Metsä Group's operating result for January–June excluding non-recurring items was EUR 197 million

Result for the first half of 2014

- Sales amounted to EUR 2,519 million (1–6/2013: EUR 2,506 million).
- Operating result excluding non-recurring items was EUR 197 million (183). Operating result including non-recurring items was EUR 230 million (184).
- Result before taxes excluding non-recurring items was EUR 157 million (131). Result before taxes including non-recurring items was EUR 183 million (131).
- Return on capital employed excluding non-recurring items was 11.3 per cent (9.8).
- Cash flow from operations amounted to EUR 193 million (125).

Result for the second quarter of 2014

- Sales amounted to EUR 1,265 million (4–6/2013: EUR 1,242 million).
- Operating result excluding non-recurring items was EUR 92 million (94). Operating result including non-recurring items was EUR 160 million (89).
- Result before taxes excluding non-recurring items was EUR 77 million (73). Result before taxes including non-recurring items was EUR 146 million (69).
- Return on capital employed excluding non-recurring items was 10.3 per cent (9.7).
- Cash flow from operations amounted to EUR 226 million (144).

Events during the second quarter of 2014

- Metsä Group announced it was preparing to build a bioproduct mill in Äänekoski. The final investment decision will be made during the first half of 2015.
- In April, Metsä Fibre sold a total of 170,000 of Pohjolan Voima Oy's B shares to Kymppivoima Oy for EUR 75 million.
- The USD price of softwood pulp continued to increase slightly in all markets.
- Paperboard delivery volumes increased compared to the previous quarter. The average market price levels for paperboards remained unchanged.
- The profitability of the wood products industry improved as a result of increased sales prices, efficiency programmes and seasonal changes in demand.
- The share capital of Metsä Wood Eesti AS, the owner of the Reopalu sawmill, was sold to an Estonian wood products company.
- Metsä Board Corporation's Board of Directors appointed Mika Joukio, currently CEO of Metsä Tissue Corporation, as CEO of Metsä Board Corporation as of 1 December 2014 at the latest.

“As expected, our operating result excluding non-recurring items for the second quarter of 2014 was slightly weaker compared to the previous quarter, mainly because of annual maintenance shutdowns, some of which were more extensive than usual.

The European economy is yet to change for the better. Therefore, it is essential to ensure that our operations are competitive. At Metsä Group, this means continuous competence development, seeking productivity and efficiency, and investing in product areas with promising long-term growth prospects. Practical examples of our development measures include the efficiency programme that Metsä Wood launched last year and the plans we announced in April to build a bioproduct mill in Äänekoski, Finland.

Industrial investment decisions need to be supported by proper actions from the government. The cancellation of the windfall tax is a positive sign, but further measures are needed. In addition to the sulphur directive, it seems that if implemented, the EU 2030 climate change and energy policy will significantly burden industry and households. We all benefit from lower emissions and climate change mitigation, but it is equally important to take care of the competitiveness of the domestic industry.”

Kari Jordan, President & CEO, Metsä Group

Metsä Group

Income statement, EUR million The figures for 2013 are restated	2014 1–6	2013 1–6	2014 4–6	2013 4–6	2013 1–12
Sales	2 519.2	2 505.5	1 264.9	1 241.9	4 938.7
Other operating income	124.3	39.2	88.2	23.3	81.0
Operating expenses	-2 287.8	-2 233.2	-1 135.3	-1 117.9	-4 427.7
Depreciation and impairment losses	-125.8	-127.9	-57.7	-58.0	-257.1
Operating result	229.8	183.7	160.2	89.2	335.0
Share of results from associated companies and joint ventures	15.3	9.5	7.9	2.9	9.6
Exchange gains and losses	-1.2	0.0	0.9	-0.2	-4.6
Other net financial items	-61.1	-61.9	-23.3	-23.0	-116.2
Result before income tax	182.9	131.3	145.7	68.9	223.8
Income taxes	-41.2	-34.8	-35.8	-18.8	-35.1
Result for the period	141.7	96.6	109.9	50.1	188.7

Profitability The figures for 2013 are restated	2014 1–6	2013 1–6	2014 4–6	2013 4–6	2013 1–12
Operating result, EUR mill.	229.8	183.7	160.2	89.2	335.0
- " -, excluding non-recurring items	196.6	183.0	91.5	93.7	342.9
- " - % of sales	7.8	7.3	7.2	7.5	6.9
Return on capital employed, %	12.6	9.8	17.2	9.3	8.9
- " -, excluding non-recurring items	11.3	9.8	10.3	9.7	9.1
Return on equity, %	14.4	10.4	22.4	10.7	9.9
- " -, excluding non-recurring items	11.8	10.3	8.4	11.6	10.3

Financial position The figures for 2013 are restated	2014 30.6.	2013 30.6.	2014 31.3.	2013 31.3.	2013 31.12.
Equity ratio, %	37.9	34.8	37.2	34.9	37.9
Net gearing ratio, %	70	90	83	90	77
Interest-bearing net liabilities, EUR mill.	1 389	1 669	1 614	1 695	1 510

Segments

Sales and Operating result January–June 2014 (EUR mill.)	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers
Sales	814.4	473.7	654.7	995.2	502.7
Other operating income	2.8	4.0	27.5	39.4	2.9
Operating expenses	-801.5	-440.8	-537.7	-909.5	-465.2
Depreciation & impairment losses	-1.5	-14.9	-33.0	-49.4	-19.0
Operating result	14.2	22.0	111.6	75.7	21.5
Non-recurring items	1.5	1.0	-20.3	-11.3	-
Operating result, excl. non-rec. items	15.7	23.0	91.3	64.4	21.5
- % of sales	1.9	4.9	13.9	6.5	4.3

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

The Interim Report is unaudited

METSÄ GROUP

INTERIM REPORT 1 JANUARY–30 JUNE 2014

Sales and result

Metsä Group's sales in January–June totalled EUR 2,519.2 million, remaining at the same level as in the corresponding period for the previous year (1–6/2013: EUR 2,505.5 million).

The operating result excluding non-recurring items was EUR 196.6 million (183.0), or 7.8 per cent of sales (7.3). The operating result improved mainly as a result of higher market prices of softwood pulp, increased delivery volumes of folding boxboard and white-top fresh forest fibre linerboard and slightly increased sales prices for wood products as well as efficiency improvement programmes. The operating result was burdened by maintenance shutdowns at the Joutseno and Äänekoski pulp mills and the Husum integrated paper and pulp mill, some of which were more extensive than usual, as well as a weaker rate of the US dollar against the euro.

Sales for the second quarter of 2014 totalled EUR 1,264.9 million (4–6/2013: 1,241.9). The operating result excluding non-recurring items was EUR 91.5 million (4–6/2013: 93.7).

The non-recurring items included in Metsä Group's operating result for January–June were EUR 33.2 million net (0.7). The most significant non-recurring item was the sale of Pohjolan Voima Oy's B shares to Kymppivoima Oy for EUR 75.0 million. A sales gain of EUR 70.3 million was recognised for the transaction in the operating result. However, the transaction only had a minor positive effect on the Group's equity, as Pohjolan Voima's shares are measured at fair value in the balance sheet. The non-recurring items recognised in the operating result for the first quarter amounted to EUR -35.4 million net. The most significant items were the sales gain of EUR 24.8 million from the real estate property in Lielahti, Finland, and the EUR 59.2 million paid in damages to UPM-Kymmene Corporation.

The operating result including non-recurring items was EUR 229.8 million (183.7). The share of results from associated companies and joint ventures was EUR 15.3 million (9.5). Financial income was EUR 3.9 million (2.5), exchange losses recognised in financial items were EUR 1.2 million (0.0) and financial expenses were EUR 65.0 million (64.4). The financial expenses include a non-recurring item of EUR 7.6 million related to the damages paid to UPM-Kymmene Corporation and an expense of approximately EUR 6 million related to the early repayment of Metsä Board's loans. The financial expenses in the comparison period include additional interest of approximately EUR 8 million related to the early repayment of Metsä Board's USD-denominated loan.

