translation and on applying the purchase method of consolidation are recognised in other comprehensive income. In conjunction with divestments of subsidiaries, either by selling or by dissolving, translation differences accumulated by the time of divestment are recognised in the income statement as part of the gain or loss from the divestment.

When making the transition to IFRS, translation differences that arose prior to 1 January 2004, which was the transition date to IFRS standards, were recorded in the Group's retained earnings according to the exemption under IFRS 1, and they are no longer entered in the income statement if the subsidiary is disposed of subsequently. From the transition date translation differences have been presented in members' funds as a separate item.

FINANCIAL ASSETS

Financial assets have been classified according to IAS 39 standard as follows: 1) Financial assets at fair value through profit or loss, 2) Held-to-maturity investments, 3) Loans and other receivables and 4) Available-for-sale financial assets. Categorisation depends on the purpose for which the assets were acquired and is made at the time they were originally recorded. Financial assets are initially recognised at fair value. Transaction costs are included in the fair value unless the item is measured at fair value through profit and loss. The transaction costs related to the items measured at fair value through profit and loss are recognised immediately to profit and loss. Financial assets are derecog-



nised when the Group has lost the contractual right to receive cash flows or it has transferred substantially risks and rewards of ownership to outside the Group. Financial asset purchases and sales are recorded at the settlement date.

Financial assets at fair value through profit and loss include mainly quoted bonds and money market fund investments that are classified as held for trading. Financial assets held for trading have been recognised at fair value based on price quotations in the market. Unrealised and realised gains and losses due to changes in fair value are recognised immediately in the income statement during the financial period in which they are incurred. Derivatives not included in hedge accounting are also classified as financial assets held for trading. Their accounting principles and principles of determining their fair value are described below.

Held-to-maturity investments include those investments with a maturity more than six months with a specific date of maturity which the Group has full intention and ability to retain until the date of their maturity. The Group has no held-to-maturity investments. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and other receivables comprise external loans and other receivables including accounts receivables. Financial assets designated in these categories are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are publicly quoted and unquoted shares. They are valued at fair value, or if fair value cannot be reliably determined, at cost less impairment. The fair values of publicly quoted shares are based on the share price at the date of the financial statements. If there are no quoted prices for available-for-sale financial assets, the Group applies different types of valuation in their valuation, such as recent transactions and discounted cash flow. In this valuation, information received from the market is usually used, and factors specified by the Group itself are used as little as possible. Changes in fair value are recognised under other comprehensive income and presented in the fair value reserve, taking the tax effect into account. Accumulated changes in fair value are transferred from equity to profit and loss as a correction of classification when the investment is divested or its value has impaired so that an impairment loss is to be recognised for the investment.

Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. According to treasury policy Metsä Group has classified short-term money market investments as cash and cash equivalents.

The Group assesses at each balance sheet date whether there is objective evidence of impairment of a financial asset or group of financial assets. Objective evidence of impairment of available-for-sale financial assets includes a significant or long-term decrease of the value of the investment under the acquisition cost. If the fair value of investments has substantially gone under acquisition cost and exceeded the period of time defined by the Group, it shall indicate that the value of the investment may be impaired. If there is evidence of impairment, the accumulated losses recognised in fair value reserve shall be transferred to profit and loss. Impairment losses of equity instruments classified as available for sale financial assets shall not be reversed through profit and loss.

The criteria for determining whether there is objective evidence of impairment of loans and other receivables include:

- significant financial problems of the issuer or debtor
- breach of contractual terms and conditions, such as defaults on interest or capital payments

- concessions given by the Group to the debtor due to its financial or legal reasons related to its financial problems that it would not otherwise contemplate giving
- probability of the debtor's bankruptcy
- the financial asset in question no longer having an active market due to financial problems.

Impairment testing of accounts receivables is described below in more detail with regard to the relevant accounting principles.

The amount of the impairment loss is determined as the difference between the carrying amount of the financial asset and the current value of the estimated cash flows of the financial asset discounted using the original effective interest rate (excluding any non-realised future credit losses). Impairment of financial assets has to be recorded if the carrying amount of the financial asset exceeds its recoverable amount. The carrying amount of the asset is decreased and the loss is recognised in the consolidated income statement. If the amount of the impairment loss decreases during a subsequent period and the decrease can be objectively linked to an event realised after the recording of the impairment (such as the debtor's credit rating improving), the impairment loss is always reversed in the other comprehensive income. For assets classified as held for sale investments the impairment loss is always reversed in the other comprehensive income.

FINANCIAL LIABILITIES

The Group has classified all financial liabilities under "Other liabilities". When a financial liability is entered in the accounts, it is measured at cost, which is equal to the fair value of the consideration received for it. Transaction costs are included in the original carrying amount of all financial liabilities. Subsequently, all financial liabilities are measured at amortised cost using the effective interest method. Derivative contracts for which hedge accounting is not applied are classified as "Financial liabilities at fair value through profit or loss".

Financial assets and liabilities are classified according to IAS 39 and fair values are presented in Note 29.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments are initially recognised in the balance sheet as fair value at cost and thereafter during their term-to-maturity revalued at their fair value at each reporting date. Gains and losses resulting from recognition at fair value are treated in accounting as required with regard to the intended use of the derivative in question. Derivatives are initially classified either as 1) Hedges of the exposure to changes in fair value of receivables, liabilities or firm commitments, 2) Hedges of the cash flow from a highly probable forecast transaction, 3) Hedges of a net investment in a foreign entity or 4) Derivatives to which it has been decided not to apply hedge accounting. Derivatives that do not qualify for hedge accounting are classified as financial assets or financial liabilities at fair value through profit or loss. When applying hedge accounting at the inception of a hedging relationship, the Group has documented the relationship between the hedged item and the hedging instruments as well as the hedging strategy observed. To meet the requirements of hedge accounting, the Group has also continuously carried out effectiveness testing to verify that changes in the fair value of the hedging instrument for each hedging relationship cover

effectively enough, with respect to the hedged risk, any changes in the fair value of the hedged item.

Changes in the fair value of derivatives that meet the criteria for fair value hedging are recognised through profit and loss. Changes in the fair value of a hedged asset or liability item are presented similarly in terms of the hedged risk. Changes in the fair value of the effective portion of derivative instruments that meet the criteria for cash flow hedging are recognised directly in a hedging reserve in equity. The gains and losses recognised in equity are transferred to the income statement in the period in which the hedged item is recognised in the income statement. When the criteria for hedge accounting are no longer fulfilled, a hedging instrument matures or is sold or when the gain or loss accrued from hedging the cash flow remain in equity until the forecast transaction takes place. However, if the forecast hedged transaction is no longer expected to occur, the gain or loss accrued in equity is recognised immediately in the income statement.

The fair value of derivatives is disclosed in non-interest-bearing receivables or liabilities. The fair values of derivatives classified in accordance with the applied accounting practice are presented in Notes to the accounts no. 29. The maturity analysis of cash flow hedge accounting is presented in Notes to the accounts no. 28.

CURRENCY HEDGING

The group has applied cash flow hedge accounting in accordance with IAS 39 to some of its hedges of foreign exchange risk. A separately defined portion of the highly probable forecasted cash flow from Metsä Board's, Metsä Tissue's and Metsä Fibre's sales in USD, GBP, JPY, SEK, NOK and DKK is the object of hedge accounting. A change in the fair value of a derivative hedge (currency forward contracts) proven effective is recognised directly in shareholders' equity in the fair value reserve, and only after the realisation of the forecasted sales transaction it is recognised in the income statement as an adjustment of the hedged sales. Changes in the fair value of other currency derivatives to hedge foreign currency exposure are recognised under financial items in the income statement. The fair values of forward foreign exchange contracts are based on forward prices prevailing at the balance sheet date, and currency options are stated at market rates in accordance with the Black&Scholes model's fair value.

The hedging of a net investment in a foreign entity is accounted as cash flow hedge. Changes in the fair value of a derivative and loan hedge proven effective are recognised directly against the translation differences accumulated in members' funds. The ineffective portion of the hedge as well as the effect of the interest rate element of forward exchange contracts are recorded in financial income and expenses in the income statement.

INTEREST HEDGING

To hedge the fair value of separately defined loans with derivatives contracts (interest rate swaps and currency swaps), the Group has applied hedge accounting in accordance with IAS 39 as so-called fair value hedge. Changes in the fair value of both defined loans and derivative contracts that meet the criteria for effective hedge accounting are recognised in financial income and expenses through profit and loss. The fair value of loans is calculated in respect of interest rate risk and currency risk elements, but any changes in the company's credit risk premium have not been taken into account.

Moreover, to partly hedge its interest rate exposure, the Group has applied hedge accounting in accordance with IAS 39 to hedging of contractual cash flows of floating interest rates of loans as so-called cash flow hedge. A change in the fair value of derivative contracts (interest rate swaps) is recognised directly in members' funds in fair value reserve.

Interest rate derivatives, to which hedge accounting is not applied, are stated at their fair value, and changes in fair value are recognised under financial items in the income statement. The fair values of interest rate swaps and currency swaps are measured at the present value of future cash flows, with the calculation based on market interest rate yield curve.

COMMODITY RISK HEDGING

To partly hedge its electricity price risk exposure, the Group has applied hedge accounting in accordance with IAS 39 as so-called cash flow hedge. A separately defined portion of the highly probable forecast cash flow of Metsä Board's, Metsä Tissue's and Metsäliitto's electricity purchases in Finland, Sweden and Germany is the object of hedge accounting. Additionally hedge accounting could be applied in hedging Metsä Board's, Metsä Tissue's and Metsä Fibre's pulp price risks as so-called cash flow hedge. A change in the fair value of a derivative hedge (forward electricity contracts and pulp contracts) proven effective is recognised directly in shareholders' equity in fair value reserve, and only after the realisation of the forecasted electricity purchases, natural gas purchases or pulp sales or pulp purchases it is recognised in the income statement as an adjustment of the hedged purchases or sales. The ineffective part of derivatives classified to hedge accounting or other derivatives hedging commodity price risk are recognised at market rates at the balance sheet date, and changes in fair value are recognised in the income statement under "Other income and expenses".

Embedded derivatives are valued at fair value, and changes in fair value are recognised under financial items in the income statement. The amount of embedded derivatives in Metsä Group is insignificant.

SEGMENT REPORTING

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. All sales and other transactions between segments are eliminated on consolidation.

NON-RECURRING ITEMS

Exceptional and material items outside ordinary course of business are treated as non-recurring items. Non-recurring items are allocated to segments. These kinds of income or expenses are e.g. material profits or losses on sale, impairment charges and reverse of impairment charges related to IAS 36, Impairment of Assets, and expenses and releases of expenses related to structural changes.



NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

An asset item or operation is classified as held for sale when the amount corresponding to its carrying value will be generated primarily from sale of the asset item. Classification as held for sale requires management to be committed to the plan to sell the asset and requires that the Group has initiated an active program to complete the plan. The asset must be available for immediate sale in its present condition and the sale should be expected within one year from the date of classification.

Asset items classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Asset items classified as held for sale are not depreciated or amortised after the classification.

A discontinued operation is one which the Group has disposed of or that is classified as held for sale and represents a separate major line of business or geographical area of operations. The profit or loss from discontinued operations after tax is shown as a separate item in the consolidated income statement.

REVENUE RECOGNITION

Sales include income from the sale of products and services as well as raw materials and supplies corrected for indirect taxes, discounts and other sales adjustment items. Sale of goods is recognised as income when the risks and benefits associated with the ownership of the product are transferred to the buyer and the Group no longer has rights of possession or control on the product. Usually, this refers to the moment on which the product has been delivered to the customer in accordance with the agreed terms of delivery.

The Group's terms of delivery are based on the Incoterms 2010 delivery terms, a compilation of definitions of delivery terms published by the International Chamber of Commerce. The Group's most common delivery terms concerning sales are:

- D terms, according to which the Group has to deliver the products to the agreed destination. The sale is concluded at the moment of delivery to the buyer at the agreed destination at the agreed time.
- C terms, according to which the seller arranges and pays for transport to the agreed destination and certain other expenses. However, the Group's responsibility for the products ends after the products have been handed over to the carrier in accordance with the term used. The sale is concluded at the moment when the seller hands the goods over to the carrier for transport to the agreed destination.
- F terms, according to which the buyer arranges for the transport and is responsible for it. The sale is concluded when the products have been delivered to the buyer's carrier.

If local rules result in invoicing that deviates from the rules specified above, the impact of such income has been calculated and adjusted.

Revenue from the sale of services is recorded when the services have been rendered.

Income and expenses from long-term projects are recognised according to their degree of completion once the outcome of the project can be reliably estimated. The degree of a project's completion shall correspond to the share of its projected total cost represented by the work carried out up to the date of evaluation. Once it becomes probable that the total cost

required to complete the project will exceed the total revenue gained from it, the expected loss is immediately recognised as an expense.

Dividend income is recognised when the right to receive a payment is established. Interest income is recognised by applying the effective interest rate method.

DELIVERY AND HANDLING COSTS

Costs arising from the delivery and handling of goods are recorded in materials and services in the income statement.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is recognised as an expense at the time it is incurred. Development expenditure is capitalised if it is probable that a development project will generate future economic benefit and the costs can be measured reliable. Capitalised development costs are amortised over their estimated useful lives. To date, Metsä Group has not capitalised any R&D expenditure.

BORROWING COSTS

Borrowing costs are generally recognised as an expense in the period in which they are incurred. When an item of property, plant and equipment is involved in a major and long-term investment project, the borrowing costs directly due to the acquisition and construction of the asset are included in the asset's cost.

INCOME TAXES

Tax expense in the income statement is comprised of the current tax and deferred taxes. Current tax and deferred tax that relates to items that are recognised in comprehensive income shall be recognised in comprehensive income. Income taxes are recorded on an accrual basis for the taxable income of each reporting unit, applying the tax rate in force in each country at that time. Taxes are adjusted for any taxes for previous periods.

Deferred tax assets and liabilities are calculated on all the temporary differences between the carrying amount and the tax base. Deferred tax liabilities are not recognised when the asset or liability in question is one that is originally entered at the carrying amount and does not concern the merging of business operations, and the recognition of such an asset or liability does not have an impact on the accounting result or taxable income at the date of the transaction. No deferred taxes are recognised for non-deductible goodwill, and no deferred taxes are recognised for undistributed profits of subsidiaries to the extent that the difference will not likely realise in the predictable future.

The most significant temporary differences result from depreciation on property, plant and equipment, fair value of available-for-sale financial assets and derivative instruments, defined benefit plans, unused tax losses and measurement at fair value in connection with acquisitions.

Deferred taxes have been calculated by applying the tax rates in force by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilised.

INTANGIBLE ASSETS

GOODWILL

Goodwill arising from the merging of business operations is recognised to the amount by which the sum of the consideration paid, the share of non-controlling interest in the company to be acquired and the previous holding exceed the fair value of the net assets. Goodwill arising from the acquisition of subsidiaries is included in intangible assets.

Goodwill is tested annually for impairment and recognised on the balance sheet at cost less accumulated impairment losses. Impairment losses from goodwill are not reversed. The book value of goodwill associated with a divested company influences the capital gain or loss.

Goodwill is allocated to cash-generating units for impairment testing. Goodwill is allocated to those units or groups of units which are expected to benefit from the merger of business operations where the goodwill has arisen, specified by reporting segments.

OTHER INTANGIBLE ASSETS

Intangible assets are originally valued to their acquisition cost in the balance sheet, in the case that acquisition cost can be determined reliably and it is probable, that the expected financial benefit from the asset will be to the benefit of the group.

Those intangible assets, which have a limited financial useful life, are booked by straight line depreciation as expenses impacting profit, according to their known or estimated financial useful life. Intangible assets, which have unlimited financial useful lives, are not depreciated, but are tested yearly for decrease in value.

The residual value of an asset, the financial useful life and depreciation method are checked at least once at the end of the financial year and when necessary, adjustments are made to reflect changes in the expected financial benefit of the asset.

Depreciation for intangible assets begins, when the asset is ready for use, e.g. when it is in such a state, that it is able to function as intended by management. Depreciation bookings end, when an intangible asset is classified as for sale (or is included in a group classified as for sale) according to IFRS 5 standard Non-current Assets Held for Sale and Discontinued Operation.

COMPUTER SOFTWARE

Expenditure on developing and building significant new computer software programs are recognised in the balance sheet as an intangible asset and amortised by using the straight-line-method over its estimated useful life, which is not to exceed seven years. Direct expenses to be capitalised include consultancy and expert advisory fees paid to outside parties, software licences obtained for the application, staff costs to the extent that they can be allocated directly to the project as well as other direct costs. Maintenance and operating expenditure related to computer software and EDP applications is recorded as an expense in the reporting period in which it has been incurred.

EMISSION ALLOWANCES

Allowances received by the governments free of charge have initially been recognised as intangible assets and the corresponding government grant as advance payment in liabilities based on fair value at the date of initial recognition. Allowances are measured at its cost or at their fair value if less. Allowances are not amortised. The emissions produced are

recognised as cost and as liability together with the corresponding government grant as income both based on the value at the date of initial recognition. Rights consumed that are within the original range have no positive or negative effect on profit for the period. The costs of purchasing additional allowances to cover excess emissions or the sale of unused allowances have effect on profit.

OTHERS

The cost of patents, licences and trademarks having a finite useful life is capitalised in the balance sheet under intangible assets and amortised on a straight-line basis over their estimated useful lives in 5–20 years.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at historical cost. The property, plant and equipment of acquired subsidiaries is measured at fair value at the time of the purchase. Property, plant and equipment is presented in the balance sheet at cost less accumulated depreciation and any impairment. For investments in property, plant and equipment requiring a long construction time, the interest incurred during construction is capitalised in the balance sheet as part of the asset for the time that is necessary for bringing the asset to working condition for its intended use. Spare parts, spare equipment and maintenance supplies are recognised in property, plant and equipment when they are in accordance with the definition of property, plant and equipment. Otherwise, such commodities are classified as inventories.

Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits.

Subsequent costs of an item of property, plant and equipment shall be recognised as an asset if and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of a component which has been replaced with a new component shall be derecognised. All other repair and maintenance expenditures are recognised in profit and loss as incurred.

Property, plant and equipment is depreciated on a straight-line basis over the following estimated useful lives:

Buildings and constructions	20–40 years
Machinery and equipment	
Heavy power plant machinery	20–40 years
Other heavy machinery	15–20 years
Lightweight machinery and equipment	5–15 years
Other tangible assets	3–10 years

Land and water areas are not depreciated. If the significant parts of an item of property, plant and equipment have estimated useful lives of differing length, each part is depreciated separately.

The residual value of an asset, the financial useful life and depreciation method are checked at least once at the end of the financial year and when necessary, adjustments are made to reflect changes in the expected financial benefit of the asset.

Depreciation for tangible assets begins, when the asset is ready for use, e.g. when it is in such a location and state, that it is able to function



as intended by management. Depreciation bookings end, when a tangible asset is classified as for sale (or is included in a group classified as for sale) according to IFRS 5 standard Non-current Assets Held for Sale and Discontinued Operation.

Gains and losses arising on the sale and decommissioning of items of property, plant and equipment are calculated as the difference between the net revenue obtained and the carrying amount. Capital gains and losses are included in operating profit in the income statement.

GOVERNMENT GRANTS

Government grants, such as government grants received related to acquisition of fixed assets, are booked as reductions to the book value of said fixed assets, when it is fairly certain, that the grants will be received and the Group fulfills the requirements for receiving such grants. The grants are recognised as income in the form of lower depreciation during the useful life of the asset. Grants, which are received as compensation for already incurred expenses, are booked in "other operating income" during the period, when the right to the grant emerges.

LEASES

Leases on property, plant and equipment for which the Group assumes substantially all the risks and rewards characteristic to ownership of the asset are classified as finance lease agreements. A finance lease agreement is recognised in the balance sheet at an amount equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding lease payment liability is recorded in interest-bearing liabilities under other non-current liabilities. An asset obtained on a finance lease is depreciated over the useful life of the asset or, if shorter, the lease term. Lease payments are split between financial expenses and a reduction in the lease liabilities.

Lease agreements in which the risks and rewards incident to ownership remain with the lessor are treated as other lease agreements (operating leases). Lease payments under an operating lease are recognised as an expense in the income statement on a straight-line basis over the lease term.

IMPAIRMENT OF ASSETS NOT INCLUDED IN FINANCIAL ASSETS

No depreciation or amortisation is recognised for assets with an indefinite useful life, such as goodwill; they are annually tested for impairment. Assets that are subject to depreciation or amortisation are always tested for impairment when events or changes in conditions indicate that it is possible that the monetary amount corresponding to the book value of the assets might not be recoverable.

The recoverable amount is the fair value of an asset less costs to sell or its value in use, whichever is higher. Value in use is the estimated future net cash flows, discounted to their present value, expected to be derived from the said asset or cash-generating unit. The discount rate used is the interest rate before taxes that represents the market's view of the time value of money and special risks associated with the asset.

Asset items are grouped for impairment assessment to the lowest levels on which cash flows can be separately itemised (cash-generating units). An impairment loss is recognised if the carrying amount of the

asset is higher than its recoverable amount. If the impairment loss concerns a cash-generating unit, it is first allocated to decrease the goodwill of the cash-generating unit and thereafter to decrease the other assets of the unit symmetrically. In connection with the recognition of the impairment loss, the useful life of the depreciated asset is re-evaluated. An impairment loss recognised for an asset other than goodwill is reversed if a change has taken place in the estimates used to determine the recoverable amount of the asset. However, the maximum reversal of an impairment loss amounts to no more than the carrying amount of the asset if no impairment loss had been recognised. An impairment loss recognised on goodwill is not reversed under any circumstances.

BIOLOGICAL ASSETS

Biological assets (growing trees) are measured at fair value less the estimated expenses of making a sale. The fair value of a stand of trees, excluding young seedlings, is based on the present value of expected cash flows (revenue and expenses). The calculations take into account the future growth of the stand as well as the environmental protection-related limits on the forests. The calculation of income from felling and silvicultural costs is based on the prevailing price level as well as the company's view of the future trend in prices and costs. Changes in the fair value of a stand of trees are included in operating result during the financial period. The measurement of Metsä Group's associated companies' biological assets is in line with the Group's accounting principles.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of finished and semi-finished products comprises raw materials, direct labour expenses, other direct expenses as well as an appropriate share of fixed and variable production overheads. The normal capacity of the production facilities is used as the divisor in allocating overheads to the different production units.

The value of inventories is determined using the FIFO (first-in, first-out) method or, alternatively, the weighted average cost method depending on the nature of the inventories. Net realisable value is the estimated selling price that is obtainable less the costs of completion and the costs necessary to make the sale.

ACCOUNTS RECEIVABLES

Accounts receivables are measured at the expected net realisable value, which is the original invoicing value less estimated impairment provisions on the receivables. Provisions are set up case by case when there is a justifiable reason to assume that the Group will not receive payment for the invoiced amount according to the original terms.

EQUITY

In IFRS reporting, financial instruments are classified either as financial liabilities or equity instruments. Under the IFRIC 2 interpretation "Members' Shares in Co-operative Entities and Similar Instruments", shares for which the co-operative does not have an unconditional right to refuse redemption in accordance with the cooperative's rules are classified as financial liabilities. The rules of Metsäliitto Cooperative spec-

ify the maximum amount of members' capital that may be redeemed annually. The amount available for redemption of members' capital and additional members' capital corresponds to 1/3 of distributable surplus confirmed in the most recent balance sheet. This amount is recognised as an interest-bearing financial liability in the financial statements.

PROVISIONS

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recorded in the balance sheet as a separate asset, but only if it is virtually certain that reimbursement will be received.

RESTRUCTURING

A restructuring provision is recorded for the financial period when the Group has incurred a legal or constructive obligation to make a payment. Termination payments are recorded when a detailed plan has been made of the restructuring and the Group has raised valid expectations in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

ENVIRONMENTAL OBLIGATIONS

Costs arising from environmental remediation which do not increase present or future revenue are recorded as annual expenses. Environmental liabilities are recorded in accordance with present environmental protection laws and regulations when it is probable that the obligation which has arisen and its amount can be estimated reasonably.

EMPLOYEE BENEFITS

PENSION BENEFITS

The Group has several arrangements concerning benefits following the termination of employment, including both defined benefit pension plans and defined contribution pension plans.

A defined contribution plan is a pension arrangement in which fixed contributions are made to a separate unit, and the Group does not have legal or constructive obligations to make additional contributions if the fund has insufficient funds to pay all benefits based on the performance of the current and previous financial years to all employees. All arrangements that do not meet these requirements are considered defined benefit plans.

A defined benefit plan usually defines the pension benefit that the employee will receive upon retiring and the benefit amount, which usually depends on one or more factors, including the employee's age, service years and salary level.

With the defined benefit plans, the current value on the end date of the obligations reporting period, less the fair value of the assets included in the arrangement, is recognised in the balance sheet as a liability. The

amount of the obligation arising from the defined benefit plan is based on annual calculations by independent actuaries using the Projected Unit Credit Method. The current value of the obligation is determined using the interest rate equalling the interest of high-quality bonds issued by the companies as the discount rate for the estimated future cash flows. The bonds used in determining the interest rate have been issued in the same currency as the benefits to be paid, and their maturity is approximately the same as that of the corresponding pension obligation.

Actuarial gains and losses from experience verifications and changes in actuarial assumptions are recognised through items in other comprehensive income as a reimbursement or charge in equity for the period during which they have incurred.

Past service costs are recognised immediately through profit and loss.

In defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans that are mandatory, contractual or voluntary. Apart from these contributions, the Group does not have any other payment obligations. The contributions paid are recognised as personnel expenses when they fall due. Prepaid contributions are recognised in assets in the balance sheet to the extent that they can be recovered as reimbursements or deductions of future payments.

BENEFITS RELATED TO THE TERMINATION OF EMPLOYMENT

Benefits related to the termination of employment are paid when the Group terminates a person's employment contract before the regular retirement age or when a person agrees to resign voluntarily against such benefits. Benefits related to the termination of employment will be recognised at the earlier of the following points in time: (a) when the Group can no longer revoke its offer concerning said benefits, and (b) when it recognises the expense on a restructuring within the scope of IAS 37, which contains the payment of benefits related to the termination of employment. In the case of an offer made to promote voluntary resignation, the benefits related to the termination of employment are defined based on the number of persons expected to accept the offer. Benefits which fall due in more than 12 months after the end of the reporting period will be discounted at the current value.

PROFIT SHARING AND BONUS ARRANGEMENTS

A liability and expense to be recognised on profit sharing and bonus arrangements is based on the conditions of the profit sharing and bonus arrangements. A liability is recognised when the Group has an obligation based on an agreement or a constructive obligation has arisen on the basis of past practices.

SHARE BASED PAYMENT

A share-based incentive programme in which the payments are made either with equity instruments or cash has been established for the company's top executives. The payments in the Group are mainly made in cash. The equity instruments are measured at fair value at the date of granting them and charged to the income statement evenly during the vesting period. In schemes where the payments are made in cash, the recognised liability and change in its fair value is correspondingly scheduled as expenses. The effect of the schemes on profit is presented under employee costs.



Metsäliitto Management Oy has been established to manage Metsäliitto Group's share-based incentive scheme. Metsäliitto Management Oy has been consolidated in the Group's financial statements as a subsidiary.

DIVIDENDS PAYABLE AND INTEREST PAID ON MEMBERS' CAPITAL

Dividends payable by the company are recorded as a decrease in equity in the period during which shareholders, in a general meeting, have approved the dividend for payment. Interest paid on members' capital is recorded as a decrease in equity in the period during which the representative council has approved the interest for payment. The share regarded as a financial liability of the interest on interest paid on members' capital has been recognised in interest expenses.

COMPARATIVE FIGURES

If necessary, comparative figures have been classified to conform to changes in presentation.

ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE IN FUTURE FINANCIAL YEARS

Metsä Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

** = not yet endorsed for use by the European Union as of 31 December 2013.*

IFRS 10 Consolidated Financial Statements and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not assessed to have a material impact on consolidated financial statements.

IFRS 11 Joint Arrangements and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The new standard is not assessed to have a material impact on consolidated financial statements.

IFRS 12 Disclosures of Interests in Other Entities and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles.

The new standard will expand the notes the Group provides for its interests in other entities.

IAS 28 Investments in Associates and Joint Ventures (revised 2011) (in the EU effective for financial years beginning on or after 1 January 2014): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard is not assessed to have a significant impact on consolidated financial statements.

Amendments to IAS 32 Financial Instruments: Presentation (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendments are not assessed to have a significant impact on consolidated financial statements.

Amendments to IAS 36 Impairment of Assets (effective for financial years beginning on or after 1 January 2014): The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. The amended standard is not assessed to have a significant impact on consolidated financial statements.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for financial years beginning on or after 1 January 2014): The amendments made to IAS 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The amendments are not assessed to have an impact on consolidated financial statements.

Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions* (effective for financial years beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments are not assessed to have an impact on consolidated financial statements.

Annual Improvements to IFRSs (2011–2013 cycle* and 2011–2012 cycle*, December 2013) (effective for financial years beginning on or after 1 July 2014): 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 four (2011–2013 cycle) and seven (2010–2012 cycle) standards. Their impacts vary standard by standard but are not significant.

IFRS 9 Financial Instruments* and subsequent amendments (the effective date (previously 1 January 2015) has been postponed and will be determined in due course): IFRS 9 is the first step of the IASB's originally three-phase project to replace the current IAS 39 Financial Instruments: Recognition and Measurement. The amendments result-

ing from the first phase (published in November 2009) address the classification and measurement of financial assets. Based on measurement, financial assets are classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. The amendments published in October 2010 deal with the classification and measurement of financial liabilities and the standard retains most of the related IAS 39 requirements. Amendments dealing with general hedge accounting were issued in November 2013. The unfinished part of IFRS 9, impairment of financial assets, is still a work in progress. Furthermore, the IASB is also considering limited amendments regarding the classification and measurement of financial assets. The macro hedge accounting phase has been taken apart from the IFRS 9 project as a separate project. As the IFRS 9 project is incomplete, the impacts of the standard on the consolidated financial statements cannot yet be assessed.

2. Key accounting estimates applied in the financial statements and judgements used in the accounting principles

Preparing IFRS-compliant financial statements requires the use of certain key accounting estimates. In addition, it requires the management to use its judgement in applying the accounting principles. The estimates made and judgement-based decisions are continuously evaluated, and they are based on prior experience and other factors, such as expectations concerning future events. The expectations are considered to be reasonable, taking the circumstances into account. The topics that are associated with key assumptions and estimates in terms of consolidated financial statements and areas that require significant discretion are described below.

IMPAIRMENT TESTING

The Group annually tests goodwill, intangible assets in progress and intangible assets with infinite useful lives for impairment. Testing for impairment is carried out for other long-term assets if there are indications that the value of the assets might be impaired. The recoverable amounts of cash-generating units are based on calculations of value in use. These calculations require that estimates are made. Impairment losses or reverse of impairment losses were not recognised in 2013 based on impairment testing. A sensitivity analysis of the substantial assumptions used in the impairment testing and the impact of changes in them on the amount of impairment is presented in Note 8.

PENSION PLANS

The present value of the pension obligations depends on various factors that are determined using various actuarial assumptions. The discount rate is also included in the assumptions used in determining the net expenditure (or income) arising from pension plans. Changes in these assumptions have an effect on the carrying amount of the pension obligations.

The appropriate discount rate is determined at the end of each year. This is a rate that is used in determining the current value of the future cash flows estimated to be required to fulfil the pension obligations. In determining the appropriate discount rate, the interest rates of long-term treasury notes or similar instruments are taken into consideration. Other key assumptions concerning pension obligations are based on the current market conditions.

FINANCIAL INSTRUMENTS AT FAIR VALUE

A fair value is determined for financial instruments not traded on an open market using valuation methods. Discretion is used in selecting the various methods and making assumptions based primarily on the market conditions prevailing at the end date of each reporting period. The most significant item at fair value not traded on an open market is the investment in Pohjolan Voima shares, reported under available-for-sale financial assets. Their price is determined based on realised transactions and an analysis of discounted cash flows. 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 percentage units 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, if energy prices used for calculating the fair value differ by 10 percentage units from prices estimated by the management.

PROVISIONS

A provision is recorded when the Group has a legal or constructive obligation as a result of a previous event and it is probable that the liability for payment will realise. The provisions are determined based on previous experience. Termination payments are recorded when a detailed plan has been made of the restructuring and the Group has raised valid expectations in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Provisions amounted to EUR 53.2 million on Metsä Group's balance sheet at 31 December 2013.

INCOME TAXES

The management's judgement is required for determining the taxes based on the result for the period, deferred tax assets and liabilities and the extent to which deferred tax assets are recorded. The Group's balance sheet at 31 December 2013 includes deferred tax assets of EUR 24.4 million recognised for confirmed losses. The Group is subject to income taxation in several countries. Estimating the total amount of income taxes at the level of the entire Group requires significant judgement. The final amount of tax is uncertain in terms of several business operations and calculations. The Group forecasts future tax audits and recognises liabilities based on estimates on whether further taxes will need to be paid. If the associated final tax differs from the originally recorded amounts, the difference has an effect on both the tax assets and liabilities based on the taxable income for the period and deferred tax assets and liabilities in the period during which they are observed.



INVENTORIES

The Group regularly reviews its inventories for situations where the inventories exceed their real value, contain downgraded items or their market value falls below the acquisition cost, and records a deduction item that reduces the carrying amount of the inventories in the case of such deductions. The management must make estimates of the future demand for the products for the purpose of such review. Any changes in these estimates might lead to an adjustment in the carrying amount of the inventories in future periods. The Group's balance sheet included inventories amounting to EUR 775.0 million on 31 December 2013.

ACCOUNTS RECEIVABLES

Accounts receivables are recognised according to the original invoiced amount less any impairment and refunds due to returns. Impairment losses are recognised on a case-by-case basis and based on previous experience when there is objective proof that the receivable cannot be collected in full. If the customers' financial position weakens so that it affects their solvency, further impairment losses might need to be recognised for future periods. The Group's balance sheet at 31 December 2013 included accounts receivables amounting to EUR 558.9 million and impairment losses recorded for accounts receivables amounting to EUR 1.1 million.

IMPAIRMENT OF EQUITY INVESTMENTS CLASSIFIED AS AVAILABLE-FOR-SALE FINANCIAL ASSETS

The question when the value of available-for-sale equity investments is impaired is solved according to the guidelines of IAS 39. This requires the use of significant judgement, e.g., in terms of for how long and to what extent the fair value of the investment has been lower than the acquisition cost. In addition, it is necessary to estimate the financial position of the investment object regarding the near-future outlook of the business operations, such as the profitability of the industry and sector, to find out whether there is objective proof of impairment. Should it be considered that the reduction of the fair value to below the acquisition cost is entirely or partially significant and prolonged, an additional after tax loss of EUR 153.0 million would be recognised in the financial statements for 2013 when the changes in fair value associated with impaired available-for-sale financial assets of Pohjolan Voima Oy recognised under equity are charged to the income statement.

3. 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 accounting principles for the segment information are equal to those of the Group. All intra-segment transactions are based on market prices. Intra-segment sales and other transactions between segments are eliminated on consolidation.

The segment's performance is evaluated based on the operating result.

Segment assets and liabilities are capital items directly used by the segments in their business operations or items that based on reasonable ground can be allocated to the segment. Unallocated capital items consist of tax and financial items and other common group items. Investments consist of additions of tangible and intangible assets used over a longer period than one year.

REPORTING SEGMENTS

WOOD SUPPLY AND FOREST SERVICES

Wood Supply and Forest Services provides high-quality wood and forest energy for Metsä Group's production units and other customers. It offers members of the parent company Metsäliitto Cooperative comprehensive services in wood trade and forest and nature management.

WOOD PRODUCTS INDUSTRY

Metsä Wood offers competitive and environmentally friendly wood products for construction, industry and distributor partners. We manufacture products from Northern wood, a sustainable raw material of premium quality.

PULP INDUSTRY

Pulp Industry is a world-leading producer of softwood pulp. Our main products – sustainably and cost-efficiently produced bleached softwood and birch pulp – are developed for the production of tissue papers, magazine and speciality papers, and packaging board. Pulp industry sells its products under the Botnia brand and has four pulp mills in Finland.

PAPERBOARD AND PAPER INDUSTRY

Paperboard and Paper Industry is Europe's largest producer of folding boxboard, the world's largest manufacturer of coated white-top kraftliner and a significant supplier of paper. It offers premium-quality paperboard and paper to its customers in the consumer and retail packaging, communications and advertising sectors. The company's global sales network serves brand owners, carton printers, printing houses, merchants and office suppliers.

TISSUE AND COOKING PAPERS

Tissue and Cooking Papers provides comfort to the everyday lives of consumers, end users and customers with its premium-quality products. It is a one of the leading suppliers of tissue paper products to households and industrial customers and the leading supplier of baking and cooking papers in the world. The company's brands are Lambi, Serla, Mola, Tento, Katrin and SAGA.

OTHER OPERATIONS

Other operations include the Metsä Group head office functions, the company Metsäliitto Management Oy and the holding function of Metsäliitto Cooperative as well as a 48.98 per cent share of Metsätapiola's real estates.

The Group has not aggregated segments when identifying the reporting segments.

SEGMENTS 2013

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers	Other operations	Eliminations	Group total
External sales	371.1	837.0	780.3	1,943.1	999.8	0.4	0.0	4,931.6
Internal sales	1,189.9	60.1	533.5	76.2	0.3	5.4	-1,865.4	0.0
Sales total	1,561.0	897.0	1,313.8	2,019.3	1,000.1	5.8	-1,865.4	4,931.6
Operating result	27.8	-2.1	196.6	113.6	55.1	-7.0	-49.6	334.4
Non-recurring items in operating result	0.0	-17.2	0.0	9.2	0.6	-0.4	0.0	-7.9
Operating result excl. non-recurring items	27.8	15.1	196.6	104.4	54.5	-6.6	-49.6	342.3
Share of results from associated companies								9.7
Finance costs, net								-120.4
Income taxes								-35.1
Result for the period								188.7
Assets	291.4	392.1	848.6	1,981.0	917.9	185.4	-268.9	4,347.6
Investments in associated companies								73.0
Unallocated assets								743.4
Total assets								5,164.0
Liabilities	228.9	108.5	116.9	455.5	273.1	69.9	-268.9	983.9
Unallocated liabilities								2,221.2
Total liabilities								3,205.1
Capital expenditure	5.4	43.5	28.7	66.9	53.0	17.2		214.5
Depreciation	2.8	28.9	59.9	103.6	39.7	2.0	12.5	249.4
Impairment charges		8.0		-2.3				5.7
Personnel, average	968	2,670	896	3,245	2,930	513		11,222

Segment's assets = intangible and tangible assets, investments in associated companies, inventories, accounts receivables and other non-interest-bearing receivables (excl. interest and tax items)
 Segment's liabilities = accounts payable, advance payments and other non-interest-bearing liabilities (excl. interest and tax items)

NON-RECURRING ITEMS IN OPERATING RESULT 2013

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers	Other operations	Eliminations	Group total
Sales profits in other operating income				8.3				8.3
Change in inventories		-0.5						-0.5
Employee costs		-7.5		1.7	0.6	-0.4		-5.6
Impairment charges		-8.0		-0.2				-8.2
Reversal of impairment charges				2.5				2.5
Other operating expenses		-1.3		-3.1				-4.4
Total	0.0	-17.2	0.0	9.2	0.6	-0.4	0.0	-7.9



WOOD PRODUCTS INDUSTRY: The operating result include employee cost provisions of EUR 7.5 million. The most significant are the EUR 2.4 million provision due to the closing of Casteljalous sawmill, further processing and distribution unit in France, the EUR 2.2 million provision due to the reorganisation of Metsä Wood UK, and the EUR 2.2 million provision due to the close down of Metsä Wood's upgrading and distribution unit in Kaskinen and the reorganisation of the panel and building operations.

Impairment charges 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.

PAPERBOARD AND PAPER INDUSTRY: Operating result includes sales profits of EUR 8.3 million. The most important were the sale of EUR 5.3 million relates to sales of Metsä Board's properties in Finland, EUR 1.9 million to the sale of Metsä Board's Alizay mill in France and a EUR 0.5 million price correction for the associated company Plastiroll Oy sold in 2012.

Employee costs and other operating expenses include provisions of EUR 1.4 million. Most important are the environmental obligation of EUR 6.6 million at Metsä Board Husum, Sweden, the reversal of the provision of EUR 3.5 million due to the sale of Alizay, France and the reversal of the provision of EUR 1.9 million due to the reorganisation of the production in Metsä Board Gohrsmühle in 2011.

Reversal of impairment charges include reversed impairments of EUR 2.5 million relating to the sale of the old paper machine of Metsä Board Äänekoski Paper.

SEGMENTS 2012

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers	Other operations	Eliminations	Group total
External sales	349.4	850.2	772.9	2,046.7	981.5	0.3	0.0	5,001.0
Internal sales	1,166.0	54.0	501.0	60.9	0.0	3.0	-1,784.8	0.0
Sales total	1,515.4	904.2	1,273.9	2,107.6	981.5	3.3	-1,784.8	5,001.0
Operating result	20.2	16.3	150.5	221.1	35.1	67.7	-269.4	241.5
Non-recurring items in operating result	0.0	-2.3	2.3	146.2	-6.8	73.7	-227.3	-14.2
Operating result excl. non-recurring items	20.2	18.6	148.1	74.9	41.9	-5.9	-42.1	255.7
Share of results from associated companies								4.8
Finance costs, net								-113.0
Income taxes								-31.8
Result for the period								101.4
Assets	267.5	390.4	877.9	2,055.2	905.4	144.0	-251.1	4,389.4
Investments in associated companies								66.6
Assets classified as held for sale				20.6				20.6
Unallocated assets								867.8
Total assets								5,344.4
Liabilities	193.1	113.4	158.5	486.5	272.9	32.3	-251.1	1,005.6
Unallocated liabilities								2,481.0
Total liabilities								3,486.5
Capital expenditure	5.9	26.8	35.3	66.1	65.0	17.0	-5.3	210.9
Depreciation	2.7	31.1	59.3	111.1	40.8	5.0	10.2	260.3
Impairment charges			-2.3	-10.8	1.8			-11.3
Personnel, average	1,015	2,859	913	3,551	3,205	443		11,986

Segment's assets = intangible and tangible assets, investments in associated companies, inventories, accounts receivables and other non-interest-bearing receivables (excl. interest and tax items)
 Segment's liabilities = accounts payable, advance payments and other non-interest-bearing liabilities (excl. interest and tax items)

NON-RECURRING ITEMS IN OPERATING RESULT 2012

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers	Other operations	Eliminations	Group total
Sales profits in other operating income				149.6		80.9	-226.7	3.7
Change in inventories		-0.1		-1.0				-1.1
Employee costs		-2.1		-5.0	-6.8	-1.8		-15.8
Share of results from associated companies				0.6			-0.6	0.0
Impairment charges				-0.2				-0.2
Reversal of impairment charges			2.3	11.0				13.3
Other operating expenses				-8.8	0.0	-5.4		-14.2
Total	0.0	-2.3	2.3	146.2	-6.8	73.7	-227.3	-14.2

WOOD PRODUCTS INDUSTRY: The operating result includes a EUR 2.1 million cost provision due to efficiency programmes.

PULP INDUSTRY: Reversal of impairment charges include a reversal of the previously recognised impairment loss of EUR 2.3 million

PAPERBOARD AND PAPER INDUSTRY: Operating result includes sales profits of EUR 149.6 million. The most important were the sale of Metsä Fibre -shares for EUR 84.6 million, the sale of Pohjolan Voima -shares to Metsä Fibre for EUR 58.6 million and the sale of property in Finland for EUR 5.4 million.

Employee costs include a total of EUR 5.0 million, of which the most significant are the EUR 9.0 million reversal of provisions booked earlier due to the reorganisation of Metsä Board Gohrsmühle, an additional cost of EUR 7.0 million due to the closing of Metsä Board Alizay Paper Mill and a EUR 4.7 million restructuring provision due to the efficiency programme at Metsä Board Husum, Sweden.

The buildings and machinery in Metsä Board Alizay, France, have been classified as assets held for sale. At the same time Metsä Board booked a reversal of the previously recognised impairment losses of EUR 10.7 million.

Other operating expenses include a total of EUR 8.8 million, of which the most significant are the cost of EUR 2.2 million due to the production reorganisation in Metsä Board Gohrsmühle, the reversal of earlier booked provisions of EUR 7.0 million due to the closing of

Metsä Board Alizay Paper Mill, the EUR 8.0 million environmental provision related to the cleaning costs of Metsä Board's Niemenranta lot in Tampere and the cleaning costs of EUR 3.5 million of the industry lot in Nurmes.

TISSUE AND COOKING PAPERS: Operating result includes a restructuring provisions of EUR 6.8 million due to the restructuring and reorganisation of all operations.

OTHER OPERATIONS: The operating result includes a sales profit of EUR 80.9 million due to the sale of Metsä Fibre -shares, an employee cost provision of EUR 1.8 million due to efficiency programmes and a EUR 5.4 million cost provision for the termination of lease agreements of redundant office space.

The sales profit of EUR 84.6 million from the sale of Metsä Fibre -shares included in the operating result of Paperboard and Paper Industry as well as the sales profit of EUR 80.9 million from the sale of Metsä Fibre -shares included in the operating result of Other operations, have been eliminated on Group level. The selling of the shares in Metsä Fibre has been processed in accordance with IAS 27 as a transaction between controlling and non-controlling interest in the parent company (Note no. 4). Eliminations also include Paperboard and Paper Industry's EUR 59.1 million gain from the sale of shares in Pohjolan Voima Oy as well as sales profits of EUR 1.7 million from sales of tangible assets.



GEOGRAPHICAL SEGMENTS

The sales of geographical segments are presented based on the location of the customer. Segment assets and investments are presented based on geographical location of the assets.

GEOGRAPHICAL SEGMENTS

EUR million	EXTERNAL SALES		NON-CURRENT ASSETS		CAPITAL EXPENDITURE	
	2013	2012	2013	2012	2013	2012
Finland	953.6	903.1	2,450.1	2,517.3	133.9	82.7
Germany	661.3	672.2	155.6	161.0	15.3	13.6
Great Britain	482.7	542.4	30.3	27.7	0.5	0.5
Italy	243.4	211.4	0.2	0.3	0.0	0.0
Sweden	238.0	245.6	346.6	375.5	31.1	28.1
France	235.3	250.2	5.5	23.9	0.9	0.9
Poland	152.0	125.1	79.5	63.3	21.0	75.6
The Netherlands	115.6	99.1	0.0	0.1	0.0	0.0
Other EU countries	538.9	588.5	66.9	71.3	3.7	4.4
Russia	138.3	154.1	46.3	49.9	7.9	5.0
Norway	121.5	126.4	0.0	0.0	0.0	0.0
Other Europe	176.0	211.9	0.1	0.1	0.1	0.0
China	329.5	322.1	0.3	0.4	0.1	0.0
USA	153.0	127.3	0.1	0.1	0.0	0.0
Other countries	392.5	421.6	0.0	0.0	0.0	0.0
TOTAL	4,931.6	5,001.0	3,181.5	3,290.9	214.5	210.9

PERSONNEL AT YEAR END

	2013	2012
Finland	5,238	5,414
Germany	1,670	1,876
Sweden	1,408	1,450
Great Britain	590	720
Russia	537	531
Poland	422	430
Slovakia	325	399
France	182	228
Baltic countries	114	140
Other Europe	169	174
Other countries	86	85
Total	10,741	11,447

INFORMATION ON MOST IMPORTANT CUSTOMERS

Group's income from one customer did not exceed 10 per cent of the Group's total income in 2013 or 2012.

4. Acquisitions, assets classified as held for sale and disposed operations

ACQUISITIONS

ACQUISITIONS IN 2013

ACQUISITIONS OF NON-CONTROLLING INTEREST

On 2 May 2013, Metsäliitto Cooperative acquired the shares of Metsä Tissue Corporation owned by Varma Mutual Employment Pension Company, a total of 8.381 per cent of the company's share capital. Including tax, the acquisition price was EUR 18.3 million. After the transaction, Metsäliitto Cooperative's holding in Metsä Tissue is 85.0 per cent. As a consequence of the acquisition, the non-controlling interest decreased by EUR 25.0 million and the retained earnings increased by EUR 6.7 million.

In August, Metsäliitto Cooperative bought a 0.32 per cent share of Metsä Board Oy. After the transaction, Metsäliitto Cooperative's holding in Metsä Board is 42.81 per cent. As a consequence of the acquisition, the non-controlling interest decreased by EUR 1.5 million and the retained earnings decreased by EUR 1.3 million.

On 30 September 2013, Metsäliitto Cooperative acquired all the shares of Metsä Group Treasury Oy owned by Metsä Board, a total of 51 per cent of the company's share capital. Including tax, the acquisition price was EUR 5.3 million. After the transaction, Metsäliitto Cooperative's holding in Metsä Group Treasury Oy is 100 per cent. As a consequence of the acquisition, the non-controlling interest decreased by EUR 0.1 million and the retained earnings increased by EUR 0.1 million.

EFFECT ON EQUITY ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY DUE TO ARRANGEMENTS WITH NON-CONTROLLING INTEREST 31.12.2013.

EUR million	2013
From increase in shareholdings in Metsä Tissue Oy	6.7
From increase in shareholdings in Metsä Board Corporation	-1.3
From increase in shareholdings in Metsä Group Treasury Oy	0.1
From other arrangements	0.0
Net effect on equity	5.4

ACQUISITIONS IN 2012

ACQUISITIONS OF NON-CONTROLLING INTEREST

On 24 April 2012, Metsäliitto Cooperative used its purchase option concerning Metsä Fibre shares owned by UPM-Kymmene. Including tax, the realisation price of the purchase option concerning UPM's 11 per cent holding in Metsä Fibre was EUR 152.4 million. After the completion of the transaction, Metsäliitto Cooperative's holding in Metsä Fibre was 67.81 per cent. The book value of Metsä Fibre's net assets at the acquisition date was EUR 516.3 million. As a consequence of the acquisition the non-controlling interest decreased by EUR 83.6 million and the retained earnings decreased by EUR 68.8 million.

On 12 June 2012, Metsäliitto Cooperative bought a 81 per cent share of Biokraft Oy from Vapo Oy for EUR 7.0 million. After the acquisition Metsäliitto Cooperative owns 100 per cent of Biokraft Oy. The book value of Biokraft's net assets at the acquisition date was EUR

8.8 million. As a consequence of the acquisition the non-controlling interest decreased by EUR 7.2 million and the retained earnings increased by EUR 0.2 million.

During 2012 the Group has acquired some 0.7 per cent of the shares of Metsä Board at the sum of EUR 4.9 million. After the acquisitions the Group's holding in Metsä Board was 42.49 per cent of the shares. The book value of Metsä Board's net assets at the acquisition date was EUR 680.9 million. As a consequence of the acquisition the non-controlling interest decreased by EUR 4.6 million and the retained earnings decrease by EUR 0.6 million.

EFFECT ON EQUITY ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY DUE TO ARRANGEMENTS WITH NON-CONTROLLING INTEREST 31.12.2012

EUR million	2012
From increase in shareholdings in Metsä Fibre Oy	-68.8
From decrease in shareholdings in Metsä Fibre Oy	268.3
From increase in shareholdings in Biokraft Oy	0.2
From increase in shareholdings in Metsä Board Corporation	-0.6
From other arrangements	-0.5
Net effect on equity	198.7

ASSETS CLASSIFIED AS HELD FOR SALE

The buildings and machinery at a total of EUR 20.4 million in Metsä Board Alizay, France, were classified as assets held for sale in 2012. Metsä Board had negotiated the Alizay-sale during 2012 and the fair value was based on the management's best estimate from offers received. At the same time Metsä Board booked a reversal of the previously recognised impairment losses of EUR 10.7 million. Alizay has no liabilities for sale. In January 2013, Metsä Board sold the Alizay mill site, including all equipment and buildings, to Conseil Général de l'Eurelle, representing the French state, for EUR 22.4 million. In addition, Metsä Board classified the old paper machine in Simpele as an asset held for sale. The fair value was based on a preliminary deal.

ASSETS CLASSIFIED AS HELD FOR SALE

EUR million	Note	2013	2012
Tangible assets	12	0.0	20.6
Total assets		0.0	20.6

DISPOSED OPERATIONS

DISPOSED SUBSIDIARIES

Metsä Wood sold the shares of Metsä Wood Merk GmbH to the German-based Ed. Züblin AG Group, which is part of the Strabag Group. The transaction was closed on 22 April 2013. A sales profit of EUR 1.1 million was recognised and the cash flow was EUR 5.4 million positive. There were no other disposals during 2013.

Metsä Board disposed in 2012 Metsä Board Reflex mill's Premium Paper business in Germany. The agreement consisted of the whole Premium paper operation including real estates and some 100 employees. No profit or loss was recognised. Cash flow effect was EUR -2.9 million. There were no other disposals during 2012.



DISPOSED OPERATIONS TOTAL

EUR million	Note	2013	2012
Tangible and intangible assets	13	2.8	0.6
Inventories		2.6	0.0
Accounts receivables and other receivables		1.8	0.3
Cash and cash equivalents		0.4	3.0
Total assets		7.6	3.9
Post employment benefit obligations		0.0	1.2
Provisions	26	0.0	1.8
Accounts payables and other payables		3.0	0.1
Total liabilities		3.0	3.1
Net assets		4.6	0.7
Translation differences and consultant fees paid		0.2	-0.1
Selling price		5.9	0.2
Profit on disposal		1.1	
Loss on disposal			-0.4
Cash and cash equivalents received		5.9	0.2
Consultant fees paid		-0.2	0.0
Cash and cash equivalents of disposed subsidiaries		-0.4	-3.0
Net cash flow arising on disposals		5.4	-2.8

DISPOSALS OF NON-CONTROLLING INTEREST

On April 11, Metsäliitto Cooperative, Metsä Board and Itochu Corporation agreed on a transaction in which Itochu acquires a 24.9 per cent strategic holding in Metsä Fibre Oy. The transaction was completed on 3 May 2012. According to the agreement Metsäliitto Cooperative sold 17.62 per cent in Metsä Fibre for EUR 334.0 million and Metsä Board 7.28 per cent for EUR 138.1 million to Itochu.

As a consequence of the transaction the non-controlling interest increased by EUR 202.8 million and the retained earnings increased by EUR 268.3 million. After the transaction Metsäliitto Cooperative's holding in Metsä Fibre is 50.20 per cent of the shares, Metsä Board's 24.90 per cent and Itochu's 24.90 per cent. As a consequence of the transaction the non-controlling interest in Metsä Group increased by 9.66 percentage units. Consultant fees due to the transaction were EUR 0.9 million and they were booked directly against equity.

5. Long-term projects

Only the Building Products business line in the Group's segment Wood Products Industry deals with long-term projects. Group sales include EUR 9.9 million (8.0) in income from long-term projects.

The income statement included EUR 2.9 million income from long-term projects in progress (3.1). The balance sheet included EUR 1.1 million in advance payments for long-term projects in progress (2.7).

6. Other operating income

EUR million	2013	2012
Gains on disposals	12.8	18.4
Rental income	5.8	5.2
Service revenue	13.9	13.9
Government grants	21.5	14.0
Other operating income	27.3	25.4
Total	81.2	76.8

In 2013, the most significant gains on disposals were the gains of EUR 5.9 million related to Metsä Board's property sales in Finland, EUR 2.3 million related to electricity certificates sold by Metsä Board Sverige and EUR 1.9 million related to the sale of Metsä Board Alizay.

In 2012, the most significant gains on disposals were the gains of EUR 3.9 million related to Metsä Board's property sales in Finland and EUR 8.0 million related to electricity certificates sold by Metsä Board Sverige.

Government grants concern the subsidies of training, healthcare and R&D expenses, energy subsidies as well as the carbon dioxide emission permits in accordance with the EU emission trading scheme.

7. Operating expenses

EUR million	2013	2012
Materials and services		
Materials, consumables and goods		
Purchases	2,444.9	2,466.8
Change in inventories	-29.1	22.8
External services		
Logistics expenses	633.4	627.4
Other external services	349.9	345.4
Materials and services, total	3,399.1	3,462.4
Employee costs		
Wages and salaries	461.0	466.4
Share-based payments (Note no. 34)	5.7	2.9
Social security costs		
Pension costs		
Defined contribution plans	5.5	4.0
Defined benefit plans	56.5	54.9
Other employee costs	163.6	177.4
Total	225.5	236.3
Employee costs total	692.2	705.5
Other operating expenses		
Rents	39.0	46.0
Purchased services	95.5	101.5
Losses on fixed asset disposals	0.3	0.8
Other operating expenses	228.3	257.7
Other operating expenses total	363.1	406.0

External services include production related services and logistics expenses of sold products. Other operating expenses include among others services, energy costs, real estate costs and administration costs.

In 2012, rents include EUR 5.4 million due to the termination of the lease agreements of redundant office space.

The research and development costs in 2013 were EUR 17.7 million (19.6).

REMUNERATION PAID TO TOP MANAGEMENT

Top management consists of the members of the supervisory board, board of directors and executive management team including the President and CEO.

REMUNERATION PAID TO TOP MANAGEMENT

EUR million	2013	2012
Salaries and fees	5.5	5.1
Share-based payments	0.0	0.0
Pension costs	3.2	3.1
Total	8.7	8.2

REMUNERATION PAID TO THE MEMBERS OF THE SUPERVISORY BOARD

EUR		2013	2012
Salaries and fees			
Järvinen Hannu	chairman	56,400	57,000
Paajanen Juha	vice chairman	24,000	22,800
Members total		98,400	90,000
Former members of the Supervisory Board			1,200
Total		178,800	171,000

EUR		2013	2012
Pension benefits			
Järvinen Hannu	chairman	9,757	9,576
Paajanen Juha	vice chairman	4,476	4,138
Members total		14,233	13,714
Former members of the Supervisory Board			
Total		14,233	13,714

REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

EUR		2013	2012
Salaries and fees			
Asunta Martti	chairman	83,640	86,640
Jordan Kari	vice chairman	0	0
Aminoff Mikael		46,500	48,900
Halonen Eino		48,000	51,600
Hiltunen Arto		48,900	49,800
Jääskeläinen Saini		46,800	48,600
Parpala Juha		47,100	48,900
Saukkonen Timo		46,800	48,600
Tukeva Antti		48,600	50,700
Total		416,340	433,740

EUR		2013	2012
Pension benefits			
Asunta Martti	chairman	14,470	14,556
Jordan Kari	vice chairman	0	0
Aminoff Mikael		8,045	8,215
Halonen Eino		8,304	8,669
Hiltunen Arto		8,460	8,366
Jääskeläinen Saini		8,096	8,165
Parpala Juha		8,784	8,875
Saukkonen Timo		8,728	8,821
Tukeva Antti		8,408	8,518
Total		73,294	74,185



The reward system of the management comprises a fixed monthly salary, a bonus determined on the basis of the task's effect on earnings, the management's pension benefits, share ownership system for the executive management team and a share-based incentive scheme for executives.

Pursuant to the President and CEO's contract, the Board of Directors may decide that the President and CEO receives a bonus based on the profit, cash flow and personal performance, corresponding to 6 months' salary.

The companies in Metsä Group paid the President and CEO Kari Jordan a total of EUR 1,647,444 (1,362,171) in salaries, fees and other benefits in 2013. The salary with fringe benefits paid by Metsäliitto Cooperative amounted to EUR 1,081,541 (1,054,878), the bonus to EUR 453,791 (196,766) and the share reward to EUR 0 (0). The other Group companies paid to the President and CEO a total of EUR 112,112 (110,527) in salaries, fees and other benefits.

The maximum bonus paid to other members of the Group Executive Management Team employed by Metsäliitto Cooperative can vary, according to the task's effect on earnings, between the amounts corresponding to the person's 0-6 months' wages. The criterias of the profit pay system are the earnings requirements of the Group level and of its own area of responsibility.

The companies in Metsä Group paid their members of the Executive Management Team (excluding the President and CEO) a total of EUR 2,690,932 (2,814,891) in salaries with fringe benefits, EUR 605,367 (357,057) in bonuses and EUR 0 (0) in share rewards.

The term of notice of the President and CEO is 6 months. When the contract of the President and CEO is terminated by the Board, The President and CEO is entitled to a severance pay corresponding to 24 months' total salary. No severance compensation is paid if the contract is terminated by the President and CEO. The terms of notice of other members of the Executive Management Team is 6 months. For other members of the Executive Management Team, the period of additional severance compensation varies from 6–18 months in case of severance due to other reasons than member related.

The share-based incentive scheme for the executives and the share ownership system for the Executive Management Team are presented in Note no. 34.

The President and CEO has a separate pension agreement with a retirement age of sixty (60), as a rule. The President and CEO's maximum level of pension is 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the 5-year period preceding retirement. If the contract of the President and CEO should terminate before retirement age, he/she is entitled to a paid-up policy.

The expenses of the President and CEO's defined benefit pension plans were EUR 1.1 million (1.0) and the expenses of the defined contribution plans were EUR 0.3 million (0.2)

Other members of the Executive Management Team have a separate benefit-based pension agreement with a retirement age of 62. The level of pension is 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the 5-year period preceding retirement. If the employment relationship with Metsä Group ends before retirement age, he/she is entitled to a paid-up policy.

The expenses of the defined benefit pension plans of other members of the Executive Management Team were EUR 1.1 million (1.1) and the expenses of the defined contribution plans were EUR 0.6 million (0,6).

PRINCIPAL AUDITOR'S FEES

The principal auditor is KPMG Oy Ab.

The audit fees are paid for the audit of the annual and quarterly financial statements for the Group reporting purposes as well as the audit of the local statutory financial statements. Tax consultancy fees are the fees paid for tax consultancy services and the like.

PRINCIPAL AUDITOR'S FEES

EUR million	2013	2012
Audit fees	1.2	1.2
Tax consulting fees	0.0	0.0
Other fees	0.0	0.0
Total	1.2	1.3

In 2013, fees paid to other auditors than KPMG were EUR 0.6 million (1.2).

8. Depreciation, amortisation and impairment charges

EUR million	2013	2012
Depreciation and amortisation		
Other intangible assets	14.4	14.1
Buildings	41.8	43.5
Machinery and equipment	190.1	199.2
Other tangible assets	3.1	3.5
Total	249.4	260.3
Impairment charges		
Other intangible assets	0.0	0.2
Buildings	3.1	-6.8
Machinery and equipment	2.6	-2.3
Other tangible assets	0.0	-2.3
Total	5.7	-11.3
Total	255.1	249.1
Impairments by segment		
Tangible and other intangible assets		
Wood Products Industry	8.0	0.0
Pulp Industry	0.0	-2.3
Paperboard and Paper Industry	-2.3	-10.8
Tissue and Cooking Papers	0.0	1.8
Impairments total	5.7	-11.3

Depreciation, amortisation 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, amortisation 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.

Impairments in Pulp Industry include in 2012 a reversal of the previously recognised impairment loss of EUR 2.3 million for Metsä Fibre's Kaskinen mill, based on the selling of bark and oil boilers to Metsä Board.

Depreciation, amortisation and impairment charges for 2012 include EUR 10.7 million reversal of earlier made impairment charges related to reclassification made in Alizay mill in France in Paperboard and Paper Industry.

Furthermore, impairments include an impairment loss of EUR 1.8 million related to the closure of Metsä Tissue's power plant and paper machine 5 in Poland.

IMPAIRMENT OF ASSETS

TESTING PRINCIPLES

The accounting values of asset items or cash generating units (CGU) are evaluated for possible value depreciation. Cash generating units are reporting segments or smaller units to which a utility value can be defined to. If there are indications of value depreciation of an asset item or CGU, or if the unit's accounting value includes or it has been allocated goodwill, it is evaluated how much money the asset item or CGU can accumulate. The sum is the utility value based on the cash flow against the asset item or CGU, or its net sales price.

The goodwill impairment test results are evaluated by comparing the recoverable amount (V) with the carrying amount of the CGU (B) as follows:

RATIO			
V	0-5%	>	B
V	5-10%	>	B
V	10-15%	>	B
V	15-20%	>	B
V	20-50%	>	B
V	50%-	>	B

WOOD PRODUCTS INDUSTRY

The Wood Products Industry's impairment tests were executed at the end of December 2013.

In 2013, testing all accumulated utility values are based on the cash flow against the asset or CGU. The recoverable cash flows of the CGUs are based on 5-year projections and on consequent cash flows growing at a fixed annual growth rate.

The principal input data required for the projections include the price forecasts for sawn timber and panel products, demand and delivery volume estimates for these products, the cost development of key raw materials and other factors of production, such as roundwood, glue and energy, as well as the development of personnel costs and other fixed costs. The projections are also affected by the implementation of the cost-cutting measures already decided, as well as current and planned investments.

The forecasts of selling prices and key factors of production are estimates made by the company's management based on currently available industry sources. The figures for 2014 are based on the preliminary budget at the time of testing.

In current and previous impairment tests the cash flows consequent to the five-year projected cash flows are based on a growth rate of 2 per cent, which is the managements estimate of long term growth in these cash generating units. Furthermore, the management's estimate of likely changes in the factors underlying the key assumptions (price, volume, variable costs) during the projection period have been used as a starting point.

The discount rate used is the Wood Products Industry's latest determined equity and debt Weighted Average Cost of Capital. The WACC used in the test performed is 5.60 per cent (4.81). Both the cash flows and the discount rate are calculated after tax.



The CGUs of Wood Products Industry, the goodwill allocated to them and testing result as of 31 December 2013:

CASH GENERATING UNIT	GOODWILL, EUR MILL.	TEST RESULT (V-B)/B
Metsä Wood UK	0.7	over 50%
CEE sales companies	0.9	over 50%
Pine sawmills	5.0	over 50%
Total	6.7	

Sensitivity analysis of the CGUs regarding the changes in the key assumptions:

CASH GENERATING UNIT (CGU)	V-B EUR MILLION	CASH GENERATING UNIT (CGU)	REQUIRED CHANGE IN ORDER FOR V TO EQUAL B
Metsä Wood UK	59.2	<ul style="list-style-type: none"> Increasing end product sales margin on 5-year projection period (cumulative increase 4.7%) WACC based on interest rates and risk premiums at the time of testing 	<ul style="list-style-type: none"> Cumulative increase in average price 3.1%-units lower WACC 6.5%-units higher
CEE sales companies	2.3	<ul style="list-style-type: none"> Increasing end product average price on 5-year projection period (cumulative increase 6.8%) WACC based on interest rates and risk premiums at the time of testing 	<ul style="list-style-type: none"> Cumulative increase in average price 2.4%-units lower WACC 2.3%-units higher
Pine sawmills	27.6	<ul style="list-style-type: none"> Increasing end product sales margin on 5-year projection period (cumulative increase 5.6%) WACC based on interest rates and risk premiums at the time of testing 	<ul style="list-style-type: none"> Cumulative increase in average price 1.0%-unit lower WACC 3.7%-units higher

Assumptions to which the recoverable amount of the CGU is most sensitive are listed in the table. When considering the resulting effects of changes in other assumptions it was concluded that there are no correlations between assumptions that would materially change the result of the testing. The pricing of end products is mainly driven by the demand and supply balance, and that the cost based changes do not have any significant impact on product pricing.

PULP INDUSTRY

Metsäliitto carries out a full impairment test of Pulp Industry at least once a year, during the last quarter based on the situation of 30 September. In addition, a sensitivity analysis is made each quarter. Should the sensitivity analysis indicate impairment, a full test will be initiated. The Audit Committee reviews the result of the sensitivity analysis or impairment test.

Metsä Fibre is the cash generating unit in the segment Pulp Industry, including goodwill and fair value allocations made by Metsä Group. In 2013, testing all accumulated utility values are based on the cash flow against the asset or CGU. The recoverable cash flows of the CGUs are based on five-year projections and on consequent cash flows growing at a fixed annual growth rate.

The essential testing assumptions are Metsäliitto management's estimates and projections as well as market forecasts. The key factors affecting the projections are development of market pulp prices, exchange rates, delivery volumes and cost development of wood and energy. The

cash flow against the asset or CGU is also substantially affected by the discount rate used.

For the situation on 30 September 2013 and for previous goodwill impairment tests the cash flows consequent to the 5-year projected cash flows are based on a 2 per cent fixed annual growth rate. Average values for the key assumptions (price, volume, variable costs) during the projection period have been used as initial point for the cash flows following the forecast period. The fixed costs are based on the projected costs for the fifth year.

The discount rate used is Metsäliitto's Weighted Average Cost of Capital (WACC). Both the cash flows and the discount rate are calculated after tax, which means that the established discounted cash flows and utility values are before tax as set out in IAS 36. For testing carried out on 30 September 2013, the WACC after taxes was 5.60 per cent (4.41).

The goodwill allocated to the CGU Pulp Industry as of 30 September 2013 and the testing result as of 30 September 2013:

CASH GENERATING UNIT	GOODWILL, EUR MILL.	TEST RESULT (V-B)/B
Pulp Industry	389.8	over 50%

Changes in key assumptions should be very remarkable before the carrying amount would exceed the recoverable amount. The discount rate used should be 11.7 per cent after tax or the average pulp price about 7 per cent lower than the price estimated by an independent expert.

PAPERBOARD AND PAPER INDUSTRY

Metsä Board carries out a full impairment test at least once a year, during the last quarter based on the situation of 30 September. In addition, a sensitivity analysis is made each quarter. Should the sensitivity analysis indicate impairment, a full test will be initiated. The Audit Committee reviews the sensitivity analysis or impairment testing results quarterly.

In 2013 the cash generating units are the same as in 2012 testing, except for Husum, where the paper production and the linerboard production have been consolidated into one cash generating unit.

In 2013 testing all accumulated utility values are based on the cash flow against the asset or CGU. The cash flow that the CGUs under testing can accumulate is based on 5-year forecasts and the evenly-growing cash flows that follows them.

The essential testing assumptions are Metsä Board management's estimates and projections as well as third party forecasts. The key factors affecting the projections are development of average paper and board prices, delivery volumes, foreign exchange rates, and capacity utilisation rates, the cost development of key raw materials such as wood, pulp, chemicals and energy, the development of personnel costs and other fixed costs as well as the discount rate. The key factors are similar to those used in 2012 testing.