The result before taxes for the period was EUR 182.9 million (131.3). Taxes including changes in deferred tax liabilities were EUR 41.2 million (34.8). The result for the period was EUR 141.7 million (96.6).

Excluding non-recurring items, the Group's return on capital employed was 11.3 per cent (9.8), and the return on equity was 11.8 per cent (10.3). Including non-recurring items, the Group's return on capital employed was 12.6 per cent (9.8), and the return on equity was 14.4 per cent (10.4).

Balance sheet and financing

Metsä Group's liquidity is good. Total liquidity at the end of June was EUR 1,267.6 million (31 December 2013: 1,189.9). This consisted of EUR 566.0 million (454.4) of liquid assets and investments and EUR 701.6 million (735.5) of committed credit facility agreements not included on the balance sheet.

The Group's liquidity reserve is complemented by uncommitted commercial paper programmes and credit facilities amounting to EUR 173.0 million (31 December 2013: 174.7).

The Group's equity ratio at the end of June was 37.9 per cent and net gearing was 70 per cent (31 December 2013: 37.9 and 77, respectively). Interest-bearing net liabilities stood at EUR 1,388.7 million (31 December 2013: 1,510.2).

Cash flow from operations amounted to EUR 193.4 million (125.0). EUR 52.8 million was tied to working capital during the first half of the year (1–6/2013: tied EUR 150.1 million). Working capital often seasonally increases in the first half of the year, but this increase was reduced by the introduction of new instruments of working capital financing.

The equity ratio of the parent company Metsäliitto Cooperative was 64.7 per cent and net gearing was 15 per cent at the end of June (31 December 2013: 62.3 per cent and 16 per cent respectively).

At its meeting on 13 May 2014, Metsäliitto Cooperative's Representative Council decided that an interest rate of 5.5 per cent be paid on the statutory capital invested by the members for 2013 and that an additional 1.0 per cent be paid in honour of the anniversary, totalling 6.5 per cent (5.5 for 2012). Interest of 5.0 per cent (5.0) is paid on additional members' capital A, and interest of 4.5 per cent (4.5) is paid on additional members' capital B. Interest paid in May totalled EUR 44.5 million (39.7).

In January–June, Metsäliitto Cooperative's members' capital increased by a total of EUR 62.1 million (55.0). The actual members' capital grew by EUR 2.4 million (2.4), the additional members' capital A by EUR 45.6 million (39.4) and the additional members' capital B by EUR 14.1 million (27.6). The increase in additional members' capital B in the comparison period includes EUR 14.4 million transferred from the additional members' capital C. After the review period, on 1 July 2014, EUR 18.2 million of the additional members' capital fell due for refund (1 July 2013: 17.9).

In March, Metsä Board issued an unsecured bond of EUR 225 million. The bond matures on 13 March 2019 and it carries a fixed coupon interest rate of 4.0 per cent. In March, Metsä Board also signed an agreement on a new unsecured syndicated credit facility. The new facility consists of a term loan facility of EUR 150 million and a revolving credit facility of EUR 100 million, which will both mature in March 2018. The funds from the financing arrangements were primarily used for early repayment of a secured loan of EUR 350 million which would have matured in March 2016. The new revolving credit facility replaced the undrawn credit facility of EUR 100 million, which would have matured in May 2015.

In April, Metsä Fibre sold a total of 170,000 of Pohjolan Voima Oy's B shares to Kymppivoima Oy for EUR 75 million. The shares entitle the holder to purchase approximately

200,000 MWh of electricity from Teollisuuden Voima Oyj's nuclear plants (Olkiluoto 1 and 2) annually.

Personnel
In January–June, Metsä Group had an average of 10,872 employees (11,394). At the end of June, the Group employed 11,250 people (31 December 2013: 10,736), of whom 5,808 (5,227) in Finland and 5,442 (5,509) abroad. The parent company Metsäliitto Cooperative employed 2,740 people at the end of June (31 December 2013: 2,579).

Mikko Helander, CEO of Metsä Board, will join Kesko Corporation as of 1 December 2014. On 10 June 2014, Metsä Board Corporation's Board of Directors appointed Mika Joukio, 50, M.Sc. (Tech.), MBA, as CEO of Metsä Board. Joukio will assume his new position on 1 December 2014 at the latest. Joukio has served as CEO of Metsä Tissue Corporation since the beginning of 2012. Before joining Metsä Tissue, Joukio served among others as head of Metsä Board's paperboard business from 2006 to 2011.

Members
At the end of June, Metsäliitto Cooperative had 122,629 members (31 December 2013: 123,275). During the first half of the year, 1,017 new members joined the Cooperative and 1,663 members cancelled their membership.

Investments
Metsä Group's capital expenditure totalled EUR 64.9 million in January–June (81.5).

The preliminary planning of Metsä Fibre's bioproduct mill is progressing on schedule. Its technical planning and bioproduct concept planning as well as its environmental permit process and the evaluation of its environmental impact (YVA) were launched during the review period.

A plan of the project's qualities, technical solutions and environmental effects will be prepared during the third quarter, after which the relevant authorities will issue a statement on the Environmental Impact Assessment (EIA) report. Excavation work for the new mill was started by soil examination, which will be followed by the demolition of unnecessary buildings.

Business areas

Wood Supply and Forest Services
Metsä Forest's sales in January–June totalled EUR 814.4 million (815.1), and operating result excluding non-recurring items EUR 15.7 million (15.2). In Finland, wood sales continued to be brisk, and the market supply of wood was at a good level. Stumpage prices remained stable.

Metsä Forest's sales in the second quarter amounted to EUR 379.5 million (4–6/2013: 392.2), and operating result excluding non-recurring items to EUR 7.0 million (7.7). Metsä Forest recognised a non-recurring item of EUR 1.5 million as a provision related to personnel restructuring in conjunction with the organisational reform.

Metsä Forest purchased all timber grades, including forest energy, through standing and delivery sales. However, due to the poor harvesting conditions early in the winter, purchasing winter thinning stands from other than contract customers had to be restricted. At the end of the review period, demand focused on summer-harvestable thinning stands, pine and birch logs, and crown wood in terms of forest energy. As a result of the new Act on the Prevention of Forest Damages, the harvesting of softwood pulp and the reception of wood from delivery contracts were limited before the summer holiday season. Sales of forest management services grew exceptionally strongly.

Deliveries to customers' production plants progressed as planned. In January–June, Metsä Forest delivered a total of 15.6 million cubic metres of wood (15.5).

After the challenging harvesting conditions in the winter, the dry spring facilitated harvesting in the Baltic countries and north-western Russia. At the end of the period, softwood pulp and sawmill wood chips were in oversupply, which reduced prices slightly. The demand for birch pulpwood remained high. The market balance of logs varied by area, but there were shortages of logs in many places. However, the prices were relatively stable.

In northern Sweden, the storm damage at the beginning of the year resulted in a good market supply of wood throughout the spring.

More than 3,000 forest owners interested in the future development of Metsä Group and the forest sector attended seminars organised for the members of Metsäliitto Cooperative in honour of its 80th anniversary.

Wood Products Industry
Metsä Wood's sales in January–June totalled EUR 473.7 million (1–6/2013: 477.2), and its operating result excluding non-recurring items was EUR 23.0 million (16.3). The operating result improved clearly from the corresponding period, due to both the slight increase in sales prices and the efficiency measures implemented last year, as well as the closures of unprofitable units.

Sales in the second quarter of 2014 amounted to EUR 251.8 million (4–6/2013: 260.8), and the operating result excluding non-recurring items was EUR 14.4 million (11.9).

The market balance of sawn timber remained reasonable during the second quarter. Delivery volumes of pine sawn timber were smaller than in the corresponding period of the previous year, but deliveries of spruce sawn timber increased slightly. Sales prices of pine and spruce sawn timber were slightly higher than in the previous year. As a result, the profitability of sawing improved moderately, despite the increased price of raw materials.