Metsä Board's share of the cash flow, accounting value and the goodwill recognised in "investments in associated companies" of Metsä Fibre (EUR 45.2 million) is allocated to CGUs in proportion of their pulp purchases.

For the situation on 30 September 2013 and for previous goodwill impairment tests, the cash flows consequent to the 5-year projected cash flows are based on a 2 per cent fixed annual growth rate. Average

values for the key assumptions (price, volume, variable costs) during the projection period have been used as initial point for the cash flows following the forecast period. The fixed costs are based on the projected costs for the fifth year.

The discount rate used is Metsä Board's Weighted Average Cost of Capital (WACC). When calculating WACC the cost of debt takes into account market based view on Metsä Board's risk premium. Both the cash flows and the discount rate are calculated after tax, which means that the established discounted cash flows and utility values are before tax as set out in IAS 36. For testing carried out, the WACC after taxes was 6.11 per cent (5.88) and for Metsä Fibre 5.30 per cent (4.41). Management's view is that the risk factors regarding future cash flows do not differ materially from one CGU to another.

The most important CGUs of Metsä Board, the goodwill allocated to them as of 30 September 2013 as well as their testing result as of 30 September 2013:

CASH GENERATING UNIT	GOODWILL, EUR MILL.	TEST RESULT (V-B)/B
Folding boxboard ¹⁾	21.0	over 50%
Kemi ¹⁾	18.1	over 50%
Kyro Paper ¹⁾	1.1	20–50%
Husum paper and linerboard	7.7	over 50%
Zanders ¹⁾	0.6	0–5%
Market Pulp ¹⁾	9.4	over 50%
Total	57.9	

¹⁾ The amount includes the goodwill from Metsä Board's holding in Metsä Fibre (EUR 45.2 million), which is shown in "Investments in associated companies" in the balance sheet

In the following CGUs a reasonably possible change in a key assumption results in a situation where the carrying amount of the CGU exceeds the recoverable amount. Assumptions to which the recoverable amount of the CGU is most sensitive are listed in the table. When considering the resulting effects of changes in other assumptions it was concluded that there are no correlations between assumptions that would materially change the result of the testing. The pricing of end products is mainly driven by the demand and supply balance, and the cost based changes do not have any significant impact on product pricing.

CASH GENERATING V-B UNIT (CGU)	EUR MILL.	KEY ASSUMPTION	REQUIRED CHANGE IN ORDER FOR V TO EQUAL B
Zanders	0.2	• WACC based on interest rates and risk premiums at the time of testing	• WACC 0.02%-units higher

TISSUE AND COOKING PAPERS

Metsä Tissue's goodwill has been tested as per 30 September 2013. In testing, all accumulated utility values are based on the cash flow against the asset or CGU.

In testing Metsä Tissue's goodwill the reporting segments have been used as cash generating units. The tissue operations consist of 4 regional segments and the cooking papers forms its own segment. In calculating the utility values, the management's approved budgets and estimates for the next 3 years have been used. The cash flows consequent to the 3-year projected cash flows have been extrapolated based on the estimated average GDP growth rate in the Euro zone, which was 2 per cent except for Scandinavia and Western Europe where the growth is expected to be 1.5 per cent.

The discount rate used is Metsä Tissue's Weighted Average Cost of Capital (WACC). When calculating WACC the cost of debt takes into account market based view on Metsä Tissue's risk premium. Both the cash flows and the discount rate are calculated after tax, which means that the established discounted cash flows and utility values are before tax as set out in IAS 36. For testing carried out on 30 September 2013 the WACC after taxes was 5.6 per cent (5.3). Management's view is that the risk factors regarding future cash flows do not differ materially from one CGU to another.

The most important CGUs of Metsä Tissue, the goodwill allocated to them as well as their testing result as of 30 September 2013:

CASH GENERATING UNIT	GOODWILL, EUR MILL.	TEST RESULT (V-B)/B
North-East (NEE)	36.0	over 50%
Scandinavia (SCD)	64.5	over 50%
West (WE)	13.9	over 50%
Central-East Europe (CEE)	29.7	20–50%
Baking & Cooking	3.6	over 50%
Total	147.7	

The test result is substantially (>50 per cent) above in all cash generating units except CEE (27 per cent).

Changes in key assumptions should be very remarkable before the carrying amount would exceed the recoverable amount. In the CGUs where a reasonably possible change in a key assumption may result in a situation where the carrying amount of the CGU exceeds the recoverable amount, the discount rate should be 6.8 per cent after tax in CEE, or the average product price during the projection period 1.2 per cent lower.



9. Financial income and expenses

EUR million	2013	2012
Exchange differences		
Commercial items	-2.3	6.9
Hedging / hedge accounting not applied	-1.4	-6.0
The ineffectiveness from hedges of net investment in foreign operations	0.1	-0.2
Others	-0.9	1.7
Exchange differences total	-4.6	2.4
Other financial income		
Interest income on loans, other receivables and cash and cash equivalents	8.1	7.2
Dividend income	0.2	8.0
Other financial income total	8.3	15.3
Interest and other financial expenses		
Valuation of financial assets and liabilities		
Gains and losses on financial assets or liabilities at fair value through profit or loss (held for trading)	-0.1	-0.1
Gains / losses on derivatives (hedge accounting not applied)	0.2	0.6
Gains / losses on hedging instrument in fair value hedges	-5.2	17.6
Fair value adjustments of hedged item in fair value hedges	9.5	-6.6
Total	4.4	11.5
Interest expenses from financial liabilities carried at amortised cost using the effective interest method	-121.3	-131.3
Other financial expenses	-7.3	-10.9
Interest and other financial expenses total	-124.1	-130.8
Financial income and expenses total	-120.4	-113.0

10. Income taxes

EUR million	2013	2012
Income taxes for the financial period	-61.2	-75.6
Income taxes for previous periods	2.5	0.1
Change in deferred taxes	23.9	43.9
Other	-0.3	-0.2
Total	-35.1	-31.8

INCOME TAX RECONCILIATION

EUR million	2013	2012
Result before taxes	223.7	133.2
Computed tax at Finnish statutory rate	54.8	32.6
Change in Finnish tax rate from 24.5% to 20.0%	-24.5	0.0
Change in Swedish tax rate from 26.3% to 22.0%	0.0	-9.8
Difference between Finnish and foreign rates	-1.9	0.0
Tax exempt income	-1.6	-2.7
Non-deductible expenses	4.9	12.2
Restatement of deferred taxes from previous years	11.1	0.0
Previous years tax losses used during the period	-14.7	-10.6
Unrecognised deferred tax receivables from tax losses	9.0	9.0
Share of profit from associated companies	-2.3	-1.2
Income taxes for previous periods	-2.5	-0.1
Other	2.9	2.4
Income tax expense	35.1	31.8
Effective tax rate, %	15.7	23.9

The Finnish corporate income tax rate changed from 24.5 per cent to 20.0 per cent from 1 January 2014. Deferred tax assets and liabilities concerning Finland have been measured using the changed tax rate from 31 December 2013. The effect of changed tax rate in 2013 was EUR 24.5 million.

The Swedish corporate income tax rate changed from 26.3 per cent to 22.0 per cent on January 1, 2013. Deferred tax assets and liabilities as at 31 December 2012 concerning Sweden have been measured using the changed tax rate. The effect of changed tax rate in 2012 was EUR 9.8 million.

TAXES INCLUDED IN OTHER COMPREHENSIVE INCOME 2013

EUR million	Before tax	Tax effect	After tax
Items that will not be reclassified to profit and loss			
Items relating to adjustments of defined benefit plans	2.4	-0.1	2.3
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges	-2.5	-0.4	-2.9
Available for sale financial assets	-57.9	22.8	-35.1
Currency translation differences	-20.3	-0.1	-20.4
Other items	-0.2	0.0	-0.2
Total	-80.8	22.3	-58.5

TAXES INCLUDED IN OTHER COMPREHENSIVE INCOME 2012

EUR million	Before tax	Tax effect	After tax
Items that will not be reclassified to profit and loss			
Items relating to adjustments of defined benefit plans	-25.3	7.1	-18.1
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges	-0.5	0.2	-0.3
Available for sale financial assets	-17.3	4.6	-12.7
Currency translation differences	15.2	0.6	15.8
Other items	0.1	0.0	0.1
Total	-2.5	5.3	2.8



11. Intangible assets

INTANGIBLE ASSETS 2013

EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition cost, 1 Jan.	533.8	489.6	10.1	1,033.5
Translation differences	-4.4	-1.3	0.0	-5.7
Increase	0.0	14.4	21.0	35.4
Decrease	-0.4	-11.4	0.0	-11.9
Transfers between items	0.0	7.5	-4.2	3.3
Acquisition cost, 31 Dec.	529.0	498.7	26.9	1,054.6
Accumulated depreciation and impairment charges, 1 Jan.	0.0	-260.9	0.0	-260.9
Translation differences	0.0	0.8	0.0	0.8
Accumulated depreciation on deduction and transfers	0.0	3.1	0.0	3.1
Depreciation for the period	0.0	-14.4	0.0	-14.4
Impairment charges	0.0	0.0	0.0	0.0
Accumulated depreciation and impairment charges, 31 Dec.	0.0	-271.4	0.0	-271.4
Book value, 1 Jan. 2013	533.8	228.8	10.1	772.7
Book value, 31 Dec. 2013	529.0	227.4	26.9	783.2

INTANGIBLE ASSETS 2012

EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition cost, 1 Jan.	528.5	464.2	11.6	1 004.3
Translation differences	5.3	0.7	0.0	6.0
Increase	0.0	22.2	7.0	29.1
Decrease	0.0	-6.7	0.0	-6.7
Transfers between items	0.0	9.2	-8.5	0.7
Acquisition cost, 31 Dec.	533.8	489.6	10.1	1,033.5
Accumulated depreciation and impairment charges, 1 Jan.	0.0	-243.6	0.0	-243.6
Translation differences	0.0	-0.5	0.0	-0.5
Accumulated depreciation on deduction and transfers	0.0	-2.5	0.0	-2.5
Depreciation for the period	0.0	-14.1	0.0	-14.1
Impairment charges	0.0	-0.2	0.0	-0.2
Accumulated depreciation and impairment charges, 31 Dec.	0.0	-260.9	0.0	-260.9
Book value, 1 Jan. 2012	528.5	220.6	11.6	760.7
Book value, 31 Dec. 2012	533.8	228.8	10.1	772.7

GOODWILL ALLOCATED TO SEGMENTS

EUR million	2013	2012
Wood Supply and Forest Services	2.4	2.4
Wood Products Industry	6.7	7.1
Pulp Industry	3.9	3.9
Paperboard and Paper Industry	12.7	12.7
Tissue and Cooking Papers	144.6	149.0
Other operations	390.4	390.4
Eliminations	-31.7	-31.7
Total	529.0	533.8

Other operations include goodwill of EUR 389.8 million related to the Metsä Fibre acquisition and EUR 0.6 million related to the acquisition of Metsä Tissue. In testing goodwill these amounts have been allocated to Pulp Industry and Tissue and Cooking Papers.

Development expenditure has not been capitalised in Metsä Group.

The carrying value of emission allowances included in intangible assets was on 31 December 2013 EUR 8.2 million (7.7) and the fair value EUR 11.2 million (9.5). The emission allowances also include the free of charge allowances which have not yet been entered in the emission rights register due to late delivery.

In addition, intangible assets include among others computer software, patents, licenses and brands.

12. Tangible assets

TANGIBLE ASSETS 2013

EUR million	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost, 1 Jan.	84.9	1,478.8	5,762.2	149.4	93.2	7,568.5
Translation differences	-0.3	-11.6	-50.5	-1.5	-1.1	-65.0
Increase	1.7	12.9	100.5	0.3	66.2	181.5
Decrease	-0.5	-54.5	-17.0	-0.2	-3.6	-75.8
Transfers between items	0.1	20.9	59.5	1.0	-84.7	-3.3
Acquisition cost, 31 Dec.	85.8	1,446.5	5,854.6	149.0	69.9	7,605.9
Accumulated depreciation and impairment charges 1 Jan.	-15.4	-932.3	-4,419.4	-128.2	0.0	-5,495.2
Translation differences	0.0	6.9	39.1	1.1	0.0	47.2
Accumulated depreciation on deduction and transfers	0.3	41.9	29.4	-0.4	0.0	71.2
Depreciation for the period	0.0	-41.8	-190.1	-3.1	0.0	-235.0
Impairment charges	0.0	-3.1	-2.6	0.0	0.0	-5.7
Accumulated depreciation and impairment charges 31 Dec.	-15.1	-928.4	-4,543.5	-130.6	0.0	-5,617.5
Book value, 1 Jan. 2013	69.5	546.5	1,342.8	21.2	93.2	2,073.3
Book value, 31 Dec. 2013	70.8	518.1	1,311.1	18.4	69.9	1,988.3

Impairment charges 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.

Impairment charges also include reversed impairments of EUR 2.5 million relating to the sale of the old paper machine of Metsä Board Äänekoski Paper.

TANGIBLE ASSETS 2012

EUR million	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost, 1 Jan.	84.0	1,474.2	6,147.0	147.6	89.3	7,942.1
Translation differences	0.4	11.0	58.4	1.3	2.0	73.0
Increase	0.7	12.1	61.5	0.6	112.2	187.1
Decrease	0.0	-6.8	-49.0	-0.9	0.0	-56.8
Transfers between items	0.0	38.3	68.1	3.2	-110.4	-0.7
Assets classified as held for sale	0.0	-50.0	-523.7	-2.5	0.0	-576.2
Acquisition cost, 31 Dec.	84.9	1,478.8	5,762.2	149.4	93.2	7,568.5
Accumulated depreciation and impairment charges 1 Jan.	-15.4	-936.1	-4,737.2	-124.5	0.0	-5,813.1
Translation differences	0.0	-7.6	-44.2	-1.0	0.0	-52.8
Accumulated depreciation on deduction and transfers	0.0	6.6	47.2	-4.0	0.0	49.8
Assets classified as held for sale	0.0	41.4	511.7	2.5	0.0	555.6
Depreciation for the period	0.0	-43.5	-199.2	-3.5	0.0	-246.2
Impairment charges	0.0	6.8	2.3	2.3	0.0	11.4
Accumulated depreciation and impairment charges 31 Dec.	-15.4	-932.3	-4,419.4	-128.2	0.0	-5,495.2
Book value, 1 Jan. 2012	68.6	538.1	1,409.8	23.1	89.3	2,129.0
Book value, 31 Dec. 2012	69.5	546.5	1,342.8	21.2	93.2	2,073.3

Impairment charges include in 2012 a reversal of the previously recognised impairment loss of EUR 2.3 million for Metsä Fibre's Kaskinen mill, based on the selling of bark and oil boilers to Metsä Board.

Impairment charges for 2012 include EUR 10.7 million reversal of earlier made impairment charges related to reclassification made in Metsä Board Alizay mill, France. Furthermore, impairments include an impairment loss of EUR 1.8 million related to the closure of Metsä Tissue's power plant and paper machine 5 in Poland.



Pledges and mortgages for loans from financial institutions, pension loans and other liabilities amounted to EUR 975.3 million (286.9). The increase in securities and guarantees relates 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 of EUR 535.3 million, real estate mortgages of EUR 832.8 million and a floating charge of EUR 600 million were pledged as collateral for the loan. The total collateral for the loan is EUR 1,968.1 million.

TANGIBLE ASSETS INCLUDE ASSETS ACQUIRED UNDER FINANCE LEASE AGREEMENTS AS FOLLOWS:

EUR million	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost, 1 Jan. 2013	0.0	18.4	45.3	63.7
Accumulated depreciation	0.0	-8.6	-32.1	-40.6
Book value, 31 Dec. 2013	0.0	9.9	13.3	23.1

EUR million	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost, 1 Jan. 2012	0.0	18.4	51.1	69.5
Accumulated depreciation	0.0	-7.5	-33.5	-41.1
Book value, 31 Dec. 2012	0.0	10.9	17.5	28.4

Additions in tangible assets in 2013 include assets of EUR 0.7 million acquired under finance lease agreements (3.7).

In 2013 borrowing costs of EUR 1.9 million (0.8) were capitalised. The average interest rate used was 2.12–5.76 per cent (3.35–3.66), which represents the costs for the loan used to finance the projects.

In 2012 Metsä Fibre's Joutseno Mill got a government grant of EUR 2.0 million from the Finnish Ministry of Employment and the Economy to be used for the building of a gasification plant. The government grant has been booked as a deduction to the acquisition cost.

13. Biological assets

Biological assets (growing trees) are measured at fair value less the estimated expenses of a sale. The fair value of a stand of trees, excluding young seedlings, is based on the present value of expected cash flows (revenue and expenses). The change in fair value will be recognised yearly as income/cost in the income statement.

Biological assets are fair value categorised at Level 3 because fair value is based on company estimates and not market data. At the end of 2013 the Group had forest assets mainly in Finland.

Metsä Group has long-term forest lease agreements in Russia and Latvia. The agreements have not been recognised in the balance sheet, because their price or fixed price determination basis is not defined in the agreements. The price is determined by the government usually once a year or, in some cases, more frequently. In practice, the price follows the auction prices for short-term felling rights. Long-term felling rights are primarily used for ensuring the availability of wood.

Most of the Group's biological assets belong to associated companies in Finland. Therefore the amount of the biological assets in the balance sheet is small.

EUR million	2013	2012
At 1 Jan.	8.4	8.5
Purchases during the period	0.0	0.2
Harvested during the period	-1.3	-1.2
Gains/losses arising from changes in fair values	4.0	0.9
At 31.12.	11.1	8.4

The Group has two associated companies that own biological assets. The Group owns 49.9 per cent of Finsilva Oyj, which in 2013 had forest assets to a fair value of EUR 208.5 million (198.5). The Group's share of this is EUR 104.0 million (99.0). The Group also owns 25 per cent of Metsäsijoitus Oy, which had forest assets to a fair value of EUR 16.1 million. The Group's share of this is EUR 4.0 million (3.2).

14. Investments in associated companies

EUR million	2013	2012
At 1 Jan	66.6	69.6
Share of results	9.7	4.8
Dividends received	-3.2	-4.6
Increases	0.0	0.7
Decreases	-0.1	-4.7
Translations differences	0.0	0.0
At 31 Dec	-0.1	0.8
31.12.	73.0	66.6

Metsä Tissue acquired 45 per cent of the shares in Mäntän Energia Oy on October 15, 2012. After the acquisition Metsä Tissue owns 90 per cent of the shares in Mäntän Energia Oy.

Metsäliitto Cooperative sold its 50 per cent holding in Thosca Holz GmbH on July 6, 2012.

At 31 December 2011, Metsä Board classified the associated company Plastiroll Oy as an asset held for sale. Metsä Board sold its 39 per cent share in Plastiroll after the reporting period in January 2012.

Unamortised amount of goodwill for associated companies at 31 December 2012 include goodwill of EUR 1.3 million (1.3) from ZAO HC Vologodskie Lesopromyshlenniki.

MOST IMPORTANT ASSOCIATED COMPANIES 2013

EUR million	Country	Assets	Liabilities	Sales	Result	Ownership, %
Finsilva Oyj	Finland	246.4	143.9	18.3	15.7	49.9
Katrinefors Kraftvärme Ab	Sweden	31.6	31.1	12.0	0.0	50.0
Lohjan Biolämpö Oy	Finland	15.7	14.0	6.6	0.0	46.0
Mäntän Energia	Finland	7.2	4.4	15.4	0.1	90.0
Suomen Metsäsijoitus Oy	Finland	20.4	0.9	1.0	3.2	25.0

MOST IMPORTANT ASSOCIATED COMPANIES 2012

EUR million	Country	Assets	Liabilities	Sales	Result	Ownership, %
Finsilva Oyj	Finland	236.7	143.7	18.0	6.4	49.9
Katrinefors Kraftvärme Ab	Sweden	19.7	19.1	11.4	0.1	50.0
Lohjan Biolämpö Oy	Finland	15.5	13.8	1.3	0.0	46.0
Mäntän Energia	Finland	9.1	5.4	12.4	0.2	90.0
Suomen Metsäsijoitus Oy	Finland	16.9	0.2	0.7	0.5	25.0

None of the associated companies are listed.

TRANSACTIONS WITH ASSOCIATED COMPANIES

EUR million	2013	2012
Sales	16.9	16.1
Purchases	105.0	94.1
Interest income	0.2	0.1
Interest expenses	0.0	0.0
Receivables		
Non-current	2.9	1.5
Current	1.3	1.9
Liabilities		
Current	7.1	6.0

The ownership in Pohjolan Voima Oy is measured at fair value quarterly by using the weighted average of discounted cash flow method and the valuation based on earlier transactions. The WACC used was 3.9 per cent (3.38) and for the Olkiluoto 3 under construction 6.9 per cent. 12 months rolling averages have been used for the energy price estimates, which evens out the short-term energy price fluctuations. The changes in fair value less deferred tax calculated with Finnish tax rate are recorded in fair value reserve in equity. The acquisition value of shares in Pohjolan Voima Oy is EUR 47.8 million (40.0) and the fair value EUR 297.9 million (347.9). The fair value of nuclear power shares was EUR 283.4 million (329.9), of which EUR 276.9 million (304.7) B shares and EUR 6.5 million (25.2) B2-shares, coal-fired power shares (C2 shares) EUR -4.7 million (-4.4), hydroelectric power shares (A shares) EUR 7.2 million (10.5) and G10 shares EUR 12.0 million (12.0).

Metsä Fibre and Metsä Board acquired in 2013 more B2 shares for EUR 7.8 million.

The shareholder agreement of Pohjolan Voima prevents free selling of shares with others than shareholders. Other unlisted shares, of which the fair value cannot be reliably measured, have been valued at acquisition cost less impairment charges.

15. Available for sale investments

EUR million	2013	2012
Listed companies	0.3	0.4
Other companies	305.4	355.8
Total	305.7	356.2

Available for sale financial assets consist of listed and unlisted shares. The fair value of listed shares is based on public quotation for shares at the balance sheet date.

The most important shareholding of non-quoted companies consists of 3.4 per cent stake in Finnish energy company Pohjolan Voima Oy, that produces electricity and heat for its shareholders in Finland. Pohjolan Voima trades with its shareholders at prices based on production costs, which generally are lower than the market prices.

The Group controls some 6.6 per cent of the electricity produced by Olkiluoto nuclear power plant (through Pohjolan Voima's B-shares, OL1 and OL2), some 6.7 percentage proportion in Meripori coal-fired power plant (through C2 shares). The Group also controls some 84.0 per cent of the energy produced by Hämeenkyron Voima Oy (through Pohjolan Voima's G10 shares). In addition Group also has some 2.0 percentage proportion in new nuclear power plant under construction Olkiluoto 3 (through B2 shares).

16. Other non-current financial assets

EUR million	2013	2012
Interest-bearing loan receivables		
Loans from associated companies	2.9	1.5
Other loan receivables	6.9	7.3
Total	9.8	8.9
Non-interest-bearing receivables		
Defined benefit pension plans (Notes no. 23)	9.0	3.3
Other loan receivables	1.3	1.8
Total	10.3	5.1
Other non-current financial assets, total	20.1	13.9



17. Deferred taxes

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES IN 2013

EUR million	1.1.2013	Charged in income statement	Charged in other items of comprehensive income	Translation differences	Acquisitions / disposals	31.12.2013
Deferred tax assets in balance sheet						
Pension obligations and other provisions	25.7	-4.3	0.9	-0.1		22.3
Intercompany margins	14.3	-4.9		0.0		9.4
Unused tax losses and tax credit	21.3	2.7		0.5		24.4
Other temporary differences	24.5	-6.8	-0.1	2.4		20.1
Deferred tax assets total	85.7	-13.3	0.9	2.8	0.0	76.1
Netting against liabilities	-15.4	-12.6	-1.2	0.1		-29.1
Deferred tax assets in balance sheet	70.4	-26.0	-0.3	2.9	0.0	47.0
Deferred tax liabilities in balance sheet						
Appropriations	141.8	-20.7		-1.5		119.6
Acquired net assets and biological assets recognised at fair value	80.1	-17.1				63.0
Available for sale financial assets recognised at fair value	61.0		-22.8			38.2
Hedge of net investments in foreign operations		1.1	-1.1			0.0
Other temporary differences	51.9	-0.5	1.4	-0.1		52.7
Deferred tax liabilities total	334.8	-37.2	-22.5	-1.6	0.0	273.5
Netting against assets	-15.4	-12.6	-1.2	0.1		-29.1
Deferred tax liabilities in balance sheet	319.4	-49.9	-23.7	-1.6	0.0	244.3

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES IN 2012

EUR million	1.1.2013	Charged in income statement	Charged in other items of comprehensive income	Translation differences	Acquisitions / disposals	31.12.2013
Deferred tax assets in balance sheet						
Pension obligations and other provisions	20.3	-2.0	7.2	0.1		25.7
Intercompany margins	14.4	14.4	-14.5			14.3
Unused tax losses and tax credit	20.5	0.6		0.1		21.3
Other temporary differences	27.3	-1.2	-2.1	0.5		24.5
Deferred tax assets total	82.6	11.8	-9.4	0.8	0.0	85.7
Netting against liabilities	-17.2	-0.6	2.5			-15.4
Deferred tax assets in balance sheet	65.4	11.1	-6.9	0.8	0.0	70.4
Deferred tax liabilities in balance sheet						
Appropriations	163.4	-23.8		2.3		141.8
Acquired net assets and biological assets recognised at fair value	83.7	-3.7		0.0		80.1
Available for sale financial assets recognised at fair value	79.8		-18.7			61.0
Hedge of net investments in foreign operations		-1.5	1.5			0.0
Other temporary differences	52.5	-3.1	-2.0	4.5		51.9
Deferred tax liabilities total	379.4	-32.1	-19.2	6.7	0.0	334.8
Netting against assets	-17.2	-0.6	2.5			-15.4
Deferred tax liabilities in balance sheet	362.2	-32.8	-16.8	6.7	0.0	319.4

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same taxation authority.

At 31 December 2013, the net operating loss carry-forwards amounted to EUR 114.2 million (80.9) for which EUR 24.4 million (21.3) tax assets have been recognised. The net operating loss carry-forwards derive mainly from Finland, France, Germany, Slovakia and Russia. The operating loss carry-forwards for which deferred tax assets have not been recognised due to uncertainty of the utilisation of these loss carry-forwards amounted to EUR 1,300.5 million (1,326.0). The net operating loss carry-forwards derive mainly from Finland, France, Germany, Poland and Russia. The deferred tax assets for these non recognised loss carry-forwards amounted to EUR 374.3 million (383.3) at 31 December 2013.

The Group had loss carry-forwards of EUR 1,414.7 million at 31 December 2013. Of these EUR 1,293.1 million do not expire. Some EUR 47.6 million of the losses will expire in 2014-2018 and the rest later.

18. Inventories

EUR million	2013	2012
Inventories		
Raw materials and consumables	292.9	271.0
Work in progress	40.8	37.7
Finished goods and goods for sale	405.8	381.6
Advance payments	35.4	34.5
Total	775.0	724.8

The cost of inventories recognised as expense to lower the carrying amount to equal the net realisable value was EUR 0.4 million (1.4). The expense is included in materials and services.

19. Accounts receivables and other receivables

EUR million	2013	2012
Interest-bearing loan receivables		
Loans from associated companies	0.0	0.1
Other loan receivables	7.9	1.9
Total	7.9	2.1
Accounts receivables and other non-interest-bearing receivables		
From associated companies		
Accounts receivables	1.7	2.2
Other receivables	0.0	0.0
Prepayment and accrued income	0.3	0.3
	2.0	2.5
From others		
Accounts receivables	557.2	575.2
Other receivables	89.2	86.8
Prepayment and accrued income	44.6	39.1
	691.0	701.1
Total	693.0	703.6
Accounts receivables and other receivables, total	700.9	705.7

There are no loan receivables from the managing directors of Group companies, members of the Board of Directors or their deputies or persons belonging to similar bodies. Details on Metsäliitto Management Oy, established for the shareholding programme of the members of Metsä Group's Executive Management Team, is described in Notes no. 34.

DOUBTFUL ACCOUNTS RECEIVABLES

ACCOUNTS RECEIVABLES ARE RECORDED NET OF THE FOLLOWING ALLOWANCES FOR DOUBTFUL ACCOUNTS:

EUR million	2013	2012
At 1 Jan.	5.2	5.4
Increases	5.8	2.2
Decreases	-5.4	-2.4
At 31 Dec.	5.6	5.2

EUR 1.1 million of credit loss was recognised during 2013 (1.0)

AGEING ANALYSIS OF ACCOUNTS RECEIVABLES

EUR million	2013	2012
No overdue	493.7	500.2
Overdue		
less than 30 days	52.2	61.6
between 31-60 days	7.2	7.5
between 61-90 days	0.0	0.4
between 91-180 days	0.9	1.0
more than 180 days	3.2	4.6
At 31 Dec.	557.2	575.2



20. Cash and cash equivalents

EUR million	2013	2012
Financial assets at fair value through profit and loss	20.1	0.0
Current investments	280.6	401.0
Cash at bank and in hand	152.0	117.5
Total	452.7	518.5

21. Members' capital

CHANGES IN MEMBERS' CAPITAL

EUR million	Members' capital	Additional members' capital A	Additional members' capital B	Additional members' capital C	Total
Members' capital at 1 Jan. 2013	147.9	380.0	55.9	10.6	594.5
Paid-in members' capital	4.2	26.8	24.8	0.0	55.8
Transfers from interests to members' capital	1.8	24.3	0.0	0.0	26.0
Equity bonus	0.0	1.4	0.0	0.0	1.4
Refund of members' capital	-3.3	-13.5	-4.6	0.0	-21.4
Transfer to members' capital B			14.4	-14.4	0.0
Transfers to current interest-bearing liabilities	2.7	-0.8	-7.2	3.8	-1.5
Members' capital at 31 Dec. 2013	153.3	418.1	83.3	0.0	654.7
Members' capital at 1 Jan. 2012	149.1	366.1	46.4	10.9	572.6
Paid-in members' capital	4.1	22.4	15.6	0.0	42.1
Transfers from interests to members' capital	1.8	22.7	0.0	0.0	24.5
Refund of members' capital	-3.6	-16.2	-1.4	-0.1	-21.3
Transfers to current interest-bearing liabilities	-3.6	-15.0	-4.7	-0.2	-23.5
Members' capital at 31 Dec. 2012	147.9	380.0	55.9	10.6	594.5

TRANSFERS TO CURRENT INTEREST-BEARING LIABILITIES

EUR million	Members' capital	Additional members' capital A	Additional members' capital B	Additional members' capital C	Total
31 Dec. 2013	50.1	136.6	27.2	0.0	213.9
Change	-2.7	0.8	7.2	-3.8	1.5
31 Dec. 2012	52.8	135.7	20.0	3.8	212.3
Change	3.6	15.0	4.7	0.2	23.5
31 Dec. 2011	49.2	120.8	15.3	3.6	188.9

FAIR VALUE AND OTHER RESERVES

EUR million	2013	2012
Fair value reserve	61.6	78.4
Revaluation reserve	1.2	1.2
Restatement reserve	94.9	94.9
General reserves	65.7	60.0
Reserves stipulated by the rules	0.1	0.1
Reserve for invested unrestricted equity	1.6	1.6
Total	224.9	236.1

SHARES

The par value of a share is one euro. The number of shares that a member is obliged to take shall be determined according to the area of the forest land owned by the member and according to the municipality where it is located, provided however, that a member shall be obliged and entitled to take no more than 30,000 shares.

ADDITIONAL SHARES

There are three classes of additional shares: additional shares A, additional shares B and additional shares C. The additional shares C were transferred to B shares in spring 2013. The par value of additional shares is one euro each. The amount paid for additional shares constitutes the additional share capital. The Board of Directors of Metsäliitto decides on the granting of any additional shares, payment for these and other terms and conditions. The additional shares of same series may differ from each other. In this case additional shares can be separated by different identifications. Only a member whose shares have been paid in full may take additional shares. The minimum number of A additional shares shall be one (1) and the maximum 900 million. The minimum of B additional shares shall be one (1) and the maximum 300 million. The minimum of C additional shares shall be one (1) and the maximum 100 million. The interest payable on additional shares may differ from the interest payable on shares. Furthermore, other financial benefits might be attached to additional shares. The additional share capital may be reduced by amending the rules in such a way that payments for additional shares are refunded to members or to a third part, to whom the right of a member has been transferred.

A member may take additional shares A with the net payment from wood trade from Metsäliitto. Additional shares A may also be taken with interest paid on members' capital. However, the maximum number of additional A shares may not be exceeded.

In the beginning of 2012, Metsäliitto Cooperative launched a new investment product called Equity Bonus, in which a member can subscribe to additional A shares worth EUR 1 in a combined issue at a price decided by the Board of Directors in any given year in accordance with the share issue terms. New additional A shares are offered for subscription from wood trade or income obtained from share interest. The maximum amount of the combined issue fund unit is EUR 100 million.

A member may take as many additional shares B as he/she likes. However, the maximum number of additional B shares may not be exceeded.

The additional share C is attached with a right to an additional interest depending on the price of Metsä Board's B share. The additional interest is calculated as follows: if the weighted average price of Metsä Board's B share at NASDAQ OMX Helsinki Oy during 5 days before 15 February 2013 exceeds 2.50 euros, every C share will be granted an additional interest which is the difference between the price quoted and 2.50 euros. However, the maximum additional interest is 1 euro. No additional interest was paid in spring 2013 because the price of Metsä Board's B share did not exceed 2.50 euros.

The right to an additional interest has been recognised as an embedded derivative according to IAS 39. The liability due to the additional interest was unrecognised in spring 2013. The related liability recorded on 31 Dec 2012 was EUR 0.9 million.

An interest or surplus refund or other financial income may be paid to the members from the surplus of Metsäliitto Cooperative. Any amount to be distributed must not exceed the sum of distributable surplus shown in the balance sheet approved for the preceding financial period considering the restrictions mentioned in the Cooperatives Act Section 8 subsections 3–5. One third of the distributable surplus shown in the balance sheet confirmed for the preceding financial period can be used for refunding of shares and additional shares.

TRANSLATION DIFFERENCES

Translation differences include translation differences arising on translation of subsidiaries in other currencies than euro and gains and losses arising on hedging of net investments in these subsidiaries, when requirements of hedge accounting have been fulfilled.

FAIR VALUE RESERVE

The reserve include the effective portion of fair value based on hedge accounting applied to interest, currency and commodity derivatives and the fair value change of available for sale financial assets less deferred tax.

REVALUATION RESERVE

Revaluation of land and bonds in non-current assets are recognised in the revaluation reserve.

REVALUATION SURPLUS

The revaluation surplus include the fair value of the previous holdings in Metsä Fibre which arised from the allocation of fair value of the acquired Metsä Fibre shares in 2009.

LEGAL RESERVE AND RESERVES STIPULATED BY THE ARTICLES OF ASSOCIATION / RULES

Legal reserve and reserves stipulated by the Articles of Association have been created and accumulated as a result of resolution by the Annual General Meeting of shareholders/representatives.

RESERVE FOR INVESTED UNRESTRICTED EQUITY

The reserve for invested unrestricted equity includes other investments in equity and the share issue price to a sum especially decided not to be recognised in the share capital.

INTEREST ON MEMBERS' CAPITAL

After balance sheet day the Board of Directors has proposed that an interest of EUR 44.5 million (39.7) be distributed on paid-in members' capital. Financial costs regarding the interest on members' capital was recognised to a sum of EUR 9.8 million (10.0).



OTHER COMPREHENSIVE INCOME AFTER TAX 2013

EUR million	Equity attributable to members of parent company				Non-controlling interest	Total
	Translation differences	Fair value and other reserves	Retained earnings	Total		
Items relating to adjustments of defined benefit plans			4.9	4.9	-2.5	2.4
Income tax relating to items that will not be reclassified			-0.9	-0.9	0.8	-0.1
Cash flow hedges						
Currency flow hedges						
gains and losses recorded in equity		-1.7		-1.7	-2.9	-4.6
transferred to adjust sales		1.1		1.1	1.5	2.5
Interest flow hedges						
gains and losses recorded in equity		5.1		5.1	0.4	5.6
transferred to adjust financial items		0.9		0.9	1.2	2.1
Commodity hedges						
gains and losses recorded in equity		-0.7		-0.7	0.5	-0.2
transferred to adjust purchases		-3.7		-3.7	-4.2	-7.9
Total		1.0		1.0	-3.5	-2.5
Available for sale investments						
gains and losses of fair valuation		-27.6		-27.6	-30.3	-57.9
transferred to other operating income		0.0		0.0	0.0	0.0
Total		-27.6		-27.6	-30.3	-57.9
Translation differences	-14.5			-14.5	-7.6	-22.1
Net invest hedge	1.6			1.6	0.2	1.8
Total	-12.9			-12.9	-7.4	-20.3
Other items						
Income tax relating to items that may be reclassified	-0.1	9.6		9.5	12.8	22.3
Other comprehensive income after tax	-13.0	-17.0	3.9	-26.1	-30.1	-56.2

OTHER COMPREHENSIVE INCOME AFTER TAX 2012

EUR million	Equity attributable to members of parent company				Non-controlling interest	Total
	Translation differences	Fair value and other reserves	Retained earnings	Total		
Items relating to adjustments of defined benefit plans			-15.6	-15.6	-9.6	-25.3
Income tax relating to items that will not be reclassified			4.3	4.3	2.9	7.1
Cash flow hedges						
Currency flow hedges						
gains and losses recorded in equity		3.4		3.4	3.5	7.0
transferred to adjust sales		1.2		1.2	1.6	2.8
Interest flow hedges						
gains and losses recorded in equity		-6.5		-6.5	-2.4	-8.9
transferred to adjust financial items		0.0		0.0	0.0	0.0
Commodity hedges						
gains and losses recorded in equity		-1.3		-1.3	-1.6	-2.9
transferred to adjust purchases		1.0		1.0	0.6	1.6
Total		-2.2		-2.2	1.8	-0.5
Available for sale investments						
gains and losses of fair valuation		-7.9		-7.9	-9.4	-17.3
transferred to other operating income		0.0		0.0	0.0	0.0
Total		-7.9		-7.9	-9.4	-17.3
Translation differences	10.5			10.5	7.0	17.5
Net invest hedge	-2.0			-2.0	-0.3	-2.3
Total	8.5			8.5	6.7	15.2
Other items						
Income tax relating to items that may be reclassified	0.5	2.9	0.0	3.4	1.9	5.3
Other comprehensive income after tax	9.0	-7.3	-11.4	-9.7	-5.6	-15.3

22. Non-controlling interest

SIGNIFICANT NON-CONTROLLING INTERESTS

EUR million	2013	2012
Metsä Fibre Group	303.6	288.6
Metsä Board Group	127.1	133.7
Metsä Tissue Group	44.8	67.2
Others	0.8	1.8
Total	476.3	491.2

23. Retirement benefit obligations

The Group has several arrangements concerning benefits following the termination of employment, including both defined benefit pension plans and defined contribution pension plans.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

EUR million	2013	2012
Liabilities in balance sheet		
Defined benefit pension plans	143.8	142.4
Defined contribution pension plans	10.6	11.6
Total	154.4	154.0
Defined benefit pension plans		
In balance sheet	143.8	142.4
Surplus of funded plans in assets	-9.0	-3.3
Total	134.8	139.1

DEFINED BENEFIT PENSION PLANS

The Group's most significant defined benefit pension plans are in Germany, Great Britain, Finland and Sweden.

The Group has several additional defined benefit pension plans in Germany. The arrangements grant old-age pensions, disability pensions and family pensions exceeding the statutory pension security to eligible employees, officials, senior management and former owners of the local company. The retirement age is usually 65 years, and the amount of pension depends on the length of service. Officials and senior management are required to have a service history of 25 to 30 years to receive a full pension. With employees, all service years after the age of 18 are taken into consideration. Some of the pension arrangements are closed. The defined benefit plans in Germany are unfunded. The defined benefits plans in Great Britain guarantee participants of the plan a pension

the amount of which is based on the length of service and the salary in the most recent working years. The arrangement is closed to new members. The assets in the arrangement have been invested in funds that are managed in accordance with local guidelines and practice. Funds administered by third parties pay the benefits to the eligible recipients. The Group actively participates in the operations of the foundation's investment committee.

In Finland, the Group has additional pension arrangements that are regarded as defined benefit plans. Metsäliitto Employees' Pension Foundation grants old-age pensions, disability pensions and family pensions exceeding the statutory pension security to some of its officials. New members are no longer accepted to the Pension Foundation. The Pension Foundation's assets have been invested in property, Group company shares and participations as well as other quoted shares. In addition, the Pension Foundation has promissory note receivables from the Group and bank deposits.

The members of the Group's Executive Management Team have a separate benefit-based pension agreement with a retirement age of 62. The level of pension is 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the 5-year period preceeding retirement. If the employment relationship with Metsä Group ends before retirement age, a member of the Executive Management Team is entitled to a paid-up policy.

The defined benefit pension plan in Sweden concerns officials born 1978 or earlier. The arrangement grant old-age pensions, family pensions and disability pensions. The amount of pension depends on the salary in which the future salary increases, length of service, promotions and other important factors like changes on the labour market are considered. The defined benefit plans in Sweden are unfunded. The obligation has a guarantee liability. The Group has also defined benefit plans in Belgium, the Netherlands, Italy, Norway, Slovakia and Switzerland.

AMOUNTS RECOGNISED IN BALANCE SHEET

EUR million	2013	2012
Present value of funded obligations	138.8	134.3
Fair value of plan assets	-134.0	-122.2
Total	4.9	12.1
Present value of unfunded obligations	130.0	127.0
Total	134.8	139.1
Net liability in Balance sheet	134.8	139.1



CHANGES IN DEFINED BENEFIT OBLIGATIONS 2013

EUR million	Present value	Fair value of plan assets	Total
1.1.2013	261.3	-122.2	139.1
Current service cost	4.5	0.0	4.5
Administrative costs	0.0	0.1	0.1
Interest expense (+) or interest income (-)	9.5	-4.8	4.8
Past service cost	0.6	0.0	0.6
Income (-) and losses from settlement	-3.3	3.7	0.3
Total amount recognised in profit and loss	11.3	-1.0	10.2
Remeasurements in other comprehensive income			
The return on plan assets, excl. amounts included in interest	0.0	-12.9	-12.9
Gains (-) and losses (+) from change in demographic assumptions	-0.4	0.0	-0.4
Gains (-) and losses (+) from change in financial assumptions	11.0	0.0	11.0
Experience gains and losses	-0.4	0.0	-0.4
Total remeasurements in other comprehensive income	10.1	-12.9	-2.7
Translation differences	-3.4	2.2	-1.2
Contribution			
Employers	0.0	-4.2	-4.2
Plan participants	0.0	-0.1	0.0
Payments from plans			
Benefit payments	-11.0	4.3	-6.7
Settlements	0.4	-0.1	0.3
31.12.2013	268.8	-134.0	134.8

CHANGES IN DEFINED BENEFIT OBLIGATIONS 2012

EUR million	Present value	Fair value of plan assets	Total
1.1.2013	227.5	-111.9	115.7
Current service cost	4.0	0.0	4.0
Administrative costs	0.0	0.1	0.1
Interest expense (+) or interest income (-)	10.6	-5.3	5.3
Past service cost	-0.2	0.0	-0.2
Income (-) and losses from settlement	0.0	0.0	0.0
Total amount recognised in profit and loss	14.4	-5.1	9.2
Remeasurements in other comprehensive income			
The return on plan assets, excl. amounts included in interest	0.0	-3.0	-3.0
Gains (-) and losses (+) from change in demographic assumptions	0.1	0.0	0.1
Gains (-) and losses (+) from change in financial assumptions	26.2	0.0	26.2
Experience gains and losses	1.8	0.0	1.8
Total remeasurements in other comprehensive income	28.2	-3.0	25.1
Translation differences	2.9	-1.9	1.0
Contribution			
Employers	0.0	-5.6	-5.6
Plan participants	0.2	-0.2	0.0
Payments from plans			
Benefit payments	-10.3	4.1	-6.3
Settlements	-1.5	1.4	-0.1
31.12.2012	261.3	-122.2	139.1

Income and losses from settlement include EUR 3.3 million due to paid-up policy of two persons from the pension agreement of the Group's Executive Management Team.

DEFINED BENEFIT PENSION PLANS AND PLAN ASSETS BY COUNTRY IN 2013

EUR million	Germany	Great Britain	Finland	Sweden	Other countries	Total
Present value of obligations	108.2	79.3	42.9	20.7	17.6	268.8
Fair value of plan assets	0.0	-88.3	-32.9	0.0	-12.8	-134.0
Total	108.2	-9.0	10.0	20.7	4.8	134.8

DEFINED BENEFIT PENSION PLANS AND PLAN ASSETS BY COUNTRY IN 2012

EUR million	Germany	Great Britain	Finland	Sweden	Other countries	Total
Present value of obligations	102.1	75.6	42.9	23.8	16.8	261.3
Fair value of plan assets	0.0	-77.5	-32.6	0.0	-12.2	-122.2
Total	102.1	-1.8	10.3	23.8	4.6	139.1

SIGNIFICANT ACTUARIAL ASSUMPTIONS 2013

	Germany	Great Britain	Finland	Sweden	Other countries
Discount rate, %	3.15	4.45	1.4–3.75	4.0	2.25–4.1
Salary growth rate, %	3.0	2.4	0.0–3.5	2.8	1.0–3.75
Pension growth rate, %	2.0	2.8–3.6	2.1	2.0	2.0–3.5
Life expectancy, years					
Retiring at the end of the reporting period					
Male	21.0	22.0	19.0	19.7	17.2–21.5
Female	25.3	24.2	24.7	22.8	23.0–24.3
Retiring 20 years after the end of reporting period					
Male	23.8	23.4	20.6	21.7	17.2–25.7
Female	27.9	25.7	26.4	24.2	23.0–27.2

SIGNIFICANT ACTUARIAL ASSUMPTIONS 2012

	Germany	Great Britain	Finland	Sweden	Other countries
Discount rate, %	3.76–5.3	4.35	3.2–3.5	3.2	2.0–4.0
Salary growth rate, %	2.0–3.0	2.5–2.8	0.0–3.5	2.7	1.0–4.0
Pension growth rate, %	2.0	2.6–2.8	2.1	2.0	2.0–3.8
Life expectancy, years					
Retiring at the end of the reporting period					
Male	19.8	22.4	19.0	19.7	17.2–23.5
Female	24.2	25.0	24.7	22.9	23.0–26.3
Retiring 20 years after the end of reporting period					
Male	22.6	23.7	20.6	21.7	17.2–23.8
Female	26.8	27.0	26.4	24.2	23.0–25.3

Assumptions on mortality rate are based on guidance by actuaries on the basis of published statistics in each region and on experience. The assumptions are used to calculate the average life expectancy for people retiring at the age of 65.

SENSITIVITY OF BENEFIT OBLIGATION TO CHANGES IN ESSENTIAL WEIGHTED ASSUMPTIONS 2013

	Impact on benefit obligation		
	Change of assumption	Increase	Decrease
Discount rate, %	0.5%	7.5% decrease	8.3% increase
Increase in salary growth rate	0.5%	1.1% increase	1.1% decrease
Increase in pension growth rate	0.5%	5.3% increase	5.3% decrease
Life expectancy		Increase in assumption one year 4.2% increase	Decrease in assumption one year 4.2% decrease

The aforementioned sensitivity analyses are based on a situation where all other assumptions remain unchanged when one assumption changes. In practice, this is not probable, and changes in some assumptions may correlate with each other. The sensitivity of a defined benefit obligation to changes in significant actuarial assumptions has been calculated using the same method as is used in calculating the pension obligation entered in the balance sheet.

PLAN ASSETS IN 2013

	Quoted	Unquoted	Total	%
Equity instruments	2.8	0.2	3.0	2
Debt instruments	3.1	15.9	19.0	14
Property		6.5	6.5	5
Qualifying insurance policies		6.6	6.6	5
Cash and cash equivalents	3.0		3.0	2
Investments funds	91.6		91.6	68
Funds in insurance companies		4.3	4.3	3
Total	100.5	33.5	134.0	100

PLAN ASSETS IN 2012

	Quoted	Unquoted	Total	%
Equity instruments	1.9	0.2	2.1	2
Debt instruments	3.3	15.4	18.7	15
Property		6.3	6.3	5
Qualifying insurance policies		5.6	5.6	5
Cash and cash equivalents	2.1		2.1	2
Investments funds	82.3		82.3	67
Funds in insurance companies		5.1	5.1	4
Total	89.6	32.6	122.2	100



Assets included in the pension arrangements include Metsäliitto Cooperative's participations with a fair value of EUR 0.2 million (0.2) and Metsä Board Corporation's A and B shares with a fair value of EUR 1.9 million (1.1).

Defined benefit plans expose the Group to several different risks, the most considerable being as follows:

VOLATILITY OF ASSETS

Liabilities arising from the arrangements have been calculated using a discount rate based on the return on bonds issued by the companies. If the return on assets included in the arrangement is less than this return, deficit is generated. The Group works to reduce investment risk by diversifying the assets in the arrangement to different asset types, such as shares, properties and government and corporate bonds. A considerable portion of the assets included in the arrangement in Great Britain consists of shares that are expected to provide a better long-term return than corporate bonds, although in the short-term they generate volatility and risks.

CHANGES IN BOND YIELDS

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

INFLATION RISK

The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

LIFE EXPECTANCY

The majority of the arrangement obligations is related to producing lifetime benefits for members, so the expected increase in life expectancy will increase the arrangement obligations.

The contribution made to defined benefit plans following the termination of employment is expected to be EUR 10.5 million in the 2014 financial period.

The weighted average duration of the defined benefit obligation is 15.4 years (15.4).

24. Provisions

EUR million	Restructuring	Environmental obligations	Other provisions	Total
1.1.2013	45.0	26.6	16.9	88.4
Translation difference	-0.2	0.0	-0.2	-0.5
Increases	3.4	7.4	0.9	11.6
Decreases	-33.2	-4.9	-3.1	-41.3
Unused amounts reversed	-3.1	-1.1	-1.2	-5.4
Effect of discounting	0.0	0.2	0.0	0.2
31.12.2013	11.8	28.2	13.2	53.2

EUR million	2013	2012
Non-current	19.3	34.6
Current	33.9	53.8
Total	53.2	88.4

Metsä Wood's restructuring provision of EUR 3.3 million relates to plans of closing down the Casteljalous 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 the production reorganisation in Metsä Board Gohrsmühle was also booked.

The non-current portion will mostly be paid before the end of 2017.

25. Borrowings

INTEREST-BEARING FINANCIAL LIABILITIES

EUR million	BOOK VALUE 2013	BOOK VALUE 2012
NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES		
Bonds	189.3	261.0
Loans from financial institutions	1,054.4	565.9
Pension loans	272.5	245.1
Finance lease liabilities	33.9	37.7
Other liabilities	51.7	51.5
Total	1,601.9	1,161.2
CURRENT INTEREST-BEARING FINANCIAL LIABILITIES		
Current portion of long-term debt	136.0	743.8
Current loans	2.2	0.3
Other liabilities	216.5	214.2
Total	354.6	958.2
Interest-bearing financial liabilities, total	1,956.5	2,119.5

INTEREST-BEARING FINANCIAL ASSETS

EUR million	BOOK VALUE 2013	BOOK VALUE 2012
NON-CURRENT INTEREST-BEARING FINANCIAL ASSETS		
Loan receivables	9,8	8,9
CURRENT INTEREST-BEARING FINANCIAL ASSETS		
Loan receivables	7,9	2,1
Financial assets at fair value through profit and loss	20,1	0,0
Current investments at amortised cost	280,6	401,0
Cash at bank and in hand	152,0	117,5
Total	460,6	520,6
Interest-bearing financial assets, total	470,4	529,5
Interest-bearing net liabilities, total	1,486,1	1,590,0

BONDS

EUR million	Interest, %	2013	2012
2002–2014	9.400	0.0	87.2
2004–2020	9.000	15.3	15.3
2006–2013	8.750	0.0	448.8
2012–2017	5.125	174.1	173.8
Total		189.3	725.2

MATURITY OF FINANCE LEASE LIABILITIES

EUR million	2013	2012
MINIMUM LEASE PAYMENTS		
Not later than 1 year	7.1	7.7
1–2 years	21.5	6.3
2–3 years	1.8	3.8
3–4 years	1.5	3.0
4–5 years	1.3	2.6
Later than 5 years	10.2	26.5
Total	43.4	49.9
Future finance charges	3.2	5.6
Present value of minimum lease payments	40.2	44.3
Present value of minimum lease payments		
Not later than 1 year	6.3	6.6
1–2 years	20.8	5.4
2–3 years	1.5	3.0
3–4 years	1.2	2.3
4–5 years	1.1	2.0
Later than 5 years	9.2	24.9
Total	40.2	44.3

The most significant finance lease agreements concern Metsä Board's Äänevoima Oy's power plants. Äänevoima's contract periods vary between 10 and 15 years. All finance lease liabilities will be due in 2017 at the latest. These leases contain renewal and purchase options.

26. Other non-current liabilities

EUR million	2013	2012
NON-INTEREST BEARING NON-CURRENT LIABILITIES TO OTHERS		
Advance payments	1.9	1.7
Other liabilities	3.8	0.1
Accruals and deferred income	0.9	2.4
Total	6.6	4.2

27. Accounts payable and other liabilities

EUR million	2013	2012
NON-INTEREST BEARING CURRENT LIABILITIES TO ASSOCIATED COMPANIES		
Accounts payable	4.7	4.0
Accruals and deferred income	0.5	0.8
Total	5.2	4.8
NON-INTEREST BEARING CURRENT LIABILITIES TO OTHERS		
Advance payments	15.3	4.6
Accounts payable	330.4	330.4
Other liabilities	64.9	78.7
Accruals and deferred income	334.8	335.5
Total	745.5	749.1
Accounts payable and other liabilities, total	750.8	754.0



28. Management of financial risks

The financial risks associated with business operations are managed in accordance with the financial policy endorsed by the Board of Directors and the senior management of the Group. The policy defines focal instructions on the management of foreign currency, interest rate, liquidity and counterparty risks, and for the use of derivative financial instruments. Correspondingly, commodity risks are managed according to the Group's commodity risk policy. The purpose is to protect the company against major financial and commodity risks, to balance the cash flow and to allow the business units time to adjust their operations to changing conditions.

Metsä Group Treasury Oy is specialised in finance and functions as the Group's internal bank. In 2013, Metsä Board divested its 51 per cent holding in Metsä Group Treasury to Metsäliitto Cooperative, which is holding now 100 per cent of the company. Financial operations have been centralised to Metsä Group Treasury, which is in charge of managing the Group companies' financial positions according to the strategy and financial policy, providing necessary financial services and acting as an advisor in financial matters.

FOREIGN CURRENCY RISK

The foreign currency exposure of Metsä Group consists of the risks associated with foreign currency flows, translation risk of net investments in foreign entities and economic currency exposure. Most of the Group's costs are incurred in the euro zone and to some extent in Sweden, but a significant part of the sales is in other currencies. Sales may therefore vary because of changes in exchange rates, while production costs remain unchanged. Product prices are also often quoted in currencies other than the home currency. The foreign currency transaction exposure is consisting of foreign currency denominated sales revenue and costs. The exposure is including foreign currency denominated balance sheet exposure consisting of accounts receivable and accounts payable and a quarter share of the annual contracted or estimated net currency cash flow.

The main currencies of the Group's foreign currency transaction exposure are the US dollar, the British pound and the Swedish krona. A strengthening of the dollar and the pound has a positive impact on the financial result and a weakening a negative impact. A weakening of the Swedish krona has a positive impact on the result of the Group. Other significant currencies are AUD, CHF, DKK, NOK and RUB. The hedging policy is to keep the balance sheet exposure and a quarter of annual cash flow of contracted or estimated currency flows consistently hedged. The hedging level can, however, vary between 0–12 months as the financial policy has defined separate risk mandates for deviating from the norm hedging. The Board of Directors of each Group company decides on significant changes in the hedging level if they see a reason to deviate from the norm set out in the financial policy. The amount of currency-specific hedging depends on current exchange rates and market expectations, on the interest rate differences between the currencies and the significance of the exchange rate risk for the financial

result of the Group. The transaction exposure is mainly hedged by forward transactions but also by the use of foreign currency loans and currency options.

Hedge accounting in accordance with IAS 39 is applied to hedging of part of the currency transaction exposure, which allows fair value changes of hedges designated to hedge accounting to be recognised directly in shareholders' equity in fair value reserve. At the end of the reporting period, the foreign exchange flow position had been hedged 4.6 months on average (2012: 4.7). During the reporting period, the hedging level has varied between 4 and 5 months (4–5). The dollar's hedging level was 3.2 months (5.6), of which the portion of hedge accounting was 3.5 months (2.6). The Swedish krona's hedging level was 8.2 months (5.0), of which the portion of hedge accounting was 4.5 months (4.2). The pound's hedging level was 4.9 months (3.8), of which the portion of hedge accounting was 1.9 months (2.3). Hedges allocated to hedge accounting have been used to hedge the portion of highly probable forecast sales of the currency transaction exposure. At the end of the reporting period on average 94 per cent of the norm determined in the hedging policy has been hedged (94).

The translation risk of a net investment in a foreign entity is generated from the consolidation of the equity of subsidiaries and associated companies outside the euro area into euros in the consolidated financial statements. According to the financial policy, 0–100 per cent of equity should be hedged. The translation risk of equity has been hedged through the use of forward transactions and hedge accounting in accordance with IAS is applied, which allows the exchange gains and losses of effective hedging to be recognised into the equity offsetting translation differences. During the reporting period, on average 10 per cent (12) of the equity position was hedged and at the end of the reporting period 10 per cent (10). The hedge ratio remains low, as Swedish krona and Polish zloty equity hedging was abandoned during 2011 and 2012.

The Group applies the Value-at-Risk method to assess the risk of its open foreign currency positions. The VaR is calculated on the deviation from the balance sheet exposure plus the quarter of annual foreign currency exposure hedge norm defined in the financial policy. A 99 per cent confidence level on one month period is applied to the VaR risk figure, i.e., the VaR indicates that with a 1 per cent probability the market value of the open foreign currency position depreciates more than the amount of the risk figure in a month. The risk mandates regarding hedging decisions have been defined by restricting the company management's powers by linking them to maximum currency-specific hedging level changes and to a VaR limit. Possible strategic decisions which exceed the policy risk limits are made by the Board of Directors. The total amount of limits set for the Group companies' foreign currency risk is EUR 19.0 million (16.0) and the sum of VaR figures of the Group companies is at the end of the reporting period EUR 5.7 million (3.0). Average during the period has been EUR 4.6 million (3.9). The volumes and fair values of derivatives used in the management of foreign currency risks are presented in Note no. 29.

HEDGING OF FOREIGN EXCHANGE TRANSACTION EXPOSURE

	EXPOSURE, NET		HEDGING, MONTHS	
	EUR million	Hedging	31.12	Average.
USD	470.8	-127.4	3.2	3.9
GBP	275.9	-112.2	4.9	4.4
SEK	-346.0	236.4	8.2	6.3
NOK	97.0	-23.5	2.9	3.0
DKK	70.0	-22.7	3.9	4.1
Other long	87.6	-17.1	2.3	3.5
Other short	-64.0	6.8	1.3	2.2
Total 2013	1,411.3	-546.1	4.6	4.4
Total 2012	1,484.8	-576.5	4.7	4.6

HEDGING OF NET INVESTMENTS IN A FOREIGN ENTITY

	EQUITY EXPOSURE		HEDGING, %	
	EUR million	Hedging	31.12	Average.
GBP	85.7	-70.0	82.0	82.0
SEK	458.0	0.0	0.0	0.0
Others	147.4	0.0	0.0	0.0
Total 2013	691.1	-70.0	10.0	10.0
Total 2012	753.3	-77.7	10.0	12.0

INTEREST RATE RISK

The interest rate risk is related mainly in the interest bearing receivables and loans and currency hedging. Interest bearing receivables and loans are presented in Note no. 25. The most significant currencies in risk management are the euro, the US dollar, the British pound and the Swedish krona. The objective of the interest rate risk policy is to minimise the negative impact of interest rate changes on the Group's and group companies' result and the financial position, and to optimise financing costs within the framework of risk limits. The effect of interest rate changes on financial costs depends on the average interest fixing time of interest bearing assets and liabilities, which is measured in the Group by duration. As duration is lengthening the rise of interest rates affects more slowly the interest expenses of financial liabilities. The maturity of the loan portfolio can be influenced, e.g., by adjusting between floating-rate and fixed-rate loans and by using interest rate derivatives. The Group uses in its interest rate risk management interest rate swaps, interest rate futures and interest rate options.

The average interest duration norm based on the Group's financial policy was lengthened in 2013 from 6 months to 12 months. The duration can, however, deviate from the hedging policy norm so that the decision of a deviation exceeding 4 months has to be made by the Board of Directors. The average duration of loans was 20.9 months (2012: 23.2) at the end of the year. During the reporting period duration has varied between 19 and 24 months (15–24). At the end of 2013, an increase of 1 per cent in interest rates would increase interest rate costs of the next 12 months by EUR 2.2 million (-0.3), as the amount of floating rate cash and current investments is high in relation to floating rate loans.

Metsä Group is exposed to a risk of change in the value of derivatives due to a change in market prices when using interest rate derivatives, since according to IAS 39 derivatives must be valued to their fair value in the balance sheet. However, the partial application of hedge accounting will balance the effects of changes in the market value of derivatives

on the financial result of the Group. The Group is applying fair value hedge accounting in accordance with IAS 39 to fixed-rate loans which have been converted by interest rate and currency swaps to floating-rate financing. In addition, the Group is applying cash flow hedge accounting in accordance with IAS 39 to the major part of the interest rate swaps by which floating-rate financing has been converted to fixed-rate financing. The gross nominal volume of interest rate derivatives at the time of financial statements (including currency swap contracts) is EUR 822.7 million (1,298.3). Of the derivatives portfolio, EUR 659.2 million (1,079.1) is allocated to hedge accounting, and the portion of derivatives recognised in the balance sheet through profit or loss is EUR 163.5 million (219.2). The maturity of interest rate swap and currency swap contracts varies between 1–7 years (1–8).

INTEREST RATE RISK

	2013	2012
Loan amount, EUR mill.	1,743	1,907
Duration, months	20.9	23.2
Average interest rate, %	4.5	5.1
Interest rate sensitivity, EUR mill.	2.2	-0.3

Interest rate sensitivity is an estimate of the effect of an interest rate change of one per cent on net interest cost based on year-end exposure. Interest rate risk exposure does not include the part of Metsäliitto Cooperative subscribed capital that is booked as short-term interest-bearing liability.

RE-PRICING STRUCTURE OF LOANS

EUR million	TOTAL
1–4/2014	638
5–8/2014	198
9–12/2014	11
2015	133
2016	255
2017	222
>2017	286
Total	1,743

COMMODITY RISK

In the hedging of commodity risks the Group applies risk management policies defined separately for each selected commodity. According to the policy, the management of commodity risks with regard to financial hedges is accomplished centralised by Metsä Group Treasury based on the strategy and risk management policy approved by Board of Directors of Metsä Group companies. So far the commodity hedging policy has been applied to the management of the price risks of electricity, natural gas and pulp and also transactions related to emission allowances have been managed by Metsä Group Treasury.

Metsä Group's target in managing the electricity price risk is to balance the effect of changes in the price of electricity on the Group's result and financial position. The main principle is to hedge the electricity purchase exposure, which consists of the difference of factory-specific electricity consumption estimates and power plant production shares in the possession of the Group. With regard to Metsä Board's and Metsä Tissue's Finnish and Swedish electricity procurement, the hedge strategy is implemented in cooperation with Metsä Group Energy service unit centralised through Metsä Group Treasury. The



hedges of electricity price risk in Central Europe are implemented according to instructions and by Metsä Group Energy in cooperation with local production units by physical contracts. Metsä Board, Metsä Tissue and Metsä Wood hedge the electricity price risk actively by setting the hedging norm at 80, 40, 20 and 0 per cent (80, 40, 20 and 0) share of the estimated net position during the first, second, third and fourth successive 12-month periods respectively. Hedge accounting in accordance with IAS 39 has been applied to electricity hedging. Consequently the fair value of hedges allocated to hedge accounting is recognised in equity in fair value reserve and only after the realisation of electricity purchases in the income statement as an adjustment of the purchases. Metsä Fibre is not hedging its electricity or natural gas exposure.

Approximately a quarter of mills' purchase of fuel is based on natural gas. The prices of natural gas in Central Europe are fixed to market prices of natural gas. In Finland, the prices of gas deliveries are fixed to development of Fuel-Oil, coal import price and the energy price index. The hedging of natural gas price risks has mainly been done with physical, fixed-price contracts. In Finland only the oil-related part of the contract has been fixed. In Finland the premise of natural gas price risk hedging is to hedge the oil-related part of the contract by using fixed-priced physical supply contracts or oil derivatives depending on applied pricing practices. Metsä Tissue has started in 2012 financial hedges of natural gas in Germany and is applying hedge accounting according to IAS 39. The hedging strategy is based on a risk policy according to which Metsä Group Energy makes the hedging decisions with the support of Metsä Group Treasury, and the Board of Directors of Group companies make significant strategic decisions.

Approximately 39 per cent (2012: 41) of electricity hedges have been carried out by using physical supply contracts and 61 per cent (59) as so-called financial hedges by using electricity derivatives. At the end of the year, 99 per cent (100) of financial hedges have been designated to hedge accounting. About 72 per cent (91) of natural gas price risk hedges have been carried out by using physical supply contracts and 28 per cent (9) as so-called financial hedges.

According to the pulp price risk hedging policy, a Group company may selectively hedge its price risk either by financial hedges through Metsä Group Treasury or fixed-price physical contracts. Hedge accounting in accordance with IAS is applied within the pulp price risk management. There are no valid price risk hedges at the end of 2013 within Metsä Group. The volumes and fair values of derivatives used in the management of commodity risks are presented in Note no. 29.

HEDGING OF ELECTRICITY PRICE RISK, 31.12.

GWh	2013	2012
Electricity exposure, net 2014	1,317.4	1,393.5
Electricity hedging 2014	1,485.0	1,394.5
Hedging, at end of year (%)	113	100

Electricity price risk is hedged based on defined risk management policy on a time horizon of four years either by physical contracts or by financial contracts. The table is applying only to the hedging of electricity price risk of the following year. The net electricity exposure has been calculated by taking into account the own and associated companies' electricity production.

LIQUIDITY RISK

Liquidity risk is defined as the risk that funds and available funding become insufficient to meet business needs, or costs that are incurred in arranging the necessary financing are unreasonable high. Liquidity risk is monitored by estimating the need for liquidity needs 12–24 months ahead and ensuring that the total liquidity available will cover a main part of this need. According to the financial policy, the liquidity reserve must at all times cover 100 per cent (80–100) of the Group's liquidity requirement for the first 12 months and 50–100 per cent (50–100) of the following 12–24 months liquidity requirement. The objective is that at the most 20 per cent (20) of the Group's loans, including committed credit facilities, is allowed to mature within the next 12 months and at least 25 per cent (35) of the total debt must have a maturity in excess of 4 years. When the financial markets are functioning normally from the Group's point of view, the target is to avoid keeping extra liquidity as liquid funds and instead maintain a liquidity reserve as committed credit facilities outside the balance sheet.

The cornerstone of liquidity risk management is to manage the Group's operative decisions in such a way that targets concerning indebtedness and sufficient liquidity reserve can be secured in all economic conditions. Liquidity risk is also managed by diversifying the use of capital and money markets to decrease dependency on any single financing source. The optimisation of the maturity structure of loans is also emphasised in financial decisions. During the last years, liquidity and especially the capital structure of Metsä Group has been strengthened through the change in the ownership structure of Metsä Fibre and other divestments. Financial arrangements during 2013 have significantly balanced the maturity structure of loans.

In April 2013, Metsä Board drew EUR 500.0 million of the syndicated loan agreement signed in 2012 and paid off the EUR 500.0 million Eurobond on the due date. In December, the EUR 150.0 million part of the agreement (bridge financing) was paid off and refinanced mostly by pension and bank loans. Metsä Tissue signed in April a EUR 200.0 million syndicated loan agreement, which was used to refinance the syndicated loan maturing in September 2013. Metsäliitto Cooperative signed in December 2013 a EUR 400.0 million syndicated loan agreement maturing in 2019, which was used to refinance the syndicated loan maturing in April 2014.

Metsä Group's liquidity has remained strong. The available liquidity was EUR 1,188.4 million (1,167.8) at the end of the reporting period, of which EUR 452.7 million (518.5) was liquid funds and investments and EUR 735.7 million (649.3) committed credit facilities. The Group had also at its disposal short-term, uncommitted commercial paper programmes and credit lines amounting to EUR 174.7 million (526.5). The amount of commercial paper programmes was measured during 2013 to correspond the size and needs of the Group. At the end of 2013, the liquidity reserve covers fully the forecasted financing need of 2014. The refinancing alternatives of 2014–2016 are examined at the moment. 5 per cent (26) of long-term loans and committed facilities fall due in a 12 month period and 34 per cent (16) have a maturity of over four years. The average maturity of long-term loans is 3.3 years (2.0). The share of short-term financing of the Group's interest bearing liabilities is 11 per cent (10). The maturity of repayment of financial liabilities is presented in Note no. 28.

COUNTERPARTY RISK

Financial instruments carry the risk that the Group may incur losses should the counterparty be unable to meet its commitments. The Group is managing this risk by entering into financial transactions only with most creditworthy counterparties and within pre-determined limits. During the reporting period, credit risks of financial instruments did not result in any losses. The financial counterparty risk is limited by the fact that the liquidity reserve is partially maintained in the form of committed credit facilities. Cash and cash equivalents and other investments have been spread to several banks and commercial papers of several institutions. Counterparty limits have been revised during the year by taking into account the needs of the company and the view on the financial position of the used counterparties. Derivatives trading is regulated by the standardised ISDA contracts made with the counterparties.

The Group's accounts receivable carry a counterparty risk that the Group may incur losses should the counterparty be unable to meet its commitments. Credit risk attached to accounts receivable is managed on the basis of the credit risk management policies approved by operative management. Credit quality of customers is assessed at regular intervals based on the customers' financial statements, payment behaviour, credit agencies and credit ratings agencies. Individual credit limits are reviewed at least annually. From time to time, as deemed necessary by management, Letters of Credits, bank and parent company guarantees and Credit insurance are used to mitigate credit risk. Credit limits are approved according to credit risk management policy with approval limits of varying values across the Group. Operative management reviews and sets all major credit limits which are not supported by credit insurance and/or other security according to Credit Risk Management Policies.