The demand for birch and softwood plywood remained stable, and the average price of deliveries was slightly higher than in the comparison period.

Metsä Wood discontinued its distribution and warehousing operations in the Czech Republic and Slovakia by the end of May as planned. Its production units are now responsible for serving industrial customers by means of direct deliveries. Other customers in the market area are served by a distribution partner.

The entire share capital of Metsä Wood Eesti AS was sold to an Estonian wood products company. The transaction supports the implementation of Metsä Wood's industrial efficiency strategy by enabling the company to target resources at developing its core business operations. The transaction did not have a significant effect on Metsä Wood's result.

The statutory labour negotiations launched by Metsä Wood in June to close the Karihaara sawmill in Finland were completed on 11 July 2014. Production operations at the sawmill have been interrupted since May 2009, and all members of the staff have been temporarily laid off since June 2009. The statutory labour negotiations concerned the entire staff of the sawmill, five persons in total. After the negotiations, Metsä Wood decided to close the Karihaara sawmill.

Pulp Industry

Metsä Fibre's sales in January–June totalled EUR 654.7 million (1–6/2013: 632.5). The sales volume of pulp was 1,156,000 tonnes (1,101,000), representing an increase of 5 per cent compared to the corresponding period of the previous year.

The currency-denominated market prices of softwood pulp increased by 9 per cent in the first half of the year compared to the corresponding period of the previous year. The average prices of hardwood pulp decreased by 5 per cent. The average rate of the US dollar weakened by more than 4 per cent compared to the corresponding period of the previous year, which had a negative effect on Metsä Fibre's result.

The price of softwood pulp in Europe was USD 908 per tonne at the beginning of the review period and USD 926 per tonne at the end of the review period. The price of hardwood pulp was USD 770 and USD 742, respectively.

Metsä Fibre's operating result excluding non-recurring items in January–June was EUR 91.3 million (94.8). Annual maintenance shutdowns at two mills during the review period had a negative effect on the result, with one of the shutdowns being longer than usual. An increase in the price of pulp and a decrease in the price of chemicals had a positive effect on the result.

Sales in the second quarter of 2014 amounted to EUR 325.8 million (4–6/2013: 309.3), and the operating result excluding non-recurring items was EUR 36.3 million (47.5).

Metsä Fibre is preparing to build a bioproduct mill in the area of its pulp mill in Äänekoski, Finland. The mill's annual pulp capacity is 1.3 million tonnes. This new type of mill will produce high-quality pulp sustainably and resource-efficiently, and it will also produce biomaterials, biochemicals, bioenergy and biofertilisers from side streams. If the project materialises, the mill – with a cost of approximately EUR 1.1 billion – will be the largest investment in the history of the forest industry in Finland. The final investment decision will be made in spring 2015, and the mill is intended to begin operation during 2017.

The annual impact of the investment on the Finnish economy will be over EUR 0.5 billion, and the investment will provide 2,500 jobs in the whole value chain. The annual increase in the value of exports will be EUR 0.5 billion.

The bioproduct mill will increase the share of renewable energy in Finland by approximately 2 percentage points. The plant will not use any fossil-based fuels. All of the energy it requires will be generated from wood. The wood raw material and residue flows will be utilised 100 per cent as products and bioenergy. The mill will increase the consumption of pulpwood in Finland by approximately 4 million cubic metres per year, or approximately 10 per cent. The felling of softwood pulp can be sustainably increased by 7 million cubic metres and the felling of birch pulp by 4 million cubic metres per year. The pulpwood will be procured mainly in Finland.

The annual maintenance shutdowns at the Äänekoski and Joutseno mills took place during the second quarter. The shutdown at the Joutseno mill lasted for more than three weeks. During the shutdown, the bottom and air system of the recovery boiler were renewed, and the chip silo of the boiler and its exit gas recovery and processing system were modernised. These investments totalled approximately EUR 13.5 million. The shutdown at the Joutseno mill was longer than usual, reducing the volume of pulp production by approximately 50,000 tonnes during the review period.

The replacement of the automation system at the Kemi mill in Finland is progressing as planned, and the project will be completed in autumn 2015. This investment will ensure the operational reliability of the mill in the future.

Paperboard and Paper Industry
Metsä Board's sales amounted to EUR 995.2 million (1–6/2013: 1,037.8), and its operating result excluding non-recurring items was EUR 64.4 million (56.2).

Lower production costs and increased delivery volumes of folding boxboard and white-top fresh forest fibre linerboard, as well as a weaker rate of the Swedish krona against the euro, had a positive effect on the operating result excluding non-recurring items compared to the corresponding period of the previous year. Lower average prices of folding boxboard, and coated and uncoated papers in particular, had a negative effect on the operating result. The delivery volumes of papers decreased considerably as well.

Sales in the second quarter of 2014 amounted to EUR 494.0 million (4–6/2013: 502.8), and the operating result excluding non-recurring items was EUR 28.3 million (26.0). Metsä Board's profitability in the second quarter was burdened by scheduled annual maintenance shutdowns at the Husum integrated paper and pulp mill and Metsä Fibre's Joutseno and Äänekoski pulp mills.

The non-recurring items included in the operating result for January–June were EUR 11.3 million net (7.5). In the first quarter, a real estate divestment in Tampere, Finland realised a sales gain of EUR 24.8 million, and the damages paid to UPM-Kymmene incurred an expense of EUR 17.4 million. In the second quarter, the most significant non-recurring item was the sales gain of EUR 4.0 million from Metsä Fibre selling its shares in Pohjolan Voima.

Metsä Board's operating result including non-recurring items was EUR 75.7 million (63.7). Net interest and other financial expenses were EUR 25.2 million (32.3), and exchange losses recognised in financial items were EUR 0.6 million (1.6). Net interest in the review period was increased by approximately EUR 6 million due to the early repayment and refinancing of a loan of EUR 350 million and a standby credit facility of EUR 100 million. In addition, a non-recurring item of EUR 2.2 million related to the damages paid to UPM Kymmene Corporation is recognised in financial expenses. Financial expenses in the comparison period include additional interest of approximately EUR 8 million related to the early repayment of a USD-denominated loan.

Excluding non-recurring items, Metsä Board's return on capital employed was 8.8 per cent (6.3), and its earnings per share were EUR 0.10 (0.06). Including non-recurring items, the return on capital employed was 10.0 per cent (7.1), and the earnings per share were EUR 0.13 (0.08).

Metsä Board's equity ratio at the end of June was 39.8 per cent, and its net gearing was 65 per cent (31 December 2013: 40.7 and 70, respectively).

Metsä Board's interim report was published on 31 July 2014.

Tissue and Cooking Papers
Metsä Tissue's sales in January–June totalled EUR 502.7 million (1–6/2013: 495.9). The improvement is largely explained by an increase in sales volumes. In addition, some of the price increases for tissue paper products announced by Metsä Tissue in March took effect during the second quarter.

The operating result excluding non-recurring items was EUR 21.5 million (27.0). The general increase in cost levels and changes in currency exchange rates had a negative effect on the operating result.

Metsä Tissue's sales in the second quarter totalled EUR 250.2 million (4–6/2013: 244.4), and its operating result excluding non-recurring items was EUR 9.7 million (13.8).

The construction of a converting line for consumer products at the Mariestad mill in Sweden and the biopower plant to be built on the plant premisesprogressed on schedule. The new converting line and the biopower plant are intended to begin operation in autumn 2014. Constructed in collaboration with the local energy company KKAB, the biopower plant will supply renewable energy to the mill and its nearby areas.

A new converting line for large-scale consumer products was introduced at the Krapkowice mill in Poland in June.

During the second quarter, Metsä Tissue launched the Lambi Coolmint handkerchiefs in Scandinavia and an improved Lambi toilet paper grade in Norway and Russia. In addition, it introduced pre-cut kitchen towel sheets under the Serla brand in Norway and under the Mola brand in Central-East Europe. Metsä Tissue also introduced Mola and Tento products in large consumer packages in Central-East Europe.