The portion of overdue client receivables of all sales receivables of Metsä Group is at the time of financial statements 17.7 per cent (13.0), of which 0.1 per cent (0.2) is overdue between 90–180 days and 1.5 per cent (0.8) over 180 days. Additionally Metsä Group implements regular impairment tests for customer accounts receivables. Credit loss impairment is booked when a customer enters legal bankruptcy, or becomes past due for more than 6 months (180 days) without a valid payment plan or other valid reasons. The specification of doubtful receivables is in Note no. 19.

The geographical structure of the accounts receivable is diversified and is reflecting the external sales structure presented in the Segment information. Largest sources of credit risk exist in Great Britain, Germany, Finland, Italy, Belgium, Sweden, France and Poland. Top ten countries represent around 70 per cent of (70) external customer receivables. The share of largest individual customer's (individual companies or groups of companies under common ownership) credit risk exposure of the Group at the end of 2013 was about 7 per cent (7) of total accounts receivable. About 30 per cent (28) of accounts receivable was owed by ten largest customer groups (individual companies or groups of companies under common ownership). At the end of 2013, the main part of trade receivables of Metsä Group were covered by insurance.

MANAGING THE CAPITAL

Terms capital and capital structure are used to describe investments made in the company by its owners and retained earnings (together

equity) and debt capital (liabilities) as well as the relation between them. In managing its capital structure, the Group aims at maintaining an efficient capital structure that ensures the Group's operational conditions in financial and capital markets in all circumstances despite the fluctuations typical to the sector. Certain central target values, which correspond to standard requirements set by financing and capital markets, have been defined for the capital structure. The Group's capital structure is regularly assessed by the Group's Board of Directors and its Audit Committee.

The Group monitors the development of its capital structure through key ratios that describe net gearing and equity ratio. The objective of the Group on long term basis is to maintain its net gearing ratio at the maximum level of 100 per cent and equity ratio at the minimum level of 40 per cent (temporary deviations allowed).

THE KEY RATIOS DESCRIBING THE CAPITAL STRUCTURE AND THE CAPITAL AMOUNTS USED FOR THE CALCULATION OF THE KEY RATIO WERE ON 31.12.2013 AND 31.12.2012 THE FOLLOWING:

EUR million	2013	2012
Net gearing ratio, %	76	86
Equity ratio, %	38.1	34.8
Interest-bearing liabilities, %	1,956.5	2,119.5
- interest-bearing financial assets, %	470.4	529.5
Interest-bearing net liabilities	1,486.1	1,590.0
Members' funds	1,482.6	1,366.7
+ non-controlling interests	476.3	491.2
Total	1,958.9	1,857.9
Total assets	5,164.0	5,344.4
- advanced payments received	17.3	6.4
Total	5,146.7	5,338.0

The debt financing of Metsä Group was at the end of 2013 arranged so that Metsä Board, Metsä Fibre and Metsä Tissue each had required loans to cover the financial needs of the sub-Groups formed by them and that the loans of the companies in question were independent of each other. Likewise Metsäliitto Cooperative had separately arranged financing to cover the financial needs of the parent company and Metsä Forest and Metsä Wood.

In Metsä Group's certain financial contracts financial covenants have been set regarding financial performance and capital structure. Other covenants in the Group's loan agreements are customary terms and conditions including for example a negative pledge, restrictions on major asset disposals, limitations on subsidiary indebtedness, restrictions on changes of business and mandatory prepayment obligations upon a change of control of the Group. All Group companies have been in compliance with its covenants during the accounting periods 2013 and 2012.

In case Metsäliitto Cooperative or any of its subsidiaries could not meet its obligations as defined by the above mentioned key ratios and in order to avoid a breach of contract that could have an adverse effect on the company's financial position, it would need to renegotiate its financial arrangements, payback its loans or get its debtors to give up their claims to meet these obligations.



IMPACT ON EQUITY EXPOSURE AND ANNUAL TRANSACTION EXPOSURE

EUR million	Impact on financial assets and liabilities		Impact on net equity of foreign entities		Impact on net equity of foreign entities		Impact on annual transaction exposure (cash flow)		Impact on annual transaction exposure (cash flow) incl. hedging	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
INTEREST RATE RISK (100 BP RISE IN INTEREST RATES)										
Effect on profit	1.3	3.4					-2.2	0.3	11.3	17.4
Effect on other change in equity	12.2	13.7								
COMMODITY RISK (ELECTRICITY PRICE +20%)										
Effect on profit	0.0	0.0					-5.0	-6.6	7.3	9.4
Effect on other change in equity	12.3	15.9								
FX RISK (USD -10%)										
Effect on profit	-8.9	-4.3					-47.1	-39.4	-34.3	-21.2
Effect on other change in equity	13.6	8.3	-0.2	-0.1	-0.2	-0.1				
FX RISK (GBP -10%)										
Effect on profit	2.9	0.5					-27.6	-30.9	-16.4	-21.2
Effect on other change in equity	10.7	13.6	-8.6	-10.9	-1.6	-3.2				
FX RISK (SEK -10%)										
Effect on profit	-2.7	2.3					34.6	-43.5	11.0	25.3
Effect on other change in equity	-12.6	-14.6	-45.8	-51.3	-45.8	-51.3				

Items with "+" sign = positive effect = increase of assets / decrease of liabilities / increase of cash flow
 Items with "-" sign = negative effect = decrease of assets / increase of liabilities / decrease of cash flow

IFRS 7 requires an entity to disclose a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date. The Group has recognised interest rates, electricity prices and foreign exchange rates as its key market risks and has set 1 per cent interest rate rise, 20 per cent rise in electricity price and 10 per cent weakening of USD, GBP and SEK as reasonably possible risk variables. These currencies represent nearly 80 per cent of the Group's annual transaction exposure. The nature of the market price risk is relatively linear so that the size of effects of opposite market price changes do not essentially differ from the presented figures. The scenarios have been calculated by using regular principles of calculating market values of financial instruments described in the Group Accounting policies. Figures at the reporting date reflect quite well the average market risk conditions throughout the reporting period.

Additionally the Group is presenting figures describing the effects of the risk variables to its equity exposure and annual transaction exposure (cash flow) to present a broader picture about market risks of interest rates, electricity prices and foreign exchange rates. Annual cash flows are based on estimates, but not existing commercial contracts. The weakening of USD and GBP has a negative impact on annual cash flow and the weakening of SEK has a positive impact. Hedges reduce this impact depending on hedging strategy. The impact on net equity of foreign entities is arising from the consolidation of subsidiaries to the Group consolidated accounts. The rise of electricity price has a negative impact on cash flow. As according to hedging policy the electricity price risk of the nearest year has mostly been hedged, the impact including hedges remains minor. When the cash flow of the nearest year and all electricity hedges have been taken into account, the calculatory impact is slightly positive.

**MATURITY OF REPAYMENT AND INTEREST PAYMENT
OF FINANCIAL LIABILITIES 31 DEC. 2013**

EUR million	BOOK VALUE	2014	2015	2016	2017	2018	2019–
Bonds and debentures	189.3						
Installments					-174.1		-15.3
Interest payment		-10.4	-10.4	-10.4	-10.4	-1.4	-2.8
Loans from financial institutions	1,116.6						
Installments		-62.2	-180.7	-399.3	-100.6	-130.7	-243.2
Interest payment		-40.4	-37.9	-23.2	-12.5	-7.9	-4.1
Pension loans	335.6						
Installments		-63.1	-37.7	-111.7	-32.6	-32.6	-58.0
Interest payment		-15.2	-12.3	-8.8	-5.2	-3.7	-2.9
Finance lease liabilities	40.2						
Installments		-6.3	-20.8	-1.5	-1.2	-1.1	-9.2
Interest payment		-0.8	-0.6	-0.3	-0.3	-0.2	-1.1
Other non-current interest-bearing liabilities	56.1						
Installments		-4.4	-49.9				-1.8
Interest payment		-0.8	-0.8				
Non-current interest-bearing liabilities, total	1,737.8						
Installments in 2014	-136.0						
In balance sheet, total	1,601.9						
Installments		-136.0	-289.1	-512.4	-308.6	-164.4	-327.4
Interest payment		-67.5	-62.0	-42.6	-28.3	-13.3	-10.9
Current interest-bearing liabilities	218.6						
Installments		-218.6					
Interest payment		-9.8					
Accounts payable and other liabilities	766.2						
Installments		-759.6	-4.5	-2.0	-0.1		-0.1
Total liabilities	2,722.7						
Installments		-1,114.2	-293.6	-514.4	-308.7	-164.4	-327.4
Interest payment		-77.3	-62.0	-42.6	-28.3	-13.3	-10.9
Guarantees agreements	27.1	-9.4	-6.3	-8.3	-0.3	-0.2	-2.7
Derivative financial instrument liabilities							
Interest rate swaps		-6.6	-6.4	-4.1	-1.5	-0.5	0.4
Currency derivatives		-1,212.1					
Commodity derivatives		-7.3	-4.7	-2.5	-0.2		
Total	30.5	-1,226.0	-11.1	-6.6	-1.8	-0.5	0.4
Derivative financial instrument assets							
Currency derivatives		1,214.7					
Total	2.4	1,214.7	0.0	0.0	0.0	0.0	0.0
Derivative financial instrument net of cash		-11.3	-11.1	-6.6	-1.8	-0.5	0.4



**MATURITY OF REPAYMENT AND INTEREST PAYMENT
OF FINANCIAL LIABILITIES 31 DEC. 2012**

EUR million	BOOK VALUE	2013	2014	2015	2016	2017	2018–
Bonds and debentures	725.2						
Installments		-464.1	-87.2			-173.8	
Interest payment		-40.8	-14.7	-9.0	-9.0	-9.0	
Loans from financial institutions	767.2						
Installments		-201.3	-249.6	-169.3	-53.9	-39.6	-53.4
Interest payment		-21.2	-14.8	-11.7	-5.1	-2.8	-3.8
Pension loans	313.9						
Installments		-68.8	-43.4	-33.4	-98.3	-19.4	-50.7
Interest payment		-16.8	-12.3	-10.1	-6.7	-3.5	-4.2
Finance lease liabilities	44.3						
Installments		-6.6	-5.4	-3.0	-2.3	-2.0	-24.9
Interest payment		-1.1	-0.9	-0.7	-0.7	-0.6	-1.6
Other non-current interest-bearing liabilities	54.5						
Installments		-2.9		-49.7			-1.8
Interest payment		-0.7	-0.7	-0.7			
Non-current interest-bearing liabilities, total	1,905.0						
Installments in 2013	-743.8						
In balance sheet, total	1,161.2						
Installments		-743.8	-385.6	-255.4	-154.5	-234.9	-130.8
Interest payment		-80.6	-43.4	-32.3	-21.4	-15.8	-9.6
Current interest-bearing liabilities	214.5						
Installments		-214.5					
Interest payment		-10.0					
Accounts payable and other liabilities	762.7						
Installments		-758.5	-2.3	-1.4	-0.3	-0.1	-0.1
Total liabilities	2,882.1						
Installments		-1,716.7	-387.9	-256.8	-154.8	-234.9	-130.9
Interest payment		-90.5	-43.4	-32.3	-21.4	-15.8	-9.6
Guarantees agreements	26.9	-13.3	-8.0	-0.7	-2.1	-0.3	-2.6
Derivative financial instrument liabilities							
Interest rate swaps		-2.1	-6.3	-5.4	-3.2	-0.7	0.2
Currency derivatives		-877.1	-46.3				
Commodity derivatives		-7.5	-2.4	-2.4	-0.9		
Total	42.6	-886.8	-55.0	-7.8	-4.1	-0.7	0.2
Derivative financial instrument assets							
Currency derivatives		881.8	46.5				
Total	5.1	881.8	46.5	0.0	0.0	0.0	0.0
Derivative financial instrument net of cash		-5.0	-8.5	-7.8	-4.1	-0.7	0.2

MATURITY ANALYSIS OF CASH FLOW HEDGE ACCOUNTING

Result of the hedging instrument is booked to the income statement at therealisation of the cash flow. Contractual maturities of hedging instruments equals to the hedged cash flow.

31.12.2013

Periods when the forecasted cash flows are expected to occur	Highly probable foreign currency cash flows	Contractual interest cash flows	Highly probable commodity cash flows
Q1	138.4	-5.7	-9.9
Q2	101.8	-2.8	-9.6
Q3	56.9	-5.0	-8.8
Q4	7.7	-2.9	-7.8
Total in 2014	304.8	-16.4	-36.1
2015	2.4	-14.9	-23.1
2016		-9.6	-13.3
2017		-7.0	-4.2
2018		-2.2	
2019–			
Cash flows total	307.2	-50.1	-76.6
Total nominal values of derivatives directed to hedge accounting	307.2	577.0	76.6

31.12.2012

Periods when the forecasted cash flows are expected to occur	Highly probable foreign currency cash flows	Contractual interest cash flows	Highly probable commodity cash flows
Q1	125.9	-3.9	-9.6
Q2	112.1	-1.7	-9.1
Q3	38.1	-4.7	-8.0
Q4	14.8	-1.7	-8.0
Total 2013	290.8	-12.0	-34.7
2014	2.1	-9.5	-26.6
2015		-8.2	-17.4
2016		-3.5	-9.3
2017		-1.2	
2018–		-0.3	
Cash flows total	292.9	-34.6	-88.0
Total nominal values of derivatives directed to hedge accounting	292.9	590.0	88.0



29. Fair values of financial assets and liabilities

EUR million	Note	Fair value through profit and loss	Fair value through profit and loss	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
FINANCIAL ASSETS 31.12.2013								
Available for sale investments	15		305.7				305.7	305.7
Other non-current financial assets	16			20.1			20.1	20.1
Accounts receivables and others	19			699.3			699.3	699.3
Cash and cash equivalent	20	20.1		432.6			452.7	452.7
Derivative financial instruments	29	-0.2			2.5		2.4	2.4
Total		19.9	305.7	1,152.0	2.5	0.0	1,480.2	1,480.2

FINANCIAL LIABILITIES 31.12.2013								
Non-current interest-bearing liabilities	25					1,601.9	1,601.9	1,638.3
Other non-current liabilities	26					4.7	4.7	4.7
Current interest-bearing liabilities	25					354.6	354.6	373.4
Accounts payable and others	27					648.6	648.6	648.6
Derivative financial instruments	29	4.4			26.1		30.5	30.5
Total		4.4	0.0	0.0	26.1	2,609.8	2,640.3	2,695.5

EUR million	Note	Fair value through profit and loss	Fair value through profit and loss	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
FINANCIAL ASSETS 31.12.2012								
Available for sale investments	15		356.2				356.2	356.2
Other non-current financial assets	16			13.9			13.9	13.9
Accounts receivables and others	19			704.2			704.2	704.2
Cash and cash equivalent	20			518.5			518.5	518.5
Derivative financial instruments	29	-0.2			5.3		5.1	5.1
Total		-0.2	356.2	1,236.7	5.3	0.0	1,597.9	1,597.9

FINANCIAL LIABILITIES 31.12.2012								
Non-current interest-bearing liabilities	25					1,161.2	1,161.2	1,194.5
Other non-current liabilities	26					4.2	4.2	4.2
Current interest-bearing liabilities	25					958.2	958.2	971.4
Accounts payable and others	27					661.1	661.1	661.1
Derivative financial instruments	29	12.5			30.1		42.6	42.6
Total		12.5	0.0	0.0	30.1	2,784.8	2,827.4	2,873.8

Accounts receivables and other receivables do not include advance payments, deferred taxes or periodisations of employee costs (Notes no. 19). Accounts payable and other financial liabilities do not include advance payments, deferred tax liabilities or periodisations of employee costs (Notes no. 27).

In Metsä Group all interest-bearing liabilities are valued in the balance sheet at amortised cost based on effective interest method. Interest-bearing financial assets are classified according to IAS 39. Fair values

are based on present value of cash flow of each liability or assets calculated by market rate. The discount rates applied are between 1.0-4.1 per cent (1.0-5.4). Of interest-bearing liabilities 48 per cent (37) is subject to variable rates and the rest to fixed rates. The average interest rate of interest-bearing liabilities at the end of 2013 was 4.5 per cent (5.1). The fair value of accounts and other receivables and account payables and other liabilities are not essentially deviating from the carrying amounts in the balance sheet.

FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

2013

EUR million	Note	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE					
Available for sale financial assets	15	0.3		305.4	305.7
Current financial assets through profit and loss at fair value	20	20.1			20.1
Derivative financial assets	29		2.4		2.4
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE					
Derivative financial liabilities	29	14.8	15.8		30.5
FINANCIAL ASSETS NOT BOOKED AT FAIR VALUE					
Cash and cash equivalent	20		432.6		432.6
FINANCIAL LIABILITIES NOT BOOKED AT FAIR VALUE					
Non-current interest-bearing financial liabilities	25		1,638.3		1,638.3
Current interest-bearing financial liabilities	25		373.4		373.4

2012

EUR million	Note	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE					
Available for sale financial assets	15	0.4		355.8	356.2
Derivative financial assets	29		5.1		5.1
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE					
Derivative financial liabilities	29	7.1	35.4		42.6
FINANCIAL ASSETS NOT BOOKED AT FAIR VALUE					
Cash and cash equivalent	20		518.5		518.5
FINANCIAL LIABILITIES NOT BOOKED AT FAIR VALUE					
Non-current interest-bearing financial liabilities	25		1,194.5		1,194.5
Current interest-bearing financial liabilities	25		971.4		971.4

FINANCIAL ASSETS MEASURED AT FAIR VALUE BASED ON LEVEL 3

EUR million	2013	2012
Opening balance	355.8	367.5
Total gains and losses in profit and loss	0.1	0.1
Total gains and losses in other comprehensive income	-57.9	-17.3
Purchases	7.8	5.9
Settlements	-0.5	-0.5
Closing balance	305.4	355.8

Assets have been categorised according to IFRS 7 paragraphs 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

Fair value measurement of available for sale investments is described in Note no. 15.

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 include a more detailed description of the recognition and measurement principles applied.



DERIVATIVES

31.12.2013

EUR million	Nominal value	Assets	Liabilities	Fair value Total	Fair value hedges	Cash flow hedges	Equity hedges	Derivatives, hedge accounting not applied
Interest rate swaps	779.2		13.1	-13.1	2.5	-13.2		-2.4
Interest rate derivatives, total	779.2	0.0	13.1	-13.1	2.5	-13.2	0.0	-2.4
Currency forward agreements	1,168.8	2.3	0.6	1.7		2.5	-0.6	-0.2
Currency option agreements	74.4	0.0		0.0				0.0
Currency swap agreements	43.5		2.0	-2.0				-2.0
Currency derivatives, 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
Other commodity derivatives	7.2		0.1	-0.1		-0.1		
Commodity derivatives, 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

31.12.2012

EUR million	Nominal value	Assets	Liabilities	Fair value Total	Fair value hedges	Cash flow hedges	Equity hedges	Derivatives, hedge accounting not applied
Interest rate swaps	1,256.0		28.9	-28.9	-1.8	-20.9		-6.2
Interest rate derivatives, total	1,256.0	0.0	28.9	-28.9	-1.8	-20.9	0.0	-6.2
Currency forward agreements	874.8	5.0		5.0		4.6	0.7	-0.2
Currency option agreements	47.3	0.0		0.0				0.0
Currency swap agreements	42.4		0.5	-0.5	-0.5			
Currency derivatives, total	964.5	5.1	0.5	4.6	-0.5	4.6	0.7	-0.2
Electricity derivatives	164.1		12.9	-12.9		-6.9		-6.0
Other commodity derivatives	3.8		0.3	-0.3		0.0		-0.3
Commodity derivatives, total	167.8	0.0	13.2	-13.2	0.0	-6.9	0.0	-6.3
Derivatives total	2,388.3	5.1	42.6	-37.5	-2.3	-23.2	0.7	-12.7

30. Notes to Consolidated cash flow statement

EUR million	2013	2012
Adjustments to the result		
Taxes	35.1	31.8
Depreciation, amortisation and impairment charges	255.1	249.1
Biological assets	-2.7	0.2
Share of profit 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
Change in working capital		
Change in inventories	-63.4	63.3
Change in accounts receivables and other receivables	6.8	28.1
Change in accounts payable and other liabilities	8.9	-9.4
Total change	-47.6	82.1

ACQUISITIONS AND DISPOSALS OF NON-CONTROLLING INTEREST

In 2013, the acquisitions of non-controlling interest include the EUR 18.3 million increase in ownership in Metsä Tissue and the EUR 2.7 million increase in ownership in Metsä Board (Note no. 4).

In 2012, the acquisitions of non-controlling interest include the EUR 152.4 million increase in ownership in Metsä Fibre, the EUR 4.9 million increase in ownership in Metsä Board and the EUR 7.0 million increase in ownership in Biokraft. The disposal of non-controlling interest of EUR 471.1 million is due to the sale of shares in Metsä Fibre (Note no. 4).

31. Principal subsidiaries at 31 December 2013

METSÄLIITTO COOPERATIVE

The parent company Metsäliitto Cooperative's shares are listed on pages 81–82.

METSÄ FIBRE	Country	Number of shares	Group's holding, %
IN FINLAND			
Metsä-Botnia Metsät Oy	Finland	100,000	100.00
Oy Silva Shipping Ab	Finland	400,000	100.00
IN OTHER COUNTRIES			
Metsä Fibre GmbH	Germany	1	100.00
Metsä Fibre S.r.l.	Italy	1	100.00
OOO Metsä Svir	Russia	1	100.00
ZAO Petrovles Podporozhye	Russia	43,700	99.00

METSÄ TISSUE

IN OTHER COUNTRIES			
Dambi AB	Sweden	4,501,000	100.00
Metsä Tissue AB	Sweden	2,000,000	100.00
Metsä Tissue A/S	Denmark	1,000	100.00
Metsä Tissue AS	Norway	6,020	100.00
Metsä Tissue Immobilienverwaltungs GmbH	Germany	1	100.00
Metsä Tissue Czech s.r.o.	Czech Republic		100.00
Metsä Tissue Krapkowice Sp. z o.o.	Poland	2,300,000	100.00
Metsä Tissue Poland Sp z o.o.	Poland	98,171	100.00
Metsä Tissue Slovakia s.r.o.	Slovakia		100.00
Metsä Tissue Ukraine LCC	Ukraine		100.00
Metsä Tissue GmbH	Germany	1	100.00
Metsä Tissue Hungary Kft.	Hungary		100.00
Metsä Tissue Ltd	Great Britain	1	100.00
OOO Metsä Tissue	Russia	1	100.00

METSÄ BOARD

IN FINLAND			
Metsäliitto Cooperative	Finland	179,171	
Alrec Boiler Oy *)	Finland	899	24.92
Metsä Board Kemi Oy	Finland	2,000,000	100.00
OOO Peterbox	Russia		100.00
Oy Hangö Stevedoring Ab	Finland	150	100.00
Metsä Board International Oy	Finland	10,000	100.00
Metsä Board (Middle East & North Africa) Ltd	Cyprus	742,105	100.00
Metsä Board Americas Corporation	USA	180	100.00
Metsä Board Australia and New Zealand Pty Ltd	Australia	1	100.00
Metsä Board Hong Kong Ltd	Hong Kong	100	100.00
Metsä Board Shanghai Ltd	China		100.00
Metsä Board Ibérica S.A.	Spain	147,871	100.00
Metsä Board Italia s.r.l.	Italy	100,000	100.00
Metsä Board Singapore Pte Ltd	Singapore	10,000	100.00
Metsä Board UK Ltd	Great Britain	2,400	100.00
Metsä Board Benelux n.v./s.a	Belgium	2,921	100.00
Metsä Board CZ s.r.o.	Czech Republic		100.00
Metsä Board Deutschland GmbH	Germany	1	100.00
Metsä Board France S.A.S.	France	8,211	100.00
Metsä Board Hungary Kft.	Hungary	30	100.00
Metsä Board Ireland Ltd	Ireland	5,000	100.00
Metsä Board Nordic A/S	Denmark	36	100.00
Metsä Board Nordic AB	Sweden	1,000	100.00
Metsä Board Polska Sp. Z o.o.	Poland	232	100.00
Metsä Board Schweiz AG	Switzerland	100	100.00
M-real Benelux B.V.	The Netherlands	2,000	100.00
M-real Hellas Ltd	Greece	306	51.00
OOO Metsä Board	Russia	100	100.00
IN OTHER COUNTRIES			
Metsä Board Deutsche Holding GmbH	Germany		100.00
Metsä Board Zanders GmbH	Germany	2,800,000	100.00
BGE Eisenbahn Güterverkehr GmbH	Germany		90.00
Metsäliitto Energie GmbH	Germany		80.00
Metsä Board IBP Deals Americas Ltd	USA	50	100.00
Metsä Board Netherlands B.V.	The Netherlands	1,000	100.00
Metsä Board NL Holding B.V.	The Netherlands	15,350	100.00
Metsä Board IBP (HK) Ltd	Hong Kong	7,009,900	100.00
Metsä Board IBP China Ltd	China		100.00
Metsä Board Reinsurance AG	Switzerland	19,997	100.00
Metsä Board Sverige AB	Sweden	10,000,000	100.00
M-real Holding France S.A.S.	France	520,000	100.00
M-real UK Holdings Ltd	Great Britain	146,750,000	100.00
M-real UK Services Ltd	Great Britain	115,800,001	100.00
M-real UK Services Ltd	Great Britain	115,800,001	100.00

*) Consolidated as a subsidiary under shareholders' agreement



32. Joint ventures

Joint ventures have been consolidated using line-by-line method proportionate to the Group's holding. Group's consolidated income statement and balance sheet included assets, liabilities, income and costs as follows:

EUR million	2013	2012
Non-current assets	58.0	47.9
Current assets	5.1	4.8
Total assets	63.1	52.7
Non-current liabilities	49.0	40.8
Current liabilities	3.8	5.1
Total liabilities	52.9	45.9
Sales	13.3	12.2
Expenses	14.3	14.0
Result	-1.5	-1.6

SIGNIFICANT JOINT VENTURES:

Group's holding, %	2013	2012
Äänevoima Oy	56.25	56.25
Metsätapiola's real estates	48.98	48.98

33. Commitments and contingencies

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.

During the past few years companies belonging to Metsä Group have acted as sellers in many share transactions giving normal seller's securities. It is not impossible that demands against these companies are made regarding the given securities and that these securities could result in extra costs for the companies.

EUR million	2013	2012
For own liabilities		
Liabilities secured by pledges		
Loans from financial institutions	628.0	260.0
Pension loans	137.5	132.5
Other liabilities	11.7	10.0
Pledges granted	841.1	470.1
Liabilities secured by floating charges		
Loans from financial institutions	3.0	3.0
Floating charges	603.0	3.0
Liabilities secured by real estate mortgages		
Loans from financial institutions	30.2	19.9
Other liabilities	180.8	164.1
Real estate mortgages	970.7	282.2
Liabilities secured by chattels mortgages		
Loans from financial institutions	1.5	1.9
Chattels mortgages	4.6	4.6
Other commitments on own behalf		
Pledges granted	13.4	13.4
Guarantees and commitments	32.9	18.1
Leasing liabilities	37.6	39.7
Pension liabilities	0.3	0.3
Other liabilities	9.4	11.8
On behalf of associated companies		
Pledges	0.3	0.0
Guarantee liabilities	2.0	3.5
On behalf of others		
Guarantee liabilities	6.7	10.4
Total		
Pledges	854.7	483.5
Mortgages	1,578.3	289.9
Guarantees and commitments	41.6	32.0
Leasing liabilities	37.6	39.7
Pension liabilities	0.3	0.3
Other liabilities	9.4	11.8
Total	2,521.9	857.1

Pledges granted are shares in subsidiaries as well as bank assets securing the Nord-Pool 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 of EUR 535.3 million, real estate mortgages of EUR 832.8 million and a floating charge of EUR 600 million were pledged as collateral for the loan. The total collateral for the loan is EUR 1,968.1 million. The loan is presented in section "Liabilities secured by pledges".

OTHER LEASE COMMITMENTS

The Group leases various offices and warehouses under non-cancellable operating lease contracts. Some contracts are renewable at the end of the lease period.

THE FUTURE COSTS FOR NON-CANCELLABLE OPERATING LEASE CONTRACTS ARE AS FOLLOWS:

EUR million	2013	2012
Payments due in following 12 months	16.2	16.8
Payments due in following 1–5 years	20.0	20.6
Payments due later than 5 years	1.3	2.4
Total	37.6	39.7

JOINT VENTURES

Metsä Tissue AB's mill in Mariestad Sweden has an agreement to buy process steam from the local energy company Katrinefors Kraftvärme AB of which Metsä Tissue owns 50 per cent. The agreement is valid until 2029.

34. Share-based payment

The Group had one incentive scheme during the review period: Share incentive scheme 2011 which Metsäliitto's Board of Directors adopted on 15 December 2010. The effect of the share incentive schemes on net result 2013 was EUR 5,718,512.

SHARE INCENTIVE SCHEME 2011

The scheme offers the target group the possibility to be awarded Metsä Board's B shares. The scheme includes three 3-year earning periods, calendar years 2011–2013, 2012–2014 and 2013–2015. The Board of Directors will decide on the earning criterias and on targets to be established for them at the beginning of each earning period. The bonus is paid by the end of April partly in shares and partly in cash. The proportion to be paid in cash will also cover taxes and tax-related costs arising from the bonus. The bonus is not paid if the person concerned ceases to be employed before the award is paid. The person concerned must also own the shares for at least two years after the date of the award payment.



SHARE INCENTIVE SCHEME 2011

Issued by the Board's decision on 15 Dec. 2010

	2011–2013	2012–2014	2013–2015	TOTAL
BASIC INFORMATION				
Maximum number of shares	2,347,500	2,347,500	2,550,000	7,245,000
Grant date(s)	4.4.2011/11.4.2012	11.4.2012	10.5.2013	
	10.12.2013	10.12.2013	10.12.2013	
Vesting period starts	1.1.2011	1.1.2012	1.1.2013	
Vesting period ends	31.12.2013	31.12.2014	31.12.2015	
Obligation to hold shares, years	2	2	2	
Conditions of vesting requirements	Obligation to work	Obligation to work	Obligation to work	
Criteria	Equity ratio	Equity ratio	Equity ratio	
	ROCE, EBIT factor	ROCE, EBIT factor	ROCE, EBIT factor	
Date of vesting requirement	30.4.2014	30.4.2015	30.4.2016	
Release of the bonus	1.1.2016	1.1.2017	1.1.2018	
Maximum validity, years	5	5	5	
Payment	Shares and cash	Shares and cash	Shares and cash	
Binding time left, years	2	3	4	
Number of key personnel (31.12.2013)	51	51	52	
Exercise price, EUR	-	-	-	
FAIR VALUE MEASURING *				
Share price at grant date, EUR	3.09	1.90	2.80	
Fair value of share at grant date, EUR	2.73	1.83	2.54	
Assumed dividends, EUR	0.12	0.02	0.08	
Share price at end of financial period, EUR	3.15	3.15	3.15	
Fair value at end of financial period, EUR	4,994,134	4,984,116	6,112,752	16,091,003
EFFECT ON RESULT AND FINANCIAL POSITION				
Expense, share-based payment, EUR	2,565,691	1,853,232	1,299,589	5,718,512
Expense, share-based payment, settled as equity, EUR	0	-39,846	54,212	14,366
Liabilities, share-based payment, at the end of financial period, EUR	4,440,129	2,772,847	1,245,377	8,458,353
Amounts 1 Jan, 2013**				
Outstanding at the beginning of period	2,130,000	2,207,501	0	4,337,501
Changes during the period	7,500	27,500	2,320,001	2,355,000
Shares granted	124,862	181,250	77,501	383,612
Shares forfeited	0	0	0	0
Shares exercised	0	0	0	0
Shares expired			116,664	116,664
Amounts 31 Dec, 2013				
Outstanding at the end of period	2,012,639	2,053,751	2,242,500	6,308,889
Exercisable at the end of period	2,012,639	2,053,751	2,242,500	6,308,889

* The fair value of the share-settled part at exercise date was the market price of Metsä Board's B share less any dividend paid before the payment of the reward. Correspondingly, the fair value of the cash-settled part is estimated on every balance sheet date until the end of incentive period. The fair value of share-based payment is recognised to the amount based on best possible estimate of the reward, which is believed to be granted.

** The amounts in the table reflect net amounts, i.e. the number of shares to be given based on share-based payment. In addition an amount corresponding at maximum to the value of the shares, is paid in cash to cover taxes.

METSÄLIITTO MANAGEMENT OY

During 2010 a company named Metsäliitto Management Oy was established for the shareholding programme of the members of Metsä Group's Executive Management Team. The date of issue of the programme is 10 August 2010 and the Metsä Board B-shares acquired for the programme amounts to 6.8 million. The acquisitions have been financed using capital inputs of a total of EUR 3,850,000, of which the capital input of Kari Jordan, President and CEO, is EUR 1.0 million, and a loan of EUR 15,400,000 granted by Metsäliitto Cooperative. Shares have been purchased for Kari Jordan for EUR 5.0 million.

The loan granted by Metsäliitto Cooperative will be repaid in its entirety by 31 March 2014. If the validity of the arrangement is continued one year at a time in 2013, 2014, 2015 or 2016, the loan period will

be extended correspondingly. Metsäliitto Management Oy has the right to repay the loan prematurely at any time. Metsäliitto Management Oy is obligated to repay the loan prematurely by selling the Metsä Board B-shares it holds if the stock exchange price of the shares exceeds a certain level defined in the arrangement for an extended period of time.

The arrangement will remain in force until the end of 2013 and beginning of 2014, at which time the intention is to dismantle the arrangement in a manner to be decided later. The arrangement can be dismantled by merging the company with Metsä Board or selling the Metsä Board B shares held by the company to Metsäliitto, a party designated by Metsäliitto or a third party and liquidating the company or by selling the shares of the company to Metsäliitto. The arrangement will be extended one year at a time if, in October–November 2013, 2014,

2015 or 2016, the stock exchange price of the Metsä Board B share is lower than the average price at which Metsäliitto Management acquired the Metsä Board B shares it owns.

The assignment of the Metsä Board B shares owned by Metsäliitto Management is restricted during the validity of the arrangement. As a rule, the ownership of members of the Executive Management Team in Metsäliitto Management Oy will remain in force until the dismantling of the arrangement.

In Metsä Group, the arrangement is processed as a share incentive scheme. Valuation is performed at each reporting day based on the fair value of the Metsä Board B share.

In 2013, expenses amounting to EUR 0.7 million (0.0) were recognised in the Group's income statement in connection with Metsäliitto Management Oy's share ownership programme.

As the weighted average stock exchange price of the Metsä Board's B share during 20 days after the publishing of interim report Q3/2013 was higher than the average price at which Metsäliitto Management acquired the shares, actions have been taken to dismantle the arrangement.

35. Related party transactions

The Group's related parties include the parent company, subsidiaries, joint ventures and associated companies. Also the members of the Supervisory Board, the members of the Board of Directors and the President and CEO as well as their close family members are considered as related parties.

The Group's key personnel are the members of the Supervisory Board, the Board of Directors and the Group Executive Management Team including the President and CEO. Remunerations paid to these persons are presented in Notes no. 7 and 34. The parent company has no commitments on behalf of the key personnel nor receivables from them.

Metsäliitto Cooperative's wood delivery sales to Group subsidiaries were EUR 758.0 million (728.4). Wood delivery sales to associated companies and joint ventures were EUR 21.3 million (16.9).

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

Metsä Group Treasury Oy owned by Metsäliitto Cooperative is the Group's internal bank. The interests are market based.

Metsäliitto Management Oy, domiciled in Espoo, has only been established to administrate the shareholding programme of Metsäliitto Cooperative. Metsäliitto Cooperative or companies controlled by Metsäliitto have no holdings in Metsäliitto Management Oy. According to the shareholders' and loan agreement Metsäliitto Cooperative has the controlling right in the company.

Metsäliitto's principal subsidiaries are presented in Note no. 31. A list of joint ventures is included in Note no. 32. Business transactions with associates are presented in Note no. 14.

36. Environmental affairs

Only additional identifiable costs that are primarily intended to prevent, reduce or repair damage to the environment are included in environmental costs. Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits.

INCOME STATEMENT

EUR million	2013	2012
Materials and services	21.8	21.6
Employee costs		
Wages and fees	3.0	3.2
Other employee costs	1.5	1.6
Depreciation	12.2	13.1
Other operating expenses	8.6	10.1
Total	47.3	49.5

BALANCE SHEET

EUR million	2013	2012
Intangible and tangible assets		
Acquisition costs, 1 Jan.	306.8	317.2
Increases	6.3	9.1
Decreases	-22.4	-19.6
Accumulated depreciation at 31 Dec.	-181.1	-184.1
Book value, 31 Dec.	109.5	122.7
Provisions		
Environmental obligations	28.2	26.6

NOTES

	2013	2012
Guarantees due to environmental programmes (EUR million)	11.0	16.3
CO ₂ emission allowances		
Possessions of emission allowances (1,000 tonnes)	1,654	1,362
Emission produced (1,000 tonnes)	871	911
Sales of emission allowances, EUR million	0.5	5.9

Possessions of emission allowances include also allowances for 2013 free of charge, which at the balance sheet date were not in the Group's register due to late delivery.

37. Events after the Balance sheet date

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.



PARENT COMPANY INCOME STATEMENT

(FINNISH ACCOUNTING STANDARDS, FAS)

EUR million	Note	1.1.–31.12.2013	1.1.–31.12.2012
SALES	1	1,676.6	1,604.6
Change in stocks of finished goods and work in progress		2.0	-1.8
Production for own use		0.3	0.4
Other operating income	2	64.4	147.1
Materials and services	3		
Raw materials and consumables			
Purchases during the financial period		-1,043.5	-968.3
Change in inventories		33.8	-14.9
External services		-447.1	-411.6
Employee costs		-164.7	-154.8
Depreciation and impairment charges	4	-35.6	-26.1
Other operating expenses		-71.9	-79.4
		-1,729.1	-1,655.2
OPERATING RESULT		14.2	95.1
Financial income and expenses	5		
Income from Group companies		65.7	69.7
Income from associated companies		3.1	4.2
Income from other financial investments		9.8	12.6
Other interest and similar income		5.3	1.9
Net exchange gains/losses	6	1.2	-3.7
Write-downs on non-current investments		-11.7	-35.4
Interest and similar expenses		-37.9	-33.6
		35.5	15.6
RESULT BEFORE APPROPRIATIONS AND TAXES		49.8	110.7
Appropriations			
Change in depreciation reserve		-1.6	3.3
Income taxes	7	0.0	0.0
SURPLUS FOR THE FINANCIAL PERIOD		48.1	113.9

PARENT COMPANY BALANCE SHEET

EUR million	Note	31.12.2013	31.12.2012
ASSETS			
NON-CURRENT ASSETS			
INTANGIBLE ASSETS 8			
Intangible rights		6.6	7.8
Goodwill		0.9	1.0
Other capitalised expenditure		1.4	1.8
Advance payments and construction in progress		15.3	7.7
		24.1	18.3
TANGIBLE ASSETS 8			
Land and water areas		6.0	5.3
Buildings		44.9	41.1
Machinery and equipment		93.0	84.1
Other tangible assets		1.9	2.1
Advance payments and construction in progress		5.7	16.0
		151.6	148.5
INVESTMENTS 9, 10			
Raw materials and consumables		1,574.2	1,553.4
Finished goods and work in progress		139.7	1.9
Other inventories		26.5	26.5
Advance payments		1.7	2.0
		1,742.2	1,583.8
NON-CURRENT ASSETS TOTAL			
		1,917.9	1,750.5
CURRENT ASSETS			
INVENTORIES			
Raw materials and consumables		123.4	89.5
Finished goods and work in progress		35.2	33.2
Other inventories		3.0	3.1
Advance payments		26.6	28.6
		188.1	154.4
NON-CURRENT RECEIVABLES 11			
Receivables from Group companies		11.2	17.4
Loan receivables		0.3	1.5
Other receivables		0.0	0.1
		11.5	19.1
CURRENT RECEIVABLES 11			
Accounts receivables		73.1	64.9
Receivables from Group companies		385.3	434.5
Receivables from associated companies		0.6	1.0
Loan receivables		0.5	0.4
Other receivables		7.0	5.5
Prepayment and accrued income		6.3	6.9
		472.8	513.3
RECEIVABLES TOTAL			
		484.3	532.4
CASH AND CASH EQUIVALENTS			
		0.0	80.3
CURRENT ASSETS TOTAL			
		672.5	767.0
ASSETS TOTAL			
		2,590.4	2,517.5

EUR million	Note	31.12.2013	31.12.2012
MEMBERS' FUNDS AND LIABILITIES			
MEMBERS' FUNDS 12			
Members' capital		203.4	200.7
Additional members' capital A		554.7	515.8
Additional members' capital B		110.5	75.9
Additional members' capital C		0.0	14.4
Other reserves			
General reserve I		3.9	3.9
General reserve II		61.7	56.0
Retained earnings		596.0	528.8
Surplus for the financial period		48.1	113.9
		1,578.4	1,509.6
APPROPRIATIONS			
Accumulated depreciation difference		14.0	12.3
PROVISIONS 13			
		3.9	3.8
LIABILITIES 14, 15			
NON-CURRENT LIABILITIES			
Bonds		174.8	174.7
Loans from financial institutions		433.4	473.9
Pension premium loans		65.0	65.0
Advance payments		1.9	1.7
Loans from Group companies		2.8	2.8
Accruals and deferred income	17	0.0	1.1
		677.9	719.2
CURRENT LIABILITIES 16			
Loans from financial institutions		40.5	35.0
Pension premium loans		9.5	9.5
Advance payments		6.2	3.4
Accounts payable		76.0	57.7
Payables to Group companies		54.2	45.1
Payables to associated companies		2.6	1.2
Other liabilities		11.2	16.6
Accruals and deferred income	17	116.2	104.2
		316.3	272.6
LIABILITIES TOTAL			
		994.2	991.8
MEMBERS' FUNDS AND LIABILITIES TOTAL			
		2,590.4	2,517.5



CASH FLOW STATEMENT

EUR million	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Operating result	14.2	95.1
Adjustments to operating result ¹⁾	35.5	-54.1
Interest received	15.2	14.4
Interest paid	-34.4	-30.6
Dividends received	68.8	73.9
Other financial items, net	-2.8	-7.4
Taxes paid	0.0	0.0
Change in working capital ²⁾	22.9	38.0
	119.3	129.1
CASH FLOW ARISING FROM INVESTING ACTIVITIES		
Purchase of shares	-32.5	-192.0
Investments in tangible assets	-49.7	-30.9
Proceeds from disposal of shares	0.4	339.0
Proceeds from sale of tangible assets	5.3	1.6
Change in non-current receivables	-130.3	128.2
	-206.8	245.9
CASH FLOW BEFORE FINANCING	-87.5	375.1
CASH FLOW ARISING FROM FINANCING ACTIVITIES		
Increase in non-current liabilities	202.7	207.8
Decrease in non-current liabilities	-238.1	-176.7
Change in current liabilities, net	-0.3	-16.2
Change in current interest-bearing receivables, net	22.3	-318.9
Interest paid on members' capital	-39.7	-37.8
Change in members' capital	60.4	45.4
	7.3	-296.5
CHANGE IN CASH AND CASH EQUIVALENTS	-80.2	78.5
Cash and cash equivalents at beginning of period	80.3	1.7
Change in cash and cash equivalents	-80.2	78.5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	0.0	80.3
1) Adjustments to operating result		
Depreciation and impairment charges	35.6	26.1
Gains and losses on sale of intangible assets	-0.3	-81.6
Change in provisions	0.1	1.3
Total	35.5	-54.1
2) Change in working capital		
Inventories (increase-/decrease+)	-33.7	21.2
Current non-interest bearing receivables (increase-/decrease+)	18.1	-0.9
Current non-interest-bearing liabilities (increase+/decrease-)	38.5	17.7
Total (increase-/decrease+)	22.9	38.0

PARENT COMPANY ACCOUNTING POLICIES

Metsäliitto Cooperative's financial statements have been prepared in accordance with Finnish accounting standards (FAS). Metsä Wood Holdings Oy was incorporated on April 30, 2013.

SALES

Sales are calculated after deduction of indirect sales taxes, trade discounts and other items adjusting sales.

EXCHANGE RATE DIFFERENCES

Foreign exchange gains and losses have been booked to net exchange gains/losses under financial income and expense. Open and actual foreign exchange differences hedging sales are recorded immediately to financial income and expenses in the income statement.

TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency have been booked at the exchange rate on the day of the transaction. At the balance sheet date, receivables and liabilities denominated in foreign currency have been translated into euros at the exchange rate quoted by the European Central Bank at the balance sheet date.

PENSIONS AND PENSION FUNDING

Statutory pension security is handled by pension insurance companies outside Metsä Group. In addition to statutory pension security, some salaried employees have supplementary pension arrangements which are either insured, arranged through the Metsäliitto Employees' Pension Foundation or are an unfunded liability of the company.

Pension insurance premiums have been periodised to correspond to the accrual-based wages and salaries given in the financial statements.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is recorded as an expense in the relevant financial period.

INVENTORIES

Inventories are measured at the lower of cost or net realisable value. In measuring inventories, the FIFO principle is observed or, alternatively, the weighted average price method.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

The carrying values of property, plant and equipment are based on original acquisition costs less depreciation according to plan and impairment losses. Depreciation according to plan is based on the estimated useful life of the asset as follows:

Buildings	20–40 years
Machinery and equipment	3–15 years
Other items	5–10 years

Depreciation is not recorded on the purchase cost of land and water areas.

LEASING

Lease payments are treated as rental expenses.

ENVIRONMENTAL EXPENDITURE

Environmental expenditure comprises the specifiable expenses of environmental protection measures aiming primarily at combating, remedying or alleviating environmental damage.

EXTRAORDINARY INCOME AND EXPENSES

Substantial income and expenses arising on transactions of an abnormal nature, such as the divestment of businesses, are presented in the income statement as extraordinary items. The tax effect of extraordinary items is presented in the notes to the financial statements.

APPROPRIATIONS

Finnish tax legislation offers the possibility to deduct expenses prematurely from the profit for the financial year and to transfer them to the balance sheet as provisions. The items are taken into account in tax filings only if they have been entered in the accounts. These items are presented in the appropriations in the income statement. The most substantial of these appropriations is the depreciation difference on fixed assets.

PROVISIONS

Future costs and losses to which the company is committed and which are likely to be realised are included in the income statement under the appropriate expense heading and in the balance sheet under provisions for future costs whenever the precise amount and the time of occurrence are not known and in other cases they are included in accrued liabilities. These can be, for example, the pension liability or costs of discontinued operations and restructuring costs.



NOTES TO THE PARENT COMPANY'S ACCOUNTS

EUR million	2013	2012
1. SALES BY MARKET AREA		
Finland	1,159.0	1,119.0
EU-countries	348.4	342.7
Other countries	169.3	142.8
Total	1,676.6	1,604.6

2. OTHER OPERATING INCOME		
Rents	1.5	1.7
Gains on disposal of assets	0.3	81.3
Service revenue	56.9	58.4
Others	5.8	5.7
Total	64.4	147.1

Gains on disposal of assets include in 2012 sales gains of EUR 80.9 million from the shares of Metsä Fibre Oy.

3. OPERATING EXPENSES		
Materials and services		
Rawmaterials and consumables		
Purchases during the financial period	1,043.5	968.3
Change in inventories	-33.8	14.9
External services		
Distribution costs	250.5	243.3
Other external services	196.6	168.3
Total	1,456.8	1,394.8
Employee costs		
Wages	105.3	97.1
Pension costs	24.6	22.6
Other employee costs	34.8	35.1
Total	164.7	154.8
Other operating expenses		
Rents	9.7	14.9
IT costs	21.2	21.3
Services bought	19.3	16.3
Loss on sale of non-current assets	0.0	0.1
Other operating expenses	21.7	26.8
Total	71.9	79.4

Salaries and remunerations paid to management		
President and CEO	1.5	1.3
Members of the Board of Directors and their deputies	0.4	0.4
Members of the Supervisory Board	0.2	0.2
Total	2.1	1.9

PENSION COMMITMENTS

The President and CEO of the Group is entitled to retire on reaching the age of 60. Some Metsäliitto top executives have the right to an extra pension according to the pension rules when they retire at the age of 62.

EUR million	2013	2012
AVERAGE PERSONNEL		
White collars	1,165	1,201
Blue collars	1,533	1,556
Total	2,698	2,756
Principal auditor's fees		
Audit fees	0.1	0.1
Tax consulting fees	0.0	0.0
Other fees	0.0	0.0
Total	0.1	0.1

The principal auditor is KPMG Oy Ab.

4. DEPRECIATION AND IMPAIRMENT CHARGES		
Depreciations according to plan		
Intangible rights	2.7	2.5
Goodwill	0.1	0.1
Other capitalised expenditure	0.4	0.4
Buildings	8.0	4.6
Machinery and equipment	24.1	18.2
Other tangible assets	0.3	0.4
Depreciations according to plan, total	35.6	26.1
Change in accumulated depreciation difference		
	1.6	-3.3
Total depreciation	37.2	22.8

5. FINANCIAL INCOME AND EXPENSES		
Income from non-current investments		
Dividend income		
From Group companies	65.7	69.7
From associated companies	3.1	4.2
From others	0.0	0.0
Total	68.8	73.9
Interest income		
From Group companies	9.8	12.6
Total	9.8	12.6
Income from non-current investments		
	78.6	86.5
Other interest and financial income		
Interest income from Group companies	4.9	1.4
Other interest income	0.5	0.5
Total	5.3	1.9
Exchange differences		
	1.2	-3.7
Write-downs of non-current investments		
	-11.7	-35.4

EUR million	2013	2012
Interest and financial expenses		
Interest expenses paid to Group companies	-4.0	-2.6
Other interest expenses	-28.7	-26.8
Other financial expenses paid to Group companies	-1.2	-0.5
Other financial expenses	-4.0	-3.7
Total	-37.9	-33.6
Total financial income and expenses	35.5	15.6

Write-downs of non-current investments include in 2013 write-downs of book values of EUR 11.7 million (35.4) of Wood Products Industry's foreign subsidiaries.

6. NET EXCHANGE GAINS/LOSSES IN INCOME STATEMENT

Gains/losses on sales	-0.4	0.1
Gains/losses on purchases	0.0	0.0
Gains/losses on financing	1.7	-3.7
Total	1.2	-3.7

7. INCOME TAXES

Taxes for the period	0.0	0.0
Taxes for previous periods	0.0	0.0
Total	0.0	0.0

8. INTANGIBLE AND TANGIBLE ASSETS

INTANGIBLE ASSETS

Acquisition cost, 1 Jan.		45.2
Increases		2.4
Decreases		-1.3
Transfers between items		2.1
Acquisition cost, 31 Dec.		48.4
Accumulated depreciation, 1 Jan.	-40.6	-39.4
Accumulated depreciation on decreases and transfers	0.0	1.3
Depreciation for the period	-2.7	-2.5
Accumulated depreciation, 31 Dec.	-43.3	-40.6
Book value, 31 Dec.	6.6	7.8
Accumulated depreciation difference	0.4	0.4

GOODWILL

Acquisition cost, 1 Jan.	1.1	1.1
Acquisition cost, 31 Dec.	1.1	1.1
Accumulated depreciation, 1 Jan.	-0.1	0.0
Depreciation for the period	-0.1	-0.1
Accumulated depreciation, 31 Dec.	-0.2	-0.1
Book value, 31 Dec.	0.9	1.0

EUR million	2013	2012
OTHER CAPITALISED EXPENDITURE		
Acquisition cost, 1 Jan.	8.9	8.5
Increases	0.1	0.4
Decreases	0.0	-0.1
Transfers between items	-0.2	0.1
Acquisition cost, 31 Dec.	8.8	8.9
Accumulated depreciation, 1 Jan.	-7.1	-6.9
Accumulated depreciation on decreases and transfers	0.0	0.1
Depreciation for the period	-0.4	-0.4
Accumulated depreciation, 31 Dec.	-7.5	-7.1
Book value, 31 Dec.	1.4	1.8
Accumulated depreciation difference	0.2	0.2

CONSTRUCTION IN PROGRESS

Acquisition cost, 1 Jan.	7.7	3.6
Increases	9.9	6.3
Transfers between items	-2.3	-2.2
Acquisition cost, 31 Dec.	15.3	7.7

INTANGIBLE ASSETS TOTAL

Acquisition cost, 1 Jan.	66.1	58.4
Increases	14.3	9.1
Decreases	-5.2	-1.5
Transfers between items	0.0	0.0
Acquisition cost, 31 Dec.	75.1	66.0
Accumulated depreciation, 1 Jan.	-47.8	-46.3
Accumulated depreciation on decreases and transfers	0.0	1.4
Depreciation for the period	-3.2	-3.0
Accumulated depreciation, 31 Dec.	-51.0	-47.8
Book value, 31 Dec.	24.1	18.2
Accumulated depreciation difference	0.5	0.6

LAND AND WATER AREAS

Acquisition cost, 1 Jan.	5.9	5.9
Increases	0.8	0.0
Acquisition cost, 31 Dec.	6.6	5.9
Accumulated depreciation, 1 Jan.	-0.6	-0.6
Accumulated depreciation, 31 Dec.	-0.6	-0.6
Book value, 31 Dec.	6.0	5.3



EUR million	2013	2012
BUILDINGS		
Acquisition cost, 1 Jan.	129.1	120.8
Increases	8.0	9.8
Decreases	0.0	-1.5
Transfers between items	3.9	0.1
Acquisition cost, 31 Dec.	141.0	129.1
Accumulated depreciation, 1 Jan.	-88.1	-81.3
Accumulated depreciation on decreases and transfers	0.0	-2.2
Depreciation for the period	-8.0	-4.6
Accumulated depreciation, 31 Dec.	-96.1	-88.1
Book value, 31 Dec.	44.9	41.1
Accumulated depreciation difference	-3.7	-3.9
MACHINERY AND EQUIPMENT		
Acquisition cost, 1 Jan.	427.2	395.4
Increases	22.6	41.3
Decreases	-0.1	-10.9
Transfers between items	10.5	1.5
Acquisition cost, 31 Dec.	460.2	427.2
Accumulated depreciation, 1 Jan.	-343.2	-316.4
Accumulated depreciation on decreases and transfers	0.1	-8.6
Depreciation for the period	-24.1	-18.2
Accumulated depreciation, 31 Dec.	-367.2	-343.2
Book value, 31 Dec.	93.0	84.1
Accumulated depreciation difference	16.9	15.5
OTHER TANGIBLE ASSETS		
Acquisition cost, 1 Jan.	18.3	18.2
Increases	0.2	0.1
Decreases	0.0	0.0
Transfers between items	0.0	0.0
Acquisition cost, 31 Dec.	18.5	18.3
Accumulated depreciation, 1 Jan.	-16.2	-15.8
Accumulated depreciation on decreases and transfers	0.0	0.0
Depreciation for the period	-0.3	-0.4
Accumulated depreciation, 31 Dec.	-16.6	-16.2
Book value, 31 Dec.	1.9	2.1
Accumulated depreciation difference	0.2	0.1
CONSTRUCTION IN PROGRESS		
Acquisition cost, 1 Jan.	16.0	3.9
Increases	4.1	13.7
Transfers between items	-14.4	-1.6
Acquisition cost, 31 Dec.	5.7	16.0

EUR million	2013	2012
TANGIBLE ASSETS TOTAL		
Acquisition cost, 1 Jan.	596.6	544.1
Increases	35.7	64.9
Decreases	-0.1	-12.5
Transfers between items	0.0	0.0
Acquisition cost, 31 Dec.	632.1	596.6
Accumulated depreciation, 1 Jan.	-448.1	-414.2
Accumulated depreciation on decreases and transfers	0.1	-10.8
Depreciation for the period	-32.4	-23.2
Accumulated depreciation, 31 Dec.	-480.5	-448.1
Book value, 31 Dec.	151.6	148.5
Accumulated depreciation difference	13.4	11.8
9. INVESTMENTS, SHARES		
SHARES IN GROUP COMPANIES		
Acquisition cost, 1 Jan.	1,553.4	1,658.6
Increases	32.5	192.0
Decreases	-11.7	-297.2
Acquisition cost, 31 Dec.	1,574.2	1,553.4
SHARES IN ASSOCIATED COMPANIES		
Acquisition cost, 1 Jan.	26.5	31.1
Decreases	0.0	-4.6
Acquisition cost, 31 Dec.	26.5	26.5
OTHER SHARES AND HOLDINGS		
Acquisition cost, 1 Jan.	2.0	2.2
Increases	0.0	0.0
Decreases	-0.3	-0.2
Acquisition cost, 31 Dec.	1.7	2.0
INVESTMENTS, SHARES TOTAL		
Acquisition cost, 1 Jan.	1,581.9	1,691.8
Increases	32.5	192.0
Decreases	-11.9	-301.9
Acquisition cost, 31 Dec.	1,602.5	1,581.9
INVESTMENTS, RECEIVABLES		
RECEIVABLES FROM GROUP COMPANIES		
Acquisition cost, 1 Jan.	1.9	128.7
Increases	139.7	1.9
Decreases	-1.9	-128.7
Acquisition cost, 31 Dec.	139.7	1.9
OTHER RECEIVABLES		
Acquisition cost, 1 Jan.	0.0	0.0
Increases	0.0	0.0
Acquisition cost, 31 Dec.	0.0	0.0

EUR million	2013	2012
INVESTMENTS, RECEIVABLES TOTAL		
Acquisition cost, 1 Jan.	1.9	128.7
Increases	139.7	1.9
Decreases	-1.9	-128.7
Acquisition cost, 31 Dec.	139.7	1.9
INVESTMENTS, RECEIVABLES		
Capital loans	0.0	1.9
Other loan receivables	139.7	0.0
Total	139.7	1.9
10. FAIR VALUES OF FINANCIAL INVESTMENT IN NON-CURRENT ASSETS		
STOCK EXCHANGE LISTED SHARES		
Book value	530.0	526.1
Fair value	419.3	293.2
Difference	110.7	233.0

Of the difference between the book value and the fair value, EUR 110.7 million (233.0) derives from the Metsä Board shares. The view of Metsäliitto is that the cash flow generated will exceed the book value of the shares in the future.

11. RECEIVABLES

NON-CURRENT RECEIVABLES		
Loan receivables	11.5	19.0
Other receivables	0.0	0.1
Total	11.5	19.1

Non-current loan receivables include in 2012 a non-current receivable of EUR 16.5 million from Metsäliitto Management Oy. In 2013, the receivable of EUR 16.5 million is included in current loan receivables. The capability of Metsäliitto Management Oy to meet its obligations depends on the share price development of Metsä Board's B-share. Metsäliitto estimates that the shares owned by Metsäliitto Management Oy will in future generate a cash flow to manage the obligation.

There are no loan receivables, guarantees or other liabilities from the President and CEO, members of the Supervisory Board, members of the Board of Directors or their deputies or persons belonging to similar bodies.

EUR million	2013	2012
CURRENT RECEIVABLES		
Receivables from Group companies		
Accounts receivables	54.2	80.4
Loan receivables	316.9	339.3
Other receivables	0.7	0.0
Prepayment and accrued income	13.5	14.8
Total	385.3	434.5
Receivables from associated companies		
Accounts receivables	0.6	0.9
Loan receivables	0.0	0.1
Total	0.6	1.0
Receivables from others		
Accounts receivables	73.1	64.9
Loan receivables	0.5	0.4
Other receivables	7.0	5.5
Prepayment and accrued income	6.3	6.9
Total	86.8	77.7
Receivables total		
	484.3	532.4
PREPAYMENT AND ACCRUED INCOME, CURRENT		
Interest	0.0	0.1
Insurances	0.7	0.5
Periodisations of employee costs	0.9	0.8
Received compensations	1.3	0.7
Degrees of completion	0.9	2.8
Others	2.5	2.0
Total	6.3	6.9



EUR million	2013	2012
12. MEMBERS' FUNDS		
Members' capital, 1 Jan.	200.7	198.3
Participation shares	4.2	4.1
Transferred from interest	1.8	1.8
Refund of participation shares	-3.3	-3.6
*) Members' capital, 31 Dec.	203.4	200.7
Additional members' capital A, 1 Jan.	515.8	486.9
Increase in additional members' capital	28.1	22.4
Transferred from interest	24.3	22.7
Refund of additional members' capital	-13.5	-16.2
***) Additional members' capital A, 31 Dec.	554.7	515.8
Additional members' capital B, 1 Jan.	75.9	61.8
Transferred from additional members' capital C	14.4	0.0
Increase in additional members' capital	24.8	15.6
Refund of additional members' capital	-4.6	-1.4
Additional members' capital B, 31 Dec.	110.5	75.9
Additional members' capital C, 1 Jan.	14.4	14.5
Increase in additional members' capital	0.0	0.0
Transferred to additional members' capital B	-14.4	-0.1
Additional members' capital C, 31 Dec.	0.0	14.4
General reserve I, 1 Jan.	3.9	3.9
General reserve I, 31 Dec.	3.9	3.9
General reserve II, 1 Jan.	56.0	52.9
Transferred from retained earnings	5.7	3.2
General reserve II, 31 Dec.	61.7	56.0
Retained earnings, 1 Jan.	642.7	569.8
Interest paid	-39.7	-37.8
Transferred to general reserve II	-5.7	-3.2
Equity Bonus	-1.4	0.0
Surplus for the financial period	48.1	113.9
Retained earnings, 31 Dec.	644.1	642.7
Total members' funds	1,578.4	1,509.6
*) Unpaid participation shares		
Total called-up members' capital	259.6	259.2
Participation shares paid	-203.4	-200.7
Unpaid participation shares	56.2	58.5

**) Of the additional members' capital EUR 26.4 million is due on 1 July 2014.

15. NON-CURRENT DEBTS WITH AMORTISATION PLAN

EUR million	Liabilities to Group companies	Bonds	Loans from financial institutions	Pension loans	Other liabilities	Total
2014	0.0	0.0	40.5	9.5	0.0	50.0
2015	0.0	0.0	159.1	0.0	0.0	159.1
2016	0.0	0.0	34.1	0.0	0.0	34.1
2017	0.0	174.8	29.3	65.0	0.0	269.0
2018	0.0	0.0	10.9	0.0	0.0	10.9
2019–	0.0	0.0	200.0	0.0	0.0	200.0
Total	0.0	174.8	473.9	74.5	0.0	723.1

EUR million	2013	2012
13. PROVISIONS		
UNEMPLOYMENT PENSION COSTS		
1 Jan.	2.2	1.8
Increases	0.6	1.0
Decreases	-0.2	-0.6
31 Dec.	2.6	2.2
UNFUNDED PENSION COSTS		
1 Jan.	0.9	0.5
Increases	0.1	0.4
31.12.	1.0	0.9
OTHER PROVISIONS		
1 Jan.	0.7	0.2
Increases	0.1	0.7
Decreases	-0.5	-0.1
31 Dec.	0.3	0.7
PROVISIONS TOTAL		
1 Jan.	3.8	2.4
Increases	0.8	2.1
Decreases	-0.7	-0.8
31 Dec.	3.9	3.8
14. LIABILITIES		
Non-current		
Non-interest bearing	4.8	5.6
Interest-bearing	673.1	713.6
Total	677.9	719.2
Current		
Non-interest bearing	266.3	228.2
Interest-bearing	50.0	44.5
Total	316.3	272.6

	2013	2012
16. CURRENT LIABILITIES		
Loans from financial institutions	40.5	35.0
Pension loans	9.5	9.5
Advance payments	6.2	3.4
Account payables	76.0	57.7
Liabilities to Group companies		
Advance payments	48.9	36.4
Accounts payable	3.7	8.7
Accruals and deferred income	1.6	0.0
Liabilities to associated companies		
Accounts payable	2.6	1.2
Liabilities to others		
Other liabilities	11.2	16.6
Accruals and deferred income	116.2	104.2
Total current liabilities	316.3	272.6
17. ACCRUALS AND DEFERRED INCOME		
Current		
Interest	3.9	4.4
Pension insurance premium	2.5	2.0
Other insurance premiums	2.8	0.7
Periodisations of employee costs	28.5	24.9
Periodisations of purchases	71.0	59.3
Others	7.5	12.8
Total	116.2	104.2

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.

In the last 12 months, there has been no other governmental, legal or arbitration proceedings that might have substantially influenced or would substantially influence Metsäliitto's financial position. Metsäliitto has no knowledge of any such pending proceedings or trials.



EUR million	2013	2012
For own liabilities		
Liabilities secured by pledges		
Loans from financial institutions	260.0	260.0
Pension loans	65.0	65.0
Pledges granted	292.8	292.8
On behalf of own and Group companies' liabilities		
Guarantee liabilities	547.8	25.3
On behalf of others		
Guarantee liabilities	2.2	2.2
Other own liabilities		
Other liabilities	13.2	30.0
Leasing liabilities		
For the next 12 months	7.8	8.2
For subsequent years	19.6	21.7
Total		
Pledges	292.8	292.8
Guarantee liabilities	550.0	27.5
Other liabilities	13.2	30.0
Leasing liabilities	27.4	29.9
Total	883.4	380.2

On 30 September 2013, Metsäliitto Cooperative acquired Metsä Board's 51 per cent of the Group's internal bank, Metsä Group Treasury Oy. After the arrangement, Metsäliitto Cooperative owns all the shares in Metsä Group Treasury. Metsäliitto Cooperative also took over all the Metsä Group Treasury's commitments to banks and other financial institutions. Consequently, there was a remarkable increase in the guarantee liabilities in 2013 compared to 2012.

EUR million

LIABILITIES DUE TO OPEN DERIVATE CONTRACTS	Gross amount 2013	Going value	Gross amount 2012	Going value
Interest derivatives				
Interest rate swaps	427.0	-6.8	435.0	-11.4
Currency derivatives				
Forward agreements	121.2	-0.7	119.5	0.8
Option agreements	2.9	0.0	2.5	0.0
Derivatives total	551.1	-7.5	557.0	-10.6

EUR million	2013	2012
19. ENVIRONMENTAL ITEMS		
Income statement		
Raw materials and consumables	0.7	0.4
Employee costs		
Wages and fees	0.5	0.7
Other employee costs	0.3	0.3
Depreciation	0.2	0.4
Other operating expenses	0.3	1.0
Total	2.0	2.9
Balance sheet		
Tangible assets		
Acquisition costs 1 Jan.	4.7	6.1
Increases	0.2	0.3
Decreases	-0.5	-1.7
Accumulated depreciation	-3.3	-3.1
Book value 31 Dec.	1.0	1.6
Provisions		
Environmental obligations	0.1	0.1
Granted liabilities for environmental items	4.6	11.6

Only additional recognisable costs that are primarily intended to prevent, reduce or repair damage to the environment are included in environmental costs. Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits.

PARENT COMPANY SHARES AT 31 DECEMBER 2013

SUBSIDIARIES	Country	Parent company's holding, %	Group's holding, %	Number of shares	Book value, 1,000 EUR
Asunto Oy Tapiolan Jalava	Finland	48.98			2,415
Asunto Oy Tapiolan Pyökki	Finland	48.98			1,206
Asunto Oy Tapiolan Saarni	Finland	48.98			1,206
Asunto Oy Tapiolan Tammi	Finland	48.98			1,206
Burt Boulton and Haywood Ltd	Great Britain	100.00			874
Finnforest Polska Sp. z.o.o.	Poland	100.00			0
Finnforest Slovensko s.r.o.	Slovakia	100.00			0
Finnforest UK Holdings Ltd	Great Britain	100.00		43,200,000	53,458
Finnforest Österreich GesmbH	Austria	100.00			0
Kiinteistö Oy Metsätapiola	Finland	48.98		30,432	15,018
Kiinteistö Oy Metsätapiolan Pysäköinti	Finland	48.96		212	2,119
Kiinteistö Oy Tapiolan Jalopuupysäköinti	Finland	48.98			243
Kirkniemen Kartano Oy	Finland	100.00		57,100	6,035
Kumpuniemen Voima Oy	Finland	53.97		34	462
Metsa Forest Latvia SIA	Latvia	100.00		670	3,259
Metsa Wood Italia S.r.l.	Italy	100.00		1	0
Metsä Board Corporation *	Finland	40.74	42.81	133,682,092	529,985
Metsä Fibre Oy	Finland	50.20	60.85	38,211	721,058
Metsä Forest Eesti AS	Estonia	100.00		150,000	1,146
Metsä Forest Sverige AB	Sweden	100.00		5,000	703
Metsä Group Services Sp. z.o.o.	Poland	100.00		100	2,000
Metsä Group Treasury Oy	Finland	100.00		50,000	10,236
Metsä Tissue Oyj	Finland	85.00		7,750,800	174,836
Metsä Wood CZ s.r.o.	Czech Republic	100.00			3,500
Metsä Wood Deutschland GmbH	Germany	100.00			27,948
Metsä Wood Eesti AS	Estonia	100.00		100,000	651
Metsä Wood France S.A.S.	France	100.00		405,000	4,596
Metsä Wood Holland B.V.	The Netherlands	100.00			143
Metsä Wood Hungary Kft.	Hungary	100.00			1,056
Metsä Wood Ibérica S.L.U.	Spain	100.00		500	146
Metsä Wood Schweiz AG	Switzerland	100.00		200	750
Metsä Wood USA Inc.	USA	100.00		500,000	316
Metsäliitto France S.A.	France	100.00		100,000	100
Mittaportti Oy	Finland	33.33	53.62	1,000	8
OOO Metsa Forest Podporozhye	Russia	100.00			4,579
OOO Metsa Forest St. Petersburg	Russia	100.00		100	981
Äänevöima Oy	Finland	20.00	56.25	2,000,000	2,000
SHARES IN GROUP COMPANIES					1,574,237

*) Holding 61.56% by number of votes, Group's total holding 62.24%



ASSOCIATED COMPANIES	Country	Parent company's holding, %	Group's holding, %	Number of shares	Book value, 1,000 EUR
Finsilva Oyj	Finland	49.90		48,128,550	14,439
Hartolan Kuningaslämpö Oy	Finland	50.00		300	76
Lohjan Biolämpö Oy	Finland	46.00		782,000	782
Metsäteho Oy	Finland	24.00		40	67
Perkaus Oy	Finland	33.33		2,500	6
Punkaharjun Lämpö Oy	Finland	20.00		6	10
Punkavoima Oy	Finland	35.00		8,750	929
Suomen Metsäsijoitus Oy	Finland	25.00		23,850	4,011
ZAO HC Vologodskiye Lesopromyshlenniki	Russia	44.19			6,164

INVESTMENTS IN ASSOCIATED COMPANIES **26,485**

OTHER SHARES AND HOLDINGS	Country	Parent company's holding, %	Group's holding, %	Number of shares	Book value, 1,000 EUR
Finnforest Nippon	Japani	10.00		20	120
Finnish Wood Research Oy	Suomi	25.00		60	60
Finnish Bioeconomy Cluster FIBIC Oy	Suomi	5.00		150	150
Misawa Homes of Finland	Suomi			400	67
Real estate companies					1,106
Golf shares					186
Shares and holdings in telephone companies					31
Other shares and holdings					25

OTHER SHARES AND HOLDINGS **1,746**

STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board has examined the financial statements of Metsäliitto Cooperative and the Metsä Group consolidated financial statements for 2013 prepared in accordance with International Financial Reporting Standards, and has approved them for submission to the Auditors and to the Annual General Meeting. The Supervisory Board recommends that the surplus for the period be dealt with as proposed by the Board of Directors.