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

If the political situation that started from Crimea were to escalate, it could result in new sanctions affecting international trade and financial markets. Depending on the type and extent of the sanctions, they could have a negative impact on the volume and result of Metsä Group's operations. In addition, the political situation may have a negative impact on consumption demand even without new sanctions, through the unfavourable development of exchange rates, among others.

The risks related to the Group’s business have been explained more extensively in Metsä Group’s Financial Statements for 2013.

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 202 million, of which approximately EUR 65 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.

In May, Metsäliitto Cooperative and Metsä Board demanded the District Court of Helsinki to revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 that ordered Metsäliitto Cooperative and Metsä Board to pay EUR 67 million in damages to UPM-Kymmene Corporation.

Near-term outlook
Metsä Forest buys wood across the country, primarily thinning stands harvestable during the unfrozen period.

Compared to the second quarter, sales in the wood products industry are expected to decrease due to seasonal changes. The demand outlook for spruce sawn timber in particular has weakened for the rest of the year because of increased supply. Slow construction in the main markets will have an effect on the delivery volumes of Kerto products in the third quarter. The market situation for other wood products is reasonable, and the market balance of birch plywood is good.

The global demand for pulp is expected to continue to grow, and softwood pulp supply and demand are expected to be in a balance in the near future.

Compared to the second quarter, the delivery volumes of folding boxboard and white-top fresh forest fibre linerboard are estimated to increase slightly in the third quarter of 2014. No material price changes are in sight.

The delivery volumes of uncoated fine paper, coated papers and market pulp in the third quarter of 2014 are expected to remain at approximately the same level as in the previous quarter. No material changes are in sight in the price of paper.

Demand in the tissue paper market is expected to continue to grow in all market areas and particularly in the Central-East Europe.

Metsä Group's operating result excluding non-recurring items for the third quarter of 2014 is expected to be at approximately the same level as in the second quarter.

Espoo, Finland, 31 July 2014

Board of Directors

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SEGMENTS
The figures for 2013 are restated
(EUR million)

Wood Supply and Forest Services	1–6/14	1–6/13	4–6/14	4–6/13	1–12/13
Sales	814.4	815.1	379.5	392.2	1 561.0
EBITDA	15.7	16.7	6.3	8.5	30.7
- ” -, excl. non-recurring items	17.2	16.7	7.8	8.5	30.7
Depreciation and impairment	-1.5	-1.5	-0.8	-0.7	-2.8
Operating result	14.2	15.2	5.5	7.7	27.8
- ” -, excl. non-recurring items	15.7	15.2	7.0	7.7	27.8
- ” -, % of sales	1.9	1.9	1.9	2.0	1.8
ROCE excl. non-rec. items, %	25.0	28.1	21.5	26.6	25.6
Capital expenditure	2.5	2.5	1.8	1.3	5.4
Personnel at end of period	932	1 011	932	1 011	919

Wood Products Industry	1–6/14	1–6/13	4–6/14	4–6/13	1–12/13
Sales	473.7	477.2	251.8	260.8	899.7
EBITDA	36.9	24.8	21.5	12.4	36.4
- ” -, excl. non-recurring items	37.0	32.1	21.5	19.7	45.6
Depreciation and impairment	-14.9	-15.8	-7.2	-7.9	-38.2
Operating result	22.0	9.0	14.4	4.5	-1.8
- ” -, excl. non-recurring items	23.0	16.3	14.4	11.9	15.4
- ” -, % of sales	4.9	3.4	5.7	4.6	1.7
ROCE excl. non-rec. items, %	13.6	9.1	16.4	12.7	5.0
Capital expenditure	7.4	21.0	3.3	13.9	43.5
Personnel at end of period	2 503	2 774	2 503	2 774	2 490

Pulp Industry	1–6/14	1–6/13	4–6/14	4–6/13	1–12/13
Sales	654.7	632.5	325.8	309.3	1 314.0
EBITDA	144.6	127.4	68.9	59.3	256.5
- ” -, excl. non-recurring items	124.2	127.4	48.5	59.3	256.5
Depreciation and impairment	-33.0	-32.6	-12.2	-11.8	-59.9
Operating result	111.6	94.8	56.7	47.5	196.6
- ” -, excl. non-recurring items	91.3	94.8	36.3	47.5	196.6
- ” -, % of sales	13.9	15.0	11.2	15.4	15.0
ROCE excl. non-rec. items, %	26.9	27.2	21.4	25.3	28.9
Capital expenditure	10.2	13.2	4.8	6.9	26.6
Personnel at end of period	953	959	953	959	884

Paperboard and Paper Industry	1–6/14	1–6/13	4–6/14	4–6/13	1–12/13
Sales	995.2	1 037.8	494.0	502.8	2 019.3
EBITDA	125.1	114.1	55.9	52.7	214.8
- ” -, excl. non-recurring items	113.8	108.9	52.0	52.1	208.0
Depreciation and impairment	-49.4	-50.4	-23.7	-23.7	-101.3
Operating result	75.7	63.7	32.2	28.9	113.6
- ” -, excl. non-recurring items	64.4	56.2	28.3	26.0	104.4
- ” -, % of sales	6.5	5.4	5.7	5.2	5.2
ROCE excl. non-rec. items, %	8.8	6.3	7.5	6.1	6.4
Capital expenditure	18.7	30.7	14.0	21.5	66.9
Personnel at end of period	3 370	3 401	3 370	3 401	3 116

Tissue and Cooking Papers	1–6/14	1–6/13	4–6/14	4–6/13	1–12/13
Sales	502.7	495.9	250.2	244.4	1 004.0
EBITDA	40.5	48.0	19.2	24.1	95.7
- ” -, excl. non-recurring items	40.5	47.4	19.2	24.1	95.1
Depreciation and impairment	-19.0	-20.4	-9.5	-10.4	-40.4
Operating result	21.5	27.6	9.7	13.8	55.3
- ” -, excl. non-recurring items	21.5	27.0	9.7	13.8	54.7
- ” -, % of sales	4.3	5.4	3.9	5.6	5.5
ROCE excl. non-rec. items, %	6.7	8.3	5.9	8.2	8.4
Capital expenditure	16.3	13.3	12.5	5.8	60.4
Personnel at end of period	2 976	2 989	2 976	2 989	2 843

Other operations	1–6/14	1–6/13	4–6/14	4–6/13	1–12/13
Sales	4.9	1.1	2.7	0.6	3.9
EBITDA	-38.4	-2.5	4.3	-2.1	-5.0
- ” -, excl. non-recurring items	3.5	-2.5	4.3	-2.1	-4.6
Depreciation and impairment	-1.1	-0.9	-0.6	-0.4	-2.0
Operating result	-39.5	-3.4	3.7	-2.5	-7.0
- ” -, excl. non-recurring items	2.4	-3.4	3.7	-2.5	-6.5
Capital expenditure	10.1	9.1	5.0	4.7	17.2
Personnel at end of period	515	500	515	500	484

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

Internal sales and eliminations	1–6/14	1–6/13	4–6/14	4–6/13	1–12/13
Sales	-926.5	-954.0	-438.9	-468.2	-1 863.1
EBITDA	31.2	-17.0	41.8	-7.6	-37.1
- ” -, excl. non-recurring items	-14.7	-17.0	-4.1	-7.6	-37.1
Depreciation and impairment	-6.9	-6.2	-3.8	-3.1	-12.5
Operating result	24.3	-23.2	38.0	-10.7	-49.6
- ” -, excl. non-recurring items	-21.6	-23.2	-7.9	-10.7	-49.6