The terms of the following members are due to expire: Johan Björkenheim, Eero Ekman, Teuvo Hatva, Ville Hirvonen, Antti Isotalo, Risto Junttila, Airi Kulmala, Hans-Erik Lindqvist, Juha Paajanen and Martti Palojärvi.

According to the age rule, the seat of Ilkka Juusela is at the disposal of the Representative Council.

Espoo, 1 April 2014

On behalf of the Supervisory Board

Hannu Järvinen
Chairman

Miika Arola
Secretary



AUDITOR'S REPORT

TO THE MEMBERS OF METSÄLIITTO COOPERATIVE

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Metsäliitto Cooperative for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent cooperative's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the cooperative's accounts and finances, and the Managing Director shall see to it that the accounts of the cooperative are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report

of the Board of Directors are free from material misstatement, and whether the members of the Supervisory Board or of the Board of Directors of the parent cooperative or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the cooperative or have violated the Cooperatives Act or the rules of the cooperative.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the cooperative's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the cooperative's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ADDITIONAL INFORMATION

After the publication of the financial statements, the Arbitral Tribunal has given its judgment about the open civil case described in the report of the Board of Directors and the financial statements. The Arbitral Tribunal has in its judgment ordered Metsäliitto Cooperative and its subsidiary to compensate the other party a total of EUR 67.1 million. Metsäliitto Cooperative's share of the compensation is EUR 47.5 million. Thus the result of the arbitration proceedings differs from the estimate presented in the financial statements. Metsäliitto Cooperative has duly reported the Arbitral Tribunal's judgment on 11 February 2014.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COOPERATIVE'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent cooperative's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

OTHER OPINIONS

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the surplus shown in the balance sheet is in compliance with the Cooperative Act. We support that the Members of the Supervisory Board and of the Board of Directors as well as the Managing Director of the parent cooperative should be discharged from liability for the financial period audited by us.

Espoo, 1 April 2014

KPMG Oy Ab

Raija-Leena Hankonen
Authorised Public Accountant

QUARTERLY DATA

INCOME STATEMENT	Yearly					Quarterly				
	2013	2012	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Sales by segments										
Wood Supply and Forest Services	1,561.0	1,515.4	393.4	352.5	392.2	422.8	375.6	350.8	384.8	404.1
Wood Products Industry	897.0	904.2	213.7	207.6	260.2	215.5	216.0	217.0	249.4	221.8
Pulp Industry	1,313.8	1,273.9	339.8	341.6	309.3	323.1	321.4	326.6	300.4	325.5
Paperboard and Paper Industry	2,019.3	2,107.6	479.2	502.3	502.8	535.0	508.5	532.3	522.2	544.6
Tissue and Cooking Papers	1,000.1	981.5	258.5	247.8	243.8	250.1	254.1	248.5	235.4	243.5
Other operations	5.9	3.3	1.7	2.1	1.1	1.0	0.6	1.0	0.8	0.9
Eliminations	-1,865.4	-1,784.8	-469.3	-440.9	-468.8	-486.4	-448.1	-434.0	-446.2	-456.5
SALES TOTAL	4,931.6	5,001.0	1,216.9	1,213.0	1,240.5	1,261.1	1,228.0	1,242.2	1,246.9	1,283.9
Operating result by segments										
Wood Supply and Forest Services	27.8	20.2	7.1	5.5	7.7	7.4	7.0	1.9	5.3	6.0
Wood Products Industry	-2.1	16.3	2.0	-12.8	4.5	4.3	0.7	-0.8	12.1	4.2
Pulp Industry	196.6	150.5	51.1	50.7	47.5	47.3	30.8	40.3	34.6	44.8
Paperboard and Paper Industry	113.6	221.1	30.5	19.3	28.9	34.8	39.3	23.4	162.0	-3.6
Tissue and Cooking Papers	55.1	35.1	14.7	12.8	13.9	13.7	6.7	11.4	7.0	10.0
Other operations	-7.0	67.7	-4.7	1.1	-2.5	-0.9	-4.1	-5.2	78.7	-1.7
Eliminations	-49.6	-269.4	-13.1	-13.3	-10.7	-12.5	-3.3	-14.0	-237.4	-14.6
OPERATING RESULT TOTAL	334.4	241.5	87.6	63.3	89.3	94.2	77.2	57.0	62.2	45.1
-", excluding non-recurring items	342.3	255.7	86.6	73.0	93.7	89.0	71.0	67.8	63.9	53.0
-", % of sales	6.9	5.1	7.1	6.0	7.6	7.1	5.8	5.5	5.1	4.1
Share of result in associated companies	9.7	4.8	0.5	-0.2	2.8	6.7	-0.3	1.1	4.9	-1.0
Net exchange gains/losses	-4.6	2.4	-2.6	-2.0	-0.2	0.2	1.1	1.7	-1.7	1.3
Financial income and expenses	-115.9	-115.5	-24.1	-30.0	-23.0	-38.8	-30.3	-35.2	-14.5	-35.3
RESULT BEFORE TAX	223.7	133.2	61.3	31.2	69.0	62.3	47.7	24.6	50.9	10.1
Income taxes	-35.1	-31.8	10.3	-10.6	-18.8	-16.0	2.0	-8.6	-16.8	-8.5
RESULT FOR THE PERIOD	188.7	101.4	71.6	20.6	50.2	46.3	49.7	16.0	34.1	1.6
OPERATING RESULT EXCLUDING NON-RECURRING ITEMS										
	2013	2012	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Wood Supply and Forest Services	27.8	20.2	7.1	5.5	7.7	7.4	7.0	1.9	5.3	6.0
Wood Products Industry	15.1	18.6	1.8	-2.8	11.8	4.3	1.8	0.5	12.1	4.2
Pulp Industry	196.6	148.1	51.1	50.7	47.5	47.3	30.8	40.3	34.6	42.5
Paperboard and Paper Industry	104.4	74.9	29.3	18.9	26.0	30.2	23.5	25.5	19.8	6.1
Tissue and Cooking Papers	54.5	41.9	14.7	12.8	13.9	13.1	13.5	11.5	7.0	10.0
Other operations and eliminations	-56.1	-48.0	-17.4	-12.2	-13.2	-13.3	-5.7	-11.9	-14.9	-15.8
TOTAL	342.3	255.7	86.6	73.0	93.7	89.0	71.0	67.8	63.9	53.0
KEY RATIOS										
	2013	2012	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Equity ratio, %	38.1	34.8	38.1	36.1	35.0	35.1	34.8	34.2	33.6	28.3
Net gearing ratio, %	76	86	76	84	89	89	86	90	94	133
Interest-bearing net liabilities, EUR mill.	1,486	1,590	1,486	1,583	1,649	1,676	1,590	1,648	1,705	1,993
Return on capital employed, %	8.9	6.7	9.4	6.5	9.3	10.2	8.0	6.0	7.3	4.8
- " -, excl. non-recurring items	9.1	7.1	9.3	7.5	9.8	9.7	7.3	7.1	7.4	5.7
Return on equity, %	9.9	6.1	14.9	4.4	10.7	9.9	10.8	3.5	8.2	0.4
- " -, excl. non-recurring items	10.3	6.9	14.7	6.5	11.7	8.8	9.4	5.9	8.6	2.6



FIVE YEARS IN FIGURES

EUR million	2013	2012	2011	2010	2009
Sales	4,932	5,001	5,346	5,377	4,837
Operating result	334	241	29	497	-169
- "-", excluding non-recurring items	342	256	314	547	-75
Result before tax	224	133	-98	345	-329
Result for the period	189	101	-157	214	-342
Non-current assets	3,228	3,361	3,413	3,534	3,697
Inventories	775	725	781	798	669
Other current assets	1,161	1,258	1,107	1,340	1,364
Total assets	5,164	5,344	5,300	5,672	5,730
Members' funds	1,483	1,367	1,126	1,154	927
Non-controlling interest	476	491	359	524	471
Non-current liabilities	2,047	1,704	2,429	2,534	2,689
Current liabilities	1,158	1,782	1,386	1,460	1,643
Total members' funds and liabilities	5,164	5,344	5,300	5,672	5,730
Return on capital employed, %	8.9	6.7	1.1	11.8	-3.3
- "-", excluding non-recurring items	9.1	7.1	8.5	13.4	-1.4
Return on equity, %	9.9	6.1	-9.9	13.9	-20.0
- "-", excluding non-recurring items	10.3	6.9	8.6	18.2	-13.4
Equity ratio, %	38.1	34.8	28.1	29.7	24.5
Net gearing ratio, %	76	86	132	116	157
Gearing ratio, %	100	114	154	143	199
Interest-bearing liabilities	1,956	2,119	2,293	2,398	2,778
Interest-bearing financial assets	470	529	339	459	575
Interest-bearing net liabilities	1,486	1,590	1,953	1,939	2,203
Investments in tangible assets	207	204	227	138	152
- "-", % of sales	4.2	4.1	4.2	2.6	3.1
Personnel, average	11,222	11,986	13,046	13,168	14,534
Personnel, at the end of year	10,741	11,447	12,525	12,820	13,592
- of whom in Finland	5,238	5,414	5,660	5,734	5,575

CALCULATION OF KEY RATIOS

Return on capital employed (%), ROCE	=	$\frac{\text{Result before tax -/+ net exchange gains/losses + interest and other financial expenses}}{\text{Balance total - non-interest-bearing liabilities (average)}}$
Return on equity (%)	=	$\frac{\text{Result before tax - income taxes}}{\text{Members' funds total (average)}}$
Equity ratio (%)	=	$\frac{\text{Members' funds total}}{\text{Total assets - advance payments received}}$
Net gearing ratio (%)	=	$\frac{\text{Interest-bearing net liabilities}}{\text{Members' funds total}}$
Gearing ratio (%)	=	$\frac{\text{Interest-bearing liabilities}}{\text{Members' funds total}}$
Interest-bearing net liabilities	=	Interest-bearing liabilities - cash and cash equivalent - interest-bearing receivables
Cash flow from operations	=	Result for the period + adjustments to the result + change in working capital

CORPORATE GOVERNANCE STATEMENT

This statement concerning Metsä Group's Corporate Governance has been given as a separate report in accordance with Chapter 7, Section 7 of the Finnish Securities Markets Act, and it has been published simultaneously with Metsä Group's Financial Statements and Report of the Board of Directors.

Metsäliitto Cooperative is a Finnish cooperative and parent company of Metsä Group. In this report, Metsäliitto Cooperative is referred to when a matter is being discussed from the parent company's point of view. The decision-making and administration of Metsä Group companies complies with the Cooperatives Act, the Limited Liability Companies Act, the Securities Markets Act, the cooperative rules, procedures approved by the administrative bodies and the policies and guidelines approved by the Metsäliitto Cooperative Board of Directors and the Executive Management Team. Metsäliitto Cooperative's rules are available in full on the Metsä Group's website under "Corporate Governance in Metsä Group."

This account of Metsä Group's corporate governance system follows the recommendation issued by the Securities Market Association on the corporate governance systems of listed companies on 15 June 2010 (see www.cgfinland.fi) with regard to structure and content. However, Metsäliitto Group's parent company Metsäliitto Cooperative takes into account the special characteristics of the cooperative form of incorporation and states the deviations from the recommendation with rationale. In accordance with the opinion issued by the Finnish Central Chamber of Commerce in January 2006, communities with an extensive ownership base, extensive operations or which are regionally or nationally significant, should comply with the recommendation to the extent that it is possible, taking their special characteristics into consideration in accordance with the comply or explain principle.

Metsä Group prepares its financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS). The financial statement documents are published in Finnish, Swedish and English.

Metsä Group's head office is located in Espoo, Finland. The registered office of the parent company Metsäliitto Cooperative is in Helsinki, Finland.

MAIN ADMINISTRATIVE BODIES

Metsäliitto Cooperative's administrative bodies are the Representative Council, Supervisory Board, Board of Directors and the CEO. The bodies separately specified below in this account assist the administrative bodies in their decision making and prepare their decisions. Currently, the CEO of Metsäliitto Cooperative acts as the President and CEO of Metsä Group. In this account, the CEO of Metsäliitto Cooperative is referred to as the "President and CEO".

REPRESENTATIVE COUNCIL

The Representative Council uses the supreme decision-making power belonging to the members in Metsäliitto Cooperative in the matters specified by law and regulations. The Representative Council substitutes for the meeting of the cooperative in Metsäliitto Cooperative. The meeting of the Representative Council processes the matters specified in the Cooperatives Act and the cooperative rules, and other matters mentioned in the invitation to the meeting. The main tasks of the Representative Council are:

- to decide on adopting the financial statements;
- to decide on the distribution of profit to the members;
- to decide on discharging the Supervisory Board, Board of Directors and CEO/President from liability;
- to elect the members of the Supervisory Board and the auditors and to decide on their fees.

A full member of Metsäliitto Cooperative or his/her spouse may be elected to the Representative Council. The election of the Representative Council is carried out every fourth (4) year by mail, telecommunications or by some other technical device. Each member has one (1) vote. The election is carried out by election districts so that as many representa-

tives are selected from each district as the list of voters for the district in question includes Metsäliitto Cooperative members entitled to vote on 1 January of the election year divided by 2,300 or part thereof. The election districts are confirmed by the Supervisory Board, and basically they are determined in accordance with Metsäliitto Cooperative's district organizations. A member of the personnel of the Metsä Group is not eligible according to the election system.

In accordance with the rules, the Representative Council convenes once a year in the spring. The Representative Council, Supervisory Board or the Board Directors may decide to arrange an extraordinary meeting. An extraordinary meeting shall also be arranged if demanded by at least one tenth of the members. The Representative Council is convened by the Chairman of the Supervisory Board at the latest seven (7) days before the meeting with a written notice of a meeting sent to every member of the Representative Council, which must mention the issues processed in the meeting.

Each representative has one (1) vote in the meeting. Amending Metsäliitto Cooperative's rules requires the amendment proposal to be supported by a minimum of two thirds of the members participating in the meeting. In addition to the meeting representatives, the Chairman of the Board of Directors and, as a general rule, the members of the Board of Directors and Supervisory Board, shall be present at meetings of the Representative Council. In addition to these, the auditors shall also be present at the annual meeting.

The composition of the Representative Council is presented on page 96 of this publication.

DISTRICT COMMITTEES

In accordance with Metsäliitto Cooperative's rules, there is a District Committee in each supply district. The District Committee comprises the members of the representative council, Supervisory Board and Board of Directors elected from the District's area and of the candidates not elected in the election of the representative council, twice the number of the representatives elected from the District's



area; however, at least five (5), in the order of the personal number of votes. The guidelines approved by the Supervisory Board specify the tasks of the District Committee. According to the guidelines, the main task of the District Committee is to promote communication and interaction between the members and Metsäliitto Cooperative's supply district in question with its operation.

SUPERVISORY BOARD

Metsäliitto Cooperative's rules specify that the Supervisory Board is a part of Metsäliitto Cooperative's administration model. This aims to ensure the realisation of sufficient corporate governance and commitment of the members to Metsäliitto Cooperative's decision-making. Strategic and other far-reaching decisions, however, belong to the powers of Metsäliitto Cooperative's Board of Directors, and operational management to the acting management.

Metsäliitto Cooperative's rules specify the tasks of the Supervisory Board. The main task of the Supervisory Board is to ensure that Metsäliitto Cooperative is managed in accordance with the rules and the decisions of the Representative Council and the Supervisory Board. In addition to this, the Supervisory Board:

- elects and dismisses members of the Metsäliitto Cooperative Board of Directors and decides on their fees;
- elects the CEO who also acts as the President and CEO of Metsä Group unless otherwise decided by the Supervisory Board;
- gives the Board of Directors instructions in far-reaching matters and matters of importance in principle;
- audits the financial statements and issues a proposal on the use of any surplus to the Representative Council.

The Supervisory Board elects a Chairman and Deputy Chairman from among its members for one (1) year at a time and invites a secretary. The Supervisory Board convenes as summoned by the Chairman as often as necessary, or as proposed by the Board of Directors. The Supervisory Board is quorate when more than half the members are present. The opinion

favoured by the majority shall be the decision. When the votes are even, the Chairman's vote decides, and elections are decided by lot.

The Supervisory Board comprises a minimum of twenty (20) and a maximum of thirty (30) members elected by the Representative Council from among the members of Metsäliitto Cooperative. Metsäliitto Cooperative's personnel may elect a maximum of five (5) members to the Supervisory Board. In addition, the Representative Council may, at the proposal of the Supervisory Board, elect a maximum of three (3) expert members to the Supervisory Board. The term of office of a member of the Supervisory Board begins at the closure of the annual meeting that elected him/her and runs until the annual meeting of the Representative Council three (3) years later. The aim of the three-year term of office is to ensure continuity in decision-making. Once a member of the Supervisory Board turns 65, his/her term of office, however, terminates at the annual meeting of the Representative Council the following year. When electing members to the Supervisory Board, the aim is to have nationwide representation that would cover all areas. A member of the Board of Directors may not be a member of the Supervisory Board.

The composition of the Supervisory Board is presented on page 97 of this publication.

NOMINATION COMMITTEE OF THE SUPERVISORY BOARD

A special nomination committee elected from among the members of the Supervisory Board prepares the election of the members of the Board of Directors in accordance with procedures approved for it. In addition, the nomination committee makes a proposal for the fees paid to the Board of Directors. The nomination committee comprises six (6) members of the Supervisory Board as well as the Chairman and the Deputy Chairman of the Supervisory Board. The Chairman of the Supervisory Board acts as the chairman of the nomination committee, and the secretary of the Supervisory Board acts as the secretary. The committee may invite the Chairman of the Board of Directors to attend their meeting as an expert member.

The Supervisory Board elected the following persons to the nomination committee in its meeting on 7 May 2013: Ilkka Juusela, Esko Kinnunen, Timo Kässi, Hannu Lassila, Timo Nikula and Erkki Vainionpää. Furthermore, Hannu Järvinen, Chairman of the Supervisory Board, and Deputy Chairman Juha Paajanen are members of the nomination committee on the basis of their position.

INFORMATION ON THE MEETINGS OF THE SUPERVISORY BOARD DURING THE PREVIOUS FINANCIAL PERIOD

In 2013, there were 34 members in the Supervisory Board, four (4) of them personnel representatives elected by different personnel groups of Metsäliitto Cooperative. There were no expert members in the Supervisory Board in 2013. The Supervisory Board convened four (4) times, and the members' attendance rate was 95 per cent.

BOARD OF DIRECTORS

According to the Metsäliitto Cooperative's rules and legislation, the task of the Board of Directors is to ensure that Metsäliitto Cooperative and Metsä Group's operations and administration are appropriately arranged. The Board of Directors has composed a procedure for its operations that specifies the operating principles followed in the decision-making of the Board of Directors in more detail. The working order is available in full on Metsä Group's website under "Corporate Governance in Metsä Group."

The tasks of the Board of Directors include:

- approving the tasks of the CEO/President and monitoring to ensure that they take care of the cooperative's running administration in accordance with the instructions and orders of the Board of Directors
- appointing and dismissing the Directors immediately subordinate to the CEO and, if elected, the President and CEO
- deciding on how shares are collected and additional shares made and their terms and conditions
- approving the strategy and annual budget of the cooperative and the Group, and supervising compliance with them

- signing the financial statements and consolidated financial statements, and presenting them to the Supervisory Board for audit
- preparing the matters to be decided by the Supervisory Board
- deciding on the sale, purchase and discontinuation of business operations and starting of new operations and mergers
- deciding on the wages and salaries and other benefits of the CEO/President and CEO and other senior management on the Compensation Committee's proposal
- deciding on other matters that, taking into account the extent and quality of the operations of the cooperative, are unusual and far-reaching.

The Board of Directors elects a chairman from among its members for one (1) year at a time. According to Metsäliitto Cooperative's rules, the President and CEO acts as the deputy chairman. According to the recommendation, the CEO should not be elected the chairman of the Board of Directors. However, the deviation from the Recommendation can be justified with Metsäliitto Cooperative's cooperative administrative model. The Board of Directors convenes as summoned by the chairman as often as necessary. The President and CEO prepares the Board's meetings. The Board of Directors is quorate when more than half the members of the Board are present. When the votes are equal, the chairman's vote decides. Minutes shall be kept of the meetings of the Board of Directors.

The Board of Directors regularly appraises its operation and procedures by conducting an annual self-assessment.

COMPOSITION AND TERM OF OFFICE OF THE BOARD OF DIRECTORS

The Supervisory Board elects Metsäliitto Cooperative's Board of Directors. Thus, the election of Metsäliitto Cooperative's Board of Directors deviates from the recommendation on the election of the Board of Directors. The deviating competence regulations secure the realisation of cooperative corporate governance and the members' extensive participation in Metsäliitto Cooperative's decision-making.

The Board of Directors comprises a minimum of five (5) and a maximum of eight (8) members, plus the President and CEO. All Board members apart from the President and CEO are independent of Metsä Group. Both genders are represented in the Board of Directors. A Board member's term of office commences at the beginning of the calendar year following the meeting of the Supervisory Board that elected them and runs for three (3) years at a time. The term of office of a member of the Board of Directors ends at the end of the calendar year during which they turn 65. The term of office of the members of the Board of Directors deviates from the one-year term of office of the recommendation. However, the owners of the cooperative have not considered it necessary to shorten the term of office, as the three-year term has been considered necessary to secure continuity in decision-making. In the past few years, particular attention has been paid by the Supervisory Board's nomination committee to the composition of the Board of Directors and the diversity of its members' competence.

In 2013, the Chairman of the Board of Directors was Martti Asunta, the Vice Chairman was Kari Jordan, and members were Mikael Aminoff, Eino Halonen, Arto

Hiltunen, Saini Jääskeläinen, Juha Parpala, Timo Saukkonen and Antti Tukeva.

CVs of the members of the Board are presented on page 98 and their holdings in Metsä Group on page 95 of this publication.

BOARD COMMITTEES

In order to ensure that the Board of Directors' tasks are effectively managed, Metsäliitto Cooperative's Board of Directors has an Audit Committee and a Compensation Committee. The Committees are not competent to make decisions independently; the Board of Directors makes the decisions on matters based on the preparation of the Committees. The Board of Directors elects the members of the Committee from among its members.

AUDIT COMMITTEE

The Audit Committee assists the Board of Directors in performing its monitoring task. In this task, the Committee assesses and

supervises matters related to financial reporting, auditing, internal audit and risk management in accordance with procedures approved for it. The Audit Committee comprises a minimum of three (3) members who are independent of Metsä Group, elected by the Board of Directors from among its members. In addition, the President and CEO attends the meetings of the Audit Committee, except for the times when the Audit Committee wishes to convene without the presence of the acting management. The Audit Committee shall regularly report to the Board of Directors on its operations and observations. In 2013, the Chairman of the Audit Committee was Arto Hiltunen and members were Martti Asunta and Eino Halonen.

COMPENSATION COMMITTEE

The purpose of the Compensation Committee is to assist the Board of Directors in ensuring that Metsä Group has appropriate and competitive pay systems, and successor and development planning in accordance with the procedure approved by the Board of Directors. In its task, the Committee presents e.g. the terms of the employment relationship of the CEO and the President and CEO, pay systems of the top management and key principles in the top management's contracts to the Board of Directors to decide on. In addition, the Compensation Committee presents the annual targets for the top management to the Board of Directors and monitors their realisation. Furthermore, the committee reviews matters related to the compensation systems of the top management and proposes them for the Board of Directors to decide on.

The Board of Directors elects three (3) members to the Compensation Committee from among its members. The majority of the members of the Compensation Committee must be independent of Metsä Group, and a member of Metsä Group's acting management may not be a member of the Committee. The Compensation Committee shall regularly report to the Board of Directors on its operations. In 2013, the Chairman of the Compensation Committee was Martti Asunta and its members were Eino Halonen and Antti Tukeva.



INFORMATION ON THE MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES DURING THE PREVIOUS FINANCIAL PERIOD

The Board of Directors convened 13 times during 2013 and the members' attendance rate was 97 per cent. The Audit Committee convened four (4) times, and the members' attendance rate was 92 per cent. The Compensation Committee convened four (4) times, and the members' attendance rate was 83 per cent.

PRESIDENT AND CEO

Metsäliitto Cooperative has a CEO who also acts as the President and CEO of Metsä Group unless otherwise decided by the Supervisory Board. The President and CEO manages the operation of the entire Metsä Group. Currently, the President and CEO of Metsä Group, Kari Jordan, also acts as the CEO of Metsäliitto Cooperative.

The President and CEO's duty is to manage the operational actions of Metsä Group in accordance with the law, regulations, decisions and instructions of the administrative bodies. According to the Metsäliitto Cooperative's rules, the President and CEO is in charge of arranging the running administration of the cooperative and supervises financial administration.

The President and CEO is elected by the Supervisory Board, and the Board of Directors approves the contract of the President and CEO. The deviation from the Recommendation in the election of the President and CEO can be justified with Metsäliitto Cooperative's cooperative administrative model.

The CV of the President and CEO is presented on page 98 and his holdings in Metsä Group on page 95 of this publication.

EXECUTIVE MANAGEMENT TEAM

Metsä Group has an Executive Management Team with the Group's President and CEO as its chairman. The Executive Management Team assists the President and CEO in the planning and operational management of business operations and prepares proposals for the Board of Directors, such as business strategies, budgets and significant investments. The

Executive Management Team has no authority based on laws or rules. The Executive Management Team comprises the Metsä Group's President and CEO, the CEOs of the subsidiaries, directors of Metsä Wood and Metsä Forest business areas as well as the Group's CFO and strategy officer.

The Executive Management Team convenes as summoned by the Chairman, primarily once a month, and additionally whenever necessary.

During 2013, the Executive Management Team comprised Kari Jordan, President and CEO, Hannu Anttila (Executive Vice President, Strategy), Mikko Helander (CEO of Metsä Board Corporation), Ilkka Hämälä (CEO of Metsä Fibre Oy), Mika Joukio (CEO of Metsä Tissue Corporation), Esa Kaikkonen (Executive Vice President, Metsä Wood), Juha Mäntylä (Executive Vice President, Metsä Forest) and Vesa-Pekka Takala (CFO).

CVs of the members of the Executive Management are presented on page 99 and their holdings in Metsä Group on page 95 of this publication.

INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT

Profitable business requires that operations are monitored continuously and with adequate efficiency. Metsä Group's internal control covers the control of financial reporting, internal authorisation rights, investment follow-up and credit control. The functionality of internal control, on the other hand, is evaluated by Metsä Group's internal audit. Internal control is carried out throughout the organisation. Internal control methods include internal guidelines and reporting systems that support control.

The principles, objectives and responsibilities of Metsä Group's internal control and the principles of internal audit are described below. Metsä Group's acting management, risk management director and internal audit are in charge of composing the principles mentioned above and the Board of Directors for ultimately ratifying them.

DEFINITION OF INTERNAL CONTROL AND ITS OBJECTIVES

In Metsä Group, internal control covers financial reporting and other monitoring. Internal control is implemented by the Board, audit committee and the acting management, as well as the entire personnel. Internal control refers to those management activities that seek to ensure:

- achievement of the goals and objectives set for Metsä Group
- economical, appropriate and efficient use of resources
- management of operation-related risks
- reliable and correct financial and other management information
- adherence to external regulations and internal policies
- adherence to appropriate procedures related to customer relationships
- sufficient security of operations, information and property
- arranging adequate and suitable manual and IT systems to support operations.

PROACTIVE CONTROL

Proactive control includes specifying Metsä Group's values, general operational and business principles as well as goals and strategy. Metsä Group's corporate culture, governance and the approach to control together create the basis for the entire process of internal control.

DAILY CONTROL

PDaily control refers to general control and follow-up, with operational systems and work guidelines, related to operational steering. Examples include specifying personnel responsibilities and authority, identifying high-risk assignment combinations, job descriptions, approval authority and deputy procedures.

SUBSEQUENT CONTROL

Subsequent control refers to control and check-up measures, such as different management evaluations and inspections, comparisons and verifications, the aim of which is to ensure that the goals are met and that the agreed operational and control principles are followed.

INTERNAL MONITORING OF THE FINANCIAL REPORTING PROCESS, CREDIT CONTROL AND AUTHORISATION RIGHTS

The financial organisations of the business areas and the Group are responsible for financial reporting. The units and business areas report the financial figures each month. Business area controllers check the monthly performance of units from each business area and report them further to the Group financial administration. Business area profitability development and business risks and opportunities are discussed monthly at the Metsä Group Executive Management Team meetings attended by the senior management of Metsä Group and of each business area, and at financial management team meetings attended by the Group CFO and director of finance and the CFO of each business area, among others. The results are reported to the Board of Directors of Metsäliitto Cooperative each month. The results of the business areas are additionally reported to the Boards of Directors of their parent companies each month. Metsä Group's Controllers' Manual describes the reporting and control regulations and the reporting procedure in detail.

Credit control in Metsä Group is carried out by each business area in accordance with the Group credit control policy and the business area-specific credit control policy based on it. Credit control is carried out by the Group's central credit control organisation in cooperation with the management of the business areas.

Authorisation rights concerning expenses, significant contracts and investments have been continuously specified for different organisation levels, according to the decision-making order confirmed by the Board and the authority separately granted by the President and CEO and other management personnel.

Investment follow-up is carried out by the Group's financial administration according to the investment policy confirmed by the Board. After pre-approval, investments are taken to the management teams of the business areas within the framework of the annual investment plan. Significant investments are separately submitted for approval by the Executive Management Team and the Boards of the

Group's parent company, and of the parent company of the business area.

INTERNAL AUDIT

Metsä Group's internal audit assists the Board of Directors in performing its supervisory task by assessing the level of internal audit maintained in order to attain the targets of Metsä Group's operation. In addition, the department supports the organisation by assessing and ensuring the functioning of the business processes, risk management and management and administration systems. In its audit work, the internal audit function complies with the internal audit guideline ratified by the Board of Directors of Metsäliitto Cooperative.

The internal audit unit operates under the supervision of the Group's President and the Audit Committee. An internal audit action plan is prepared for one (1) calendar year at a time. The audit focuses on areas that have particular significance for the risk assessed and the Group's objectives at the time. The action plan will be reviewed with the management semi-annually, with regard to how up to date and appropriate it is.

The extent and coordination of auditing will be ensured with regular contact and flow of information with other internal control functions and auditors. Internal audit uses, if necessary, external outsourced services for temporary additional resourcing or performing assessment tasks that require special expertise. In this case, the external service providers act under the supervision of the head of the internal audit.

A report is written for each audit and distributed to the Group's President and CEO, the senior management of the affiliated group being audited and the management of the audited function or unit. The audit reports are submitted to the auditors for information and to the parties that are considered relevant based on the content of the report. The internal audit department shall compose a semi-annual summary report to the Audit Committee on the audits carried out, the most significant observations and the agreed measures. In addition, the semi-annual report shall state the most significant changes in carrying out the audits compared to the action plan and

other main duties performed by the internal audit department, as well as any changes in resources. An annual report of the activity of the internal audit shall be composed for the Board of Directors.

RISK MANAGEMENT

Risk management is an essential part of Metsä Group's standard business planning and leadership. Risk management belongs to daily decision-making, operations follow-up and internal control, and it promotes the objectives set by the company and ensures that they are met.

Linking business management efficiently with risk management is based on the operational principles confirmed by Metsäliitto Cooperative's Board of Directors; the aim of the principles is to maintain risk management as a process that is well defined, understandable and sufficiently practical. Risks and their development are reported on a regular basis to the Board's Audit Committee. Centralised risk management also takes care of the coordination and competitive bidding for Metsä Group's insurance coverage.

The most crucial objective of risk management is to identify and evaluate those risks, threats and opportunities which may have an impact on the implementation of the strategy and on how short-term and long-term objectives are met. A separate risk review is also included in the most significant investment proposals.

The business areas regularly evaluate and monitor the risk environment and related changes as part of their annual and strategic planning. The risks identified and their means of control are reported to the company's management, Audit Committee and the Board at least twice a year. Business risks also involve opportunities, and they can be utilised within the boundaries of the agreed risk limits. Conscious risk-taking decisions must always be based on an adequate evaluation of the risk-bearing capacity and the profit/loss potential, among other things.

RISK MANAGEMENT RESPONSIBILITIES

Risk management responsibilities in Metsä Group are divided as follows:



- The Board is responsible for Metsä Group's risk management and confirms the company's risk management policy.
- The Audit Committee evaluates the adequacy of Metsä Group's risk management and the essential risk areas and provides the Board with related proposals.
- The President and CEO and the members of the Executive Management Team are responsible for the specification and adoption of the risk management principles. They are also responsible for ensuring that the risks are taken into account in the company's planning processes and that risk reporting is adequate and appropriate.
- The Group's Risk Management Director is in charge of the development and coordination of the risk management process, performance of risk assessment and the essential insurance decisions.
- Business areas and services functions identify and evaluate the essential risks related to their own areas of responsibility in their planning processes, prepare for them, take necessary preventive action and report on the risks as agreed.

RISK MANAGEMENT PROCESS

The purpose of risk management is to:

- promote and ensure the achievement of the goals set for business operations;
- ensure the safe and uninterrupted continuity of business operations in all circumstances;
- optimise Metsä Group's overall risk exposure.

Metsä Group's essential risk management elements include implementing a comprehensive corporate risk management process that supports the entire business, protecting property and ensuring business continuity, Metsä Group's security and its continuous development, as well as crisis management and continuity and recovery plans. According to the risk management policy and principles, adequate risk management forms a necessary part of the preliminary review and implementation stages of projects which are financially or otherwise significant.

THE TASKS OF RISK MANAGEMENT ARE TO:

- ensure that all identified risks with an impact on personnel, customers, products, property, information assets, corporate image, corporate responsibility and operational capacity are controlled according to applicable laws and on the basis of best available information and financial aspects;
- ensure that Metsä Group's objectives are met;
- fulfil the expectations of stakeholders;
- protect property and ensure disruption-free business continuity;
- optimise the profit/loss possibility ratio;
- ensure the management of Metsä Group's overall risk exposure and minimise the overall risks.