Metsä Group	1–6/14	1–6/13	4–6/14	4–6/13	1–12/13
Sales	2 519.2	2 505.5	1 264.9	1 241.9	4 938.7
EBITDA	355.6	311.6	217.8	147.3	592.1
- ” -, excl. non-recurring items	321.6	313.1	149.2	154.0	594.3
Depreciation and impairment	-125.8	-127.9	-57.7	-58.0	-257.1
Operating result	229.8	183.7	160.2	89.2	335.0
- ” -, excl. non-recurring items	196.6	183.0	91.5	93.7	342.9
- ” -, % of sales	7.8	7.3	7.2	7.5	6.9
ROCE excl. non-rec. items, %	11.3	9.8	10.3	9.7	9.1
Capital expenditure	64.9	81.5	41.0	46.0	213.5
Personnel at end of period	11 250	11 634	11 250	11 634	10 736

EBITDA = Operating result before depreciation and impairment losses.
ROCE = Return on capital employed

Quarterly data (EUR million)	2014 4–6	2014 1–3	2013 10–12	2013 7–9	2013 4–6	2013 1–3
Sales						
Wood Supply and Forest Services	379.5	434.9	393.4	352.5	392.2	422.8
Wood Products Industry	251.8	221.9	214.6	207.9	260.8	216.4
Pulp Industry	325.8	329.0	339.8	341.7	309.3	323.2
Paperboard and Paper Industry	494.0	501.2	479.2	502.3	502.8	535.0
Tissue and Cooking Papers	250.2	252.6	259.9	248.3	244.4	251.5
Other operations	2.7	2.3	1.2	1.6	0.6	0.5
Internal sales	-438.9	-487.5	-468.7	-440.4	-468.2	-485.8
Sales total	1 264.9	1 254.3	1 219.3	1 213.9	1 241.9	1 263.6
Operating result						
Wood Supply and Forest Services	5.5	8.6	7.1	5.5	7.7	7.4
Wood Products Industry	14.4	7.7	2.2	-13.0	4.5	4.4
Pulp Industry	56.7	54.9	51.0	50.8	47.5	47.3
Paperboard and Paper Industry	32.2	43.5	30.5	19.3	28.9	34.8
Tissue and Cooking Papers	9.7	11.8	15.1	12.6	13.8	13.8
Other operations	3.7	-43.2	-4.6	1.1	-2.5	-0.9
Eliminations	38.0	-13.7	-13.1	-13.3	-10.7	-12.5
Operating result total	160.2	69.7	88.3	63.0	89.2	94.5
- % of sales	12.7	5.6	7.2	5.2	7.2	7.5
Share of results from associated companies and joint ventures	7.9	7.4	0.1	0.1	2.9	6.6
Exchange gains and losses	0.9	-2.1	-2.6	-2.0	-0.2	0.2
Other net financial items	-23.3	-37.8	-24.3	-30.1	-23.0	-38.9
Result before income tax	145.7	37.2	61.5	31.0	68.9	62.4
Income tax	-35.8	-5.4	10.2	-10.6	-18.8	-16.0
Result for the period	109.9	31.8	71.7	20.4	50.2	46.4

Operating result excl. non-rec. items	2014 4–6	2014 1–3	2013 10–12	2013 7–9	2013 4–6	2013 1–3
Wood Supply and Forest Services	7.0	8.6	7.1	5.5	7.7	7.4
Wood Products Industry	14.4	8.6	2.0	-2.9	11.9	4.4
Pulp Industry	36.3	54.9	51.0	50.8	47.5	47.3
Paperboard and Paper Industry	28.3	36.1	29.3	18.8	26.0	30.2
Tissue and Cooking Papers	9.7	11.8	15.1	12.6	13.8	13.2
Other operations & eliminations	-4.2	-15.0	-17.3	-12.3	-13.2	-13.4
Operating result total	91.5	105.1	87.3	72.6	93.7	89.3
- % of sales	7.2	8.4	7.2	6.0	7.5	7.1

Calculation of key ratios

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

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The figures for 2013 are restated

METSÄ GROUP

Condensed consolidated statement of comprehensive income, EUR million	Note	2014 1–6	2013 1–6	Change	2014 4–6	2013 4–6	2013 1–12
Sales	2	**2 519.2**	**2 505.5**	**13.7**	**1 264.9**	**1 241.9**	**4 938.7**
Change in stocks of finished goods and work in progress		-0.6	32.3	-32.9	-30.3	20.8	31.2
Other operating income		124.3	39.2	85.1	88.2	23.3	81.0
Material and services		-1693.8	-1731.9	38.1	-833.2	-864.4	-3401.8
Employee costs		-348.8	-353.4	4.6	-179.1	-183.4	-692.0
Depreciation, amortization and impairment losses		-125.8	-127.9	2.0	-57.7	-58.0	-257.1
Other operating expenses		-244.7	-180.2	-64.4	-92.7	-91.0	-365.0
Operating result	2	**229.8**	**183.7**	**46.1**	**160.2**	**89.2**	**335.0**
Share of results from associated companies and joint ventures		15.3	9.5	5.8	7.9	2.9	9.6
Exchange gains and losses		-1.2	0.0	-1.2	0.9	-0.2	-4.6
Other net financial items	2	-61.1	-61.9	0.8	-23.3	-23.0	-116.2
Result before income tax		**182.9**	**131.3**	**51.6**	**145.7**	**68.9**	**223.8**
Income taxes	3	-41.2	-34.8	-6.4	-35.8	-18.8	-35.1
Result for the period		**141.7**	**96.6**	**45.2**	**109.9**	**50.1**	**188.7**
Other comprehensive income							
Items that will not be reclassified to profit and loss							
Items relating to adjustments of defined benefit plans		-20.0	-7.6	-12.4	-15.0	-7.6	2.4
Income tax relating to items that will not be reclassified		5.3	2.3	3.1	3.9	2.3	-0.1
Total		-14.7	-5.4	-9.3	-11.0	-5.3	2.3
Items that may be reclassified subsequently to profit and loss							
Cash flow hedges		-7.6	-3.7	-3.9	1.8	-12.7	-2.5
Available for sale financial assets	8	-64.2	-47.2	-17.0	-57.2	-22.6	-57.9
Currency translation differences		-15.5	-15.0	-0.4	-7.8	-29.3	-20.3
Other items		0.1	0.0	0.0	0.0	-0.1	-0.1
Income tax relating to items that may be reclassified		17.6	11.4	6.2	14.3	8.2	22.3
Total		-69.6	-54.5	-15.1	-49.0	-56.4	-58.5
Other comprehensive income, net of tax		**-84.3**	**-59.9**	**-24.4**	**-60.0**	**-61.8**	**-56.2**
Total comprehensive income for the period		**57.4**	**36.7**	**20.8**	**49.9**	**-11.6**	**132.5**
Result attributable to:							
Members of parent company		75.5	63.9	11.6	68.1	31.6	109.2
Non-controlling interests		66.3	32.7	33.6	41.8	18.6	79.5
		141.7	96.6	45.2	109.9	50.1	188.7
Total comprehensive income attributable to:							
Members of parent company		31.8	32.7	-0.8	39.3	-3.1	83.1
Non-controlling interests		25.6	4.0	21.6	10.6	-8.5	49.3
		57.4	36.7	20.8	49.9	-11.6	132.5

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

Unaudited

The figures for 2013 are restated

Condensed consolidated balance sheet EUR million	Note	2014 30.6.	2013 30.6.	2013 31.12.	2013 1.1.
ASSETS					
Non-current assets					
Goodwill		523.4	530.1	529.0	533.8
Other intangible assets		253.9	242.7	255.0	239.4
Tangible assets	4	1 925.3	2 024.0	2 012.7	2 093.0
Biological assets		12.1	11.5	11.1	8.4
Investments in associated companies and joint ventures		83.7	71.3	71.5	65.2
Available for sale investments	8	238.1	316.4	305.7	356.2
Non-current financial assets	8	16.7	13.4	19.1	13.7
Deferred tax receivables		57.3	62.9	47.1	70.6
		3 110.5	**3 272.4**	**3 251.3**	**3 380.4**
Current assets					
Inventories		802.8	791.3	775.7	725.7
Accounts receivables and other receivables		738.5	825.3	705.4	711.3
Tax receivables based on the taxable income for the period		4.1	6.1	4.6	8.4
Cash and cash equivalents	8	566.0	450.3	454.4	519.4
		2 111.3	**2 073.0**	**1 940.1**	**1 965.5**
Assets classified as held for sale		3.3	-	-	20.6
Total assets		**5 225.2**	**5 345.5**	**5 191.3**	**5 366.5**
MEMBERS' FUNDS AND LIABILITIES					
Members' funds					
Members' funds		1 533.0	1 424.1	1 482.9	1 366.9
Non-controlling interests		442.9	433.5	476.3	491.2
		1 975.9	**1 857.6**	**1 959.2**	**1 858.1**
Non-current liabilities					
Deferred tax liabilities		235.8	295.9	244.4	319.5
Post-employment benefit obligations		169.5	160.2	154.4	154.0
Provisions	5	27.0	28.9	19.3	34.6
Borrowings	8	1 627.6	1 426.6	1 624.3	1 173.1
Other liabilities		28.3	32.9	27.6	35.7
		2 088.0	**1 944.5**	**2 069.9**	**1 716.9**
Current liabilities					
Provisions	5	18.9	30.6	33.9	53.8
Current borrowings	8	337.7	708.8	356.9	966.2
Accounts payable and other liabilities		788.6	797.1	762.6	766.9
Tax liabilities based on the taxable income for the period		13.8	6.8	8.8	4.5
		1 159.1	**1 543.4**	**1 162.2**	**1 791.5**
Liabilities classified as held for sale		2.2	-	-	-
Total liabilities		**3 249.3**	**3 487.9**	**3 232.2**	**3 508.4**
Total members' funds and liabilities		**5 225.2**	**5 345.5**	**5 191.3**	**5 366.5**

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

Unaudited
The figures for 2013 are restated

Change in members' funds

EUR million		Equity attributable to members of parent company: Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total
Members' funds 1.1.2013		594.5	37.9	236.1	498.2	1 366.7	491.2	1 857.9
IFRS 10 and 11 restatement	Note 1		-0.0		0.3	0.3	-0.0	0.3
Adjusted members' funds 1.1.2013		**594.5**	**37.9**	**236.1**	**498.5**	**1 366.9**	**491.2**	**1 858.1**
Result for the period					63.9	63.9	32.7	96.6
Other comprehensive income, net after tax			-10.9	-17.1	-3.2	-31.2	-28.7	-59.9
Total comprehensive income			**-10.9**	**-17.1**	**60.7**	**32.7**	**4.0**	**36.7**
Transactions with owners								
Dividends paid					-36.2	-36.2	-36.8	-72.9
Change in members' capital		55.0			-0.9	54.0		54.0
Transfer from unrestricted to restricted				5.7	-5.7	0.0		0.0
Acquired shares from non-controlling interests, which did not change the controlling right					6.7	6.7	-25.0	-18.3
Members' funds 30.6.2013		**649.5**	**27.0**	**224.7**	**523.0**	**1 424.1**	**433.5**	**1 857.6**
Members' funds 1.1.2014		654.7	24.9	224.9	578.0	1 482.6	476.3	1 958.9
IFRS 10 and 11 restatement	Note 1		-0.0		0.3	0.3	-0.0	0.3
Adjusted members' funds 1.1.2014		**654.7**	**24.9**	**224.9**	**578.3**	**1 482.9**	**476.3**	**1 959.2**
Result for the period					75.5	75.5	66.3	141.7
Other comprehensive income, net after tax			-9.1	-24.6	-9.9	-43.7	-40.6	-84.3
Total comprehensive income			**-9.1**	**-24.6**	**65.6**	**31.8**	**25.6**	**57.4**
Transactions with owners								
Dividends paid					-40.0	-40.0	-42.5	-82.4
Change in members' capital		62.1			-1.3	60.8		60.8
Transfer from unrestricted to restricted				2.4	-2.4	0.0		0.0
Acquired shares from non-controlling interests, which did not change the controlling right					-3.0	-3.0	-17.9	-20.9
Sold shares from non-controlling interests, which did not change the controlling right				-0.1	0.6	0.4	1.3	1.8
Members' funds 30.6.2014		**716.9**	**15.8**	**202.6**	**597.7**	**1 533.0**	**442.9**	**1 975.9**

Unaudited
The figures for 2013 are restated

Condensed consolidated cash flow statement		2014	2013	2013
EUR million	Note	1–6	1–6	1–12
Result for the period	7	141.7	96.6	188.7
Total adjustments	7	104.5	178.5	349.8
Change in working capital		-52.8	-150.1	-47.7
Cash flow arising from operations		**193.4**	**125.0**	**490.7**
Net financial items		-53.0	-62.9	-124.4
Income taxes paid		-28.1	-27.2	-51.1
Net cash flow arising from operating activities		**112.3**	**34.9**	**315.3**
Acquisitions		-1.3	-2.1	-2.1
Investments in tangible and intangible assets		-64.9	-81.5	-213.5
Disposals and other items	7	119.0	34.0	41.9
Net cash flow arising from investing activities		**52.7**	**-49.5**	**-173.7**
Change in members' funds		60.8	54.0	60.4
Change in shares of non-controlling interests		-20.9	-18.3	-21.1
Change in long-term loans and other financial items		-5.4	-11.8	-167.0
Dividends paid		-87.9	-78.1	-78.1
Net cash flow arising from financing activities		**-53.4**	**-54.2**	**-205.8**
Change in cash and cash equivalents		**111.6**	**-68.9**	**-64.3**
Cash and cash equivalents at beginning of period		454.4	519.4	519.4
Translation difference		0.0	-0.3	-0.8
Change in cash and cash equivalents		111.6	-68.9	-64.3
Cash and cash equivalents at end of period		**566.0**	**450.3**	**454.4**

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

Note 1 – Background and accounting policies

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

This unaudited interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2013 IFRS financial statements. The same accounting policies have been applied as in the 2013 IFRS financial statements with the following exception:

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

In 2014 Metsä Group has adopted the following new and amended standards and interpretations:

– IFRS 10 *Consolidated Financial Statements* and subsequent amendments: 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 comparative figures have been adjusted to IFRS 10 and presented in the interim report Q1 2014.

– IFRS 11 *Joint Arrangements* and subsequent amendments: 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 joint ventures are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The comparative figures have been adjusted to IFRS 11 and presented in the interim report Q1 2014.

– IFRS 12 *Disclosures of Interests in Other Entities* and subsequent amendments: 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): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted.

– Amendments to IAS 32 *Financial Instruments: Presentation*: 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.

– Amendments to IAS 36 *Impairment of Assets*: 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.

– Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*: 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.

All amounts are presented in millions of euros, unless otherwise stated. This interim report was authorised for issue by the Board of Directors of Metsäliitto Cooperative on 31 July 2014.

Note 2 – Segment information

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

The same accounting policies are applied in segment reporting as for the Group as a whole. Transactions between segments are based on market prices. The figures for 2013 are restated.