The most significant risks and uncertainties that Metsä Group is aware of are described in the report of the Board of Directors.

INSIDER GUIDELINES

In matters related to insiders, Metsä Group complies with securities market legislation and the insider guidelines of the subsidiary Metsä Board Corporation, composed in accordance with the standards of the Financial Supervisory Authority and the guidelines prepared by NASDAQ OMX Helsinki Ltd (the Helsinki Stock Exchange). Metsä Group requires every employee to follow the insider regulations. The secretary of the Board of Directors of each Group company is in charge of the maintenance and administration of Metsä Group's statutory insider register. Metsä Group only recommends long-term investments and the use of purchase programmes. Metsä Board Corporation's public insider register comprises the members of Metsäliitto Cooperative's Board of Directors, the President and CEO and the auditors. Metsä Board's company-specific insiders include the members of the Group's Executive Management Team and persons appointed to legal, financial, communications and investor relations-related tasks of Metsä Group and thus regularly have access to insider information on Metsä Board.

AUDIT

According to Metsäliitto Cooperative's rules, Metsäliitto Cooperative has one (1) auditor, who shall be an auditing firm authorised by the Central Chamber of Commerce of Finland. The Representative Council elects the auditor to review the accounts for the year underway, and their task ends at the closure of the next annual meeting of the Representative Council. The task of the auditors is to audit the financial statements and accounting of the Group and the parent company, and the administration of the parent company. The auditor provides a statutory auditor's report to the members of Metsäliitto Cooperative in connection with the annual financial statements and regularly reports on their observations to the Board of Directors and the management of Metsä Group.

In accordance with the resolution of the Representative Council meeting in the spring of 2013, Metsäliitto Cooperative's auditor for 2013 is KPMG Oy Ab, firm of authorised public accountants, with Raija-Leena Hankonen, APA, as main responsible auditor. Companies that belong to Metsä Group paid a total of EUR 1,212,000 (EUR 1,246,000 in 2012) in audit fees to the KPMG chain and a total of EUR 223,000 (EUR 205,000 in 2012) to other accounting firms in 2013. In addition, the KPMG chain was paid EUR 32,000 (EUR 38,000 in 2012) for services not related to the actual audit and other auditing firms were paid EUR 393,000 (EUR 962,000 in 2012).

SALARY AND REMUNERATION REPORT

This salary and remuneration report of Metsä Group has been issued pursuant to Recommendation 47 of the Finnish Corporate Governance Code of 15 June 2010 and it was published on Metsä Group's website on 1 April 2014. In accordance with the Group's practice the salary and remuneration report is updated two (2) times every calendar year and always in March–April in connection with the Corporate Governance Statement.

FEES OF THE SUPERVISORY BOARD AND THE BOARD OF DIRECTORS METSÄLIITTO COOPERATIVE'S SUPERVISORY BOARD

Pursuant to a decision of the Representative Council, the Chairman and Deputy Chairman of the Supervisory Board are paid fixed monthly remuneration and meeting fees. The other members only receive meeting fees. The members are entitled to travel compensation according to Metsä Group's travel rules.

The Annual General Meeting of the Representative Council in the spring 2013 decided to keep the remuneration of the Supervisory Board members unchanged in 2013. In 2013, the monthly remuneration of the Chairman of the Supervisory Board was EUR 3,400 and the meeting fee EUR 600 per meeting. The Chairman was paid a total of EUR 56,400 (EUR 57,000 in 2012) in salaries and meeting fees. The monthly remuneration of the Deputy Chairman of the Supervisory Board was EUR 1,500 and the meeting fee EUR 600 per meeting in 2013. The Deputy Chairman was paid a total of EUR 24,000 (EUR 22,800 in 2012) in salaries and meeting fees. The other members were paid EUR 600 per meeting, totalling EUR 98,400 (EUR 91,200 in 2012). Members of the Supervisory Board were paid a total of EUR 178,800 (EUR 171,000 in 2012) in salaries and fees in 2013.

METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS

Pursuant to the Supervisory Board's decision, each member of the Board of Directors is paid fixed monthly remuneration and meeting fees.

Meeting fees are also paid for committee meetings. The members are entitled to travel compensation according to Metsä Group's travel rules.

The meeting of the Supervisory Board decided in November 2012 to keep the remuneration of the members of the Board of Directors unchanged in 2013. In 2012, the monthly remuneration of the Chairman of the Board of Directors was EUR 5,800 and the meeting fee EUR 600 per meeting. The Chairman was paid a total of EUR 83,640 (EUR 86,640 in 2012) in salaries and meeting fees. The monthly remuneration of the other members was EUR 3,200 and the meeting fee EUR 600 per meeting in 2013. The other members were paid a total of EUR 332,700 (EUR 343,800 in 2012) in salaries and meeting fees. The President and CEO is not paid a salary or remuneration for duties in the Board of Directors. Members of the Board of Directors were paid a total of EUR 416,340 (EUR 430,440 in 2012) in salaries and fees in 2013. The fees referred to above accumulate pension benefits.

REWARDS SYSTEM FOR ACTING MANAGEMENT

The purpose of the reward system for Metsä Group's acting management is to reward the management in a just and competitive manner for the performance of Metsä Group and realising the strategy and development of the business operations. The Board of Directors of Metsäliitto Cooperative decides on the remuneration and other financial benefits of the Group President and CEO and members of the Group's Executive Management Team employed by Metsäliitto Cooperative, and the principles of the profit pay system based on the preparation of the Compensation Committee. All Metsä Group companies comply with the same reward principles, but the remuneration criteria are separately decided on by each subsidiary's Board of Directors.

The reward system comprises a fixed monthly salary, a bonus determined on the basis of the task's effect on earnings, the management's pension benefits and a share compensation system.

SHORT-TERM INCENTIVES SALARY AND SEVERANCE PAY OF THE PRESIDENT AND CEO

The CEO's monthly salary, with fringe benefits, is EUR 86,350.62. The monthly salary includes housing, a car, chauffeur and other minor benefits.

Pursuant to the President and CEO's contract, the Board of Directors may decide that the President and CEO receives a bonus based on the profit, cash flow and personal performance, corresponding to six (6) months' salary.

The companies in Metsä Group paid the President and CEO a total of EUR 1,647,443.60 (EUR 1,362,171 in 2012) in salaries, fees and other benefits in 2013. The salary with fringe benefits paid by Metsäliitto Cooperative amounted to EUR 1,081,540.72 (EUR 1,054,878 in 2012), and the bonus and share reward to EUR 453,790.89 (EUR 196,766 in 2012) in 2013. The other Group companies paid the President and CEO a total of EUR 112,111.99 (EUR 110,527 in 2012) in salaries, fees and other benefits.

The term of notice of the President and CEO is six (6) months. When the contract of the President and CEO is terminated by the Board, the President and CEO is entitled to severance pay corresponding to 24 months' total salary. No severance compensation is paid if the contract is terminated by the President and CEO.

SALARIES AND FEES OF OTHER MANAGEMENT

The maximum bonus paid to members of the Group Executive Management Team employed by Metsäliitto Cooperative can vary, according to the task's effect on earnings, between the amounts corresponding to the 0–6 months' wages for that person. The criteria of the profit pay system are the earnings requirements of the Group level and of one's own area of responsibility.

The companies in Metsä Group paid members of the Executive Management Team (excluding the President and CEO) a total of EUR 3,292,98.78 (EUR 2,904,262 in 2012) in salaries and fees in 2013.



LONG-TERM INCENTIVES

SHARE OWNERSHIP SYSTEM FOR THE EXECUTIVE MANAGEMENT TEAM

Some of the members of the Metsä Group Executive Management Team established a company named Metsäliitto Management Oy in 2010. Mika Joukio from the Group Executive Management Team is not a participant in Metsäliitto Management. Through the company, the management has invested EUR 3,850,000 of their own funds in Metsä Board Corporation's B shares. The investment by President and CEO Kari Jordan amounted to EUR 1,000,000. In addition, some of the investments of the company in Metsä Board's B shares have been financed by a loan of EUR 15,400,000 granted by Metsäliitto Cooperative. The management themselves shoulder the ownership risk for the investment they make in the system. The purpose of the system is to encourage members of the Executive Management Team to acquire and own Metsä Board's B shares and, through this, to increase the shareholder value of Metsä Group in the long term and support the achievement of the Group's strategic objectives.

The loan granted by Metsäliitto Cooperative will be repaid in its entirety by 31 March 2014. If the validity of the system is continued one (1) year at a time in 2013, 2014, 2015 or 2016, the loan period will be extended correspondingly. Metsäliitto Management has the right to repay the loan prematurely at any time. Metsäliitto Management is obligated to repay the loan prematurely by selling the Metsä Board shares it holds if the stock exchange price of Metsä Board's B share exceeds a certain level defined in the system for an extended period of time.

The system will remain in force until the end of 2013 and beginning of 2014, at which time the intention is to dismantle the system in a manner to be decided later. The system will be extended one (1) year at a time if, in October–November 2013, 2014, 2015 or 2016, the stock exchange price of Metsä Board's B shares is lower than the average price at which Metsäliitto Management acquired the Metsä Board's B shares it owns. The assignment of Metsä Board's B shares owned

by Metsäliitto Management is restricted during the validity of the system. As a rule, the ownership of members of the Executive Management in Metsäliitto Management will remain in force until the dismantling of the system. If a member of the Executive Management Team resigns before the dismantling of the system, he/she is repaid the funds invested, but not any increase in value. If the system shows a loss, a resigning member of the Executive Management Team only receives a calculated share of the capital.

A total of 6,790,887 of Metsä Board's B shares have been acquired through Metsäliitto Management, of which the President and CEO indirectly owns 1,763,867 shares and the other members of the Executive Management Team indirectly own 5,027,020 shares.

Since the price of Metsä Board's B shares exceeded the average price of Metsä Board Corporation shares acquired for the system at the end of 2013, the system was dismantled in February 2014. At the time of dismantling the system, President and CEO Kari Jordan was entitled to a share of the net assets of Metsäliitto Management Oy in proportion to his shareholding, totalling EUR 1,138,340.

SHARE-BASED INCENTIVE SCHEME FOR EXECUTIVES

Share-based incentive scheme for 2011–2015: The Board of Directors of Metsäliitto Cooperative decided in December 2010 on a share-based incentive scheme for Metsä Group's executives for the years 2011–2015. The arrangement offers the target group an opportunity to receive Metsä Board Corporation's B Series shares in three (3) earning periods of three calendar years each for achieving the targets set for the periods' earning criteria. The earning periods are calendar years 2011–2013, 2012–2014 and 2013–2015.

The Board of Directors of Metsäliitto Cooperative shall determine the executives who belong to the target group and their maximum rewards at the beginning of each three-year earning period. The maximum reward is expressed as a number of shares. Attaining the targets established for an earning period determines the proportion of the maximum reward

that shall be paid to the executives. Any reward will be paid partially in Metsä Board Corporation shares and partially in cash. The amount paid in cash covers the taxes and tax-like charges resulting from the reward. The reward will not be paid if the person's employment has terminated before the payment of the reward. The shares cannot be transferred during a commitment period of two (2) years. The possible reward from each earning period (2011–2013, 2012–2014 and 2013–2015) is based on the development of Metsä Group's equity ratio, return on capital employed (ROCE), and earnings before interest and taxes (EBIT).

The reward from the 2011–2013 earning period will be paid to 51 persons, and it equates in value to approximately 1.98 million Metsä Board B shares, including the portion payable in cash. President and CEO Kari Jordan's share of the reward equals the value of approximately 0.3 million shares. Any rewards from the 2012–2014 and 2013–2015 earning periods equate to a maximum total of approximately 4.1–4.5 million Metsä Board B shares, including the portion payable in cash.

Additional information on the share-based incentive scheme is given on pages 67–68 of this publication.

Share-based incentive scheme for 2014–2018: The Board of Directors of Metsäliitto Cooperative decided in February 2014 to extend the share-based incentive scheme for Metsä Group's executives for the years 2014–2018. The share-based incentive scheme has three 3-year earning periods: the calendar years 2014–2016, 2015–2017 and 2016–2018.

The Board of Directors of Metsäliitto Cooperative shall determine the executives who belong to the target group and their maximum rewards at the beginning of every three-year earning period. The maximum reward is expressed as a number of shares. Attaining the targets established for an earning period determines the proportion of the maximum reward that shall be paid to the executives. Any reward will be paid partially in Metsä Board Corporation's shares and partially in cash. The amount paid in cash covers the taxes and tax-

like charges resulting from the reward. Each earning period will be followed by a subsequent two-year commitment period during which the participant is not entitled to transfer or dispose of the shares. If the executive's employment contract is terminated or cancelled by the Group company or the executive during the commitment period, the executive shall return the shares received as reward without consideration.

The potential reward from the plan for the earning period 2014–2016 will be based on Metsä Group's equity ratio and the development of return on capital employed (ROCE) and earnings before interest and taxes (EBIT). The reward from the earning period in question equates in value to the maximum of altogether approximately 4.6 million Metsä Board B shares, including the portion payable in cash. At the beginning of the earning period, the scheme covers 55 persons, including all members of Metsä Group's Executive Management Team.

MANAGEMENT PENSION ARRANGEMENTS

Members of Metsä Group's Executive Management Team fall within the scope of the Finnish Employees' Pensions Act. It provides pension security based on the period of service and earned income as provided in the Act. In the Finnish earnings-related pension system, basic salary, remuneration and taxable fringe benefits are included in earned income, but not income from options and share-based incentive systems for management.

PENSION ARRANGEMENTS OF THE PRESIDENT AND CEO

The President and CEO has a separate pension agreement with a retirement age of 60, as a rule. The President and CEO's maximum level of pension is 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceding retirement. In 2013, the annual contribution of the President and CEO's defined benefit pension plan was 66 per cent (76 per

cent in 2012) of the total salary and remuneration paid by Metsä Group companies to the President and CEO. If the contract of the President and CEO should terminate before retirement age, he/she is entitled to a paid-up policy.

MANAGEMENT PENSION ARRANGEMENTS

The members of the Metsä Group's Executive Management Team have a separate defined benefit pension agreement with a retirement age of 62. The level of pension is a maximum of 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceding retirement. If the employment relationship with Metsä Group ends before retirement age, a member of the Executive Management Team is entitled to a paid-up policy.

MANAGEMENT'S MEMBERS' CAPITAL AND SHAREHOLDING IN METSÄLIITTO COOPERATIVE AND METSÄ BOARD CORPORATION

31 December 2013	Participation in Metsäliitto Cooperative EUR	Shares in Metsä Board Corporation (B share)	Shares in Metsä Board Corporation via Metsäliitto Management (B share)
METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS			
Martti Asunta	65,455	48,610	
Mikael Aminoff	43,008	53,749	
Eino Halonen	2,738	18,900	
Arto Hiltunen	1,040		
Kari Jordan	520	48,047	1,763,867
Saini Jääskeläinen	103,005	2,678	
Juha Parpala	16,947	1,000	
Timo Saukkonen	65,994	3,699	
Antti Tukeva	28,376	3,200	
METSÄ GROUP'S EXECUTIVE MANAGEMENT TEAM			
Hannu Anttila			617,353
Mikko Helander			881,933
Ilkka Hämälä			617,353
Kari Jordan	520	48,047	1,763,867
Mika Joukio		34,345	
Esa Kaikkonen			440,967
Juha Mäntylä	146,355		440,967
Vesa-Pekka Takala			440,967



METSÄLIITTO COOPEARTIVE'S REPRESENTATIVES COUNCIL

Members of the Metsäliitto Cooperative elect a Representative Council from among the members every four years through mail elections. The Representative Council is the highest decision-making body.

Aikinen Ilmari	Farmer	Mynämäki	Niemelä Henry	Farmer	Lapua
Alatalo Matti	Farmer	Soini	Nylund Mats	Farmer	Pedersöre
Eeva Toivo	Farmer	Kauhajoki	Nyysönen Olli-Pekka	Chauffeur	Pielavesi
Haukilahti Tapani	Farmer	Veteli	Pekonen Kari	Rural entrepreneur	Parikkala
Häppölä Heikki	Farmer	Orimattila	Purhonen Petri	Farmer	Enonkoski
Idström Eero	Farmer	Kiuruvesi	Pyykkönen Rauno	Forestry technician	Suomussalmi
Isomuotia Harri	Farmer, MSc (Forestry)	Hämeenkyrö	Raininko Tuomo	Farming and forestry entrepreneur	Jämijärvi
Juutilainen Jukka	Farming and forestry entrepreneur	Juva	Raitala Juha	Farmer	Loimaa
Juonen Matti	Pensioner	Joensuu	Rautiola Antti	Farmer	Oulainen
Kallunki Heikki	Physiotherapist	Kuusamo	Ryymän Jaakko	Farmer	Iisalmi
Kananen Jussi	Farmer, agrologist	Viitasaari	Räsänen Tauno	Entrepreneur	Tuusniemi
Kangas Erkki	Agricultural entrepreneur	Harjavalta	Savolainen Jyrki	Farmer	Laukaa
Keskinen Sakari	Farmer	Mänttä-Vilppula	Sipola Atso	Farmer	Oulu
Keskisarja Hannu	Farmer	Nivala	Sirviö Antti	Farmer	Kemijärvi
Kivenmäki Ari	Agrologist, farmer	Kuortane	Snellman Veli	Farmer	Helsinki
Kiviranta Esko	Farmer, senior lawyer	Sauvo	Storsjö Bo	Farmer	Kristiinankaupunki
Koskinen Jaakko	Farmer	Hamina	Tienhaara Asko	Farmer	Alajärvi
Kuisma Jaakko	Agrologi	Urjala	Tolvanen Matti	Farmer, forestry technician	Varkaus
Kuivalainen Kyösti	Rural entrepreneur	Lieksa	Tuominen Pasi	Rural manager, farmer	Eura
Laineenoja Jari	Agronomist, financial manager	Huittinen	Tuppi Veli-Matti	Farmer, entrepreneur	Laihia
Laitinen Pirkko	Agrologist	Utajärvi	Turtiainen Matti	Journalist, farmer	Kerimäki
Lamminsalo Asko	Rural entrepreneur	Rääkkylä	Uotila Kirsi	Forestry entrepreneur	Helsinki
Lauttia Petri	Farmer	Hämeenlinna	Uusitalo Ilkka	Farmer	Salo
Levänen Pertti	Senior policeman	Pieksämäki	Vapaniemi Jukka-Pekka	Forestry services entrepreneur	Nurmijärvi
Lunttila Tommi	Farming and forestry entrepreneur	Äänekoski	Wasberg Johan	Forestry engineer	Mustasaari
Lyömiö Matti	Agrologist	Mäntyharju	Wasström Anders	Farming entrepreneur	Raasepori
Långgård Thomas	Farmer	Maalahti	Vuorela Erkki	Rural manager	Salla
Morri Tiina	Forestry entrepreneur	Virrat	Vuoremaa Heino	Forestry entrepreneur	Haapavesi
Murto Pentti	Agrologist	Tampere	Väänänen Martti	Farmer	Sillinjärvi
Mäkinen Pirjo	Forestry entrepreneur	Petäjävesi	Ylitähti Martti	Farmer	Ii
Neuvuori Jari	Development manager, farmer	Uusikaupunki	Ylä-Outinen Päivi	Farmer	Lappeenranta

METSÄLIITTO COOPEATIVE'S SUPERVISORY BOARD

The Supervisory Board's duty is to supervise the appropriate management of the Metsäliitto Cooperative in compliance with the relevant regulations, the Supervisory Board's decisions, and in the interests of Metsäliitto Cooperative. It also supervises the implementation of the Representative Council's decisions and elects Metsäliitto Cooperative's Board of Directors.

CHAIRMAN					
Hannu Järvinen	Agronomist	Janakkala			
DEBUTY CHAIRMAN					
Juha Paajanen	Farmer	Punkaharju			
MEMBERS					
Björkenheim Johan	Farmer	Isokyrö	Lappalainen Jukka	Farmer	Pielavesi
Brandt Mats	Agrologist	Kokkola	Lassila Hannu	Farmer	Veteli
Ekman Eero	Rural secretary	Paimio	Lindqvist Hans-Erik	MSc (Forestry), town manager	Närpiö
Hatva Teuvo	Forestry entrepreneur	Kajaani	Linnaranta Jussi	Agronomist	Kuopio
Hirvonen Ville	Agrologist	Rääkkylä	Malmström marten	Farmer	Espoo
Hongisto Arto	Farmer	Liminka	Mikkola Antti-Jussi	Farmer	Pälkäne
Isotalo Antti	Farmer	Kauhava	Nikula Timo	Agrologist	Laitila
Junttila Risto	Executive manager	Kemijärvi	Palojärvi Martti	Farmer	Vihti
Juusela Ilkka	Talousneuvos (Finnish honorary title)	Sastamala	Ruuth Mauri	Agrologist	Mikkeli
Jäärni Antti	Farmer	Simo	Siponen Ahti Tapani	M.Soc.Sc	Kiuruvesi
Kinnunen Esko	Farmer	Pieksämäki	Tolonen Mikko	Farmer	Suomussalmi
Kulmala Airi	Specialist, farmer	Nousiainen	Vainionpää Erkki	Farmer	Töysä
Kuutti Petri	Farmer	Kouvola	Vanhatalo Jukka	Farmer	Siikainen
Kässi Timo	Agrologist	Uurainen	Äijö Matti	Forestry engineer	Ikaalinen
PERSONNEL REPRESENTATIVES					
Hyvönen Jari	Mill measurer	Keuruu			
Keskinen Matti	Purchasing supervisor	Nastola			
Koljonen Timo	System specialist	Espoo			
Nurmi Mikko	Project engineer	Kyrö			



METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS



MARTTI ASUNTA

KARI JORDAN

MIKAEL AMINOFF

EINO HALONEN

ARTO HILTUNEN

SAINI JÄÄSKELÄINEN

JUHA PARPALA

TIMO SAUKKONEN

ANTTI TUKEVA

MARTTI ASUNTA

(b. 1955)

MSc (Forestry),

Metsäneuvos (Finnish honorary title)

**Member of the Board since 2005,
Chairman since 2008**

- **Huoneistokeskus Oy**, Branch Manager (2003–2005)
- **Municipality of Kuru**, Project Manager (2001–2003)
- **Kiinteistötoimisto Martti Asunta LKV**, entrepreneur (1995–)
- **Suomen Yhdyspankki**, Bank Manager (1993–1995)
- **Tampere Regional Savings Bank (SSP)**, Area Manager (1988–1993)
- **Federation of Forest Management Associations in Pohjois-Häme**, Field Manager, Executive Manager (1982–1988)
- **Pellervo-Media Oy**, Chairman of the Board (2013–)
- **Pellervo Society**, Member of the Board (2008–), Chairman of the Board (2010–)
- **Metsä Board Corporation**, Vice Chairman of the Board (2008–)
- **Metsä Fibre Oy**, Member of the Board (2008–)
- **Metsä Tissue Corporation**, Member of the Board (2008–)

MIKAEL AMINOFF

(b. 1951)

MSc (Forestry)

Member of the Board since 2008

- **Metsä Board Corporation**, Member of the Board (2010–)
- **Coastal regional council of the Finnish Forestry Centre**, Member (2010–)
- **Pellervo Society**, Member of the Delegation (2010–2011)
- **Coastal forest owners' union**, Chairman (2004–2007)
- **Eteläinen metsäreviiri**, Chairman of the Board (2000–2007)
- **Entrepreneur in farming and forestry** (1992–)
- **Länsi-Uudenmaan metsäreviiri**, Executive Manager (1980–1997)

KARI JORDAN

(b. 1956)

MSc (Econ.),

Vuorineuvos (Finnish honorary title)

Member and Vice-Chairman of the Board since 2005

- **Metsä Group**, President and CEO (2006–)
- **Metsäliitto Cooperative**, CEO (2004–)
- **Metsä Board Corporation**, Chairman of the Board (2005–)
- **Metsä Tissue Corporation**, Chairman of the Board (2004–)
- **Metsä Fibre Oy**, Member of the Board (2004–), Chairman (2006–)
- **Central Chamber of Commerce of Finland**, Member of the Board (2007–2011), Chairman of the Board (2012–)
- **Confederation of Finnish Industries EK**, Member of the Board (2005–), Vice Chairman (2009–2011, 2013–)
- **Finnish Forest Industries Federation**, Chairman of the Board and the Board's Working Committee (2009–2011), Vice Chairman of the Board and member of the Board's Working Committee (2005–2009), Member of the Board (2012–2013), Vice Chairman of the Board and its Working Committee (2014–)
- **Varma Mutual Pension Insurance Company**, Member of the Supervisory Board (2006–2012), Deputy Chairman of the Board (2013), Chairman of the Board (2014–)
- Holds several positions of trust in foundations and non-profit associations

EINO HALONEN

(b. 1949)

MSc (Econ.),

Rahoitusneuvos (Finnish honorary title)

Member of the Board since 2006

- **Suomi Mutual Life Assurance Company**, Managing Director (2000–2007)
- **Pohjola Life Assurance Company Ltd**, Managing Director (1998–1999)
- **Merita Nordbanken**, Executive Vice President, Regional Bank Manager (1998)
- **Merita Bank Ltd**, Director and member of the Management Board (1996–1997)

- **Kansallis-Osake-Pankki** (1971–1995)
- **Cramo Oyj**, Vice Chairman of the Board (2003–)
- **YIT Corporation**, Member of the Board (2000–2012), Chairman of the Audit Committee (2004–2012) and member of the Nomination and Rewards Committee (2008–2012)

ARTO HILTUNEN

(b. 1958)

MSc (Econ.)

Member of the Board since 2007

- **SOK Corporation**, CEO and Chairman of the Board (2007–2009)
- **Helsinki Cooperative Society Elanto**, Managing Director (2004–2007), Chairman of the Board (2005–2007),
- **Cooperative Elanto**, following the merger decision, Managing Director (2003)
- **Helsinki Cooperative Society HOK**, Managing Director, Chairman of the Board (1998–2003)
- **Veho Group Oy AB**, Member of the Board (2011–), Chairman of the Board (2012–)
- **Talent Vectia Oy**, Member of the Board (2010–)
- **Metsä Tissue Corporation**, Member of the Board (2010–)
- **SRV Group Plc**, Member of the Board (2010–)
- **Itella corporation**, Member of the Board (2010–), Chairman (2011–)
- **Jenny and Antti Wihuri Foundation**, Member of the Board (2010–)

SAINI JÄÄSKELÄINEN

(b. 1959)

Entrepreneur in farming and forestry

Member of the Board since 2005

- **Central Finland Central Hospital**, anaesthetic nurse (1986–1988), midwife (1989–1998)
- **Korpilahti Cooperative Bank**, Member of the Supervisory Board (2008), Member of the Board (2009–)
- **Vapo Oy**, Member of the Supervisory Board (2005–2009)

JUHA PARPALA

(b. 1967)

Agrologist

Member of the Board since 2009

- **Farmer** (1994–)
- **Simon Turvejaloste Oy**, Member of the Board (2011–)
- **Metsäliitto Cooperative**, District Committee (1997–), Member of the Supervisory Board (2001–2008)
- **Osuuskunta Pohjolan Maito**, Member of the Board (2006–2007)

TIMO SAUKKONEN

(b. 1963)

MSc (Forestry)

Member of the Board since 2007

- **Farmer** (1992–)
- **Pellervo Society**, Member of the Delegation (2008–)
- **Simple Cooperative Bank**, Member of the Supervisory Board (2000–), Chairman (2011–)
- **Metsäliitto Cooperative**, various positions of trust (1995–)

ANTTI TUKEVA

(b. 1953)

Agronomist,

Maanviljelysneuvos (Finnish honorary title)

Member of the Board since 2009

- **Osuuskunta Maitosuomi**, CEO (2007–)
- **Osuuskunta Normilk**, CEO (1994–)
- **Osuuskunta Maitojaloste**, CEO (1991–2006)
- **Kukkala farm**, farming and forestry (1985–)
- **LähiTapiola Southern Ostrobothnia**, Member of the Board (2012–)
- **Lakeus Local Insurance Mutual Company**, Vice Chairman of the Board (2006–2012)
- Positions of trust in agrifood organisations

Management's members' capital and shareholding in Metsäliitto Cooperative and Metsä Board Corporation are presented on page 95 of this report.

METSÄ GROUP'S EXECUTIVE MANAGEMENT TEAM



KARI JORDAN

HANNU ANTILA

MIKKO HELANDER

ILKKA HÄMÄLÄ

MIKA JOUKIO

ESA KAIKKONEN

JUHA MÄNTYLÄ

VESA-PEKKA TAKALA

KARI JORDAN

(b. 1956)

MSc (Econ.),

Vuorineuvos (Finnish honorary title)

President and CEO, Metsä Group
Member of the Executive Management Team since 2005

- **Metsä Group**, President and CEO (2006–)
- **Metsäliitto Cooperative**, CEO (2004–)

For the full CV, see page 98

HANNU ANTILA

(b. 1955)

MSc (Econ.)

Executive Vice President, Strategy,
Metsä Group

Member of the Executive Management Team since 2005

- **Metsä Group**, Executive Vice President, Strategy (2006–)
- **M-real Corporation (currently Metsä Board Corporation)**, CEO (2005–2006)
- **Metsäliitto Group (now Metsä Group)**, Chief Financial Officer (2003–2004)
- **Metsä Tissue Corporation**, CEO (1998–2003)
- **Oy Metsä-Botnia Ab and Metsä Serla Corporation (now Metsä Fibre Corporation and Metsä Board Corporation)**, previously various management positions
- **Pohjolan Voima Oy**, Member of the Board (2009–)
- **Tapiola Mutual Life Assurance Company**, Member of the Advisory Board (2011–)
- **Teollisuuden Voima Oyj**, Member of the Board (2007–)
- **Metsä Tissue Corporation**, Member of the Board (2004–)
- **Metsä Fibre Oy**, Member of the Board (2004–)
- **Metsä Group Treasury Oy**, Chairman of the Board (2010–2013)

MIKKO HELANDER

(b. 1960)

MSc (Eng.)

CEO, Metsä Board Corporation
Member of the Executive Management Team since 2006

- **Metsä Board Corporation**, CEO (2006–)
- **Metsä Tissue Corporation**, previously CEO
- **Valmet and Metso Group**, previously various management positions
- **Metsä Fibre Oy**, Member of the Board (2009–)

ILKKA HÄMÄLÄ

(b. 1961)

MSc (Eng.)

CEO, Metsä Fibre Oy
Member of the Executive Management Team since 2008

- **Metsä Fibre Oy**, CEO (2008–)
- **Oy Metsä-Botnia Ab (currently Metsä Fibre Oy)**, previously various management positions
- **Finnish Forest Industries Federation**, Vice Chairman of the Board and the Board's Working Committee (2012–2013), Member of the Board (2014–)
- **Pohjolan Voima Oy**, Deputy Member of the Board (2009–)
- **Ilmarinen Mutual Pension Insurance Company**, Member of the Supervisory Board (2009–)
- **Delegation of Excellence Finland**, Member (2008–)

MIKA JOUKIO

(b. 1964)

MSc (Tech.), MBA

CEO, Metsä Tissue Corporation
Member of the Executive Management Team since 2012

- **Metsä Tissue Corporation**, CEO (2012–)
- **M-real Corporation (currently Metsä Board Corporation)**, Head of Consumer Packaging (2006–2012)
- **Metsä-Serla Corporation and M-real Corporation (currently Metsä Board Corporation)**, various management positions since 1990

ESA KAIKKONEN

(b. 1969)

LLM

Executive Vice President, Metsä Wood
Member of the Executive Management Team since 2008

- **Metsä Wood**, Executive Vice President (2013–)
- **Metsä Group**, General Counsel (2003–2013)
- **Metsäliitto Group (now Metsä Group)**, Legal Counsel (2000–2003)
- **Metsä-Serla Corporation (currently Metsä Board Corporation)**, Legal Counsel (1998–2000)
- **Lawyer in a law office (1995–1998)**
- **Confederation of Finnish Industries EK**, Member of the Legal Committee (2007–2013)
- **Finnish Forest Industries Federation**, Member of the Sawmill Industry Committee (2013–)
- **European Organisation of the Sawmill Industry aisbl (EOS)**, Member of the Board (2013–)
- **Finnish Wood Research (FWR) Oy**, Member of the Board (2014–)

JUHA MÄNTYLÄ

(b. 1961)

MSc (Forestry),

Metsäneuvos (Finnish honorary title)

Executive Vice President, Metsä Forest
Member of the Executive Management Team since 2008

- **Metsä Forest**, Executive Vice President (2008–)
- **Metsäliitto Cooperative**, previously various positions
- **Etelä-Pohjanmaa Forestry Centre and Enso Forest Development Ltd.**, previously various positions
- **CEPI (Confederation of European Paper Industries)**, Member of the Forest Committee (2012–)
- **Swedish Forest Industries Federation**, Member of the Forest Committee (2011–)
- **Finnish Forest Industries Federation**, Chairman of the Forest Committee (2010–)
- **Finnish Forest Foundation**, Member of the Board (2010–)
- **Pellervo Economic Research**, Member of the Board (2011–)
- **Metsä Fibre Oy**, Member of the Board (2008–)
- **Finsilva Oyj**, Member of the Board (2007–)

VESA-PEKKA TAKALA

(b. 1966)

MSc (Econ.)

Chief Financial Officer, Metsä Group
Member of the Executive Management Team since 2010

- **Metsä Group**, Chief Financial Officer (2010–)
- **Outotec Group**, Chief Financial Officer and Director of Finance (2006–2010), member of the management team, deputy to the CEO
- **Outokumpu Group**, Chief Financial Officer (2001–2006), member of the management team (2005), previously financial management positions
- **Metsä Group Treasury Oy**, Chairman of the Board (2013–)

Management's members' capital and shareholding in Metsäliitto Cooperative and Metsä Board Corporation are presented on page 95 of this report.



FINANCIAL REPORTING

Metsä Group does not comment on the Group's financial performance or similar matters from the close of each reporting period up to the publication of the report for the period, apart from substantial changes in the market conditions or correcting incorrect information.

FINANCIAL INFORMATION

The financial reports are published in Finnish, Swedish and English. Annual reports and other publications can be ordered by sending e-mail to communications@metsagroup.com and found on the Group's website at www.metsagroup.com.

Stock exchange releases, interim reports and financial statements are updated on Metsä Group's website in real time. In addition, the website presents the Group's products, customers, sales network, environmental matters and organisation. You can order Metsä Group's publications and provide feedback on the website. The company's general e-mail address is communications@metsagroup.com.

Metsä Group aims to offer company-related information that is up to date and easy to utilise on a regular and open basis. The company aims to provide reliable and truthful information on its operations and financial position and short-term outlook. All investors are treated equally.

Metsä Group will publish its financial reports in 2014 as follows:

CLOSED WINDOW	FINANCIAL REPORT	DATE OF PUBLICATION
1 Jan.–6 Feb. 2014	Financial statements for 2013	Thursday 6 Feb 2014
3 Apr.–13 May 2014	Interim report January–March	Tuesday 13 May 2014
1 Jul.–31 Jul. 2014	Interim report January–June	Thursday 31 Jul 2014
1 Oct.–5 Nov. 2014	Interim report January–September	Wednesday 5 Nov 2014

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