Sales EUR million	1–6/2014 External	1–6/2014 Internal	1–6/2014 Total	1–6/2013 External	1–6/2013 Internal	1–6/2013 Total
Wood Supply and Forest Services	204.8	609.5	814.4	190.6	624.5	815.1
Wood Products Industry	441.9	31.8	473.7	445.2	31.9	477.2
Pulp Industry	406.9	247.8	654.7	373.3	259.2	632.5
Paperboard and Paper Industry	963.0	32.2	995.2	1 000.6	37.3	1 037.8
Tissue and Cooking Papers	502.5	0.2	502.7	495.8	0.1	495.9
Other operations	0.1	4.9	4.9	0.1	1.0	1.1
Elimination of internal sales		-926.5	-926.5		-954.0	-954.0
Total sales	2 519.2	0.0	2 519.2	2 505.5	0.0	2 505.5

Sales EUR million	2013 External	2013 Internal	2013 Total
Wood Supply and Forest Services	371.1	1 189.9	1 561.0
Wood Products Industry	839.6	60.1	899.7
Pulp Industry	781.0	532.9	1 314.0
Paperboard and Paper Industry	1 943.1	76.2	2 019.3
Tissue and Cooking Papers	1 003.7	0.3	1 004.0
Other operations	0.2	3.7	3.9
Elimination of internal sales		-1 863.1	-1 863.1
Total sales	4 938.7	0.0	4 938.7

Operating result EUR million	2014 1–6	2013 1–6	2013 1–12
Wood Supply and Forest Services	14.2	15.2	27.8
Wood Products Industry	22.0	9.0	-1.8
Pulp Industry	111.6	94.8	196.6
Paperboard and Paper Industry	75.7	63.7	113.6
Tissue and Cooking Papers	21.5	27.6	55.3
Other operations	-39.5	-3.4	-7.0
Eliminations	24.3	-23.2	-49.6
Operating result total	229.8	183.7	335.0
Share of results from associated companies and joint ventures	15.3	9.5	9.6
Financial costs, net	-62.2	-61.9	-120.8
Income taxes	-41.2	-34.8	-35.1
Result for the period	141.7	96.6	188.7

Metsä Group's operating result 1–6/2014 includes non-recurring items net of EUR 33.2 million (0.7). Of these EUR 70.3 million related to the sale of B-shares in Pohjolan Voima Oy, EUR 24.8 million to the sale of Metsä Board's Lielahti properties and EUR 59.2 million to the paid compensation to UPM-Kymmene.

Assets EUR million	2014 30.6.	2013 30.6.	2013 31.12.
Wood Supply and Forest Services	301.4	310.3	291.4
Wood Products Industry	441.7	448.9	403.0
Pulp Industry	759.5	935.3	848.6
Paperboard and Paper Industry	1 926.6	2 063.9	1 981.0
Tissue and Cooking Papers	914.2	898.3	933.5
Other operations	180.1	165.9	185.4
Elimination	-235.9	-338.3	-268.8
Unallocated assets	937.6	861.2	817.2
Total	5 225.2	5 345.5	5 191.3

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

Liabilities EUR million	2014 30.6.	2013 30.6.	2013 31.12.
Wood Supply and Forest Services	200.8	222.9	228.9
Wood Products Industry	126.0	139.8	109.7
Pulp Industry	127.8	163.4	117.1
Paperboard and Paper Industry	478.6	538.5	455.5
Tissue and Cooking Papers	257.1	257.9	274.3
Other operations	72.6	36.5	69.5
Elimination	-235.9	-338.3	-268.8
Unallocated liabilities	2 222.3	2 467.2	2 246.0
Total	3 249.3	3 487.9	3 232.2

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

Note 3 – Income taxes

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

EUR million	2014 1–6	2013 1–6	2013 1–12
Taxes for the period	33.5	32.2	61.2
Taxes for the prior periods	-0.2	-0.4	-2.3
Change in deferred taxes	7.9	3.0	-23.8
Total income taxes	41.2	34.8	35.1

Note 4 – Change in property, plant and equipment

EUR million	2014 1–6	2013 1–6	2013 1–12
Book value at beginning of period	2 012.7	2 093.0	2 093.0
Investments	58.5	73.2	189.7
Decreases	-13.1	-6.0	-6.5
Assets classified as held for sale	-3.3	0.0	-2.1
Depreciation, amortization and impairment losses	-117.4	-120.7	-242.6
Translation differences and other changes	-12.1	-15.6	-18.7
Book value at end of period	1 925.3	2 024.0	2 012.7

Assets classified as held for sale include apartments and parking places of Asunto Oy Tapiolan Jalava not sold by the end of June 2014.

Note 5 – Provisions

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January, 2014	11.8	28.2	13.2	53.2
Translation differences	-0.1	-0.2	-0.2	-0.5
Increases	0.3	0.5	0.7	1.4
Utilized during the year	-4.3	-2.2	-1.7	-8.2
At 30 June, 2014	7.7	26.3	12.0	45.9

Of the total provisions of EUR 45.9 million, the non-current portion was EUR 27.0 million and the current portion EUR 18.9 million. The non-current portion will mostly be paid during 2017.

Note 6 – Related party transactions

The sales of Metsäliitto Cooperative’s wood deliveries and forest services to the Group subsidiaries and joint operations totalled EUR 380.3 million in January–June (388.2). Sales of wood deliveries and forest services to associated companies and joint ventures were EUR 3.8 million (5.3).

Metsä Group’s forest holdings are centralised in Finsilva Corporation, which is an associated company of Metsäliitto Cooperative (49.9%). The value of wood deliveries in January–June was EUR 6.5 million (9.0).

A share-based incentive scheme covering the members of the Group's Executive Management Team was launched in 2010, and executed through Metsäliitto Management Oy. The date of granting the scheme was 10 August 2010, and 6.8 million Metsä Board Corporation's B shares were purchased in the scheme. The share purchases were funded by means of capital inputs worth a total of EUR 3,850,000 from Executive Management Team members and a EUR 15,400,000 loan granted by Metsäliitto Cooperative.

As the conditions of the dissolution of the scheme were met, the scheme was dissolved in the first quarter of 2014 by selling Metsä Board Corporation's B shares owned by the company to Metsäliitto Cooperative. The dissolution of the scheme had no impact on Metsä Group's result.

Transactions with associated companies and joint ventures

EUR million	2014 1–6	2013 1–6	2013 1–12
Sales	4.5	6.1	12.8
Purchases	35.8	51.0	97.2
Non-current receivables	2.1	1.6	2.0
Current receivables	1.2	1.7	1.7
Non-current liabilities	0.0	0.0	0.0
Current liabilities	6.5	14.6	7.2

Note 7 – Notes to condensed consolidated cash flow statement

Adjustments to the result for the period

EUR million	2014 1–6	2013 1–6	2013 1–12
Taxes	41.2	34.8	35.1
Depreciation, amortisation and impairment charges	125.8	127.9	257.1
Biological assets	-1.0	-3.2	-2.7
Share of results from associated companies	-15.3	-9.5	-9.6
Gains and losses on sale of non-current financial assets	-101.4	-5.3	-12.9
Finance costs, net	62.2	61.9	120.8
Pension liabilities and provisions	-7.0	-28.0	-38.0
Total	104.5	178.5	349.8

Result for the period
Metsä Board and Metsäliitto Cooperative announced on 2 November 2012 the initiation by UPM-Kymmene Corporation of arbitration proceedings in which UPM-Kymmene claimed jointly from Metsäliitto Cooperative and Metsä Board primarily EUR 58.5 million in damages and secondarily to return an EUR 58.5 million claimed unjust enrichment based on an alleged breach of the tag-along clause specified in Metsä Fibre's shareholder agreement signed in 2009. The Arbitral Tribunal has in its judgment 11.2.2014, taken by vote, ordered Metsäliitto Cooperative and Metsä Board to jointly compensate UPM-Kymmene EUR 67.1 million for damages including arbitration costs and penalty interests. The compensation is included in the result for January–June.

Disposals and other items
Disposals and other items include the sale of Metsäliitto Cooperative's subsidiary Metsä Wood AS for EUR 5.5 million, the sale of apartments and parking places of Asunto Oy Tapiolan Jalava for EUR 6.8 million, the sale of B-shares in Pohjolan Voima Oy for EUR 75.0 million, sale of fixed assets for EUR 32.4 million and from other items for -0.7 million. The most significant fixed asset items were the EUR 26.8 million sale of Metsä Board's properties in Finland and the sale of emission rights and electricity certificates of EUR 4.0 million.

Note 8 – Financial instruments

Financial assets and liabilities classified according to IAS 39 and fair value

30.6.2014 EUR million	Fair value through p&l	Available for sale financial assets	Loans and other recei-vables	Deriva-tives at hedge accoun-ting	Amor-tised cost	Book value	Fair value
Financial assets 30.6.2014							
Available for sale investments		238.1				238.1	238.1
Other non-current financial assets	0.6		16.1			16.7	16.7
Accounts receivables and others			736.8			736.8	736.8
Cash and cash equivalet	20.3		545.7			566.0	566.0
Derivative financial instruments	0.1			0.1		0.2	0.2
Total	20.9	238.1	1 298.6	0.1	0.0	1 557.7	1 557.7
Financial liabilities 30.6.2014							
Non-current int.-bearing liabilities					1 627.6	1 627.6	1 672.3
Other non-current liabilities					6.5	6.5	6.5
Current interest-bearing liabilities					337.7	337.7	341.6
Accounts payable and others					672.6	672.6	672.6
Derivative financial instruments	4.3			30.7		35.0	35.0
Total	4.3	0.0	0.0	30.7	2 644.4	2 679.4	2 728.1

30.6.2013 EUR million	Fair value through p&l	Available for sale financial assets	Loans and other recei-vables	Deriva-tives at hedge accoun-ting	Amor-tised cost	Book value	Fair value
Financial assets 30.6.2013							
Available for sale investments		316.4				316.4	316.4
Other non-current financial assets			13.4			13.4	13.4
Accounts receivables and others			822.4			822.4	822.4
Cash and cash equivalet	10.1		440.2			450.3	450.3
Derivate financial instruments	2.2			-0.7		1.5	1.5
Total	12.2	316.4	1 276.1	-0.7	0.0	1 604.0	1 604.0
Financial liabilities 30.6.2013							
Non-current int.-bearing liabilities					1 426.6	1 426.6	1 453.7
Other non-current liabilities					7.7	7.7	7.7
Current interest-bearing liabilities					708.8	708.8	711.5
Accounts payable and others					717.3	717.3	717.3
Derivative financial instruments	10.3			24.4		34.8	34.8
Total	10.3	0.0	0.0	24.4	2 860.4	2 895.1	2 925.0

Fair value hierarchy of financial assets and liabilities

EUR million **30.6.2014**	Level 1	Level 2	Level 3	Total
Financial assets booked at fair value				
Non-current financial assets through profit and loss at fair value		0.6		0.6
Available for sale financial assets	0.4		237.8	238.1
Current financial assets through profit and loss at fair value	20.3			20.3
Derivative financial assets		0.2		0.2
Financial liabilities booked at fair value				
Derivative financial liabilities	12.9	22.1		35.0
Financial assets not booked at fair value				
Financial assets		545.7		545.7
Financial liabilities not booked at fair value				
Non-current interest-bearing liabilities		1 672.3		1 672.3
Current interest-bearing liabilities		341.6		341.6

30.6.2013	Level 1	Level 2	Level 3	Total
Financial assets booked at fair value				
Available for sale financial assets	0.3		316.1	316.4
Current financial assets through profit and loss at fair value	10.1			10.1
Derivative financial assets		1.5		1.5
Financial liabilities booked at fair value				
Derivative financial liabilities	12.0	22.7		34.8
Financial assets not booked at fair value				
Financial assets		440.2		440.2
Financial liabilities not booked at fair value				
Non-current interest-bearing liabilities		1 453.7		1 453.7
Current interest-bearing liabilities		711.5		711.5

Financial assets measured at fair value based on level 3

EUR million	6/2014	6/2013
Opening balance 1.1.	305.4	355.8
Gains and losses in income statement	0.0	0.2
Gains and losses in other comprehensive income	-14.2	-47.1
Purchases	1.7	7.8
Settlements	-55.1	-0.5
Closing balance 30.6.	237.8	316.1

Assets have been categorised according to paragraphs 27 A and 27 B in IFRS 7 Financial Instruments: Disclosures.

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

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

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

The most significant item at fair value not traded on an open market is the investment in Pohjolan Voima Oy shares, reported under available-for-sale financial assets. The valuation method is described in the 2013 Financial Statements. The average weighed capital cost applied in the calculation was 3.30 per cent on 30 June 2014 and for the Olkiluoto 3 power plant under construction 6.30 per cent. The acquisition cost of the Pohjolan Voima Oy shares is EUR 43.1 million and their fair value is EUR 217.0 million.

The carrying amount of available-for-sale financial assets would be estimated to be EUR 1.2 million lower or EUR 1.4 million higher should the rate used for discounting the cash flows differ by 10 per cent from the rate estimated by the management. The carrying amount of available-for-sale financial assets would be estimated to be EUR 25.5 million higher or EUR 30.5 million lower should the energy prices applied in the fair value calculation differ by 10 per cent from the rate estimated by the management.

Derivatives
30.6.2014

EUR million	Nominal value	Assets	Liabi-lities	Fair value total	Fair value hedges	Cash flow hedges	Equity hedges	Hedge accoun-ting not applied
Interest rate swaps	470.5		15.2	-15.2	2.9	-15.3		-2.7
Total	470.5	0.0	15.2	-15.2	2.9	-15.3	0.0	-2.7
Currency forwards	1 162.5	0.1	6.9	-6.8		-4.5	-0.9	-1.5
Currency options	139.8		0.0	0.0				0.0
Total	1 302.3	0.1	6.8	-6.8	0.0	-4.5	-0.9	-1.4
Electricity derivatives	155.7		11.9	-11.9		-11.9		0.0
Pulp derivatives	11.6	0.1		0.1		0.1		
Commodity derivatives	16.6		1.1	-1.1		-1.0		-0.1
Total	183.9	0.1	13.0	-12.9	0.0	-12.8	0.0	-0.1
Derivatives total	1 956.8	0.2	35.0	-34.8	2.9	-32.6	-0.9	-4.2

Derivatives
30.6.2013

EUR million	Nominal value	Assets	Liabi-lities	Fair value total	Fair value hedges	Cash flow hedges	Equity hedges	Hedge accoun-ting not applied
Interest rate swaps	816.6		15.9	-15.9	2.2	-14.6		-3.4
Total	816.6	0.0	15.9	-15.9	2.2	-14.6	0.0	-3.4
Currency forwards	884.3	1.5	0.4	1.0		-0.9	0.2	1.7
Currency options	76.5	0.0		0.0				0.0
Currency swaps	46.4		1.1	-1.1				-1.1
Total	1 007.3	1.5	1.6	-0.1	0.0	-0.9	0.2	0.6
Electricity derivatives	210.9		17.1	-17.1		-11.8		-5.2
Commodity derivatives	6.5		0.3	-0.3		-0.2		-0.1
Total	217.3	0.0	17.3	-17.3	0.0	-12.0	0.0	-5.3
Derivatives total	2 041.2	1.5	34.8	-33.3	2.2	-27.5	0.2	-8.2

Note 9 – Commitments and contingencies

EUR million	2014 30.6.	2013 30.6.	2013 31.12.
Own liabilities, for which commitments granted	590.5	1 077.8	999.3
Pledges granted	403.6	876.4	841.1
Floating charges	5.3	605.3	605.3
Real estate mortgages	370.3	887.6	978.7
Chattels mortgage	4.6	4.6	4.6
Commitments for own liabilities, total	783.9	2 373.9	2 429.7
Other commitments on own behalf	88.4	95.8	93.5
On behalf of associated companies	1.9	2.2	2.3
On behalf of others	6.7	7.1	6.7
Total	880.9	2 479.0	2 532.3

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

The reduction in liability commitments is related to Metsä Board's drawn EUR 225 million unsecured bond in March 2014. The loan will mature on 13 March 2019. In addition, Metsä Board signed a new unsecured term loan syndicated credit agreement in March 2014. The new arrangement consists of a loan of EUR 150 million and a credit facility of EUR 100 million which will mature in March 2018. The funds from the new financing arrangements was primarily used for early repayment of a secured EUR 350 million loan which would have matured in March 2016. The new credit facility replaced the EUR 100 million undrawn syndicated credit facility which would have matured in May 2015.

The future costs for non-cancellable operating lease contracts were EUR 32.4 million (31.12.2013: 37.6).